

# Q1

## Report 2020



**NORDIC**<sup>®</sup>  
SEMICONDUCTOR

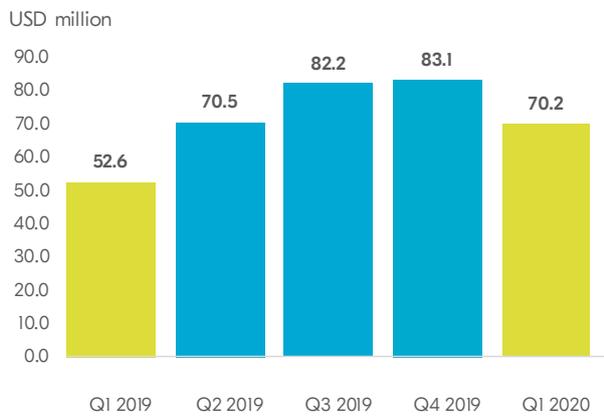
# Content

3	Q1 highlights
4	Key figures
5	Q1 2020 review
	Operational review
	Revenue
	Financial results
	Financial position
	Cash flow
	Risk and uncertainty
12	Outlook
13	Condensed financial information
16	Notes
19	Alternative performance measures

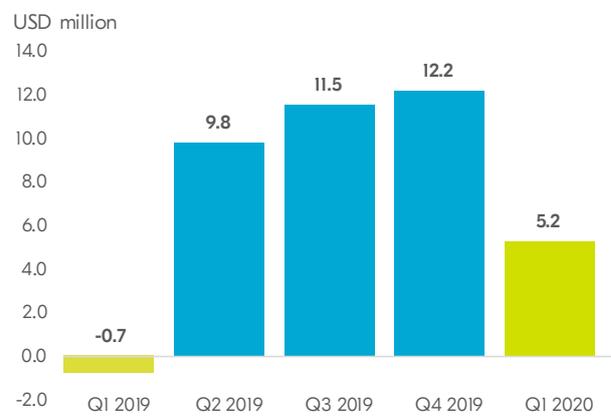
# Q1 HIGHLIGHTS

- Revenue of USD 70.2 million (+33%)
  - Cellular IoT revenue above USD 1 million for the first time
  - Gross margin of 51.9%
  - Record order backlog of USD 123 million (+39%)
- Managed coronavirus outbreak with only limited impact on people and operations
  - Demand driven by new opportunities as a result of current situation and also by customers placing early orders to secure supply
  - Strong design win momentum in healthcare and wearables, design certification of 49%

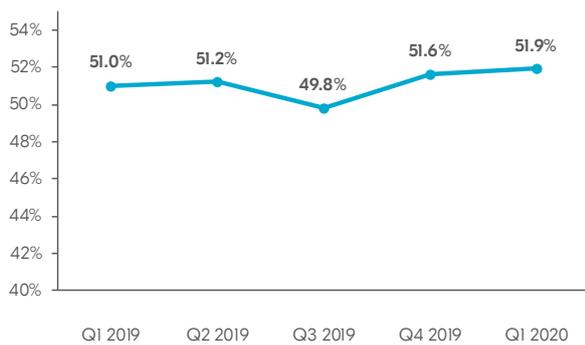
## Revenue



## EBITDA



## Gross margin



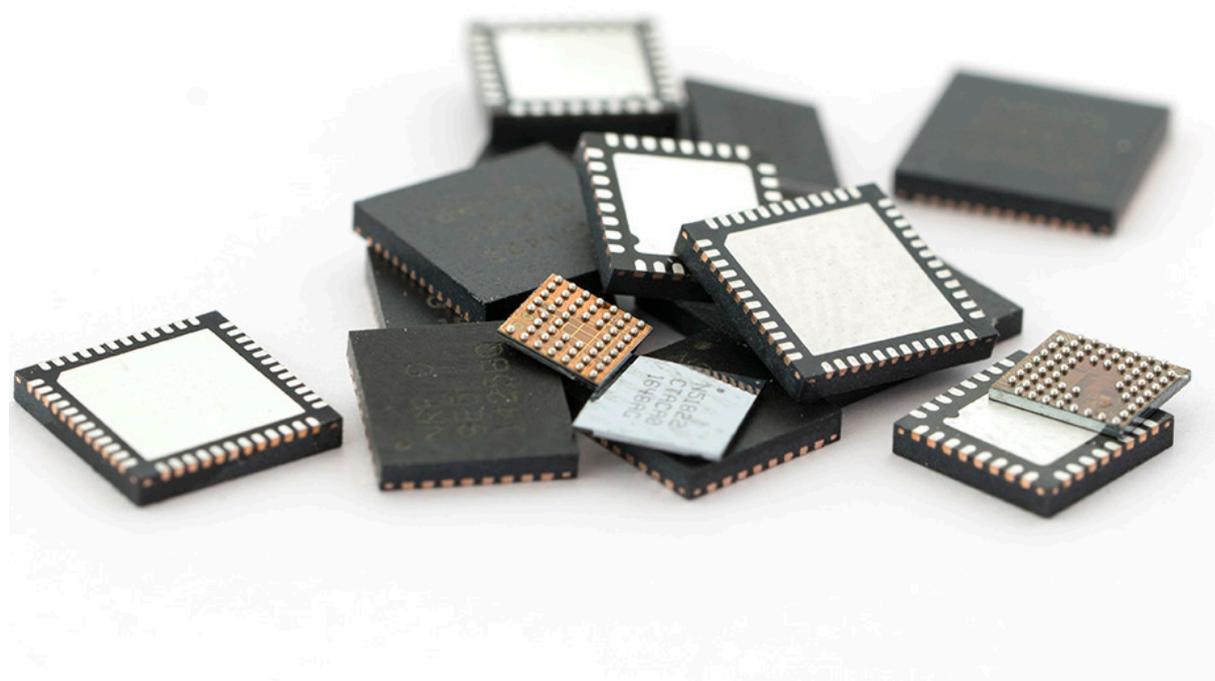
## EBITDA margin



# KEY FIGURES

## Q1 2020 financial summary

Amount in USD million	Q1 2020	Q1 2019	Change
Revenue	70.2	52.6	33.5%
Gross profit	36.4	26.8	35.7%
Gross margin %	51.9%	51.0 %	0.9 p.p.
EBITDA	5.2	-0.7	na
EBITDA %	7.5%	-1.4 %	8.9 p.p.
Operating profit (EBIT)	-2.1	-6.1	na
Operating profit % (EBIT)	-3.0%	-11.6 %	8.6 p.p.
Net profit after tax	-1.3	-6.6	na
Cash and cash equivalents	124.3	97.8	27.1%
Order backlog	123.4	89.0	38.7%
LTM opex excluding depreciation/ LTM revenue	38.4%	40.5%	-2.1 p.p.
Net working capital / LTM revenue	25.2%	21.9 %	3.3 p.p.
Equity ratio	67.4%	76.3 %	-8.9 p.p.
Number of employees	799	698	14.5%



# Q1 2020 REVIEW

Revenues amounted to USD 70.2 million for the first quarter 2020, compared to USD 52.6 million in the first quarter 2019. Bluetooth revenues increased to USD 51.2 million from USD 37.3 million. The coronavirus outbreak and the public measures to prevent the spreading of the virus have had a global effect on the society and economy and also impacted the people, organization and operations of Nordic Semiconductor in the first quarter 2020. While safety and security have taken top priority, the Board and Management have also worked to safeguard business continuity and ensure that the company has remained fully operational for its customers, suppliers and partners.

## Operational review

Nordic's primary concern with the coronavirus outbreak, has been the safety and security of its employees and their families and local communities. Nordic has acted in full compliance with national and local regulations and recommendations in all areas of operation. No cases of COVID-19 have been registered among company employees in any of its locations. Close to 90% of the staff are working from home, and the company appreciates the employees' strong commitment to get the job done in a less than optimal working environment.

We have been able to mitigate the operational effects of the coronavirus outbreak. The main operational challenges in the first quarter were supply chain disruptions at foundry, testing, assembly and packaging plants in Asia, and restrictions on travels and transit of goods in some areas.

Nordic's main wafer and component suppliers have been able to maintain or quickly restore more-or-less normal production and shipment schedules. Nordic has sought to mitigate the risk of further supply chain disruptions by building spare buffers of critical devices, establishing excess capacity in some areas, and by qualifying additional sourcing options.

Downstream, Nordic has seen its global and regional distributor networks maintain more-or-less normal operations, with timely shipments of products to the company's branded electronics customers throughout the first quarter.

On the demand side, Nordic saw strong demand from several verticals, including healthcare and PC accessories. Nordic ended the first quarter with a record order backlog. The order backlog likely reflects that some customers have placed precautionary early orders to secure supply. This might reduce order inflow in future periods.

Nordic is proceeding as normal with all its product development projects and has strengthened its online developer support and customer programs to compensate for the restrictions on travels and physical meetings.

### Maintaining the lead in Bluetooth Low Energy®

Nordic maintained its leadership position in the Bluetooth LE market in Q1 2020. FCC data compiled by DNB Markets show that Nordic further strengthened its market share in an overall slow quarter for new design certifications. A total of 289 new Bluetooth LE designs were certified during the quarter, of which 142 or 49% had Nordic inside. Over the past year, Nordic has had a market share of 46% of new Bluetooth LE certifications.

### Continued high developer activity

Nordic continues to excite developers and DevZone remains a bustling developer community. The number of support cases is now back to normal after a small dip in March. Due to travel restrictions the company has temporarily replaced its popular TechTours with well-attended online webinars but look forward to meeting developers in face-to-face training sessions once the situation normalizes.

### Joining UNDP to fight COVID-19

Alongside partners and competitors like Amazon, Avnet, ARM, Nvidia and NXP and more, Nordic has joined UNDP's COVID-19 'Detect and Prevent' challenge to develop products and solutions that can help prevent spreading of the virus in developing countries. Nordic is already involved in 20+ designs within disease prevention, monitoring and tracking, and repurposing of existing products can prove useful in this initial phase. One case example is Kinsa's dynamic maps that show aggregated temperature readings from millions of their Smart Thermometers and can help identify geographical hotspots at an early stage. These thermometers are all connected through Nordic's nRF52810 SoCs. Another example is the announcement of a new bracelet tracker by Accent Systems in March, connecting through the nRF52832.

### Strengthened relations with Tier-1 accounts

On the customer side, Nordic has made inroads with several new vertical tier-1 customers and major platform companies over the past year, which is one of the main explanations for the 39% increase in the order backlog compared to the end of the first quarter 2019. Early this year the company joined the working group of the CHIP-project (Connected Home over IP), a project initiated by Amazon, Google, Apple and the Zigbee Alliance to work for an open and free connectivity standard to increase compatibility and interoperability of different Smart Home hubs and devices. Nordic's entire portfolio of multiprotocol chips will be compatible with these new standards for the growing home automation market.

### Continuing to broaden the product portfolio

Nordic continued to broaden its product portfolio also in the first quarter 2020, this time with the launch of a new USB-compatible chip in the lower-end of the market. The nRF52820 SoC fits applications in HID, smart home, commercial, and industrial applications, and complements

a highly successful nRF52 Series ranging from the low-end SoCs nRF52810 and nRF52811, via the mid-end SoCs nRF52832 and nRF52833 to the high-end SoC nRF52840. Nordic's first product in the nRF53 generation -the dual-processor nRF5340- is currently sampling and scheduled for volume production later this year. At the beginning of Q2 2020 Nordic announced that it has added support for the nRF52 Series to the nRF Connect Software Development Kit (SDK), complementing existing support for the nRF5340 and the nRF9160 cellular IoT products. This enables product makers to use the same software environment and tools for both short- and long-range applications, making nRF Connect a one-stop shop for developing any kind of connectivity using Nordic technology.

### Cellular IoT moving forward

In the cellular IoT area, the company is gaining traction with new designs and saw revenues increasing to USD 1.1 million in the quarter. Nordic continues to improve ease-of-use with new software improvements, and the release of a new version of the nRF Connect SDK will make it easier for the existing Bluetooth LE customer base to extend their product offerings into the cellular area. The nRF Connect SDK unifies the software platform for all Nordic products including both the nRF52 Series, the next generation nRF53 and the cellular nRF9160, enabling development on one common SDK and toolchain. Nordic also continued working on broadening its carrier certification program, having secured certifications from Verizon and Deutsche Telecom in 2019 and Vodafone earlier this year. The company has a significant pipeline although tests and certification processes have been pushed out in time due to COVID-19.

## INCOME STATEMENT

### Revenue

Amounts in USD thousand	Q1 2020	Q1 2019	Y-o-Y change	Q4 2019	Q-o-Q change
Proprietary wireless	15 395	12 480	23.4%	16 344	-5.8%
Bluetooth	51 189	37 341	37.1%	65 524	-21.9%
Cellular IoT	1 104	139	694.2%	160	590%
ASIC components	2 475	2 431	1.8%	1 105	124.0%
Consulting services	-	177	-	-	na
<b>Total revenue</b>	<b>70 163</b>	<b>52 568</b>	<b>33.5%</b>	<b>83 133</b>	<b>-15.6%</b>

Nordic Semiconductor (Nordic or the Group) reported total revenue of USD 70.2 million in Q1 2020. This was an increase of 33% from USD 52.6 million in Q1 2019 and a decline of 16% from the previous quarter, and within the revenue guidance range provided in the financial report for the fourth quarter 2019.

The order backlog was USD 123 million at the end of the quarter, which was an increase of 39% from Q1 2019 and 16% above the level at the end of 2019. The order backlog is well spread over the coming quarters.

Bluetooth revenue amounted to USD 51.2 million in Q1 2020, an increase of 37% from USD 37.3 million in Q1 2019 and down 22% from USD 65.5 million in the seasonally stronger Q4 2019. Bluetooth share of total revenue was 73% in the quarter.

Proprietary revenue was 15.4 million in Q1 2020, which was an increase of 23% year-on-year and 6% below the previous quarter. This was stronger than previously guided and reflects strong demand for PC accessories. Proprietary revenue accounted for 22% of total revenue in the quarter.

Cellular IoT is still in the early stages of commercialization and reported revenue of USD 1.1 million in Q1 2020. This was an increase from USD 0.1 million in Q1 2019 and USD 0.2 million in Q4 2019, reflecting a shift in sales from mainly development kits to initial sales for end-user products.

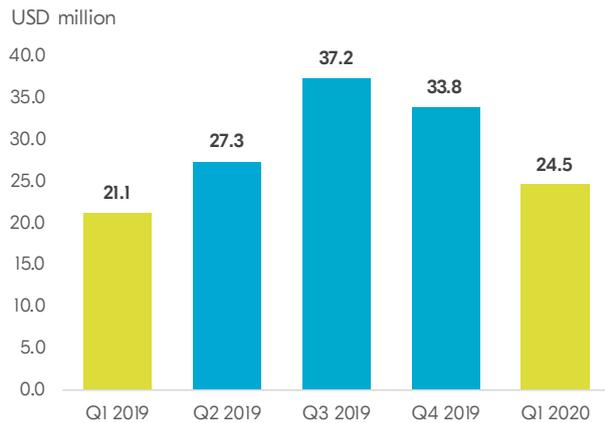
ASIC revenues amounted to USD 2.5 million in Q1 2020, which was roughly on par with Q1 2019 but more than double the level in Q4 2019.

Amounts in USD thousand	Q1 2020	Q1 2019	Y-o-Y change	Q4 2019	Q-o-Q change
Consumer Electronics	24 507	21 123	16.0%	33 797	-27.5%
Wearables	11 350	7 641	48.5%	16 107	-29.5%
Building/Retail	13 163	8 041	63.7%	16 611	-20.8%
Healthcare	5 470	4 263	28.3%	4 969	10.1%
Others	12 094	8 753	38.2%	10 384	16.5%
<b>Short range wireless components</b>	<b>66 584</b>	<b>49 821</b>	<b>33.6%</b>	<b>81 868</b>	<b>-18.7%</b>

#### Revenues by end-product markets

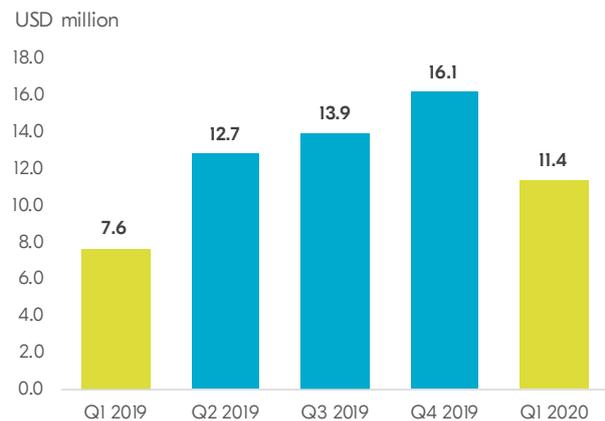
The Group classifies its revenues into the following technologies: Short range wireless components, long range (cellular IoT) wireless components, ASIC components and Consulting services. Within short range wireless components, the Group reports its revenues based on the end product markets. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others. Upon developing a meaningful revenue level within cellular IoT, Nordic will start reporting cellular revenue by end-product market.

In terms of end-products, the Consumer Electronics market remained the largest market with revenues growing 16% to USD 24.5 million. The revenue growth reflects both increased Bluetooth sales – particularly Home Entertainment services – and improving revenue from deliveries of proprietary products to the PC Accessories market. We see a strong demand for PC accessories to be used in home offices. Our proprietary solution continues to deliver high quality connectivity at an affordable price to a broad mix of end customers within this market.



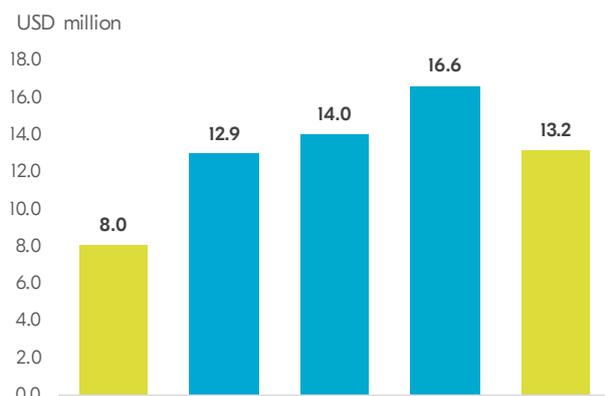
Revenue - Consumer Electronics

Wearables revenues increased by 48.5% to USD 11.4 million in Q1 2020, reflecting a strong growth in the premium Chinese domestic market. With Nordic's high end products, we continue to gain market share in this market.



Revenue - Wearables

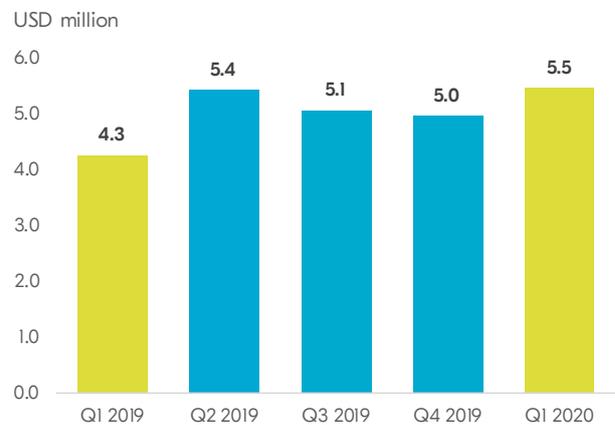
Building/Retail revenues increased by 63.7% to USD 13.2 million, with continued growth for industrial and home automation applications such as smart lighting, alarm systems, smoke detectors, temperature controls and smart locks. In addition, with the coronavirus outbreak, share-bikes have regained momentum as it is seen to represent a safer commute option than public transportation.



Revenue - Building/Retail

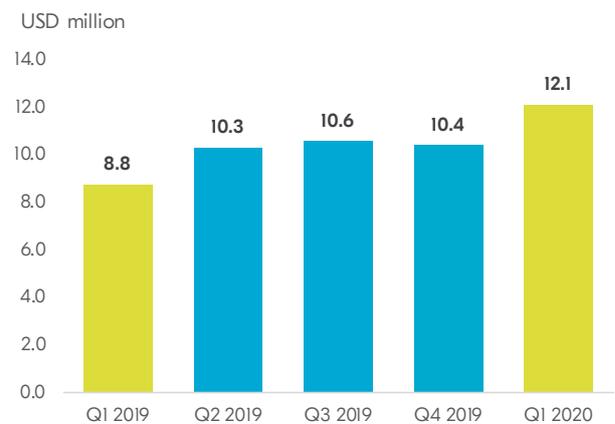
The relatively small Healthcare business showed year-on-year revenue growth of 28.3% to USD 5.5 million. The COVID-19 situation has triggered renewed interest in connected devices to prevent, monitor and track diseases. Nordic is already engaged in 20+ designs for such applications and has joined the UNDP COVID-19 'Detect and Prevent' challenge to help prevent the spread of the virus in developing countries.

Nordic believes this and other healthcare initiatives will establish a larger market for outpatient monitoring systems in the medium term, and that we longer term will see an evolution towards the real 'connected patient' that will drive demand for connectivity solutions and cellular gateways. As described on the Capital Markets Day in October last year, Nordic views Drug discovery and Drug monitoring as two of the potentially disruptive application areas in the years to come.



Revenue - Healthcare

Revenues in the 'Others' category increased by 38.2% to USD 12.1 million in Q1 2020, reflecting increasing sales to module manufacturers.



Revenue - Others

## Financial results

Amounts in USD thousand	Q1 2020	Q1 2019	Y-o-Y change	Q4 2019	Q-o-Q change
Gross profit	36 394	26 812	35.7%	42 901	-15.2%
Gross margin	51.9%	51.0%	0.9 p.p.	51.6%	0.3 p.p.
Operating expenses	-31 145	-27 550	13.1%	-30 703	1.4%
EBITDA	5 248	-738	na	12 198	-57.0%
EBITDA %	7.5%	-1.4%	na	14.7%	-7.2 p.p.
Depreciation and amortization	-7 380	-5 369	37.4%	-6 846	7.8%
EBIT	-2 132	-6 108	na	5 352	na

### Gross profit

Gross profit amounted to USD 36.4 million in Q1 2020, which was an increase of 36% from USD 26.8 million in Q1 2019 and 15% below the USD 42.9 million reported in the seasonally stronger Q4 2019.

The Group's gross margin increased to 51.9% in Q1 2020, up from 51.0% in Q1 2019 and 51.6% in Q4 2019. The continued high margin level mainly reflects a high share of complex high value SoCs like the nRF52840.

### Operating expenses

Operating expenses amounted to USD 31.1 million in Q1 2020, excluding depreciation and amortization.

Nordic capitalized a total of USD 2.7 million in development expenses in Q1 2020, compared to USD 2.5 million in Q1 2019. USD 1.7 million was payroll expenses. Split by technology, USD 0.5 million related to cellular IoT investments and USD 2.2 million to the short-range business.

Expenses related to equity compensation was USD 0.4 million in Q1 2020, compared to USD 0.4 million in Q1 2019.

Total cash operating expenses amounted to USD 33.5 million in Q1, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This was on par with the previous quarter and an increase of 12.7% from USD 29.7 million in Q1 2019. The increase mainly reflects 14.5% growth in the number of employees over the past year, to 799 at the end of Q1 2020. The number of employees in R&D increased 13% to 590 and the Sales & Marketing staff by 14% to 115 people.

Cash operating expenses for cellular IoT isolated were USD 7.3 million in Q1 2019, compared to USD 6.9 million in Q1 2019.

### Profits

EBITDA was USD 5.2 million in the first quarter 2020, compared to a negative USD 0.7 million in the first quarter 2019 and USD 12.2 million in the fourth quarter 2019. The reported EBITDA margin increased to 7.5% from -1.4% in the same quarter last year and 14.7% in the previous quarter. On a running 12-month basis, the EBITDA-margin increased from 9.7% at the end of Q1 2019 to 12.7% at the end of Q1 2020.

Excluding cellular IoT, the EBITDA was USD 11.7 million in Q1 2020, and the EBITDA-margin 16.9%. This compares to USD 4.4 million and 8.4% in Q1 2019, and to USD 19.8 million and 23.8% in Q4 2019. On a running 12-month basis, the adjusted EBITDA-margin increased from 16.3% at the end of Q1 2019 to 21.3% at the end of Q1 2020.

The increase in depreciation and amortization reflects amortization of cellular IoT intangible assets, which commenced towards the end of 2019. Amortization of internally developed R&D overall amounted to USD 1.8 million and depreciation of leased assets to USD 1.1 million.

Net financial result amounted to USD 4.0 million. This can be explained by a foreign exchange gain (agio) of USD 4.2 million, mainly related to a gain of USD 3.4 million from lease liability

Profit before tax was USD 1.9 million, compared to a loss before tax of USD 6.6 million in Q1 2019 and a profit before tax of USD 5.3 million in Q4 2019. Tax expense was USD 3.3 million.

Net loss was hence USD 1.3 million in Q1 2020, compared to a net loss of USD 6.6 million in Q1 2019 and a net profit of USD 4.4 million in Q4 2019.

## Financial Position

Amounts USD thousand	31.3.2020	31.12.2019	31.3.2019
Capitalized development expenses	34 884	33 990	29 172
<i>Total non-current assets</i>	97 802	98 770	84 860
Inventory	57 446	53 067	42 810
Cash and cash equivalents	124 291	90 645	97 787
<i>Total current assets</i>	250 142	219 589	196 868
<b>Total assets</b>	<b>347 944</b>	<b>318 359</b>	<b>281 728</b>
<i>Total equity</i>	234 469	232 205	214 931
Equity percentage	67.4%	72.9%	76.3%
<i>Total liabilities</i>	113 475	86 155	66 797
<b>Total equity and liability</b>	<b>347 944</b>	<b>318 359</b>	<b>281 728</b>

Inventory increased to USD 57 million from USD 43 million a year ago, reflecting requirement for higher inventory due to longer lead times in the supply chain as well as increasing buffer stocks. Accounts receivable increased to USD 59 million from USD 48 million at the end of Q1 2019, due to higher revenue.

Overall, net working capital increased to USD 77 million, from USD 58 million at the end of Q1 2019. This reflects a significantly higher activity and sales level compared to the same quarter last year, and an increasing order backlog requiring a higher inventory. As a percentage of last 12 months revenue, net working capital increased for 22% to 25% over the past year.

Cash and cash equivalents were USD 124 million at the end of Q1 2020, up from USD 98 million at the end of Q1 2019 and USD 91 million at the end of 2019. The higher cash holding reflects that the company has drawn USD 40 million from its borrowing facilities as a precautionary move to secure the liquidity position.

Total shareholders' equity amounted to USD 234 million, which compared to USD 215 million a year earlier and USD 232 million at the end of 2019. The Group equity ratio was hence 67.4%, compared to 76.3% at the end of Q1 2019 and 72.9% at the end of 2019.

The increase in total liabilities reflects the draw of USD 40 million on one of the company's borrowing facilities, which is accounted for as a current liability.

## Cash Flow

Amounts in USD thousand	Q1 2020	Q1 2019	Q4 2019
Cash flows from operations	1 496	1 624	10 361
Cash flows from investing activities	-6 496	-6 774	-8 434
Cash flows from financing activities	42 117	-784	1 583
Change in cash and cash equivalents	33 647	-6 090	3 920
Cash and cash equivalents at end of the period	124 291	97 787	90 645

Cash inflow from operating activities was USD 1.5 million in Q1 2020, compared to USD 1.6 million in Q1 2019. The reduced cash conversion is explained by the working capital development in the respective quarters, with a significantly higher activity level in Q1 2020 than in Q1 2019.

Cash flow from investing activities was an outflow of USD 6.5 million in Q1 2020, compared to an outflow of USD 6.8 million in Q1 2019. This reflected capital expenditures of USD 3.8 million (4.2) and capitalized development expenses of USD 2.7 million (2.5).

Cash flow from financing activities was a positive USD 42.1 million, reflecting a draw of USD 40 million on a borrowing facility, sale of USD 3.1 million of treasury stock to cover exercise of employee share options, and

a USD 0.9 million reduction in interest bearing debt related to IFRS 16.

In Q1 2019 the company saw a cash outflow from financing activities of USD 0.8 million.

### Funding

The Group's cash position was USD 124.3 million at the end of Q1 2020. The cash is mainly kept in the Group's functional currency USD, in order to minimize the impact of currency fluctuations.

Available cash including credit and overdraft facilities amounted to USD 160.2 million, including Nordic's right to borrow an additional USD 25 million at any time under a Revolving Credit Facility (RCF), and a EUR 10 million overdraft facility with the company's main bank.

## RISK AND UNCERTAINTY

Demand for semiconductors and electronic products is sensitive to global economic conditions and international trade flows. While the underlying long-term market trends point towards increasing demand for Nordic's products, the operations are exposed to a variety of factors with real or perceived impact on the economy.

As described in the Annual Report for 2019, the spreading of the Coronavirus has increased the uncertainty in the business outlook for 2020. The initial outbreak in China disrupted industry supply channels for parts of Q1 2020. Although this has largely normalized, the spreading of the virus has made authorities in many countries enact strong measures that will affect global economic activity and trade flows and the supply chain remains exposed to restrictions on travels and product shipments.

To mitigate this risk the company has increased purchases of certain critical components to build buffers, built excess capacity in some areas, and begun to qualify additional sourcing options.

Lower economic activity and consumer spending is likely to affect demand for end-user products in our industry, which in turn will affect demand for Nordic's products, distributor inventories, and other parts of the value chain. The company so far has seen only limited impact on demand, although a prolonged period of reduced global activity and product demand may have significant negative effects on the company's business and financial results.

Nordic has maintained full operation in both its R&D and sales organizations to meet current demand and customer expectations. However, the management is continuously monitoring the situation to be able to make necessary adjustments to optimize own production in alignment with any new signals from its customers and distributors.

Nordic has an asset light and flexible operational model, built on partnerships with world class subcontractors and global and regional distribution networks. The company's own operational cash costs are split approximately 70/30 between salaries and other fixed costs.

Nordic maintains a sharp focus on cost and cash flows and navigates from a strong position in this challenging environment. Nordic's strategy and growth ambitions require an adequate cash position to fund the R&D activities needed to drive the technology and product roadmaps forward. As a precautionary move to strengthen the liquidity position, the company in the first quarter drew USD 40 million from an RCF facility.

Total available cash was approximately USD 160 million at the end of Q1 2020, including the remaining credit facilities and borrowing arrangements described above under 'Cash Flow and Funding'.

Amidst the turbulence in the financial and raw materials markets, the Norwegian Krone (NOK) has weakened significantly against the company's reporting currency USD. Nordic's sales revenue and direct production costs are almost entirely nominated in USD, whereas operating expenses primarily are in NOK and EUR, and the company does not use any financial instruments to hedge the currency risk. As a result, the company reported significant foreign exchange gains in Q1 2020. As described in the Annual Report for 2019, a 1% change in USD/NOK would – all other things equal – translate into a USD 0.6 million change in profit before tax.

The company sees no major changes in financial risks related to interest rate risk or credit risk. Please refer to the Annual Report for 2019 for a thorough review of other risk factors.

# OUTLOOK

Nordic continued its growth trajectory in Q1 2020, posting 33% year-on-year growth in revenue to USD 70.2 million and an all-time-high order backlog of USD 123 million at the end of the quarter.

The company has so far seen limited effects of the coronavirus situation on demand, with an increased order backlog supporting Q2 in a more uncertain business environment. Based on the order backlog the company guides for a total revenue level of USD 75-85 million for Q2 2020.

Gross margin came in better than expected at 51.9% in Q1 2020, reflecting a product mix with high volumes of advanced high value products. The gross margin is expected at around 50% in Q2 2020. In the medium term, the company reiterates that the gross margin will move towards a range of 48%-50% due to changes in the product and customer mix.

Capital expenditure fell slightly below guidance at USD 3.8 million in Q1 2020 and is expected to remain at a similar level also in Q2.

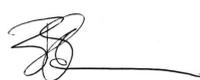
The coronavirus measures imply continued risk of disruptions in the supply chain, and the effects on the global economy are expected to affect consumer spending negatively going forward. However, the current situation also spurs radical changes in technology adoption in several areas such as healthcare and disease monitoring and wearables and tracking, which represent upside potential. The management of Nordic monitors the situation closely and will optimize own production in alignment with any new signals from its customers and distributors about underlying demand.

While Nordic believes revenue from Bluetooth LE and multiprotocol solutions will grow at an annual rate of 20-30% in the medium-term, it should hence be noted that the demand for end-user products for the rest of the year is uncertain and depends on depth and length of macroeconomic setback. Provided that supply chains and product markets normalize in the aftermath of the coronavirus, the combination of strong market trends supporting digitization, automation and connectivity and Nordic's strong product and customer roadmaps offers a favorable backdrop for Nordic's aspiration to build a USD 1 billion revenue company within five years.

Oslo, April 20, 2020



**Jan Frykhammar**  
Board member



**Birger Steen**  
Chair



**Anita Huun**  
Board member



**Inger Berg Ørstavik**  
Board member



**Svenn-Tore Larsen**  
Chief Executive Officer



**Endre Holen**  
Board member



**Øyvind Birkenes**  
Board member



**Jon Helge Nistad**  
Board member, employee



**Annastiina Hintsa**  
Board member



**Asbjørn Sæbo**  
Board member, employee



**Susheel Raj Nuguru**  
Board member, employee



**Morten Dammen**  
Board member, employee

# CONDENSED FINANCIAL INFORMATION

## Income statement

Amount in USD thousand	Note	Q1 2020	Q1 2019	Full year 2019
<b>Total Revenue</b>		70 163	52 568	288 395
Cost of materials		-33 693	-25 463	-141 290
Direct project costs		-76	-294	-351
<b>Gross profit</b>		36 394	26 812	146 753
Payroll expenses		-22 781	-20 009	-80 281
Other operating expenses	3	-8 364	-7 541	-33 665
<b>EBITDA</b>		5 248	-738	32 807
Depreciation	6	-7 380	-5 369	-23 535
<b>Operating profit</b>		-2 132	-6 108	9 272
Net interest	3	-146	-165	809
Net foreign exchange gains (losses)		4 189	-303	-375
<b>Profit before tax</b>		1 912	-6 576	9 706
Income tax expense		-3 262	-52	-2 379
<b>Net profit after tax</b>		-1 350	-6 628	7 327
<b>Earnings per share</b>				
Ordinary earnings per share (USD)		-0.008	-0.038	0.042
Fully diluted earnings per share (USD)		-0.008	-0.038	0.042
<b>Weighted average number of shares</b>				
Basic		176 027	175 237	175 313
Fully Diluted		177 445	175 237	176 394
<b>Net profit after tax</b>		-1 350	-6 628	7 327
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gains (losses) on defined benefit plans (before tax)				-83
Income tax effect				18
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>				
Currency translation differences		-256	-367	-117
<b>Total Comprehensive Income</b>		-1 606	-6 995	7 145

## Consolidated statement of financial position

Amount in USD thousand	Note	31.3.20	31.12.19	31.3.19
<b>ASSETS</b>				
<b>Non-current assets</b>				
Capitalized development expenses	5/6	34 884	33 990	29 172
Software and other intangible assets	5/6	10 686	11 408	14 200
Deferred tax assets		2 404	2 813	1 344
Fixed assets	6	26 569	26 625	19 230
Right-of-use asset	6	23 259	23 394	20 914
<b>Total non-current assets</b>		<b>97 802</b>	<b>98 770</b>	<b>84 860</b>
<b>Current assets</b>				
Inventory		57 446	53 067	42 810
Accounts receivable		59 125	64 519	48 415
Other current receivables		9 280	11 359	7 856
Cash and cash equivalents		124 291	90 645	97 787
<b>Total current assets</b>		<b>250 142</b>	<b>219 589</b>	<b>196 868</b>
<b>TOTAL ASSETS</b>		<b>347 944</b>	<b>318 359</b>	<b>281 728</b>
<b>EQUITY</b>				
Share capital		303	303	303
Treasury shares		-4	-5	-5
Share Premium		113 355	113 355	113 355
Other equity		120 815	118 552	101 277
<b>Total equity</b>		<b>234 469</b>	<b>232 205</b>	<b>214 931</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Pension liability		243	310	262
Non-current lease liabilities		16 637	19 886	18 012
<b>Total non-current liabilities</b>		<b>16 610</b>	<b>20 196</b>	<b>18 274</b>
<b>Current liabilities</b>				
Accounts payable		14 789	19 738	10 975
Income taxes payable		4 484	3 136	3 837
Public duties		3 304	3 761	3 319
Current lease liabilities		3 647	4 044	3 208
Current loan facility	7	40 000	-	-
Other current liabilities		30 642	35 279	27 184
<b>Total current liabilities</b>		<b>96 865</b>	<b>65 958</b>	<b>48 524</b>
<b>Total liabilities</b>		<b>113 475</b>	<b>86 155</b>	<b>66 797</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>347 944</b>	<b>318 359</b>	<b>281 728</b>

## Consolidated statement of changes in equity

Amount in USD thousand	Share capital	Treasury shares	Share premium	Other paid in capital	Currency translation reserve	Retained earnings	Total equity
<b>Equity as of 01.01.20</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>6 819</b>	<b>-309</b>	<b>112 042</b>	<b>232 205</b>
Net profit for the period	-	-	-	-	-	-1 350	-1 350
Other comprehensive income	-	-	-	-	-256	-	-256
Share based compensation	-	-	-	555	-	-	555
Sale of treasury shares (option exercise)	-	1	-	3 314	-	-	3 315
<b>Equity as of 31.3.20</b>	<b>303</b>	<b>-4</b>	<b>113 355</b>	<b>10 688</b>	<b>-564</b>	<b>110 692</b>	<b>234 469</b>

<b>Equity as of 01.01.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>3 307</b>	<b>-190</b>	<b>104 780</b>	<b>221 549</b>
Net profit for the period	-	-	-	-	-	-6 628	-6 628
Other comprehensive income	-	-	-	-	-367	-	-367
Share based compensation	-	-	-	376	-	-	376
<b>Equity as of 31.3.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>3 683</b>	<b>-557</b>	<b>98 152</b>	<b>214 391</b>

## Statement of cash flows

Amount in USD thousand	Note	Q1 2020	Q1 2019	Full year 2019
<b>Cash flows from operating activities</b>				
Profit before tax		1 912	-6 576	9 706
Taxes paid for the period		-1 359	-1 302	-4 846
Depreciation and amortization		7 380	5 369	23 535
Change in inventories, trade receivables and payables		-3 906	3 801	-13 798
Share-based compensation		555	374	1 100
Movement in pensions		-	-	31
Other operations related adjustments		-3 085	-42	3 950
<b>Net cash flows from operating activities</b>		<b>1 496</b>	<b>1 624</b>	<b>19 678</b>
<b>Cash flows used in investing activities</b>				
Capital expenditures (including software)	6	-3 788	-4 242	-20 182
Capitalized development expenses	6	-2 708	-2 533	-11 271
<b>Net cash flows used in investing activities</b>		<b>-6 496</b>	<b>-6 774</b>	<b>-31 454</b>
<b>Cash flows from financing activities</b>				
Changes in treasury shares		3 099	-	2 412
Capital increase		-	-	-
Change in interest bearing liabilities		40 000	-	-
Repayment of lease liabilities		-983	-784	-3 906
<b>Net cash flows from financing activities</b>		<b>42 117</b>	<b>-784</b>	<b>-1 494</b>
Effects of exchange rate changes on cash and cash equivalents		-3 470	-155	37
<b>Net change in cash and cash equivalents</b>		<b>33 647</b>	<b>-6 090</b>	<b>-13 232</b>
Cash and cash equivalents beginning of period		90 645	103 876	103 876
<b>Cash and cash equivalents at end of period</b>		<b>124 291</b>	<b>97 787</b>	<b>90 645</b>

# NOTES

## Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 31 March 2020 for publication on April 20, 2020.

Nordic develops and sells integrated circuits and related solutions for short-range wireless communication. The Group specializes in ultra-low power (ULP) components, based on its proprietary 2.4GHz RF and Bluetooth technology. Nordic is also developing its long-range low-power cellular chip-set, providing customers with a broad portfolio of low-power connectivity solutions across the spectrum of distances from near-field to long-range.

Nordic Semiconductor ASA is listed on the Oslo Stock Exchange under the ticker NOD, and is a public limited liability company registered in Norway. The parent company's head office is located at Otto Nielsens vei 12, 7052 Trondheim.

## Note 2: Confirmation of the financial framework

The Group financial statements for Nordic Semiconductor ASA and its wholly owned subsidiaries, together called "The Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for Q1 2020 do not include all the information required for the full year financial statements and shall be read in conjunction with the Group Annual Accounts for 2019.

The financial statements are presented in thousand USD, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

In the interim financial statements for 2020, judgments, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2020 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2019.

## Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2019. The group accounts for 2019 were prepared in accordance with International Financial Reporting Standards (IFRS), relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

New standards, amendments to standards, and interpretations have been published, but are not effective at December 31, 2020 and have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

## Note 4: Segment information

In accordance with IFRS 8, the Group has only one business segment, which is the design and sale of integrated circuits and related solutions.

The Group classifies its revenues into the following technologies: Short range wireless components, long range (cellular IoT), ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the markets to which its components communicate. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others.

The Group also reports its short range Wireless component revenue by proprietary wireless and Bluetooth protocols.

**Note 5: Intangible assets**

The Group recognizes intangible assets in the balance sheet if it is likely that the expected future economic benefits attributable to the asset will accrue to the Group and the assets acquisition cost can be measured reliably.

**Costs associated with development are capitalized if the following criteria are met in full:**

- The product or the process is clearly defined and the cost elements can be identified and measured reliably;
- The technical feasibility is demonstrated;
- The product or the process will be sold or used in the business;
- The asset will generate future financial benefits.
- Sufficient technical, financial and other resources for project completion are in place.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

**Note 6: Capitalization, depreciation and amortization**

Specification of capital expenditures, balance sheet	Q1 2020	Q1 2019	Full year 2019
Capitalized development expenses (payroll expenses)	1 675	1 819	7 776
Capitalized acquired development expenses	1 033	714	3 495
Capital expenditures (including software)	3 788	4 242	20 182
Right-of-use asset (non-cash)	485	848	4 200
Currency adjustments	-112	-79	-76
<b>Total</b>	<b>6 869</b>	<b>7 544</b>	<b>38 200</b>
<b>Depreciation and amortization</b>			
Capitalized development expenses	1 814	1 047	4 967
Software and other intangible assets	1 517	1 384	5 519
Fixed Assets	2 938	1 995	9 196
Right-of-use asset	1 111	944	3 853
<b>Total</b>	<b>7 380</b>	<b>5 369</b>	<b>23 535</b>

**Note 7: Net interest-bearing debt**

The Group has long-term revolving credit facilities, which enables it to borrow up to USD 40 million and USD 25 million at any time with an interest rate equal to LIBOR + margin. Both lines of credit expire end of November 2022. As of March 31, 2020, the Group had fully drawn on the USD 40 million credit facility. The security for the credit lines are provided by inventory, receivables and operating equipment.

**The following financial covenants are included:**

Equity ratio shall not be lower than 40 %.

In addition to the two RCFs, the Group has a MEUR 10 bank overdraft facility with its main bank. This overdraft was not utilized at the end of March 2020. The overdraft facility expires end of November 2021.

**Note 8: Stock options**

Nordic has a stock option program for employees and management. Please see the annual report for 2019 for information about the program.

**Financial Calendar 2020:**

- July 14, 2020 - Half-yearly report 2020
- October 20, 2020 - 3rd Quarter 2020
- February 4, 2021 - 4th Quarter 2020

	Q1 2020	Q1 2019	2019
<b>Outstanding options beginning of period</b>	<b>5 470 374</b>	<b>4 194 293</b>	<b>4 194 293</b>
Options granted	-	1 752 366	1 947 010
Options forfeited	-	15 451	222 384
Options exercised	651 991	-	448 545
Options expired	-	-	-
<b>Outstanding options end of period</b>	<b>4 818 383</b>	<b>5 931 208</b>	<b>5 470 374</b>
Of which exercisable	3 101 414	2 742 259	2 283 646

**Note 9: Financial risk**

Nordic is exposed to several risks, including currency risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how the Group manages these risks, please see the annual report for 2019.

**Note 10: Events after the balance sheet date**

No events have occurred since March 31, 2020 with any significant effect that will impact the evaluation of the submitted accounts.

**For further information, please contact:**

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# ALTERNATIVE PERFORMANCE MEASURES

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures (APM) that are regularly reviewed by management to enhance the understanding of the Group's performance.

The Group has identified the following APMs used in reporting (amount in USD million):

- Gross margin. Gross profit divided by Total revenue. Gross margin is presented as it is the main financial KPI to measure the Group's operational performance.

	Q1 2020	Q1 2019	Full year 2019
Gross profit	36.4	26.8	146.8
Total revenue	70.2	52.6	288.4
<b>Gross margin</b>	<b>51.9%</b>	<b>51.0 %</b>	<b>50.9 %</b>

EBITDA terms are presented as they are commonly used by investors and financial analysts.

- EBITDA. Earnings before interest, taxes, depreciation and amortization.

	Q1 2020	Q1 2019	Full year 2019
Operating profit	-2.1	-6.1	9.3
Depreciation	7.4	5.4	23.5
<b>EBITDA</b>	<b>5.2</b>	<b>-0.7</b>	<b>32.8</b>

- EBITDA margin. EBITDA divided by Total Revenue.

	Q1 2020	Q1 2019	Full year 2019
EBITDA	5.2	-0.7	32.8
Total revenue	70.2	52.6	288.4
<b>EBITDA margin</b>	<b>7.5%</b>	<b>-1.4 %</b>	<b>11.4 %</b>

- Total Operating Expenses. Sum of payroll expenses, other operating expenses, depreciation and amortization.

	Q1 2020	Q1 2019	Full year 2019
Payroll expenses	22.8	20.0	80.3
Other opex	8.4	7.5	33.7
Depreciation and amortization	7.4	5.4	23.5
<b>Total operating Expenses</b>	<b>38.5</b>	<b>32.9</b>	<b>137.5</b>

- Cash operating Expenses. Total payroll and other operating expenses adjusted for non-cash related items including option expenses, receivable write-off and capitalization of development expenses. Nordic management believes that this measurement best captures the expenses impacting the cash flow of the Group.

	Q1 2020	Q1 2019	Full year 2019
Total operating expenses	38.5	32.9	137.5
Depreciation and amortization	-7.4	-5.4	-23.5
Option expense	-0.4	-0.4	-1.8
Capitalized expenses	2.7	2.5	11.3
<b>Cash operating Expenses</b>	<b>33.5</b>	<b>29.7</b>	<b>123.4</b>

- Order backlog. Customer orders placed by the end of the reporting period for delivery in next and following quarters. This APM can be used as support for guidance for next quarter.
- Adjusted EBITDA margin. EBITDA excluding cellular IoT, divided by Total revenue excluding cellular IoT revenue. This APM shows Nordic's profitability excluding products in an investment phase with limited revenue.

	Q1 2020	Q1 2019	Full year 2019
Reported EBITDA	5.2	-0.7	32.8
Long range (cellular IoT) EBITDA loss	6.4	5.2	24.7
<b>Adjusted EBITDA</b>	<b>11.7</b>	<b>4.4</b>	<b>57.6</b>
Total revenue (excluding cellular IoT revenue)	69.1	52.4	287.3
<b>Adjusted EBITDA margin</b>	<b>16.9%</b>	<b>8.4%</b>	<b>20.0%</b>

- Last twelve months operating expenses excluding depreciation and amortization divided by last twelve months revenue. Nordic's business is seasonal and by dividing last twelve months operating expenses excl. depreciation by last twelve months revenue, management is able to track cost level trends in relation to revenue. As a growth business it is key to keep cost level under control while still growing the business, and this ratio keeps track on that.

	Q1 2020	Q1 2019
Total operating expenses	143.1	125.3
Depreciation and amortization	-25.5	-18.5
<b>Operating expenses excluding depreciation and amortization</b>	<b>117.6</b>	<b>106.8</b>
Total revenue	306.0	263.6
<b>LTM opex / LTM revenue</b>	<b>38.4%</b>	<b>40.5%</b>

- Net working capital divided by last twelve months revenue. Net working capital is a measure of both a company's efficiency and its short-term financial health, and by dividing the measure by last twelve months, seasonal effects are excluded. Nordic management uses this ratio to report on liquidity management to the financial market and internally to track performance.

	Q1 2020	Q1 2019
Current assets	250.1	196.9
Cash and cash equivalents	-124.3	-97.8
Current liabilities	-96.9	-48.5
Current loan facility	40.0	-
Current lease liabilities	3.6	3.2
Income taxes payable	4.5	3.8
<b>Net working capital</b>	<b>77.1</b>	<b>57.6</b>
Total revenue	306.0	263.6
<b>NWC / LTM revenue</b>	<b>25.2%</b>	<b>21.9%</b>