

# Q3

## Report 2020



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

# Content

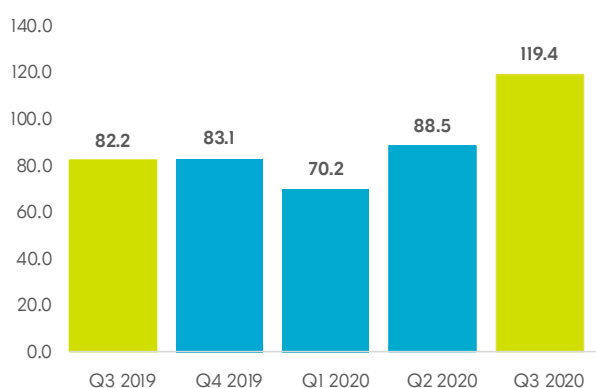
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# Q3 HIGHLIGHTS

- Revenue of USD 119 million (+45%)
- Cellular IoT revenue of USD 1.6 million
- Received first 100k unit order for single cellular design in October
- Gross margin of 54.1%, with underlying margin of 52.4% excluding positive effect of reversal of goods sold from the previous quarter
- Record order backlog of USD 288 million (+154%)
- Backlog stretching out over the next three quarters
- Distribution inventories remain at moderate levels
- Successful private placement with gross proceeds of approximately USD 125 million

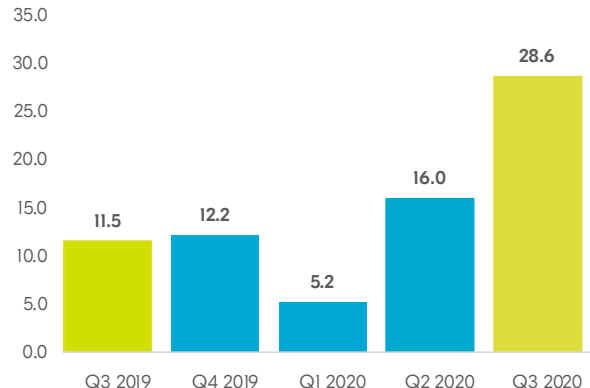
## Revenue

USD million

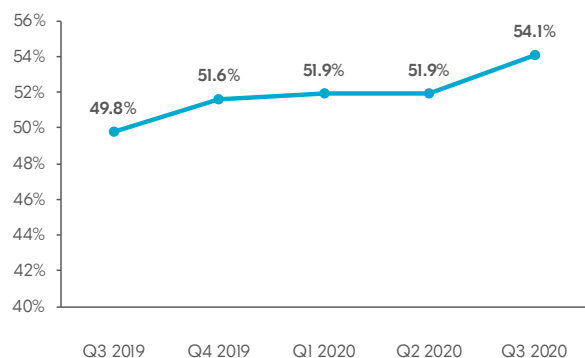


## EBITDA\*\*

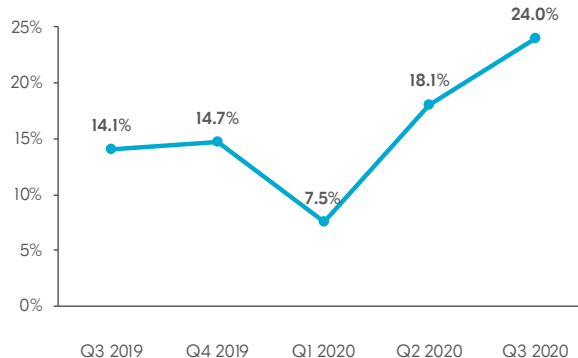
USD million



## Gross margin\*



## EBITDA margin\*



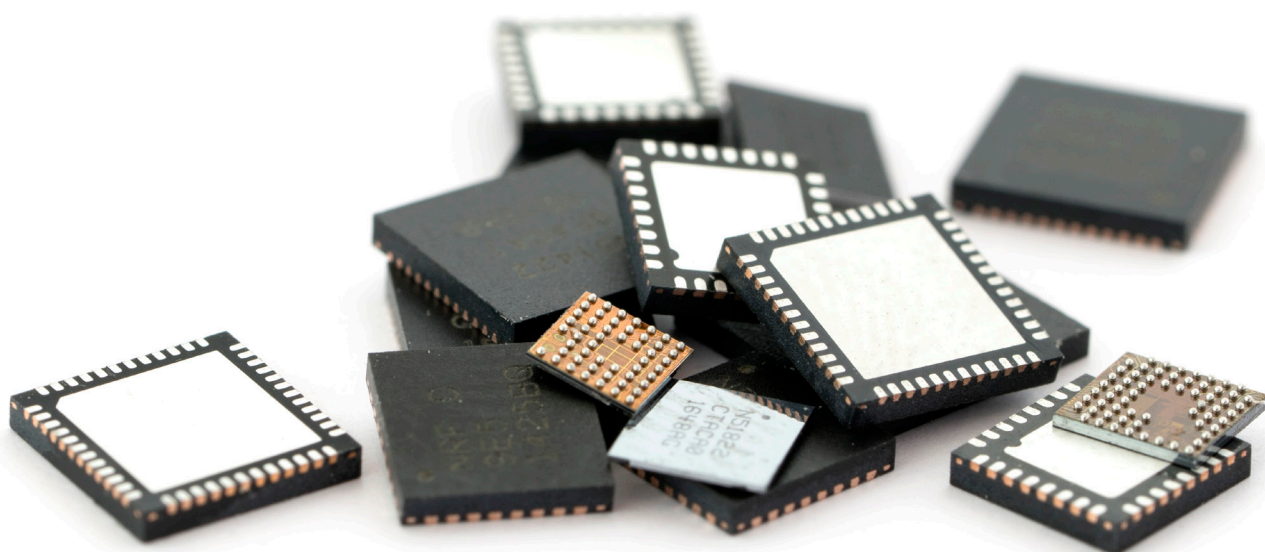
\* Positive impact of 1.7 pp in Q3 2020 due to reversal of cost of goods sold from the previous quarter

\*\* Q3 2020 includes reversal of cost of goods sold of approximately USD 2 million from the previous quarter

# KEY FIGURES

## Q3 2020 financial summary

Amount in USD million	Q3			01.01-30.09		
	2020	2019	Change	2020	2019	Change
Revenue	119.4	82.2	45.3%	278.1	205.3	35.5%
Gross profit	64.6	40.9	58.0%	146.9	103.9	41.5%
Gross margin %	54.1%	49.8%	4.3 p.p.	52.8%	50.6%	2.2 p.p.
EBITDA	28.6	11.5	148.1%	49.9	20.6	142.2%
EBITDA %	24.0%	14.1%	9.9 p.p.	17.9%	10.0%	7.9 p.p.
Operating profit (EBIT)	20.8	5.7	264.6%	27.1	3.9	591.1%
Operating profit % (EBIT)	17.4%	6.9%	10.5 p.p.	9.7%	1.9%	7.8 p.p.
Net profit after tax	15.8	5.8	174.7%	20.2	2.9	585.5%
Cash and cash equivalents	214.8	86.7	147.7%	214.8	86.7	147.7%
Order backlog	288.4	113.6	153.8%			
LTM opex excluding depreciation/ LTM revenue	35.4%	42.2%	-6.8 p.p.			
Net working capital / LTM revenue	28.7%	26.7%	2.0 p.p.			
Equity ratio	80.5%	74.6%	5.9 p.p.			
Number of employees	872	751	16.1%			



# Q3 REVIEW

Revenues amounted to USD 119 million in the third quarter 2020, an increase of 45% from the third quarter last year. Order backlog was a record high USD 288 million at the end of the quarter, which offers support for continued year-on-year revenue growth also in the final quarter of the year. The operations of Nordic Semiconductor and its suppliers and partners through the value chain have proven resilient to the adverse operational effects of the Covid-19 pandemic.

## Operational review

Nordic Semiconductor remained fully operational and in full compliance with national and local regulations and recommendations regarding Covid-19 also in the third quarter. The company has registered very few Covid-19 cases across the company's locations globally, and Nordic and its partners have been able to mitigate the adverse effects of the coronavirus outbreak on the supply- and distribution chains.

The company has proceeded as planned with all internal product development projects, and with strengthened online developer and customer support functions to compensate for current restrictions on travels and physical meetings. The company's popular TechTours are for the time being replaced with frequent online webinars to facilitate continuous developer education and support.

### Maintaining the lead in Bluetooth Low Energy

As in the preceding quarters of the year, Nordic saw strong demand trends across all its main market verticals. The order backlog increased to USD 288 million at the end of the third quarter, which is a new record level due to continued strong demand from large customers. The order backlog offers support for continued revenue growth also in the final quarter of the year.

Approximately 82% of the order backlog represent Bluetooth® Low Energy and multiprotocol solutions, with continued high demand for advanced SoCs, and the remainder proprietary products mainly destined for the consumer electronics market, and cellular IoT projects.

In terms of customer segments, the company sees high demand from an increasing number of major platform companies and vertical market leaders with higher volume products and longer time horizons than most broad market customers.

The top-10 customers currently account for approximately 42% of Bluetooth order backlog compared to 32% at the end of the third quarter last year. These customers are placing orders for high volume products with a longer time perspective, and the current order backlog extends over the next three quarters.

Nordic continues to maintain market leadership in terms of design wins in Bluetooth Low Energy. FCC data compiled by DNB Markets show that Nordic had a market share of 44% of new design certifications in the third quarter, compared to 48% in the third quarter last year. A total of 278 new Bluetooth low energy designs were certified during the third quarter, of which 122 had Nordic inside. Over the past year, Nordic has had a market share of 45% of new Bluetooth low energy certifications.

### Nordic and Arm pass 1 billion unit milestone

Early in October Nordic reached a major milestone with the shipping of its one billionth Arm® Cortex®-M based ultra-low power wireless SoC.

The first Arm Cortex-M based SoC was launched in 2012 with the introduction of Nordic's nRF51 Series. Nordic's nRF52 Series are based on a more powerful Arm processor and greater Flash and RAM memory capabilities, whereas the latest nRF53 Series includes two user-accessible Arm Cortex M-33 processor cores.

### Steady flow of new product launches

Nordic continued to see a steady flow of new end-user product launches in the quarter, using both the high-end Bluetooth Low Energy System-on-Chip (SoCs) nRF52840, the mid-range nRF52832 SoC, the entry-level nRF52805 and nRF52810 SoCs for cost-constrained modules, and the cellular System-in-Package (SiP) nRF9160.

The products span a very wide range of applications such as asset trackers, distance monitors, fuel tank management systems, smart watches, baby monitors, ECG/heart monitors, headbands, knee braces, e-bikes, ID beacons and key finders, showing the truly ubiquitous nature of IoT. Nordic SoCs and SiPs were also embedded in new sensor platforms, IoT development board, and several relay systems for sensor and asset location data.

The company continued to see strong interest for tracking systems based on either Bluetooth low energy, cellular IoT or combinations of the two.

### Well received entry-level SoC

The entry-level chip nRF52805 that was launched in June has already been embedded in modules by manufacturers in China and Japan, who cite high processor performance, ultracompact design, excellent radio sensitivity and extremely low power consumption as the deciding factors.

The nRF52805 SoC is supplied in a wafer level chip scale package (WLCSIP) measuring just 2.48×2.46mm and is optimized for cost-saving two-layer PCB-designs. The product hence enables designs that open new and potentially large markets such as disposable medical devices, and the company also see potential in for instance styluses, sensors, and beacons.

The company's nRF52 Series now comprises seven different SoCs, ranging from the entry-level nRF52805 to the top-of-the-line nRF52840. Nordic's first product in the nRF53 generation - the dual-processor nRF5340 - is scheduled for production towards the end-of the year.

Nordic regards the breadth of its product portfolio a key competitive advantage, and a main success factor explaining the company's strong position in the broad market.

The entire portfolio of Bluetooth low energy and cellular IoT products is now supported by a common nRF Connect Software Development Kit (SDK), enabling end-product developers to use the same software environment and tools for both short- and long-range applications. This makes it easier for existing short-range customers to extend their product offering into the cellular area.

### Cooperation project with Amazon for Amazon Sidewalk

In September, Nordic announced a new cooperation with Amazon to support development of Bluetooth low energy devices that will be compatible with Amazon Sidewalk.

Operating in the 900 MHz band, Amazon Sidewalk is a low-bandwidth, long-distance wireless protocol developed to help connect smart devices both inside and outside the home. Compatible Amazon Echo smart speakers will act as Bluetooth bridges in the network, and the Nordic-customer Tile will shortly launch a compatible tracker and become the first 3rd party Sidewalk device.

Nordic's support for Amazon Sidewalk follows on from the company's existing cooperation with Amazon Common Software (ACS), a platform to help accelerate the development of smart home and other wireless products. Nordic intends to provide and maintain a Device Porting Kit (DPK) for its wireless chips that allows easy and native integration into ACS as one of its reference platforms.

### Cellular IoT moving forward

Nordic further broadened the carrier certification program for its nRF9160 cellular IoT System-in-Package (SiP) in the third quarter, adding certifications for the LTE-M networks of AT&T in the US and Bell in Canada, and most recently for China Mobile's large NB-IoT network. The latter is the world's largest NB-IoT network, serving over 50 million customers through more than 400,000 NB-IoT base stations providing nearly 98% national coverage.

The nRF9160 SiP has earlier been certified by Verizon in the US, Telstra in Australia and in Deutsche Telekom's and Vodafone's global networks. The nRF9160 SiP also has a general certification from Global Certification Forum (GCF).

Customer product launches in the third quarter included several asset trackers and a GPS smartwatch with SOS alert functionality. One of the asset trackers combine cellular functionality with nRF9160 and Bluetooth connectivity through nRF52832.

After the end of the quarter Nordic was awarded its first contract of 100,000 units for a single cellular design.

Nordic is working on cellular IoT projects across a wide variety of verticals, including smart cities, logistics and asset tracking, industrial and agricultural monitoring systems, metering, parking and payment systems.

Nordic is currently introducing an enhanced version of the nRF9160, which will further strengthen the company's position as the 'low power' leader. The new version is designed to save 10%-20% on battery lifetime through a 30% reduction in sleep current and 15% reduction in data transmit power. The saving on battery time reflect that most cellular IoT applications mostly remain in sleep mode and wake up only to transmit bursts of sensor data.

### IoT World 2020 award for cellular IoT partnership

Nordic and its customer iBASIS were in August named 'IoT Partnership of the Year' at IoT World Awards 2020. The award recognizes how the two companies have made global IoT connectivity easy through the combination of Nordic's nRF9160 SiP and iBASIS Open eSIM technology. The two companies last year conducted a massive field testing of cellular IoT and eSIM technology in NB-IoT and LTE-M low-power widearea (LPWA) networks across 24 countries. Nordic's Nordic Thingy:91 prototyping platform was shortlisted as a finalist in the 'IoT Connectivity Solution' category at the IoT World Awards.

## INCOME STATEMENT

### Revenue

Amounts in USD thousand	Q3 2020	Q3 2019	Change	01.01-30.09 2020	01.01-30.09 2019	Change
Proprietary wireless	19 043	18 496	3.0%	50 829	43 600	16.6%
Bluetooth	97 104	62 245	56.0%	218 417	155 627	40.3%
<b>Short range wireless components</b>	<b>116 147</b>	<b>80 740</b>	<b>43.9%</b>	<b>269 246</b>	<b>199 227</b>	<b>35.1%</b>
Cellular IoT	1 582	551	187.1%	3 864	886	336.3%
ASIC components	1 459	876	66.6%	4 750	4 934	-3.7%
Consulting services	210	-	NA	231	216	6.6%
<b>Total revenue</b>	<b>119 398</b>	<b>82 167</b>	<b>45.3%</b>	<b>278 090</b>	<b>205 262</b>	<b>35.5%</b>

Nordic Semiconductor (Nordic or the Group) reported total revenue of USD 119.4 million in Q3 2020. This was an increase of 45.3% from USD 82.2 million in Q3 2019 and an increase of 34.9% from the previous quarter.

Revenue was above the guidance range provided in the financial report for the second quarter, and slightly above the revised guidance range provided in a separate stock exchange release on 4 September.

The order backlog was USD 288.4 million at the end of Q3 2020, which was more than a doubling from USD 113.6 million at the end of Q3 2019 and an increase of 42.8% from USD 201.9 million at the end of Q2 2020.

The high revenue growth reflects accelerated technology adoption and broad-based demand increases across all end-user markets. The sharply higher order backlog level also reflects a continuing shift in the customer mix. Nordic has over the past several years strengthened relationships with several platform companies and major tier-1 customers, who are now placing orders for high-volume products with a longer timeframe.

Nordic classifies its revenues into the following technologies: Short range wireless components, long range (cellular IoT) wireless components, ASIC components and Consulting services. Short range wireless components are in turn split between Bluetooth and multiprotocol solutions and Proprietary solutions.

Bluetooth revenue amounted to USD 97.1 million in Q3 2020, an increase of 56.0% from USD 62.2 million

in Q3 2019 and up 38.5% from USD 70.1 million in Q2 2020. Bluetooth share of total revenue was 81.3% in the quarter.

Proprietary revenue was 19.0 million in Q3 2020, which was an increase of 3.0% year-on-year and 16.2% above the previous quarter. The demand for proprietary products reflects continued high sales volumes of home office equipment and PC accessories. Proprietary revenue accounted for 15.9% of total revenue in the quarter.

Cellular IoT is still in the early stages of commercialization and reported revenue of USD 1.6 million in Q3 2020. This was an increase from USD 0.6 million in Q3 2019 and up from USD 1.2 million in Q2 2020. Current revenues reflect both increasing sales of development kits and initial sales for an increasing number of end-user products.

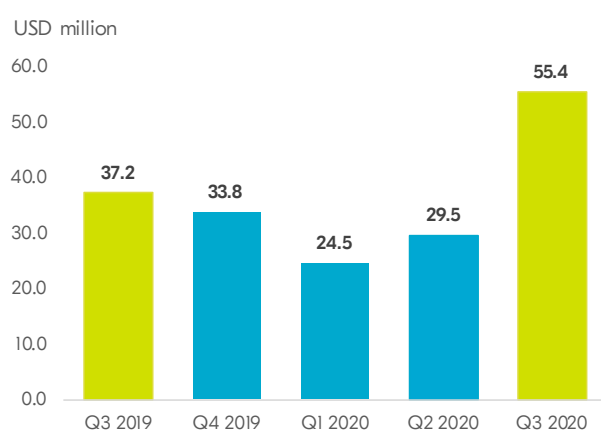
ASIC revenues amounted to USD 1.5 million in Q3 2020, which compares with USD 0.9 million in Q3 2019 and USD 0.8 million in Q2 2020. The company also recorded USD 0.2 million in consulting services fees in Q3 2020.

For the first nine months 2020, revenue amounted to USD 278.1 million, an increase of 35.5% from USD 205.3 million in the first nine months 2019. Bluetooth revenue increased by 40.3% to USD 218.4 million, whereas Proprietary revenue increased by 16.6% to USD 50.8 million. Cellular revenue amounted to USD 3.9 million compared to USD 0.9 million in the first nine months of 2019, whereas ASIC revenues declined by 3.7% to USD 4.8 million.

Revenues by end-product markets Amounts in USD thousand	Q3 2020	Q3 2019	Change	01.01-30.09 2020	01.01-30.09 2019	Change
Consumer Electronics	55 389	37 207	48.9%	109 396	85 612	27.8%
Wearables	19 387	13 899	39.5%	44 873	34 729	30.9%
Building/Retail	22 898	14 017	63.4%	54 904	34 984	56.9%
Healthcare	7 792	5 065	53.8%	27 237	14 756	84.6%
Others	10 681	10 552	1.2%	32 837	29 595	11.0%
<b>Short range wireless components</b>	<b>116 147</b>	<b>80 740</b>	<b>43.9%</b>	<b>269 246</b>	<b>199 226</b>	<b>35.1%</b>

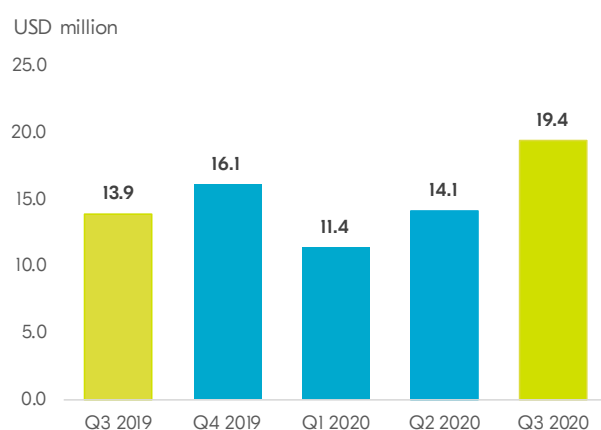
Nordic reports its short-range wireless component revenues based on the following end-product markets: Consumer electronics, Wearables, Healthcare, Building and retail, and Others.

Consumer Electronics remained the largest end-product market with revenues growing 48.9% year over year to USD 55.4 million. The revenue growth reflects both increased Bluetooth sales and continued high deliveries of proprietary products for PC accessories for the home office market. Nordic's proprietary solutions continue to deliver high-quality connectivity at an affordable price to a broad mix of end-customers in this market. For the first nine months of 2020, Consumer Electronics revenue increased by 27.8% to USD 109.4 million.



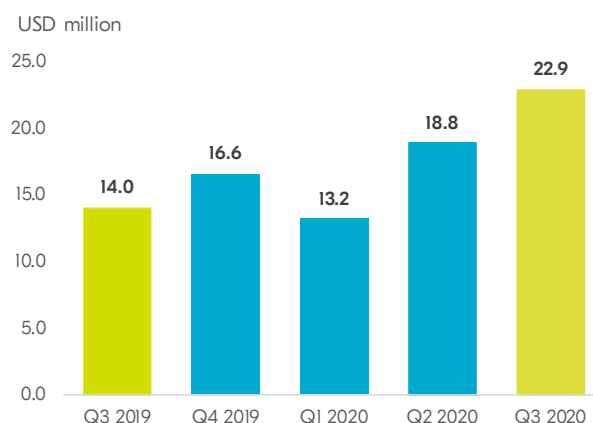
Revenue - Consumer Electronics

Wearables revenues increased by 39.5% year over year to USD 19.4 million in Q3 2020, with Nordic continuing to gain market share in the premium Chinese domestic market. For the first nine months of 2020, Wearables revenues increased by 30.9% to USD 44.9 million.



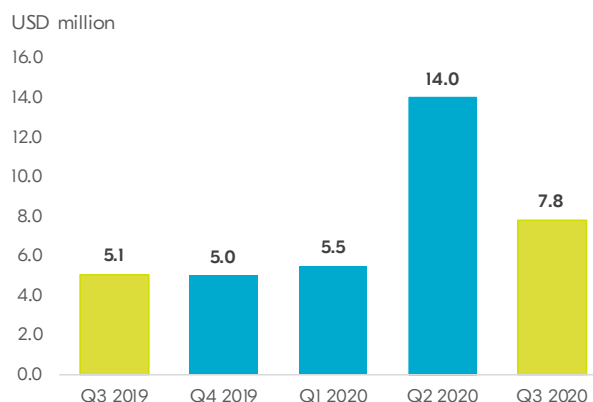
Revenue - Wearables

Building & Retail revenues increased by 63.4% year over year to USD 22.9 million, with continued growth for both industrial and home automation applications such as smart lighting, alarm systems, smoke detectors, temperature controls, smart locks and share-bikes. For the first nine months 2020, Building & Retail revenues increased by 56.9% to USD 54.9 million.



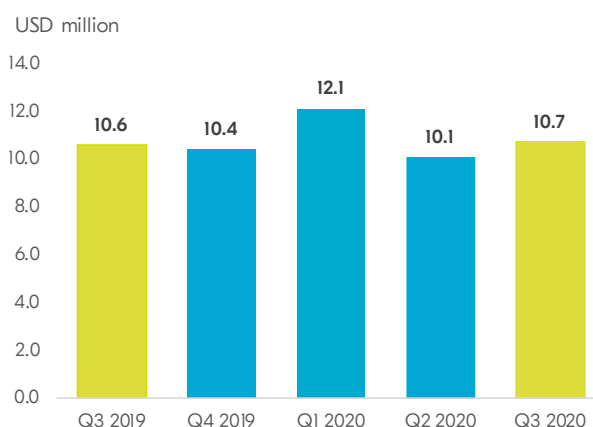
Revenue - Building/Retail

Healthcare revenue increased by 53.8% year over year to USD 7.8 million, reflecting underlying strong demand. However, this was a decline from an extraordinary second quarter which was boosted by deliveries for Covid-19-related product applications. Nordic remains confident in the large and disruptive long-term potential for connected medical devices, and also view the healthcare segment as one of the key growth drivers for combined short-range and long-range products and solutions. For the first nine months of 2020, Healthcare revenues increased by 84.6% to USD 27.2 million.



Revenue - Healthcare

Revenues in the 'Others' category increased 1.2% year over year to USD 10.7 million in Q3 2020, mainly reflecting sales to module manufacturers. For the first nine months, 'Others' revenue increased by 11.0% to USD 32.8 million.



Revenue - Others

## Financial results

Amounts in USD thousand	Q3 2020	Q3 2019	Change	01.01-30.09 2020	01.01-30.09 2019	Change
Gross profit	64 611	40 905	58.0%	146 909	103 852	41.5%
Gross margin	54.1%	49.8%	4.3 p.p.	52.8%	50.6%	2.2 p.p.
Operating expenses excl. depreciation and amortization	35 966	29 360	22.5%	96 996	83 243	16.5%
EBITDA	28 645	11 545	148.1%	49 913	20 609	142.2%
EBITDA %	24.0%	14.1%	9.9 p.p.	17.9%	10.0%	7.9 p.p.
Depreciation and amortization	7 869	5 846	34.6%	22 823	16 690	36.7%
EBIT	20 777	5 699	264.6%	27 089	3 920	591.1%

### Gross profit

Gross profit of USD 64.6 million in Q3 2020, which corresponds to an increase of 58.0% from USD 40.9 million in Q3 2019 and 40.7% above the USD 45.9 million reported for Q2 2020.

The Group's gross margin increased to 54.1% in Q3 2020, up from 49.8% in Q3 2019 and 51.9% reported in Q2 2020. Approximately USD 2 million of the gross profit reflects reversal of cost of goods sold charged to the results in the previous quarter, which improved gross margin by approximately 1.7 p.p. The underlying gross margin in Q3 2020 was hence 52.4%.

The strong margin level continues to reflect a large share of high-end, high-margin SoCs in the deliveries, as well as gradually improved cost as volumes of recently launched products are being ramped-up.

For the first nine months 2020, gross profit amounted to USD 146.9 million, which was an increase of 41.5% from USD 103.9 million in the first nine months last year. The gross margin increased to 52.8% from 50.6%.

### Operating expenses

Operating expenses amounted to USD 36.0 million in Q3 2020, excluding depreciation and amortization, compared to USD 29.4 million in Q3 2019 and USD 29.9 million in Q2 2020. This reflects a higher activity level and continuously increasing workforce, as well as the effect of equity-based compensation.

Nordic capitalized a total of USD 2.0 million in development expenses in Q3 2020, of which USD 0.7 million related to cellular IoT investments and USD 1.3 million to the short-range business. Expenses related to equity compensation were USD 1.2 million in Q3 2020.

Total cash operating expenses amounted to USD 36.8 million in Q3 2020, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 30.7 million in Q3 2019 and USD 30.1 million in Q2 2020.

USD 26.9 (21.5) million of cash operating expenses were personnel expenses, mainly reflecting a 16.1% growth in the number of employees to 872 over the past year. The company continued to strengthen the customer interface both in R&D and Sales & Marketing, with the number of employees in R&D increasing 15.4% to 645, and the Sales & Marketing staff increasing 11% to 122. In order to support higher revenue, the supply chain organization has increased by 38% to 55 employees.

Other cash operating expenses were USD 10.0 million (9.2), with less travel due to Covid-19 offsetting general cost increases over the past year.

Cash operating expenses for cellular IoT isolated were USD 8.9 million in Q3 2020, compared to USD 7.7 million in Q3 2019 and USD 7.7 million in Q2 2020.

For the first nine months 2020, total operating expenses were USD 97.0 million excluding depreciation and amortization, up from USD 83.2 million in the first nine months last year.

### Profits

EBITDA was USD 28.6 million in Q3 2020, compared to USD 11.5 million in Q3 2019 and USD 16.0 million in Q2 2020. The reported EBITDA margin increased to 24.0% from 14.1% in the same quarter last year and 18.1% in the previous quarter. As described under Gross profit, the results were positively impacted by USD 2 million reversal of cost of goods sold.

For the first nine months, EBITDA amounted to USD 49.9 million, compared to USD 20.6 million in the first nine months last year, with the EBITDA-margin improving to 17.9% from 10.0%.

Short-range EBITDA was USD 36.4 million in Q3 2020, and the EBITDA-margin 30.9%. This compares to USD 18.1 million and 22.2% in Q3 2019, and to USD 22.7 million and 26.0% in Q2 2020.

On a running 12-month basis (LTM), the EBITDA-margin increased from 8.5% at the end of Q3 2019 to 17.2%

at the end of Q3 2020. Excluding cellular IoT, the EBITDA-margin increased from 16.9% at the end of Q3 2019 to 25.3% at the end of Q3 2020 on a running 12-month basis.

Depreciation and amortization increased to USD 7.9 million in Q3 2020, with the year-over-year increase from USD 5.8 million mainly reflecting that Nordic started amortizing cellular IoT intangibles towards the end of 2019. Amortization of internally developed R&D overall amounted to USD 2.0 million and amortizing of leased assets to USD 1.3 million.

Net financial items amounted to negative USD 1.3 million, mainly reflecting foreign exchange losses of USD

0.8 million. USD 0.5 million of the exchange loss was the effect of revaluation of lease liabilities.

Profit before tax was USD 19.5 million, compared to a profit before tax of USD 7.1 million in Q3 2019 and a profit before tax of USD 6.0 million in Q2 2020. Tax expense was USD 3.6 million, or 18.5% of profit before tax. The company statutory tax rate is 22%.

Net profit was USD 15.8 million in Q3 2020, compared to a net profit of USD 5.8 million in Q3 2019 and a net profit of USD 5.7 million in Q2 2020. For the first nine months 2020, net profit after tax improved to USD 20.2 million from a net profit of USD 2.9 million in the first nine months of 2019.

## Financial Position

Amounts USD thousand	30.9.2020	31.12.2019	30.9.2019
Capitalized development expenses	34 985	33 990	32 719
<i>Total non-current assets</i>	97 559	98 770	95 027
Inventory	63 933	53 067	46 755
Cash and cash equivalents	214 826	90 645	86 725
<i>Total current assets</i>	382 298	219 589	206 962
<b>Total assets</b>	<b>479 857</b>	<b>318 359</b>	<b>301 989</b>
<i>Total equity</i>	386 356	232 205	225 217
Equity percentage	80.5%	72.9%	74.6%
<i>Total liabilities</i>	93 501	86 155	76 772
<b>Total equity and liability</b>	<b>479 857</b>	<b>318 359</b>	<b>301 989</b>

Total shareholders' equity amounted to USD 386.4 million at the end of Q3 2020, up from USD 225.2 million a year ago. The Group equity ratio was 80.5% of a total asset base of USD 479.9 million, compared to 74.6% of a total asset base of USD 302.0 million at the end of Q3 2019.

The significantly strengthened equity position reflects a private placement where the company in September issued 13 million new shares at a subscription price of NOK 88 per share.

The transaction generated gross proceeds of approximately USD 125 million, with net proceeds to be employed to support the company's continued growth trajectory. This includes working capital requirements and supply chain enhancements, ramp-up of new tier-1 customers, strengthening of the balance sheets, continued investments to expand product portfolio for existing and future growth opportunities, and pursuit of potential bolt-on M&A opportunities. Following the transaction, Nordic has 192,781,600 shares outstanding.

USD 40 million of proceeds were used to repay short term debt which the company drew under existing borrowing facilities in Q1 2020. At the end of Q3 2020, cash and cash equivalents amounted to USD 214.8 million, up from USD 86.7 million at the end of Q3 2019 and USD 124.4 million at the end of Q2 2020.

Net working capital increased to USD 103.6 million per the end of Q3 2020, up from USD 71.1 million at the end of Q3 2019 and USD 84.4 million at the end of Q2 2020. This reflects the significantly higher activity, sales level, and order backlog. Measured as a percentage of last 12 months revenue, net working capital increased to 28.7% from 26.7% one year ago and 26.0% at the end of Q2 2020.

Inventory increased to USD 63.9 million at the end of Q3 2020 from USD 46.8 million a year ago and USD 62.7 million at the end of Q2 2020, reflecting the higher activity and also longer lead-times in the supply chain and increased buffer stocks.

Accounts receivable increased to USD 96.3 million from USD 65.0 million at the end of Q3 2019 and USD 62.6 million at the end of Q2 2020.

## Cash Flow

Amounts in USD thousand	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019
Cash flows from operations	8 585	8 667	15 360	9 317
Cash flows from investing activities	-4 358	-8 366	-17 839	-23 020
Cash flows from financing activities	85 489	-1 421	127 903	-3 077
Change in cash and cash equivalents	90 471	-1 191	124 181	-17 151
Cash and cash equivalents at end of the period	214 826	86 725	214 826	86 725

Cash flow from operating activities was USD 8.6 million in Q3 2020, compared to USD 8.7 million in Q3 2019. Despite higher operating profits, the lower cash conversion reflects increased net working capital in general and higher accounts receivables in particular. The receivables level is anticipated to normalize in the final quarter of the year.

Cash flow from investing activities was an outflow of USD 4.4 million in Q3 2020, compared to an outflow of USD 8.4 million in Q3 2019. This reflected capital expenditures of USD 2.3 million (6.5) and capitalized development expenses of USD 2.0 million (1.8).

Capital expenditures were lower than guided for the quarter, as a delivery of manufacturing test equipment was moved into Q4. Capital expenditures are estimated at approximately USD 5 million in Q4 2020.

Cash flow from financing activities was an inflow of USD 85.5 million, compared to an outflow of USD 1.4 million in Q3 2019. This reflects net proceeds of USD 121.3 million from the share issue and USD 5.2 million from sale of treasury stock, partly offset by debt repayment of USD 40 million. Cash outflow for lease liabilities was USD 1.0 million.

### Funding

The Group's cash position was USD 214.8 million at the end of Q3 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 290.8 million, including Nordic's right to borrow USD 65 million at any time under a Revolving Credit Facility (RCF), and 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 and the report for the first half 2020, the spreading of the coronavirus increased the uncertainty in the business outlook, both with respect to supply chain efficiency and end-user product demand.

The initial outbreak in China disrupted industry supply channels in Q1 2020, with ripple effects through other regions. Although the situation has gradually normalized through Q2 2020 and Q3 2020, the industry supply chain remains exposed to government restrictions on travels and product shipments in some areas also.

Economist estimates for global and regional economic outlooks vary considerably, and the company acknowledges the risk that lower economic activity and consumer spending could affect demand for end-user products significantly. This could in turn affect demand for Nordic's products, distributor inventories, and other parts of the value chain, and a prolonged period of reduced global activity and product demand may have significant effects on the company's business and financial results.

Nordic has so far seen overall positive demand effects of the pandemic, as more rapid technology adoption in all market segments has outweighed any negative effects. This is reflected both in higher year-on-year revenues and an increasing backlog.

The high activity level puts strain on the organization and the supply and distribution chain. Nordic's own operating model is asset light and flexible, with operational cash costs split approximately 70/30 between salaries and other fixed costs.

This model is based on partnerships with world class subcontractors and regional distribution networks. However, other players in the semiconductor industry are also experiencing higher demand than expected, and bottlenecks in the supply chain may temporarily limit the output capacity. The company has built inventory buffers for critical components and excess capacity in some areas to mitigate the supply challenges and is working to qualify additional sourcing options.

Nordic maintains full operations in both its R&D and sales organizations to meet current demand and customer expectations.

Nordic's products are complex and any undetected vulnerabilities during product development and manufacturing may entail risks for both Nordic and its customers. Although customer contracts regulate and limit Nordic's responsibilities, there is a risk that legal actions could affect the company's financial results. Nordic continuously invests in strengthening and improving the product portfolio.

Nordic maintains a sharp focus on cost and cash flows and navigates from a strong position. 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. Nordic in Q3 2020 raised approximately USD 125 million in new equity through a private placement, increasing the cash position to USD 215 million and the equity ratio to 81%. Total available cash was approximately USD 291 million at the end of Q3 2020, including credit facilities and borrowing arrangements.

Amidst the turbulence in financial and raw materials markets, the value of the Norwegian Krone (NOK) has varied considerably 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. The company does not use any financial instruments to hedge the currency risk, and is hence exposed to the fluctuations in currency exchange rates. In the Annual Report for 2019 it was estimated that a 1% change in USD/NOK — all other things equal — would translate into a USD 0.6 million change in profit before tax.

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

# OUTLOOK

Nordic reported 45% revenue growth to USD 119 million for the third quarter 2020, and 35% growth to USD 278 million for the first nine months. The company ended the third quarter with an all-time high order backlog of USD 288 million, which was more than double the order backlog at the end of the third quarter last year.

The higher revenue reflects accelerated technology adoption across most of the company's markets, supported by more rapid digitization due to the Covid-19 pandemic. The higher order backlog also reflects shifts in the customer mix, with more large customers placing orders for high-volume products with a longer time perspective.

The high activity level in the semiconductor industry puts strain on the supply chain, and bottlenecks in the supply chain may temporarily limit the output capacity. Taking this into consideration, the current backlog allows Nordic to guide for a total revenue level of USD 115-125 million for the fourth quarter.

Full year revenue for 2020 is hence expected at USD 393-403 million, corresponding to 36%-40% revenue growth from 2019 to 2020.

Gross margin was very strong at 54.1% in Q3 2020. While a reversal of cost of goods charged to the previous quarter accounted for 1.7%-points, the gross margin development has been on a positive trend reflecting a product mix with high volumes of advanced high-margin products and continuous cost improvements on newly launched products.

Nordic expects a gross margin level of 51%-52% for Q4 2020 and still expects the higher share of sales to tier-1 customers to move the gross margins into the 48%-50% range in the medium term.

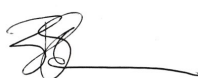
The year-on-year revenue growth for Nordic's Bluetooth low energy and multiprotocol solutions has been 40% in the first three quarters of 2020, exceeding the medium-term growth rate of 20%-30% indicated by the company. Revenue from proprietary wireless solution has also exceeded expectations this year, with year-on-year growth of 17% in the first nine months.

In 2019, Nordic presented a bold aspiration to build a USD 1 billion company within five years, and the positive demand trends and continued strengthening of the customer base increase the confidence in this aspiration.

Oslo, October 19, 2020



**Jan Frykhammar**  
Board member



**Birger Steen**  
Chair



**Anita Huun**  
Board member



**Inger Berg Ørstavik**  
Board member



**Sverre Torsen**  
Chief Executive Officer



**Endre Holen**  
Board member



**Øyvind Birkenes**  
Board member



**Jon Helge Nistad**  
Board member, employee



**Annastiina Hintsa**  
Board member



**Joel Stapleton**  
Board member, employee



**Susheel Raj Nuguru**  
Board member, employee



**Morten Dammen**  
Board member, employee

# CONDENSED FINANCIAL INFORMATION

## Income statement

Amount in USD thousand	Note	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
<b>Total Revenue</b>		<b>119 398</b>	<b>82 167</b>	<b>278 090</b>	<b>205 261</b>	<b>288 395</b>
Cost of materials		-54 295	-41 261	-130 612	-101 058	-141 290
Direct project costs		-492	-	-568	-351	-351
<b>Gross profit</b>		<b>64 611</b>	<b>40 905</b>	<b>146 909</b>	<b>103 852</b>	<b>146 753</b>
Payroll expenses		-26 724	-20 534	-71 561	-58 903	-80 281
Other operating expenses	3	-9 241	-8 825	-25 435	-24 340	-33 665
<b>EBITDA</b>		<b>28 645</b>	<b>11 545</b>	<b>49 913</b>	<b>20 609</b>	<b>32 807</b>
Depreciation and amortization	6	-7 869	-5 846	-22 823	-16 690	-23 535
<b>Operating profit</b>		<b>20 777</b>	<b>5 699</b>	<b>27 089</b>	<b>3 920</b>	<b>9 272</b>
Net interest income	3	-484	231	-1 020	-132	809
Net foreign exchange gains (losses)		-839	1 156	1 264	583	-375
<b>Profit before tax</b>		<b>19 453</b>	<b>7 086</b>	<b>27 333</b>	<b>4 371</b>	<b>9 706</b>
Income tax expense		-3 626	-1 324	-7 151	-1 427	-2 379
<b>Net profit after tax</b>		<b>15 827</b>	<b>5 762</b>	<b>20 182</b>	<b>2 944</b>	<b>7 327</b>
<b>Earnings per share</b>						
Ordinary earnings per share (USD)		0.088	0.033	0.114	0.017	0.042
Fully diluted earnings per share (USD)		0.088	0.033	0.113	0.017	0.042
<b>Weighted average number of shares</b>						
Basic		180 556	175 242	177 697	175 239	175 313
Fully Diluted		180 068	175 512	178 347	175 378	176 394
<b>Net profit after tax</b>		<b>15 827</b>	<b>5 762</b>	<b>19 072</b>	<b>2 944</b>	<b>7 327</b>
<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)		-29		-29		-83
Income tax effect						18
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>						
Currency translation differences		286	-4	205	-431	-117
<b>Total Comprehensive Income</b>		<b>16 084</b>	<b>5 758</b>	<b>20 358</b>	<b>2 513</b>	<b>7 145</b>

## Consolidated statement of financial position

Amount in USD thousand	Note	30.9.20	31.12.19	30.9.19
<b>ASSETS</b>				
<b>Non-current assets</b>				
Capitalized development expenses	5/6	34 985	33 990	32 719
Software and other intangible assets	5/6	8 921	11 408	12 137
Deferred tax assets		2 649	2 813	1 275
Fixed assets	6	26 800	26 625	24 561
Right-of-use assets	6	24 203	23 394	24 334
<b>Total non-current assets</b>		<b>97 559</b>	<b>98 770</b>	<b>95 027</b>
<b>Current assets</b>				
Inventory		63 933	53 067	46 755
Accounts receivable		96 250	64 519	64 962
Other current receivables		7 290	11 359	8 520
Cash and cash equivalents		214 826	90 645	86 725
<b>Total current assets</b>		<b>382 298</b>	<b>219 589</b>	<b>206 962</b>
<b>TOTAL ASSETS</b>		<b>479 857</b>	<b>318 359</b>	<b>301 989</b>

**EQUITY**

Share capital		318	303	303
Treasury shares		-3	-5	-5
Share Premium		235 448	113 355	113 355
Other equity		150 593	118 552	111 564
<b>Total equity</b>		<b>386 356</b>	<b>232 205</b>	<b>225 217</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Pension liability		338	310	219
Non-current lease liabilities		18 866	19 886	19 735
<b>Total non-current liabilities</b>		<b>19 205</b>	<b>20 196</b>	<b>19 594</b>
<b>Current liabilities</b>				
Accounts payable		19 202	19 738	17 821
Income taxes payable		5 987	3 136	3 319
Public duties		4 767	3 761	2 354
Current lease liabilities		4 394	4 044	4 716
Current loan facility	7	-	-	-
Other current liabilities		39 946	35 279	28 967
<b>Total current liabilities</b>		<b>74 297</b>	<b>65 958</b>	<b>57 178</b>
<b>Total liabilities</b>		<b>93 501</b>	<b>86 155</b>	<b>76 772</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>479 857</b>	<b>318 359</b>	<b>301 989</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 01.01.20-30.09.20	-	-	-	-	-	20 182	19 074
Other comprehensive income	-	-	-	-	205	-29	176
Share based compensation	-	-	-	2 186	-	-	2 186
Sale of treasury shares (option exercise)	-	2	-	9 496	-	-	9 499
Capital increase*	14	-	122 093	-	-	-	123 216
<b>Equity as of 30.09.20</b>	<b>318</b>	<b>-3</b>	<b>235 448</b>	<b>18 501</b>	<b>-104</b>	<b>132 195</b>	<b>386 356</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 01.01.19-30.09.19	-	-	-	-	-	2 944	2 944
Other comprehensive income	-	-	-	-	-431	-	-431
Share based compensation	-	-	-	1 135	-	22	1 157
<b>Equity as of 30.09.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>4 441</b>	<b>-621</b>	<b>107 744</b>	<b>225 217</b>

\* During Q3 2020 the group increased the share capital with NOK 1 144 million, approximately USD 125 million. The amount net of transaction cost was USD 123.2 after tax.

## Statement of cash flows

Amount in USD thousand	Note	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
<b>Cash flows from operating activities</b>						
Profit before tax		19 453	7 086	27 333	4 371	9 706
Taxes paid for the period		-107	-287	-3 196	-2 745	-4 846
Depreciation and amortization		7 869	5 846	22 823	16 690	23 535
Change in inventories, trade receivables and payables		-30 671	-6 892	-43 146	-9 833	-13 798
Share-based compensation		1 017	350	2 107	1 136	1 100
Movement in pensions		28	-60	28	-60	31
Other operations related adjustments		10 995	2 623	9 410	-242	3 950
<b>Net cash flows from operating activities</b>		<b>8 585</b>	<b>8 667</b>	<b>15 360</b>	<b>9 317</b>	<b>19 678</b>
<b>Cash flows used in investing activities</b>						
Capital expenditures (including software)	6	-2 322	-6 537	-11 123	-14 845	-20 182
Capitalized development expenses	6	-2 036	-1 829	-6 716	-8 174	-11 271
<b>Net cash flows used in investing activities</b>		<b>-4 358</b>	<b>-8 366</b>	<b>-17 839</b>	<b>-23 020</b>	<b>-31 454</b>
<b>Cash flows from financing activities</b>						
Changes in treasury shares		5 226	-	9 579	-	2 412
Capital increase		121 277	-	121 277	-	-
Change in interest bearing liabilities		-40 000	-	-	-	-
Repayment of lease liabilities		-1 012	-1 421	-2 951	-3 077	-3 906
<b>Net cash flows from financing activities</b>		<b>85 489</b>	<b>-1 421</b>	<b>127 903</b>	<b>-3 077</b>	<b>-1 494</b>
Effects of exchange rate changes on cash and cash equivalents		755	-71	-1 244	-372	37
<b>Net change in cash and cash equivalents</b>		<b>90 471</b>	<b>-1 191</b>	<b>124 181</b>	<b>-17 151</b>	<b>-13 232</b>
Cash and cash equivalents beginning of period		124 354	87 916	90 645	103 876	103 876
<b>Cash and cash equivalents at end of period</b>		<b>214 826</b>	<b>86 725</b>	<b>214 826</b>	<b>86 725</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 30 September 2020 for publication on October 19, 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 Q3 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	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
Capitalized development expenses (payroll expenses)	1 296	1 451	4 474	5 299	7 776
Capitalized acquired development expenses	740	378	2 242	2 870	3 495
Capital expenditures (including software)	2 322	6 537	11 123	14 845	20 182
Right-of-use assets (non-cash)	956	5 548	3 775	5 548	4 200
Currency adjustments	160	48	129	-200	-76
<b>Total</b>	<b>5 474</b>	<b>13 745</b>	<b>21 743</b>	<b>28 362</b>	<b>38 200</b>
<b>Depreciation and amortization</b>					
Capitalized development expenses	1 960	1 047	5 720	3 141	4 967
Software and other intangible assets	1 554	1 402	4 582	4 073	5 519
Fixed assets	3 105	2 369	8 983	6 513	9 196
Right-of-use assets	1 250	1 027	3 538	2 962	3 853
<b>Total</b>	<b>7 869</b>	<b>5 846</b>	<b>22 823</b>	<b>16 690</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 September 30, 2020, the Group had not drawn on any credit facilities. 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 September 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.

	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
<b>Outstanding options beginning of period</b>	<b>5 470 374</b>	<b>4 194 293</b>	<b>4 194 293</b>
Granted	-	1 947 010	1 947 010
Forfeited	69 089	222 384	222 384
Exercised	2 047 474	24 699	448 545
Expired	-	-	-
<b>Outstanding end of period</b>	<b>3 353 811</b>	<b>5 894 220</b>	<b>5 470 374</b>
Of which exercisable	1 757 331	2 742 259	1 265 338

The exercisable options include options from five grants. If cap is reached, all exercisable options will be exercised. See overview below.

	30.09.2020	Cap in NOK
2016 grant	333 581	143.2
2017 grant	562 949	107.3
2018 grant	527 636	141.8
2019 grant	261 618	118.3
2019 mgmt grant	71 547	135.3
<b>Exercisable options</b>	<b>1 757 331</b>	

**Financial Calendar 2020:**

- February 4, 2021 - 4th Quarter 2020

**Note 9: RSU and performance shares**

With reference to the Annual general meeting held on April 22, 2020, Nordic Semiconductor, on April 29, 2020, granted 754 224 RSUs and performance shares to employees, including management. The shares vest over two and three years. The Annual General Meeting of Nordic Semiconductor ASA approved the issue of up to 1 074 000 Restricted Stock Units (RSUs) and Performance Shares, equivalent to approximately 0.6% of the company's outstanding share capital.

	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
<b>Outstanding RSUs beginning of period</b>	<b>0</b>	<b>0</b>	<b>0</b>
Granted	696 017	0	0
Forfeited	4 100	0	0
Exercised	-	0	0
<b>Outstanding end of period</b>	<b>691 917</b>	<b>0</b>	<b>0</b>

	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
<b>Outstanding performance shares beginning of period</b>	<b>55 813</b>	<b>0</b>	<b>0</b>
Granted	58 207	55 813	52 713
Forfeited	-	-	-
Exercised	-	-	-
<b>Outstanding end of period</b>	<b>114 020</b>	<b>55 813</b>	<b>52 713</b>

**Note 10: 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 11: Events after the balance sheet date**

No events have occurred since September 30, 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.

	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
Gross profit	64.6	40.9	146.9	103.9	146.8
Total revenue	119.4	82.2	278.1	205.3	288.4
<b>Gross margin</b>	<b>54.1%</b>	<b>49.8%</b>	<b>52.8%</b>	<b>50.6%</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.

	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
Operating profit	20.8	5.7	27.1	3.9	9.3
Depreciation and amortization	7.9	5.8	22.8	16.7	23.5
<b>EBITDA</b>	<b>28.6</b>	<b>11.5</b>	<b>49.9</b>	<b>20.6</b>	<b>32.8</b>

- EBITDA margin. EBITDA divided by Total Revenue.

	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
EBITDA	28.6	11.5	49.9	20.6	32.8
Total revenue	119.4	82.2	278.1	205.3	288.4
<b>EBITDA margin</b>	<b>24.0%</b>	<b>14.1%</b>	<b>17.9%</b>	<b>10.0%</b>	<b>11.4 %</b>

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

	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
Payroll expenses	26.7	20.5	71.6	58.9	80.3
Other operating expenses	9.2	8.8	25.4	24.3	33.7
Depreciation and amortization	7.9	5.8	22.8	16.7	23.5
<b>Total operating expenses</b>	<b>43.8</b>	<b>35.2</b>	<b>119.8</b>	<b>99.9</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.

	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
Total operating expenses	43.8	35.2	119.8	99.9	137.5
Depreciation and amortization	-7.9	-5.8	-22.8	-16.7	-23.5
Option expense	-1.2	-0.5	-3.4	-1.3	-1.8
Capitalized expenses	2.0	1.8	6.7	8.1	11.3
<b>Cash operating expenses</b>	<b>36.8</b>	<b>30.7</b>	<b>100.4</b>	<b>90.1</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.

	Q3 2020	Q3 2019	01.01-30.09 2020	01.01-30.09 2019	Full year 2019
Reported EBITDA	28.6	11.5	49.9	20.6	32.8
Long range (cellular IoT) EBITDA loss	7.8	6.5	20.9	17.2	24.7
<b>Adjusted EBITDA</b>	<b>36.4</b>	<b>18.1</b>	<b>70.8</b>	<b>37.8</b>	<b>57.6</b>
Total revenue (excluding cellular IoT revenue)	117.8	81.6	274.2	204.4	287.3
<b>Adjusted EBITDA margin</b>	<b>30.9%</b>	<b>22.2%</b>	<b>25.8%</b>	<b>18.5%</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.

	Q3 2020	Q3 2019
Total operating expenses	157.4	133.5
Depreciation and amortization	-29.7	-21.2
<b>Operating expenses excluding depreciation and amortization</b>	<b>127.7</b>	<b>112.3</b>
Total revenue	361.2	266.4
<b>LTM opex / LTM revenue</b>	<b>35.4%</b>	<b>42.2%</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.

	Q3 2020	Q3 2019
Current assets	382.3	207.0
Cash and cash equivalents	-214.8	-86.7
Current liabilities	-74.3	-57.2
Current loan facility	-	-
Current lease liabilities	4.4	4.7
Income taxes payable	6.0	3.3
<b>Net working capital</b>	<b>103.6</b>	<b>71.1</b>
Total revenue	361.2	266.4
<b>NWC / LTM revenue</b>	<b>28.7%</b>	<b>26.7%</b>