



# Q1

## Report 2021



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

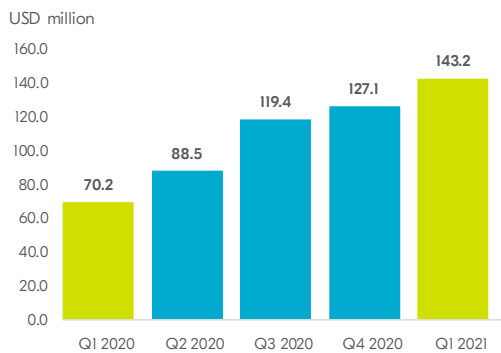
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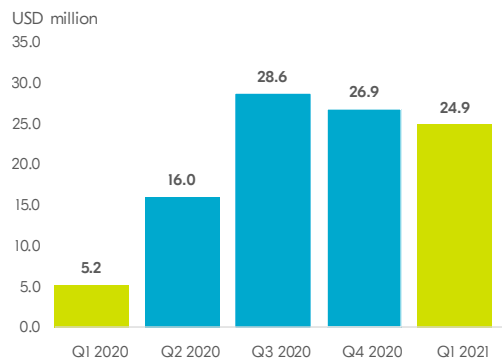
# Q1 Highlights

- Revenue of USD 143.2 million (+104%)
- EBITDA of USD 24.9 million (+374%)
- Q1 2021 is the first quarter with more than USD 100 million in Bluetooth revenue
- Record order backlog of USD 803 million (+551%)
- Successful integration of Wi-Fi team
- Received first order above USD 1 million for next generation Bluetooth SOC (nRF53 series)
- Supply constraints are still expected to limit production in full year 2021

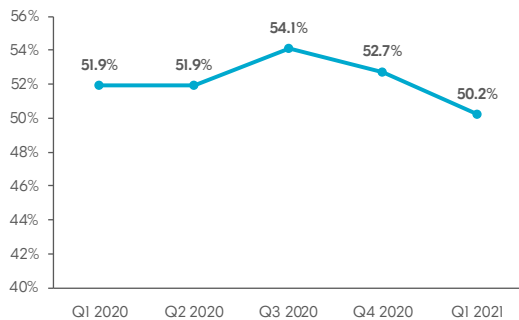
## Revenue



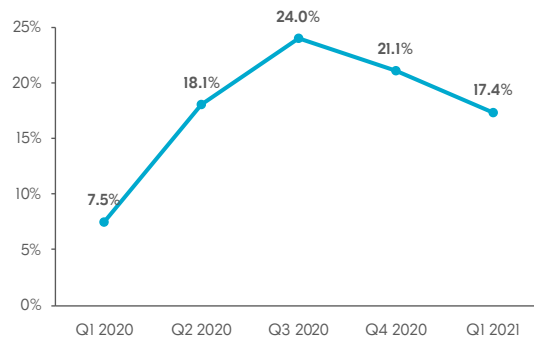
## EBITDA



## Gross margin



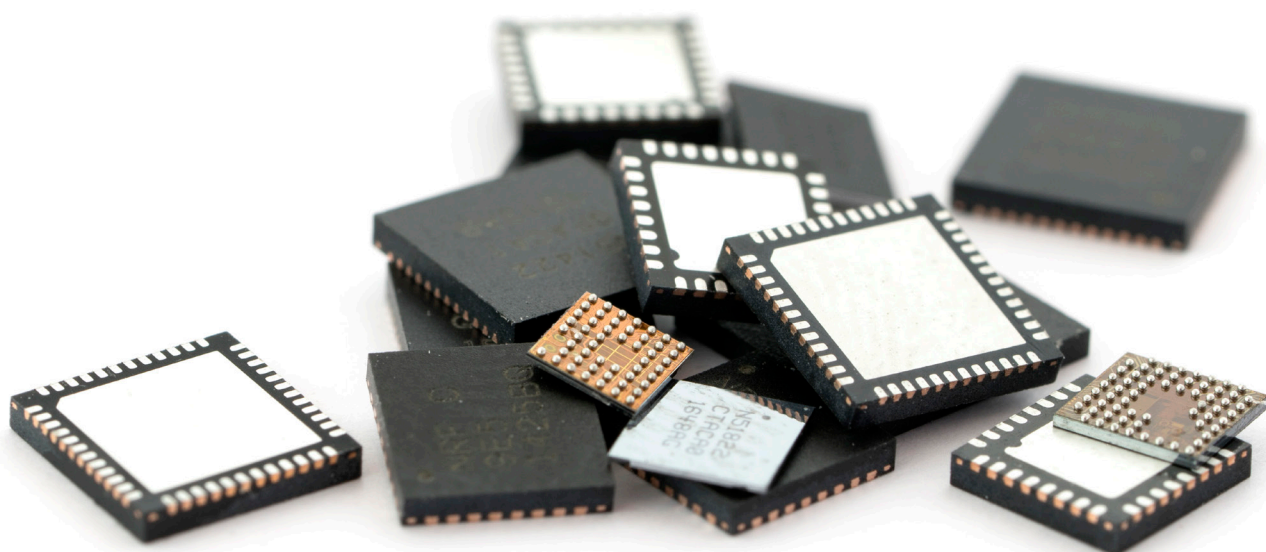
## EBITDA margin



# Key figures

## Q1 2021 financial summary

Amount in USD million	Q1 2021	Q1 2020	Change
Revenue	143.2	70.2	104.1%
Gross profit	71.9	36.4	97.5%
Gross margin %	50.2%	51.9%	-1.7 p.p.
EBITDA	24.9	5.2	374.4%
EBITDA %	17.4%	7.5%	9.9 p.p.
Operating profit (EBIT)	15.7	-2.1	na
Operating profit % (EBIT)	10.9%	-3.0%	na
Net profit after tax	13.5	-1.3	na
Cash and cash equivalents	196.8	124.3	58.3%
Order backlog	802.6	123.4	550.6%
LTM opex excluding depreciation/LTM revenue	32.0%	38.4%	-6.4 p.p.
Net working capital / LTM revenue	26.9%	25.2%	1.7 p.p.
Equity ratio	78.8%	67.4%	11.4 p.p.
Number of employees	1029	799	28.8%



# Q1 2021 review

Revenues amounted to USD 143.2 million in the first quarter 2021, an increase of 104% from the first quarter last year and 13% above the previous quarter. Order backlog increased to a record high USD 803 million from USD 492 million at the end of 2020. Demand is solid across all end-user segments from both large tier-1 customers and the broad market. Limitations in the supply of wafers continue to hold the company back from taking full advantage of the strong demand in the short term. Nordic is working closely with customers to minimize impact of the supply shortage.

## Operational review

Nordic Semiconductor has remained fully operational and in full compliance with national and local Covid-19 regulations. Nordic has proceeded as planned with all internal product development projects and with extensive online developer and customer support to compensate for restrictions on travels and physical meetings.

During Q1 2021, Nordic has successfully integrated the Wi-Fi development team, acquired from Imagination Technologies Group at the end of Q4 2020. The team consists of 81 employees that have been added to Nordic's highly skilled workforce.

## Order backlog

As strong demand across all main market verticals through 2020 continued in Q1 2021. The order backlog increased to USD 803, compared to USD 123 million at the end of Q1 2020 and USD 492 million at the end of 2020. The order backlog stretches well into 2022.

The order backlog reflects strong demand across the range of end-user applications in the broad market, as well as more contracts with major tier-1 customers with significantly higher volume potential than the average customer. These customers are typically placing orders with longer timeframes.

As described in the interim report for Q4 2020, capacity constraints have forced the company's main wafer supplier to reduce the allocation of wafers for 2021. This was expected to have the largest impact in Q2 2021, with higher volumes expected in the second half of the year. The company has managed to shift some wafer volumes from Q3 2021 to Q2 2021 to serve customers in Q2 2021. This allows for Q2 2021 revenue level on par with or slightly higher than Q1 2021. As previously announced, the forecasted wafer allocation will enable Nordic to increase its production by a minimum of 25% from 2020 to 2021.

Nordic's in-house testing and back-end production capacity is sufficient to meet the high demand, following last year's investments in additional testing equipment and component inventory buffers.

FCC and Bluetooth SIG data compiled by DNB Markets show that Nordic had a market share of 42% of new design certifications in the Bluetooth Low Energy market in Q1 2021, compared to 45% for the full year 2020. The total number of certifications of new Bluetooth Low Energy designs increased by 10% year-on-year to 319, of which 134 designs had Nordic inside.

## New Bluetooth product launches

The flow of new product launches with Nordic inside continued into 2021, with product launches across its entire range of Bluetooth Systems-on-a-Chip (SoCs), from the entry level nRF52805 to the top-of-the-line nRF52840 and the new generation nRF5340. The launches cover a wide variety of applications, showing the ubiquitous nature of the technology.

Consumer electronic launches included a new low-latency gaming mouse and a wireless miniaturized USB microphone for online meetings and livestreaming. New Wearables launches included new smart watches, smart rings for remote control of audio and phone calls, and Covid-19 proximity monitors ensuring social distancing.



Examples within Building & Retail include a new IoT platform for smart building automation, an indoor direction-finding solution for real-time asset location down to 10cm precision, a new wireless gate control solution, a hotel panic button system, a hard-hat sensor for tracking of on-site construction and manufacturing workers, and a Nordic-powered satellite transmitter module for global asset tracking. Nordic's Thingy:52 multi-sensor prototyping platform was selected to provide wireless connectivity and processing power for a new indoor environmental monitoring solution.

Within Healthcare, the company continues to see new Covid-19 related products as well as the launch of a new wearable ECG heart monitor for detection of cardiac rhythm.

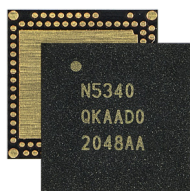
**Fast pick-up of next generation nRF53**

Nordic's first product in the nRF53 generation -the dual-processor nRF5340- went into volume production in Q4 2020 and is seeing fast pick-up.

The SoC is now available on 17 different module variants from six different module partners. Nordic has received the first nRF5340 order exceeding USD 1 million, within the advanced wearables market.

The dual core nRF5340 supports Bluetooth 5.2/ Bluetooth Low Energy, Bluetooth mesh, Thread, and Zigbee. Designed for highly complex applications, the SoC also meets the requirements of LE Audio and will enable multi-stream synchronized audio streaming over Bluetooth Low Energy. The company has already received the first nRF5340 order from an audio customer in the hearing aid segment.

For the nRF5340, Nordic has established support for AI and machine learning, and the SoC is used in the "Connected Home over IP" (CHIP) project which is supported by Apple, Amazon, Google and several other major players.



**Cellular IoT moving forward**

Nordic continues to broaden the carrier certification program for its nRF9160 cellular IoT System-in-Package (SiP) and obtained certification from the Canadian operator TELUS in Q1 2021.

The nRF9160 SiP has earlier been certified by Verizon and ATT in the US, Bell in Canada, Telstra in Australia, China Telecom in China, KDDI and Softbank in Japan, LGU+ in South Korea, and globally by Deutsche Telecom and Vodafone.



During the quarter, the company also obtained regulatory certification from the Brazilian telecommunication regulator ANATEL and partnered with São Paulo-based BP&M to provide sales representation and technical support for both the cellular IoT and short-range portfolio in South America.

Nordic's end-user customers are 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, etc.

Customer field tests of some of the cellular IoT projects have been held back by Covid-19 travel restrictions, and Nordic's delivery capacity in Q1 2021 was negatively affected by bottlenecks in the supply chain.

New cellular IoT product launches with the nRF9160 SiP in Q1 2021 included a patented fire-door sensor from Irish Safecility, a world-first cellular IoT bike security tracker from See.Sense of Northern Ireland, and a new valuables tracker from Cube Tracker for the US market.

Nordic also announced a partnership with Edge Impulse that enable Nordic's customers to add AI and machine learning features to their Bluetooth Low Energy applications. Edge Impulse is a leading provider of 'TinyML' machine learning tools for resource constrained semiconductor devices. The first joint customer is the Slovenian Institute for development of advanced applied systems (IRNAS), who is using Edge Impulse's solutions and Nordic's nRF9160 for their new RAMI remote monitoring unit for smart power grids.

After the end of Q1, Netherlands-based Nowi selected nRF9160 for its 'Blue Coral – Energy Autonomous Sensor Fusion Platform', a power-efficient cellular IoT platform speeding time to market for 'plug and forget' IoT-designs.

In April, Nordic also announced that it has partnered with Telenor to use Nordic's Thingy:91 in combination with the operator's 'Managed IoT Cloud' (MIC) offering.

## INCOME STATEMENT

### Revenue

Amounts in USD thousand	Q1 2021	Q1 2020	Change
Bluetooth	119 817	51 189	134.1%
Proprietary wireless	20 887	15 395	35.7%
<b>Short range wireless components</b>	<b>140 704</b>	<b>66 584</b>	<b>111.3%</b>
Cellular IoT	1 219	1 104	10.4%
ASIC components	1 058	2 475	-57.3%
Consulting services	250	-	na
<b>Total revenue</b>	<b>143 231</b>	<b>70 163</b>	<b>104.1%</b>

Nordic Semiconductor (Nordic or the Group) reported total revenue of USD 143.2 million in Q1 2021, corresponding to an increase of 104% from USD 70.2 million in Q1 2020. This was slightly above the guidance range provided in the financial report for Q4 2020.

Revenue was 13% higher than in Q4 2020, which represents a break with the normal seasonal pattern of declining sequential revenue growth in the first quarter of the year. This increase reflects increased demand from both tier-1 customers and the broad market across all end-user markets.

Nordic classifies 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 119.8 million in Q1 2021, an increase of 134% from USD 51.2 million in Q1 2020. This was the first time Bluetooth sales passed the USD 100 million milestone on a quarterly basis. Bluetooth

revenue increased by 23% from the normally seasonally stronger Q4. Bluetooth share of total revenue was 84% in Q1 2021.

Proprietary revenue was USD 20.9 million in Q1 2021, which was an increase of 36% year-on-year and 17% below the previous quarter. The figures reflect continued high demand for home office equipment and PC accessories, supported by the globally increased use of remote work/home office solutions. Proprietary revenue accounted for 15% of total revenue in the quarter.

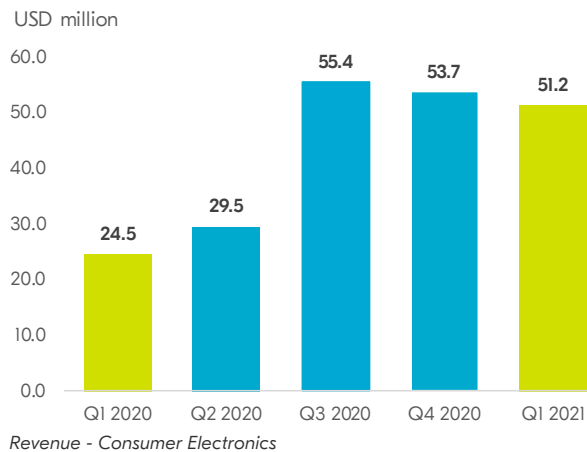
Cellular IoT reported revenue of USD 1.2 million in Q1 2021. Deliveries in the quarter were hampered by supply issues, and although revenue was 10% above Q1 2020 it was less than half the revenue reported in Q4 2020. Business momentum is strong, however, the technology remains in the early stages of commercialization, and revenue development will be lumpy depending on the timing of deliveries. Reported sales reflect both development kits and initial sales of end-user products.

ASIC revenues amounted to USD 1.1 million in Q1 2021, which compares with USD 2.5 million in Q1 2020 and USD 1.5 million in Q4 2020.

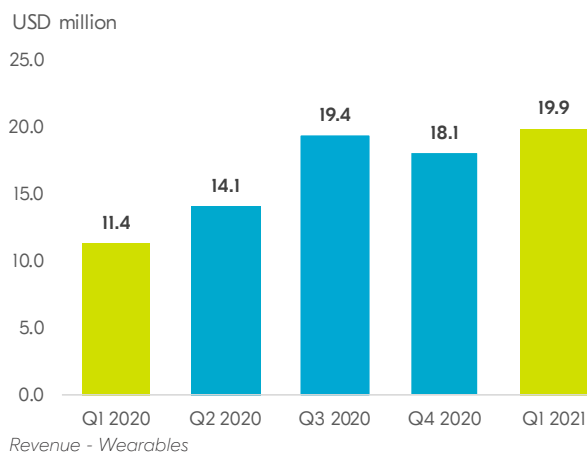
Revenues by end-product markets Amounts in USD thousand	Q1 2021	Q1 2020	Change
Consumer Electronics	51 243	24 507	109.1%
Wearables	19 915	11 350	75.5%
Building/Retail	35 398	13 163	168.9%
Healthcare	16 263	5 470	197.3%
Others	17 885	12 094	47.9%
<b>Short range wireless components</b>	<b>140 704</b>	<b>66 584</b>	<b>111.3%</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.

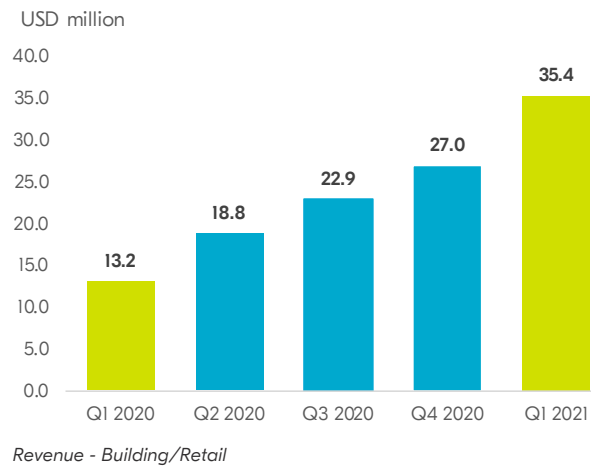
Consumer Electronics remains largest end-product market, generating 109% revenue growth to USD 51.2 million. The revenue growth reflects both increased Bluetooth sales and continued high deliveries of Bluetooth and proprietary products for PC accessories for a growing home office market. Gaming accessories have also become a key revenue driver in Consumer Electronics over the last year.



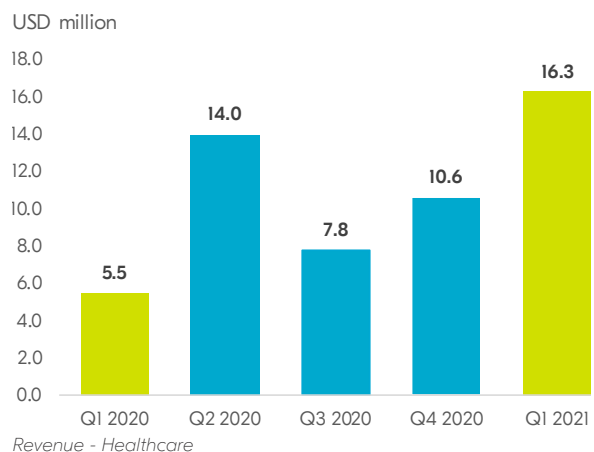
Wearables revenues increased by 75% to USD 19.9 million. Increased focus on wellbeing during the last year has been beneficial for this market. Nordic maintains a particularly strong position in the premium domestic market in China.



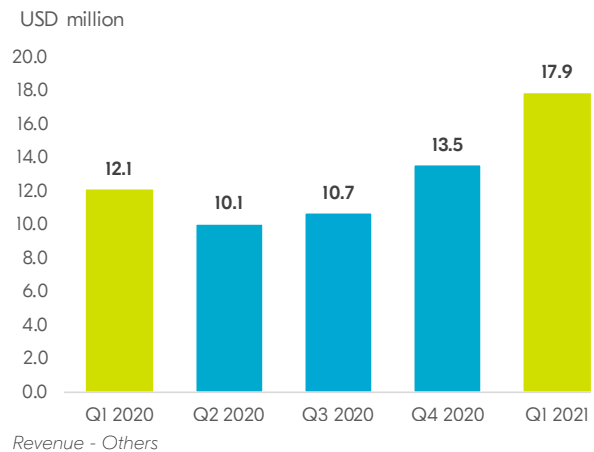
Building & Retail revenues increased by 169% to USD 35.4. The increase reflects continued growth for both industrial and home automation applications such as smart lighting systems, alarm systems, smoke detectors, temperature controls, smart locks and share-bikes.



Healthcare revenue increased by 197% to USD 16.3 million. This reflects deliveries for directly Covid-19 related applications and the pandemic has also accelerated the adoption of connected healthcare devices in general. As previously highlighted by the company, Nordic sees the Healthcare segment as a market with potentially disruptive growth and as one of the key growth drivers for combined short-range and long-range products and solutions.



Revenues in the 'Others' category increased 48% year-over-year to USD 17.9 million. This mainly reflects sales to module manufacturers servicing a large number of end products in all markets and regions.







## Financial results

Amounts in USD thousand	Q1 2021	Q1 2020	Change
Gross profit	71 893	36 394	97.5%
Gross margin	50.2%	51.9%	-1.7 p.p.
Operating expenses excl. depreciation and amortization	-46 995	-31 145	50.9%
EBITDA	24 898	5 248	374.4%
EBITDA %	17.4%	7.5%	9.9 p.p.
Depreciation and amortization	-9 232	-7 380	25.1%
EBIT	15 666	-2 132	na

### Gross profit

Gross profit increased by 98% to USD 71.9 million in Q1 2021 from USD 36.4 million in Q1 2020. Gross margin was hence 50.2%, compared to 51.9% om Q1 2020.

The gross margin level was in line with the guidance outlined by the company in the Q4 2020 report. As guided, deliveries in Q1 2021 comprised a higher share of revenue to larger customers.

### Operating expenses

Operating expenses amounted to USD 47.0 million in Q1 2021, excluding depreciation and amortization, compared to USD 31.1 million in Q1 2020. The increase primarily reflects a significantly larger workforce, including 81 new employees from the acquisition of the Wi-Fi team from Imagination Technologies Group in Q4 2020.

Nordic capitalized a total of USD 1.6 million in development expenses in Q1 2021, compared to USD 2.7 million in Q1 2020.

USD 0.6 million related to cellular IoT investments and USD 1.0 million to the short-range business. Expenses related to equity compensation was USD 0.9 million in Q1 2021.

Total cash operating expenses amounted to USD 47.7 million in Q1 2021, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 33.5 million in Q1 2020.

USD 36.0 million of cash operating expenses were payroll expenses (22.8), mainly reflecting 29% growth in the number of employees to 1,029 over the past year. Most payroll expenses are denominated in NOK

and EUR. The USD/NOK was abnormally strong in Q1 2020, hence we have seen a negative FX effect in 2021 compared to last year. In addition, Nordic has accrued for higher bonuses in Q1 2021, compared to Q1 2020.

The company continues to invest and add new employees to support a higher activity level, strengthen customer relations, and continue its technology innovation. The number of employees in R&D increased 19% organically. Including the newly acquired Wi-Fi team, employees in R&D counted 805 people. The Sales & Marketing staff increased 8% to 100, whereas the supply chain organization increased 29% to 62 employees to support the higher volumes.

Other cash operating expenses were USD 11.7 million (8.4), with less travel due to Covid-19 offsetting general cost increases over the past year.

Cash operating expenses for cellular IoT isolated were USD 10.4 million in Q1 2021, compared to USD 7.3 million in Q1 2020. Total operating expenses for the Wi-Fi business was USD 2.1 million.

### Profits

EBITDA was USD 24.9 million in Q1 2021, compared to USD 5.2 million in Q1 2020. The reported EBITDA margin increased to 17.4% from 7.5% in the same quarter last year.

Short-Range EBITDA was USD 36.5 million in Q1 2021, and the EBITDA-margin for the short-range business 25.7%. This compares to USD 11.7 million and 16.9% in Q1 2020.

Depreciation and amortization increased to USD 9.2 million in Q1 2021, compared to USD 7.4 million in the same quarter last year. The increase mainly reflects higher amortization of cellular IoT intangibles and amortization of the Wi-Fi intangible assets. Amortization of internally developed R&D overall amounted to USD 2.2 million and amortizing of leased assets to USD 1.5 million.

Operating profit (EBIT) was hence USD 15.7, compared to an operating loss of USD 2.1 million in Q1 2020.

Net financial costs amounted to USD 0.1 million in Q1 2021, comprising net interest cost of USD 0.3 million and net foreign exchange gain of USD 0.1 million. In Q1 2020, the company reported a net financial gain of USD 4.0 million in Q1 2020, with net interest cost of USD 0.1 million and net foreign exchange gains of USD 4.2 million.

Profit before tax was USD 15.5 million in Q1 2021, compared to a profit before tax of USD 1.9 million in Q1 2020. Income tax expense was USD 2.0 million, compared to USD 3.3 million in Q1 2020. The company's statutory tax rate is 22%.

Net profit was hence USD 13.5 million in Q1 2021, compared to a net loss of USD 1.4 million in Q1 2020.



## Financial Position

Amounts USD thousand	31.3.2021	31.12.2020	31.3.2020
Capitalized development expenses	33 994	34 563	34 884
<i>Total non-current assets</i>	111 600	113 906	97 802
Inventory	60 809	61 955	57 446
Cash and cash equivalents	196 795	242 547	124 291
<i>Total current assets</i>	403 855	401 909	250 142
<b>Total assets</b>	<b>515 455</b>	<b>515 814</b>	<b>347 944</b>
<i>Total equity</i>	406 357	402 492	234 469
Equity percentage	78.8%	78.0%	67.4%
<i>Total liabilities</i>	109 098	113 323	113 475
<b>Total equity and liability</b>	<b>515 455</b>	<b>515 814</b>	<b>347 944</b>

Total shareholders' equity amounted to USD 406.4 million at the end of Q1 2021, up from USD 234.5 million a year ago and USD 402.5 million at the end of 2020. The Group equity ratio was 78.8% of a total asset base of USD 515.5 million, compared to 67.4% of a total asset base of USD 347.9 million at the end of Q1 2020. At the end of 2020 total assets was USD 515.8 million and the equity ratio 78.0%.

The strengthened equity position over the past year reflects both positive earnings and a private placement generating gross proceeds of approximately USD 125 million in September last year. Nordic has 192,781,600 shares outstanding.

Cash and cash equivalents amounted to USD 196.8 million, compared to USD 124.3 million at the end of Q1 2020 and USD 242.5 million at the end of 2020. The decline from year-end 2020 mainly reflects an increase in net working capital.

Net working capital increased to USD 128.6 million at the end of Q1 2021, up from USD 77.1 million at the end of Q1 2020 and USD 78.5 million at the end of 2020. Measured as a percentage of last 12 months revenue, net working capital increased to 26.9% from 25.2% at the end of Q1 2020 and 19.4% at the end of 2020.

The main reason for the higher net working capital was an increase in accounts receivable to USD 135.2 million from USD 59.1 million at the end of Q1 2020 and USD 88.0 million at the end of 2020. The increase was driven by timing of customer payments. Inventory was USD 60.8 million, compared to USD 57.4 million a year ago and USD 62.0 million at the end of 2020.

Total current assets amounted to USD 403.9 million, up from USD 250.1 million at the end of Q1 2020 and USD 401.9 million at the end of 2020.

Non-current assets amounted to USD 111.6 million at the end of Q1 2021, compared to USD 97.8 million a year ago and USD 113.9 million at the end of 2020. The year-on-year increase mainly reflects Wi-Fi assets acquired from Imagination Technologies Group in Q4 2020.

Non-current liabilities amounted to USD 19.6 million, compared to USD 16.6 million at the end of Q1 2020 and USD 21.5 million at the end of 2020. This mainly reflects lease liabilities.

Current liabilities declined to USD 89.5 million from USD 96.9 million at the end of Q1 2020 and USD 91.9 million at the end of 2020.

Nordic had no interest-bearing debt per the end of Q1 2021.

## Cash Flow

Amounts in USD thousand	Q1 2021	Q1 2020
Cash flows from operations	-26 708	1 496
Cash flows from investing activities	-7 044	-6 496
Cash flows from financing activities	-11 785	42 117
Change in cash and cash equivalents	-45 752	33 647
Cash and cash equivalents at end of the period	196 795	124 291

Cash flow from operating activities was an outflow of USD 26.7 million in Q1 2021, compared to an inflow of USD 1.5 million in Q1 2020. The difference reflects the changes in net working capital.

Cash flow from investing activities was an outflow of USD 7.0 million in Q1 2021, compared to an outflow of USD 6.5 million in Q1 2020. Capital expenditures amounted to USD 5.4 million, up from USD 3.8 million last year, whereas capitalized development expenses decreased to USD 1.6 million from USD 2.7 million.

Cash flow from financing activities was an outflow of USD 11.8 million, compared to an inflow of USD 42.1 million including a USD 40 million draw on the RCF in Q1 2020 that was repaid during Q3 2020. The outflow in Q1 2021 mainly reflects a cash settlement of USD 10.1 million related to employee options.

### Funding

The Group's cash position was USD 196.8 million at the end of Q1 2021, compared to USD 124.3 million at the end of Q1 2020 and USD 242.5 million at the end of 2020. The cash is mainly kept in the Group's functional currency USD to minimize the impact of currency fluctuations.

Available cash including credit and overdraft facilities amounted to USD 273.5 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

As described in the Annual Report for 2020, the company has identified four major groups of risk: Strategic, Operational, Financial and Legal & Compliance. Some of these risks are outside of Nordic's control, including industry and specific cyclical risks. The supply of and 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.

Please refer to the Annual Report for 2020 for a thorough review of the company's main strategic risks and external factors, including geopolitical risk and trade tensions,

the coronavirus, climate change and natural disasters, changes in the competitive landscape, risks related to the Bluetooth and Cellular IoT technologies, and risks related to the dependency on key personnel.

The Annual Report also provides a review of operational risks related to product availability, quality, safety, and integrity, risks related to product ramp, and IT and cyber risk.

As a fabless semiconductor company, Nordic is exposed to third-party suppliers' ability to deliver the wafer volumes required to facilitate the company's sales volumes. Due to increasing imbalances in demand/supply through the value chain, the company was early in the year informed by its main wafer supplier that wafer allocations would be capped for 2021.

The company has seen no major changes to the financial risk compared to the statements given in the Annual Report 2020. 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. The Group's cash position was USD 196.8 million at the end of Q1 2020, and available cash including credit and overdraft facilities amounted to USD 273.5 million. The Board of Directors continue to assess the liquidity risk as low.

Nordic holds minimal interest-bearing debt, and the direct risk associated with interest rate fluctuations is considered low. As described in the Annual Report 2020 the company also assesses the credit risk as low.

Nordic is exposed to foreign exchange risk, as sales revenue and direct production costs almost in entirety are nominated in USD, whereas operating expenses primarily are in NOK and EUR. A 1% increase in USD/NOK is – all other things equal – estimated to translate into USD 0.8 million in added profit before tax on an annual basis. In Q1 2021 the USD/NOK depreciated by a marginal 0.1%. Nordic does not use any financial instruments to hedge the currency risk. The company presents its accounts in USD, with profits translated into NOK for taxation purposes.



# Outlook

Nordic more than doubled revenue in Q1 2021, with the Bluetooth technology segment posting 134% year-on-year revenue growth. This reflects a high and accelerating demand growth through 2020 that has continued into this year.

The high demand reflects fast technology adoption across the company's end-user markets and continuing technology migration from Bluetooth classic to Bluetooth Low Energy and multiprotocol solutions.

Nordic has seen significantly increased order volumes from global platform companies and other tier-1 customers, for high-volume products with longer lifecycles. This is reflected in a shift in the order backlog over the past year. The order backlog of USD 803 million represents more than a six-fold increase over Q1 2020, and the backlog increased 60% since the previous record level reported at the end of 2020. The order backlog stretches well into 2022.

Supply constraints through the semiconductor value chain prevent Nordic from taking full advantage of the strong demand in 2021, as the company's main wafer supplier has capped its wafer deliveries for this year.

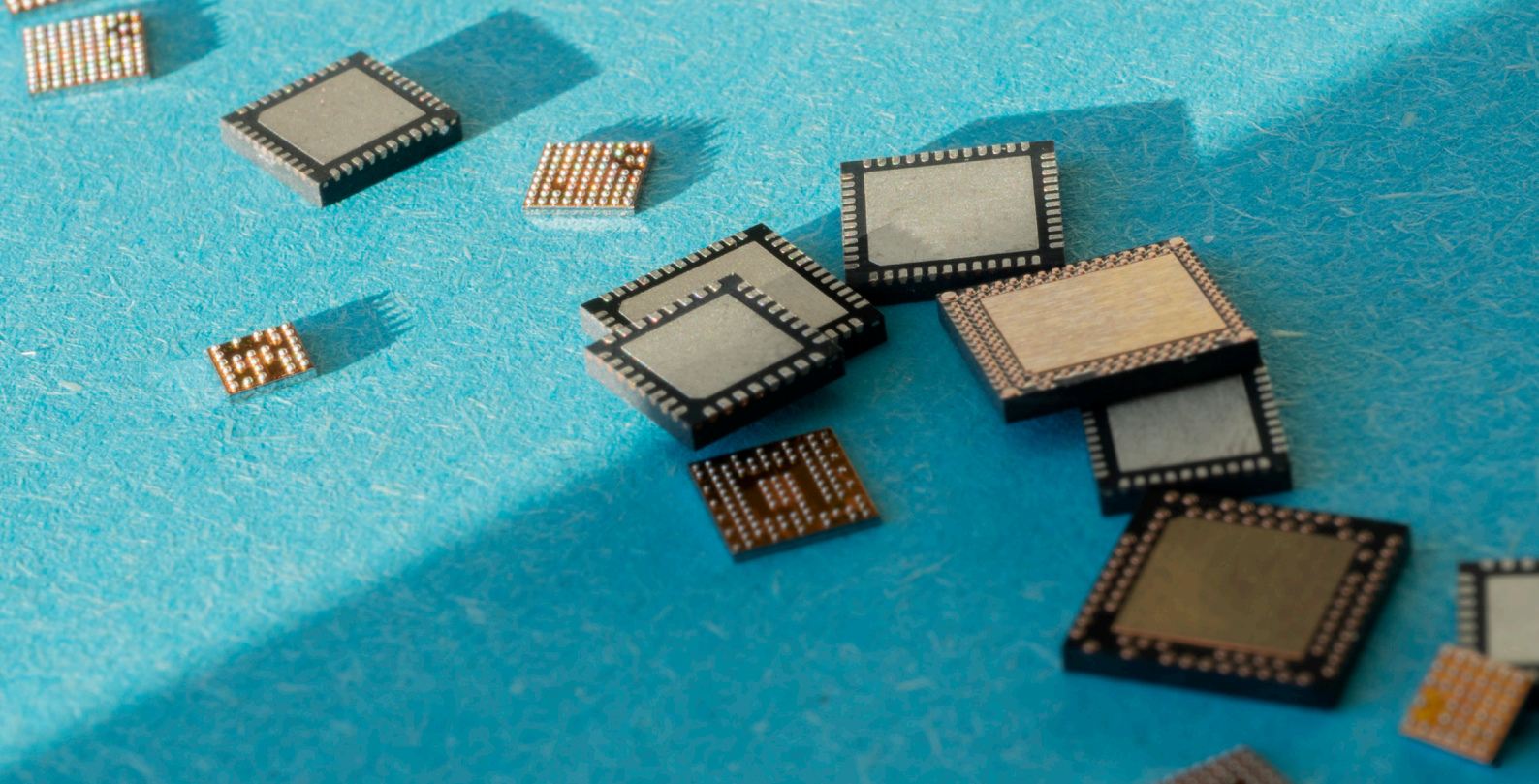
The forecasts for wafer deliveries indicate that Nordic has room to increase production by a minimum of 25% from 2020 to 2021.

The wafer shortage was expected to have the largest impact in Q2 2021, with higher volumes expected in the second half of the year. The company has managed to shift some wafer volumes from Q3 2021 to Q2 2021 to serve customers in Q2 2021. This allows for Q2 2021 revenue level on par with or slightly higher than Q1 2021. The current allocation allows the company to guide for a revenue level of USD 140-150 million for Q2 2021. However, with the current visibility, this does not change the total available wafer supply for 2021.

The strained semiconductor value chain has prompted several global chip manufacturers to increase capital expenditure to boost capacity in the coming years. Nordic's main wafer supplier Taiwan Semiconductor Manufacturing Company (TSMC) in January announced investments of USD 28 billion in 2021, and in April outlined an investment plan of USD 100 billion over the next three years to increase capacity and support manufacturing and R&D of advanced semiconductor technologies.

For Q2 2021 the company forecasts a gross margin level of 50%-51%. In the medium term, the company expects that a higher share of sales to tier-1 customers will move the gross margins for the short-range business into the 48%-50% range.

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



Oslo, April 19, 2021

**Jan Frykhammar**  
Board member

**Birger Steen**  
Chair

**Anita Huun**  
Board member

**Inger Berg Ørstavik**  
Board member

**Svann-Tore Larsen**  
Chief Executive Officer

**Endre Holen**  
Board member

**Øyvind Birkenes**  
Board member

**Jon Helge Nistad**  
Board member, employee

**Annastiina Hintsa**  
Board member

**Joel Stapelton**  
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 2021	Q1 2020	Full year 2020
<b>Total Revenue</b>		143 231	70 163	405 217
Cost of materials		-71 338	-33 693	-190 690
Direct project costs		-	-76	-584
<b>Gross profit</b>		71 893	36 394	213 943
Payroll expenses		-35 951	-22 781	-101 211
Other operating expenses		-11 045	-8 364	-35 954
<b>EBITDA</b>		24 898	5 248	76 778
Depreciation and amortization	6	-9 232	-7 380	-31 063
<b>Operating profit</b>		15 666	-2 132	45 714
Net interest income		-255	-146	-774
Net foreign exchange gains (losses)		137	4 189	-2 016
<b>Profit before tax</b>		15 548	1 912	42 925
Income tax expense		-2 048	-3 262	-4 534
<b>Net profit after tax</b>		13 500	-1 350	38 391
<b>Earnings per share</b>				
Ordinary earnings per share (USD)		0.071	-0.008	0.212
Fully diluted earnings per share (USD)		0.071	-0.008	0.197
<b>Weighted average number of shares</b>				
Basic		189 136	176 027	181 021
Fully Diluted		191 119	177 445	194 704
<b>Net profit after tax</b>		13 500	-1 350	38 391
<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)				-84
Income tax effect				19
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>				
Currency translation differences		-539	-256	688
<b>Total Comprehensive Income</b>		12 961	-1 606	39 014

## Consolidated statement of financial position

Amount in USD thousand	Note	31.3.21	31.12.20	31.3.20
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		2 393	2 393	-
Capitalized development expenses	5/6	33 994	34 563	34 884
Software and other intangible assets	5/6	18 439	19 905	10 686
Deferred tax assets		3 674	3 668	2 404
Fixed assets	6	29 405	28 284	26 569
Right-of-use assets	6	23 696	25 092	23 259
<b>Total non-current assets</b>		<b>111 600</b>	<b>113 906</b>	<b>97 802</b>
<b>Current assets</b>				
Inventory		60 809	61 955	57 446
Accounts receivable		135 217	88 034	59 125
Current financial assets		341	-	-
Other current receivables		10 693	9 372	9 280
Cash and cash equivalents		196 795	242 547	124 291
<b>Total current assets</b>		<b>403 855</b>	<b>401 909</b>	<b>250 142</b>
<b>TOTAL ASSETS</b>		<b>515 455</b>	<b>515 814</b>	<b>347 944</b>
<b>EQUITY</b>				
Share capital		317	317	303
Treasury shares		-2	-2	-4
Share Premium		235 448	235 448	113 355
Other equity		170 594	166 727	120 815
<b>TOTAL EQUITY</b>		<b>406 357</b>	<b>402 492</b>	<b>234 469</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Pension liability		431	448	243
Non-current lease liabilities		19 129	21 004	16 637
<b>Total non-current liabilities</b>		<b>19 559</b>	<b>21 452</b>	<b>16 610</b>
<b>Current liabilities</b>				
Accounts payable		26 400	22 812	14 789
Income taxes payable		5 409	4 976	4 484
Public duties		5 029	8 789	3 304
Current lease liabilities		5 972	5 520	3 647
Current loan facility	7	-	-	40 000
Current financial liabilities		-	302	-
Other current liabilities		46 729	49 472	30 642
<b>Total current liabilities</b>		<b>89 538</b>	<b>91 871</b>	<b>96 865</b>
<b>Total liabilities</b>		<b>109 098</b>	<b>113 323</b>	<b>113 475</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>515 455</b>	<b>515 814</b>	<b>347 944</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 01.01.21</b>	<b>317</b>	<b>-2</b>	<b>235 448</b>	<b>15 980</b>	<b>379</b>	<b>150 368</b>	<b>402 492</b>
Net profit for the period	-	-	-	-	-	13 500	13 500
Other comprehensive income	-	-	-	-	-539	-	-539
Share based compensation	-	-	-	1 109	-	-	1 109
Option exercise	-	-	-	-10 204	-	-	-10 204
<b>Equity as of 31.3.21</b>	<b>317</b>	<b>-2</b>	<b>235 448</b>	<b>6 885</b>	<b>-160</b>	<b>163 868</b>	<b>406 357</b>

<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>



## Statement of cash flows

Amount in USD thousand	Note	Q1 2021	Q1 2020	Full year 2020
<b>Cash flows from operating activities</b>				
Profit before tax		15 548	1 912	42 925
Taxes paid for the period		-1 748	-1 359	-2 955
Depreciation and amortization		9 232	7 380	31 063
Change in inventories, trade receivables and payables		-42 410	-3 906	-29 561
Share-based compensation		885	555	3 151
Movement in pensions		-	-	138
Other operations related adjustments		-8 215	-3 085	20 530
<b>Net cash flows from operating activities</b>		<b>-26 708</b>	<b>1 496</b>	<b>65 292</b>
<b>Cash flows used in investing activities</b>				
Capital expenditures (including software)	6	-5 433	-3 788	-16 480
Capitalized development expenses	6	-1 611	-2 708	-8 398
Business Combination, net of cash acquired		-	-	-13 158
<b>Net cash flows used in investing activities</b>		<b>-7 044</b>	<b>-6 496</b>	<b>-38 035</b>
<b>Cash flows from financing activities</b>				
Changes in treasury shares		-	3 099	10 455
Cash settlement of options contract		-10 141	-	-4 557
Capital increase		-	-	121 277
Repayment of lease liabilities		-1 644	-983	-3 552
RCF drawdown		-	40 000	40 000
RCF repayment		-	-	-40 000
<b>Net cash flows from financing activities</b>		<b>-11 785</b>	<b>42 117</b>	<b>123 622</b>
Effects of exchange rate changes on cash and cash equivalents		-216	-3 470	1 024
<b>Net change in cash and cash equivalents</b>		<b>-45 752</b>	<b>33 647</b>	<b>151 902</b>
Cash and cash equivalents beginning of period		242 547	90 645	90 645
<b>Cash and cash equivalents at end of period</b>		<b>196 795</b>	<b>124 291</b>	<b>242 547</b>

# Notes

## Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 31 March 2021 for publication on April 19, 2021.

Nordic Semiconductor is a Norwegian fabless semiconductor company specializing in wireless communication technology that powers the Internet of Things (IoT). Nordic was established in 1983 and has more than 1000 employees across the globe. The company's award-winning Bluetooth Low Energy solutions pioneered ultra-low power wireless, making it the global market leader. Nordic's technology range was later supplemented by ANT+, Thread and Zigbee, and in 2018 Nordic launched its low power, compact LTE-M/NB-IoT cellular IoT solutions to extend the penetration of the IoT. The Nordic portfolio was further complemented by Wi-Fi technology in 2021.

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 Niensens 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 2021 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 2020.

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 2021, 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 2021 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2020.

## Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2020. The group accounts for 2020 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, 2021 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 2021	Q1 2020	Full year 2020
Capitalized development expenses (payroll expenses)	950	1 675	5 747
Capitalized acquired development expenses	661	1 033	2 651
Capital expenditures (including software)	5 433	3 788	16 480
Right-of-use assets (non-cash)	222	485	6 068
Acquisition (net)	-	-	13 966
Currency adjustments	-345	-112	362
<b>Total</b>	<b>6 921</b>	<b>6 869</b>	<b>45 273</b>
<b>Depreciation and amortization</b>			
Capitalized development expenses	2 180	1 814	7 825
Software and other intangible assets	2 003	1 517	6 070
Fixed assets	3 576	2 938	12 188
Right-of-use assets	1 473	1 111	4 980
<b>Total</b>	<b>9 232</b>	<b>7 380</b>	<b>31 063</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, 2021, 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 March 2021. 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 2020 for information about the program.

	Q1 2021	Q1 2020	Full year 2020
<b>Outstanding options beginning of period</b>	<b>2 548 589</b>	<b>5 470 374</b>	<b>5 470 374</b>
Granted	-	-	-
Forfeited	7 635	-	64 144
Exercised (treasury shares used in settlement)	-	651 991	2 287 638
Exercised (cash settlement due to cap being reached)	954 923	-	562 949
Expired	-	-	-
<b>Outstanding end of period</b>	<b>1 586 031</b>	<b>4 818 383</b>	<b>2 555 643</b>
Of which exercisable	950 787	3 101 414	954 923

The exercisable options include options from five grants. If cap is reached, all exercisable options will be exercised by using cash settlement, approved by the Board. See overview below.

	31.3.2021	Cap in NOK
2018 grant	454 747	141.8
2019 grant	496 040	118.3
<b>Exercisable options</b>	<b>950 787</b>	

**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.

	Q1 2021	Q1 2020	Full year 2020
<b>Outstanding RSUs beginning of period</b>	<b>690 617</b>	<b>-</b>	<b>-</b>
Granted	-	-	696 017
Forfeited	-	-	5 400
Exercised	-	-	-
<b>Outstanding end of period</b>	<b>690 617</b>	<b>-</b>	<b>690 617</b>

	Q1 2021	Q1 2020	Full year 2020
<b>Outstanding performance shares beginning of period</b>	<b>114 020</b>	<b>55 813</b>	<b>55 813</b>
Granted	-	-	58 207
Forfeited	-	-	-
Exercised	-	-	-
<b>Outstanding end of period</b>	<b>114 020</b>	<b>55 813</b>	<b>114 020</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 2020.

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

No events have occurred since March 31, 2021 with any significant effect that will impact the evaluation of the submitted accounts.

**Financial Calendar 2021:**

- July 13, 2021 - Half-yearly report 2021
- October 21, 2021 - 3rd Quarter 2021
- February 3, 2022 - 4th Quarter 2021

**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 2021	Q1 2020	Full year 2020
Gross profit	71.9	36.4	213.9
Total revenue	143.2	70.2	405.2
<b>Gross margin</b>	<b>50.2%</b>	<b>51.9%</b>	<b>52.8%</b>

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

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

	Q1 2021	Q1 2020	Full year 2020
Operating profit	15.7	-2.1	45.7
Depreciation and amortization	9.2	7.4	31.1
<b>EBITDA</b>	<b>24.9</b>	<b>5.2</b>	<b>76.8</b>

■ EBITDA margin. EBITDA divided by Total Revenue.

	Q1 2021	Q1 2020	Full year 2020
EBITDA	24.9	5.2	76.8
Total revenue	143.2	70.2	405.2
<b>EBITDA margin</b>	<b>17.4%</b>	<b>7.5%</b>	<b>18.9%</b>

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

	Q1 2021	Q1 2020	Full year 2020
Payroll expenses	36.0	22.8	101.2
Other operating expenses	11.0	8.4	35.9
Depreciation and amortization	9.2	7.4	31.1
<b>Total operating expenses</b>	<b>56.2</b>	<b>38.5</b>	<b>168.2</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 2021	Q1 2020	Full year 2020
Total operating expenses	56.2	38.5	168.2
Depreciation and amortization	-9.2	-7.4	-31.1
Option expense	-0.9	-0.4	-4.3
Capitalized expenses	1.6	2.7	8.4
<b>Cash operating expenses</b>	<b>47.7</b>	<b>33.5</b>	<b>141.2</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 2021	Q1 2020	Full year 2020
Reported EBITDA	24.9	5.2	76.8
Long range (cellular IoT) EBITDA loss	9.5	6.4	30.2
WiFi expenses	2.1	-	-
<b>Adjusted EBITDA</b>	<b>36.5</b>	<b>11.7</b>	<b>106.9</b>
Total revenue (excluding cellular IoT revenue)	142.0	69.1	398.7
<b>Adjusted EBITDA margin</b>	<b>25.7%</b>	<b>16.9%</b>	<b>26.8%</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 2021	Q1 2020
Total operating expenses LTM	185.9	143.1
Depreciation and amortization LTM	-32.9	-25.5
<b>Operating expenses excluding depreciation and amortization LTM</b>	<b>153.0</b>	<b>117.6</b>
Total revenue LTM	478.3	306.0
<b>LTM opex / LTM revenue</b>	<b>32.0%</b>	<b>38.4%</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 2021	Q1 2020
Current assets	403.9	250.1
Cash and cash equivalents	-196.8	-124.3
Current financial assets	-0.3	-
Current liabilities	-89.5	-96.9
Current loan facility	-	40.0
Current lease liabilities	6.0	3.6
Income taxes payable	5.4	4.5
<b>Net working capital</b>	<b>128.6</b>	<b>77.1</b>
Total revenue LTM	478.3	306.0
<b>NWC / LTM revenue</b>	<b>26.9%</b>	<b>25.2%</b>



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