

Q4

& preliminary full year
2021 report



NORDIC[®]
SEMICONDUCTOR

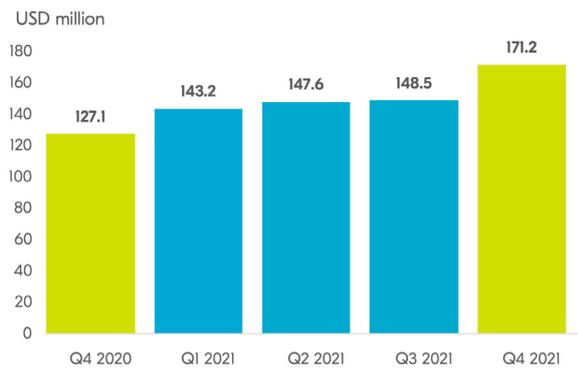
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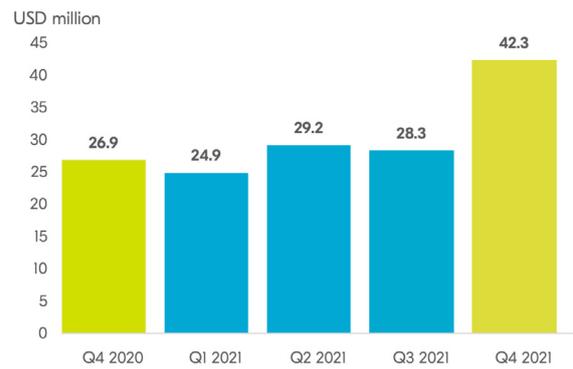
Q4 highlights

- Revenue of USD 171 million (+35%)
- High gross margin of 58.9%, reflecting product price adjustments including goods in distributor inventories
- EBITDA of USD 42 million (+58%)
- Continued traction in Cellular IoT with revenue of USD 5.9 million (+121%)
- Order backlog of USD 1 687 million

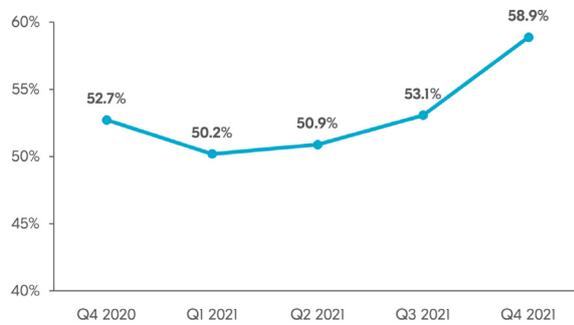
Revenue



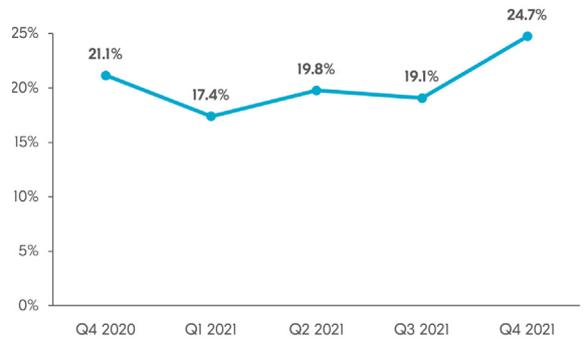
EBITDA



Gross margin



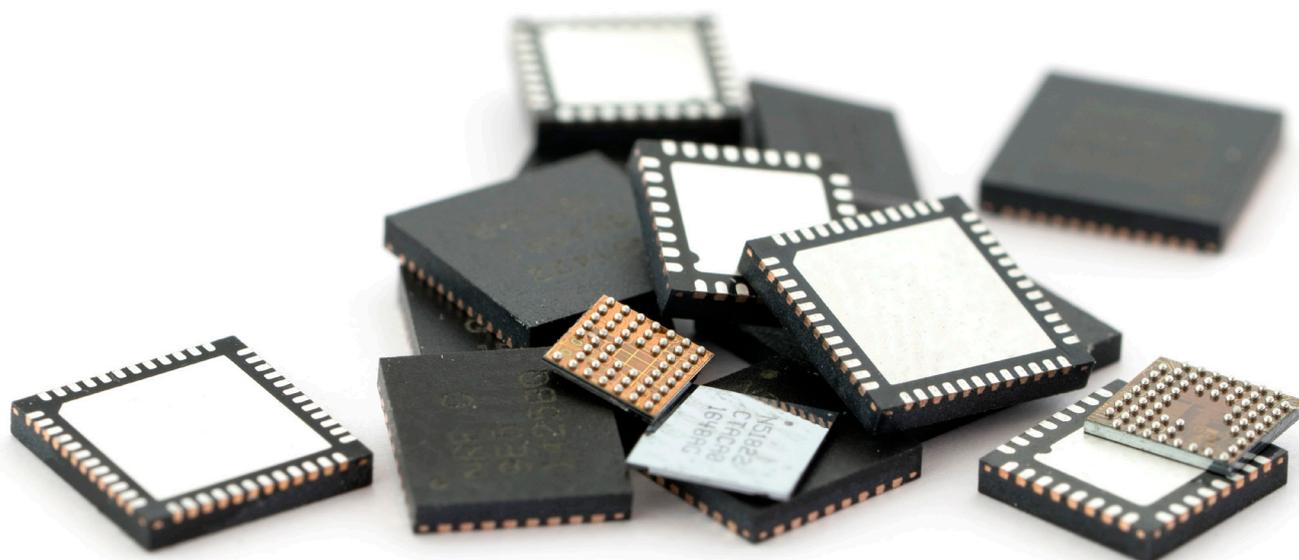
EBITDA margin



Key figures

Q4 & FY2021 financial summary

Amount in USD million	Q4			Full year		
	2021	2020	Change	2021	2020	Change
Revenue	171.2	127.1	34.7%	610.5	405.2	50.7%
Gross profit	100.8	67.0	50.4%	326.6	213.9	52.7%
Gross margin %	58.9%	52.7%	6.2 p.p.	53.5%	52.8%	0.7 p.p.
EBITDA	42.3	26.9	57.6%	124.7	76.8	62.4%
EBITDA %	24.7%	21.1%	3.6 p.p.	20.4%	18.9%	1.5 p.p.
Operating profit (EBIT)	32.2	18.6	73.1%	86.9	45.7	90.1%
Operating Profit % (EBIT)	18.8%	14.7%	4.2 p.p.	14.2%	11.3%	3 p.p.
Net profit after tax	26.8	19.3	38.8%	71.2	38.4	85.4%
Cash and cash equivalents				279.3	242.5	15.2%
Order backlog				1 686.7	491.8	243.0%
LTM Opex excluding depreciation/LTM revenue				33.1%	33.8%	-0.7 p.p.
Net working capital / LTM revenue				17.8%	19.4%	-1.6 p.p.
Equity ratio				76.8%	78.0%	-1.2 p.p.
Number of employees				1 197	978	22.4%



Q4 & FY2021 review

Nordic Semiconductor continued to strengthen its position in the low-power connectivity markets in Q4 and 2021. Revenues amounted to USD 171.2 million in the fourth quarter 2021 and USD 610.5 million for the full year, corresponding to growth of 35% in the quarter and 51% for the full year. Revenue continued to be capped by the supply of wafers. However, revenue was lifted by product price increases with effect from December 1, including for goods already in distributor inventories.

Operational review

The Semiconductor (Nordic or the Group) has remained fully operational throughout the Covid-19 pandemic, also through the recent Omicron wave, and operates in full compliance with national and local regulations. The pandemic continues to affect travels and physical meetings, and the company has compensated with more extensive online developer and customer support. All internal product development projects have proceeded as planned throughout the pandemic. Operations at the company's main suppliers and distributors have also remained operational, although local restrictions and lockdowns temporarily have affected production and shipments in some areas.

Supply chain constraints

As described in previous interim reports, the shortage of wafer capacity forced Nordic's main wafer supplier to cap the allocation of wafers throughout 2021. Nordic has worked relentlessly to help its customers manage the delivery challenges and succeeded in maintaining relatively stable quarterly revenues through the first three quarters of the year.

Nordic was in the third quarter given notice of upcoming wafer price increases from main wafer supplier and in turn notified its customers of a universal price increase with effect from December 1. Combined with slightly higher wafer allocations in the fourth quarter, this supported higher revenue of USD 171.2 million in the final quarter of the year.

Nordic's own backend production capacity and in-house testing capabilities are sufficient to meet significantly higher volumes, following investments in additional testing equipment and component inventory buffers in 2020 and 2021.

The strained situation in the semiconductor value chain is expected to continue in 2022. Wafer allocations will be lowest in the first quarter and Nordic expects increasing volumes in the remaining three quarters of the year.

Continued high demand and increasing order backlog

Nordic has experienced strong demand growth across all its main verticals over the past year, and given the supply chain capacity constraints this generated a strong growth in the order backlog through 2021.

At the end of 2021 the backlog was USD 1 687 million, which was a 28% growth from the end of the previous quarter and more than a tripling from the end of 2020. The growth was supported by price adjustments and new orders.

High demand and constrained wafer supplies through 2021 have extended the delivery schedule from a couple of quarters to more than one year.

The company is progressing well with a development program for a new cross technology platform, which will make sure the company maintains the lead on connectivity and delivers the type of features and performance that future IoT solutions will require. This is a multi-year endeavor involving large teams on multiple sites, and carried out in cooperation with leading customers.

In the transition to new platforms, Nordic will use leading process technologies optimized for IoT, secure stable supply and disruptive performance. The first products to be ramped in volumes will be new short-range products, starting in the second half of 2023.

Maintaining strong design market share

Nordic had a market share of 44% of new design certifications in the Bluetooth LE market in the fourth quarter and 42% for the full year 2021, according to FCC and Bluetooth SIG data compiled by DNB Markets.

The number of new Bluetooth LE design certifications was 401 in the fourth quarter 2021, an increase of 27% from Q4 2020. 178 of the designs had Nordic inside.

Cellular IoT gaining traction

Traditional cellular IoT (cIoT) business models have typically been focused on cell phones or 2G/3G industrial applications with 1-to-1 support. This has limited the uptake and commercial opportunity in the broad market.

Nordic has set out to change this with a scalable and flexible cIoT “go-to-market-strategy” designed to open the broad market and support thousands of innovative customers with innovative cIoT solutions. Nordic’s solutions comprise a globally certified ultra-low power product that offers connectivity, MCU and memory, open-source software, and readily available technical support through Nordic DevZone or distributors.

Nordic has established a broad carrier certification program for its nRF9160 cellular IoT System-in-Package (SiP), with global operators as well as leading national and regional operators in the US, China, Japan, South Korea, Canada, and most recently Vivo in Brazil.

Nordic’s end-customers are now working on hundreds of different cIoT projects across a wide variety of verticals, including industrial and consumer asset tracking, industrial sensors and metering, smart home consumer products, healthcare applications, and modules. Several projects are now commercial and have begun to generate meaningful revenue for Nordic.

During the fourth quarter, the company saw several new nRF9160 product launches, including new IoT development platforms and products for asset protection, professional drone tracking solutions, machine connectivity and tracking of animals.

As described in the interim report for the third quarter, the company in 2021 launched a new nRF Cloud Location Services, offering Nordic’s customers a simple and convenient way to manage the location of IoT devices in the field.

This service enables customers to access detailed, fast and accurate location of their nRF9160-powered cellular IoT products, and combines single- and multi-cell cellular location with fast and low-power GPS location for both indoor and outdoor applications.

To further boost the commercial uptake and accelerate customers’ time to market, Nordic strengthened its Partner Program within cIoT with three new partners in Q4 2021:

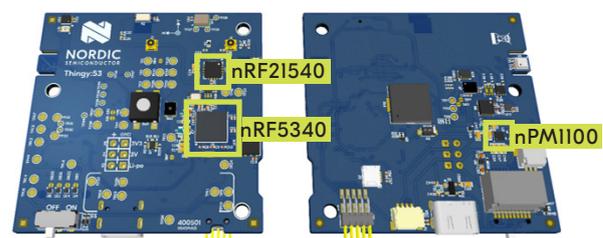
- Edge Impulse is joining as a solutions partner with easy-to-use development tools for cIoT embedded machine learning. The company was already a solutions partner in short-range/ Bluetooth low energy.
- The AI Digital IoT Center is joining with a turnkey platform providing developers everything they require to power cIoT products from Device-to-Cloud.

- Finally, US-based Polte is joining the solution partner program with cellular location services solutions targeting developers of asset tracking solutions using Nordic’s nRF9160 SiP.

Progressing as planned in new areas

Nordic is investing in expanding its scope and opportunity pipeline, with new technologies, new products, and new business models.

One element in this is the company’s ambition to capture more space on the circuit boards, with adjacent products that complement the core connectivity SoCs. The company launched the nRF21540 front-end module in 2020 and its first power management module



nPM1100 in 2021. This offers a clear value-add for existing customers building on the nRF52 and nRF53 Series SoCs.

Nordic’s new IoT prototyping platform Thingy:53 integrates the high-end nRF5340 SoC, the nRF21540 range extender and the nPM1100 power management IC, and is pre-programmed with Edge Impulse firmware.

Nordic’s entry into the Wi-Fi area is progressing as planned, with the company on track for market introduction in the second half 2022. In Q4 2021, the company announced that it also is a key contributor to a new 5G wireless standard called DECT-2020 New Radio (NR), and that it is teaming up with massive IoT solutions software specialist Wirepas to help speed development of an nRF91 Series solution.

Awards

Nordic received several industry awards in Q4 2021, including being named ‘Outstanding EMEA Semiconductor Company’ by the Global Semiconductor Alliance (GSA).

The company also won the ‘RF /Wireless IC’ product category of the 2021 EE Awards Asia for its nRF5340 SoC. The nRF5340 also won the ‘RF/Wireless/ Microwave’ category of the 2021 World Electronics Achievement Award. The company’s cellular nRF9160 SiP won ‘Innovative IoT Application of the Year’ in Electronic Maker Best of Industry awards in India.

Corporate

During Q4 2021, Nordic signed a lease agreement for new Oslo offices at Skøyen, for a 10 year contract commencing January 1, 2023.

INCOME STATEMENT

Revenue

Amounts in USD thousand	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Bluetooth	135 996	97 603	39.3%	503 147	316 020	59.2%
Proprietary wireless	27 152	25 315	7.3%	83 862	76 144	10.1%
Short range wireless components	163 148	122 917	32.7%	587 008	392 163	49.7%
Cellular IoT	5 886	2 663	121.0%	17 035	6 527	161.0%
ASIC components	2 180	1 547	40.9%	6 083	6 297	(3.4%)
Consulting services	0	0	—%	400	230	73.9%
Total revenue	171 214	127 127	34.7%	610 526	405 217	50.7%

Nordic reported total revenue of USD 171.2 million in Q4 2021, which was an increase of 35% from USD 127.1 million in Q4 2020. Revenue was 15% higher than the previous quarter, reflecting higher volumes, product mix and the effect of a general product price increase across all technologies from December 1, including goods already in distributor inventories.

Growth is currently capped by limited availability of wafers, and the revenue hence does not reflect the full underlying demand across the end-user markets.

Revenues by technologies

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 136 million in Q4 2021, an increase of 39% from USD 98 million in Q4 2020. Revenue increased by 9% from the previous quarter, mainly reflecting the price increase. Bluetooth share of total revenue was 79% in Q4 2021.

Proprietary revenue was USD 27.2 million in Q4 2021, which was an increase of 7% year-on-year and up 50% from the previous quarter. The increase from

last year is a result of continued strong demand for PC peripherals and price increase from December 1.

Cellular IoT reported revenue of USD 5.9 million in Q4 2021, which was an increase of 121% from Q4 2020 and 10% above the previous quarter. The segment has begun to show meaningful revenue over the past year, reflecting that more projects are gaining commercial traction. However, revenue for Cellular IoT is also impacted by supply constraints.

ASIC component revenues amounted to USD 2.2 million in Q4 2021, compared with USD 1.5 million in Q4 2020 and USD 0.7 million in the previous quarter.

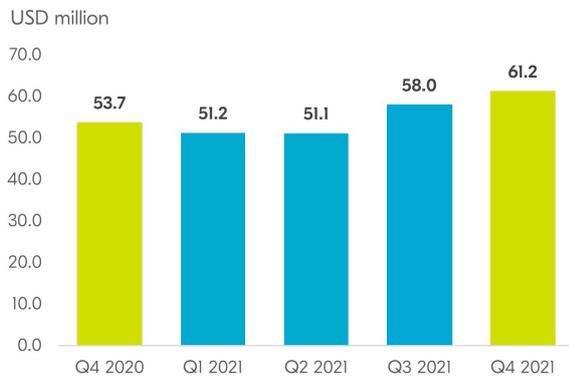
For the full year 2021, revenue amounted to USD 610.5 million, an increase of 51% from USD 405.2 million in 2020. Bluetooth revenue increased by 59% to USD 503.1 million, whereas Proprietary revenue increased by 10% to USD 83.9 million. Cellular IoT revenues increased by 161% to 17.0 million for the full year.

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

Revenues in all end-product markets were impacted by the price increases in the fourth quarter.

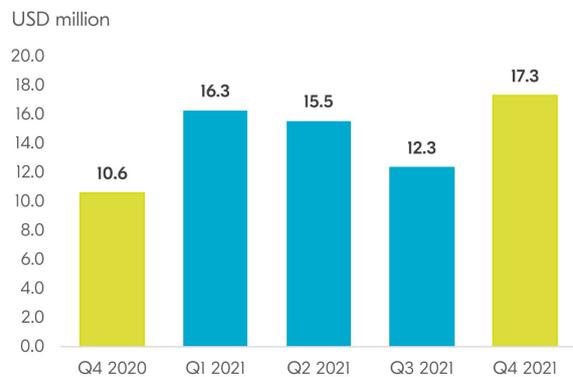
Revenues by end-product markets Amounts in USD thousand	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Consumer Electronics	61 247	53 736	14.0%	221 623	163 131	35.9%
Wearables	17 642	18 094	(2.5%)	68 761	62 967	9.2%
Building & Retail	47 461	26 967	76.0%	163 765	81 871	100.0%
Healthcare	17 297	10 593	63.3%	61 452	37 830	62.4%
Others	19 501	13 527	44.2%	71 407	46 364	54.0%
Short range wireless components	163 148	122 917	32.7%	587 008	392 163	49.7%

Consumer Electronics reported 14.0% year-on-year revenue growth to USD 61.2 million in Q4 2021, which was 6% higher than previous quarter. PC accessories remain the largest sub-segment, gaming accessories and home entertainment have become increasingly important revenue drivers over the past years.



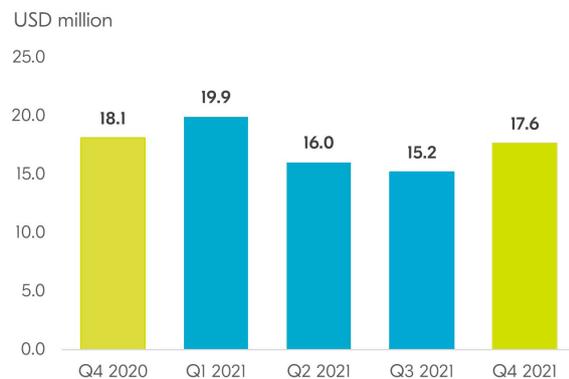
Revenue - Consumer electronics

Healthcare revenue increased by 63% year-on-year to USD 17.3 million in Q4 2021, which was 40% above the previous quarter. The company continues to view the Healthcare segment as a market with potentially disruptive growth possibilities, and as one of the key growth drivers for combined short-range and long-range products and solutions.



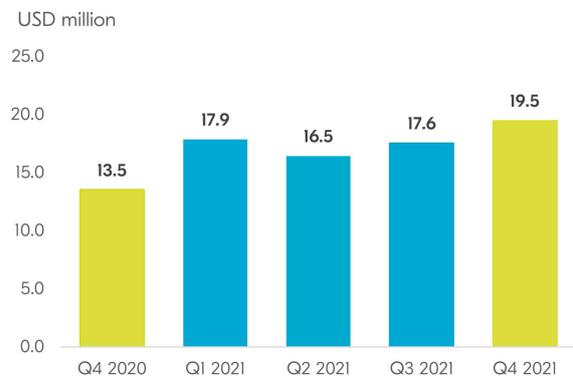
Revenue - Healthcare

Wearables revenues declined 2.5% year-on-year to USD 17.6 million in Q4 2021, but were up 16% from the previous quarter. Growth in this market has been adversely impacted by product allocations and prioritization of higher-margin application areas.



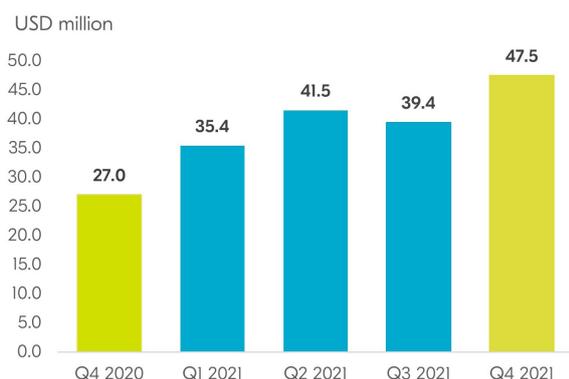
Revenue - Wearables

Revenues in the 'Others' category increased 44% year-over-year to USD 19.5 million in Q4 2021, and was 11% higher than last quarter. This mainly reflects sales to module manufacturers servicing a wide variety of end products in all markets and regions.



Revenue - Others

Building & Retail revenues increased by 76% year-on-year to USD 47.5 million, which was 20% above the previous quarter. The reflects consistently increasing demand for both industrial and home automation applications, with lighting systems, sensors and control, and smart home among the main drivers.



Revenue - Building/retail

Effective Q1 2022, Nordic will change the reporting structure for the end-markets to better reflect the underlying verticals, with four end-user markets in Consumer, Industrial, Healthcare, and Others.

The main change will be that consumer-driven products will be moved from the current Wearables, Building/Retail and Healthcare categories to the Consumer category.



Financial results

Amounts in USD thousand	Q4 2021	Q4 2020	Change	Full year 2021	Full year 2020	Change
Gross profit	100 831	67 033	50.4%	326 640	213 943	52.7%
Gross margin	58.9%	52.7%	6.2%	53.5%	52.8%	0.7%
Operating expenses excl. depreciation and amortization	58 481	40 169	45.6%	201 922	137 164	47.2%
EBITDA	42 349	26 865	57.6%	124 718	76 778	62.4%
EBITDA %	24.7%	21.1%	3.6%	20.4%	18.9%	1.5%
Depreciation and amortization	10 118	8 240	22.8%	37 798	31 063	21.7%
EBIT	32 232	18 624	73.1%	86 920	45 715	90.1%

Gross profit

Gross profit increased by 50% to USD 100.8 million in Q4 2021, up from USD 67.0 million in Q4 2020, with the gross margin of 58.9% comparing to 52.7% in the same quarter last year. The gross margin reflects a general price increase from December 1, including for products in distributor inventories. The communicated price increase for wafers, which will increase cost of goods sold, will be effective in Q1 2022. Adjusting for price effects, the underlying gross margin was around 53%. The continued strong underlying gross margin reflects a favorable product mix as we have focused allocations to high margin products in the supply-constrained situation.

For the full year 2021, gross profit increased by 53% to USD 326.6 million, with the gross margin increasing to 53.5% from 52.8% in 2020.

Operating expenses

Operating expenses amounted to USD 58.5 million in Q4 2021, excluding depreciation and amortization, compared to USD 40.2 million in Q4 2020. The increase is explained by more employees, higher performance

pay due to the revenue growth, and higher activity in general. The workforce consisted of 1197 employees at the end of the year, representing a growth of 22%. The comparable headcount number in 2020 includes 81 employees from the acquisition of Imagination Technologies per December 31, 2020. If these are excluded in 2020, the headcount growth in 2021 was 33%.

R&D costs amounted to USD 39.9 million, compared to USD 27.5 million in Q4 2020. USD 23.7 million related to the short-range business, USD 12.5 million to cellular R&D and USD 3.8 million to Wi-Fi.

Nordic capitalized a total of USD 0.6 million in development expenses in Q4 2021, of which all is related to the short-range business. The capitalized amount will vary based on the project phase. Expenses related to equity compensation was USD 2.6 million in Q4 2021.

Total cash operating expenses amounted to USD 56.5 million in Q4 2021, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 40.9 million in Q4 2020, representing an increase of 38%.

USD 41.3 million of cash operating expenses related to payroll expenses (29.9), representing a growth of 38%. 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 24% in 2021 to 926, including the Wi-Fi business that was consolidated at the beginning of the year. The Sales & Marketing staff increased 10% to 137, whereas the supply chain organization increased 26% to 72 employees to support the higher volumes.

Other cash operating expenses were USD 15.2 million in Q4 2021 (10.9), with the increase reflecting more product introductions and a generally higher activity level, including increased marketing and travels. Cash operating expenses for cellular IoT isolated were USD 12.5 million in Q4 2021, compared to USD 11.1 million in Q4 2020.

For the full year 2021, operating expenses amounted to USD 201.9 million, excluding depreciation and amortization, up from USD 137.2 million in 2020. Cash operating expenses increased to USD 200.0 million from USD 141.2 million in 2020.

Profits

EBITDA was USD 42.3 million in Q4 2021, compared to USD 26.9 million in Q4 2020. The reported EBITDA margin increased to 24.7% from 21.1% in the same quarter last year.

Short-Range EBITDA was USD 56.9 million in Q4 2021, and the EBITDA-margin for the short-range business 34%.

For the full year 2021. EBITDA was USD 124.7 million, compared to USD 76.8 million in 2020. The reported EBITDA-margin improved to 20.4% from 18.9% in 2020. Short-range EBITDA was USD 175.6 million (106.9), with a corresponding EBITDA-margin of 29.6% for full year 2021 (26.8%).

Depreciation and amortization increased to USD 10.1 million in Q4 2021, compared to USD 8.2 million in Q4 2020. The increase mainly reflects higher amortization of cellular IoT and Wi-Fi intangibles. Amortization of internally developed R&D overall amounted to USD 2.5 million and amortizing of leased assets to USD 1.5 million. For the full year depreciation and amortization amounted to USD 37.8 million, up from USD 31.1 million in 2020.

Operating profit (EBIT) was hence USD 32.2 million in Q4 2021, compared to an operating profit of USD 18.6 million in Q4 2020. For the full year 2021, EBIT increased to USD 86.9 million from USD 45.7 million in 2020.

Net financial gain amounted to USD 0.3 million in Q4 2021, compared to net financial cost of USD 1.9 million in Q4 2020.

Profit before tax was USD 32.5 million in Q4 2021, compared to a profit before tax of USD 16.7 million in Q4 2020. Tax expense was USD 5.7 million, compared to tax income of USD 2.6 million in Q4 2020. The company's statutory tax rate is 22%. Net profit was hence USD 26.8 million in Q4 2021, compared to a net profit of USD 19.3 million in Q4 2020.

For the full year 2021, profit before tax was USD 87.3 million and net profit USD 71.2 million. This compares to USD 42.9 million and USD 38.4 million, respectively, in 2020.



Financial Position

Amounts in USD thousand	31.12.2021	31.12.2020
Capitalized development expenses	31 542	34 563
<i>Total non-current assets</i>	108 794	113 906
Inventory	54 943	61 955
Cash and cash equivalents	279 331	242 547
<i>Total current assets</i>	487 973	401 909
Total assets	596 767	515 814
<i>Total equity</i>	458 201	402 490
Equity percentage	76.8%	78.0%
<i>Total liabilities</i>	138 566	113 323
Total equity and liability	596 767	515 813

Total shareholders' equity amounted to USD 458.2 million at the end of 2021, up from USD 402.5 million at the end of 2020. The Group equity ratio was 76.8% of a total asset base of USD 596.8 million, compared to 78.0% of a total asset base of USD 515.8 million at the end of 2020.

Cash and cash equivalents to USD 279.3 million at the end of 2021, compared to USD 242.5 million at the end of 2020.

Net working capital increased slightly to USD 108.4 million at the end of 2021, up from USD 78.3 million at the end of 2020. Measured as a percentage of last 12 months revenue, net working capital declined to 17.8% from 19.3% at the end of 2020. The changes mainly reflect an increase in accounts receivable to USD 141.7 million from USD 88.0 million at the end of 2020. The increase in accounts receivables comes as an effect of the 51% revenue growth. Inventory declined to USD 54.9 million from USD 62.0 million at the end of 2020. The reduction in inventory reflects the current supply constraints.

Non-current assets amounted to USD 108.8 million at the end of 2021, compared to USD 113.9 million at the end of 2020.

Total current assets amounted to USD 488.0 million at the end of 2021, up from USD 401.9 million at the end of 2020.

Non-current liabilities amounted to USD 14.9 million (20.2), compared to USD 21.5 million at the end of 2020. Non-current liabilities mainly consist of lease liabilities.

Current liabilities amounted to USD 123.7 million, compared to USD 91.9 million at the end of 2020. Nordic had no interest-bearing debt at the end of 2021.

Cash Flow

Amounts in USD thousand	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Cash flows from operations	42 474	51 046	95 818	65 292
Cash flows from investing activities	-6 629	-20 203	-30 693	-38 035
Cash flows from financing activities	-1 697	-4 281	-27 250	123 622
Change in cash and cash equivalents	33 330	27 722	36 784	151 902
Cash and cash equivalents at the end of the period	279 331	242 547	279 331	242 547

Cash flow from operating activities was USD 42.5 million in Q4 2021, compared to USD 51.0 in Q4 2020. The decline reflects changes in working capital, partly offset by improved earnings.

Cash flows from investing activities was an outflow of USD 6.6 million in Q4 2021, compared to an outflow of USD 20.2 million in Q4 2020, when the company acquired the Wi-Fi assets of Imagination Technologies Group.

Capital expenditures, including software, amounted to USD 6.0 million, up from USD 5.4 million last year, whereas capitalized development expenses decreased to USD 0.6 million from USD 1.7 million in the same period last year. Capex mainly relates to additional investments in lab equipment and purchase of test equipment to secure higher capacity when the wafer shortage eases. In addition, included in capex is USD 0.9 related to purchase of IP related to next generation products.

Cash flows from financing activities was an outflow of USD 1.7 million, compared to an inflow of USD 4.3 million in Q4 2020.

For the full year 2021, cash flow from operating activities was 95.8 million compared to USD 65.3 million in 2020. The improved operating cash flow was a result of EBITDA improvements and a strong focus on cash conversion resulting in low net working capital. Cash outflow for investing activities was USD 30.7 million (-38.0). Net cash flow from financing activities was an outflow of USD 27.3, compared to an inflow of USD 123.6 million in 2020.

Funding

The Group's cash position was USD 279.3 million at the end of 2021, compared to USD 242.5 million at the end of 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 344 million, including Nordic's right to borrow USD 65 million at any time under a Revolving Credit Facility (RCF).

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 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 combination of wafer shortage and strong demand has significantly extended the end-product delivery schedules. The order book is USD 1 687 million, and for the bulk of this the customer requests for delivery is within 52 weeks. Given the current wafer capacity support plan, it will be challenging to deliver the entire order backlog within the requested dates.

Nordic is in continuous dialog with its suppliers, distributors, and customers about the effects of the capacity constraints, and is doing its utmost both to secure additional wafers and help its customers manage the challenges brought about by the value chain imbalances. However, the current situation increases the risk of customers seeking alternative sourcing and/or cancelling orders.

The tight supply situation across the semiconductor industry also affects Nordic's cellular IoT business, where the company module-based product is dependent on a large number of third-party components and assembly capacity. This may affect delivery capabilities.

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 279 million at the end of 2021. 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. The company presents its accounts in USD, with profits translated into NOK for taxation purposes

Outlook

Nordic Semiconductor is experiencing strong demand from globally leading technology companies and other tier-1 customers, as well as from customers in the broad market. This is reflected in a strong order backlog of USD 1 687 million, which more than tripled in 2021.

Revenue increased by 51% in 2021, despite that the limited availability of wafers has prevented the company from taking full advantage of the strong demand.

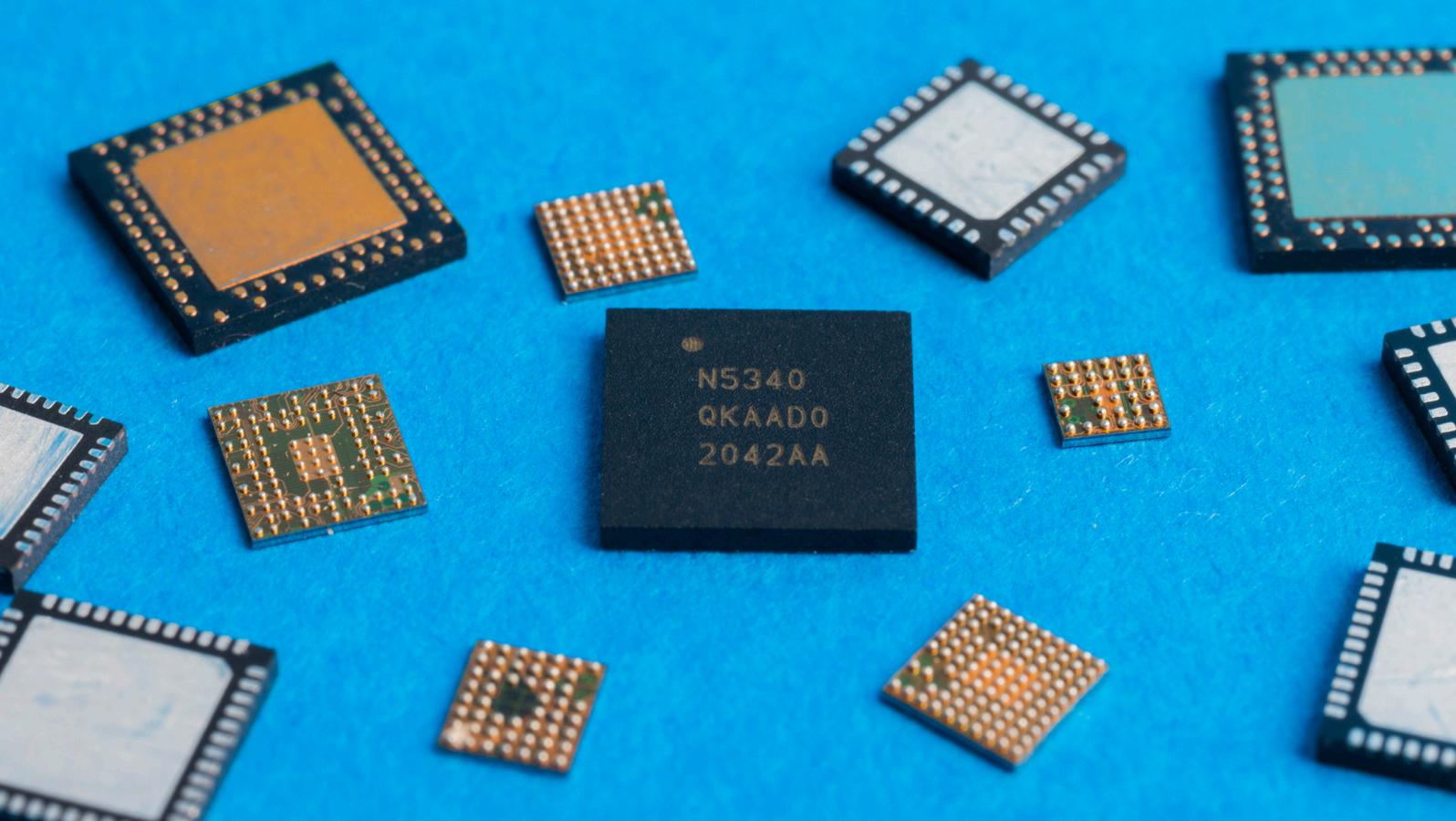
Indicated wafer allocations for the first quarter 2022 allows the company to guide for a revenue level of USD 170-190 million. The company expects to be allocated higher wafer volumes for the rest of the year, and to generate revenue in 2022 that keeps the company on track for its 2023 revenue target of USD 1 billion.

As outlined on the company's Capital Markets Day in October, Nordic sees continued strong growth opportunities well beyond 2023, and overall looks for annual revenue growth of at least 25% in 2023-26.

Nordic reported exceptionally strong gross margin of 58.9% in the fourth quarter 2021 and 53.5% for the full year, and has stated an aim to maintain an overall gross margin of 50% going forward.

The underlying gross margin was around 53% in the fourth quarter, and the company expects a gross margin in the 53-54% range in Q1 2022.





Oslo, February 2, 2022

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 Hintsala
Board member

Joel Stapelton
Board member, employee

Susheel Raj Nuguru
Board member, employee

Morten Dammen
Board member, employee

Condensed financial information

Income statement

Amounts USD thousand	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Total revenue		171 214	127 127	610 528	405 217
Cost of materials		-70 382	-60 078	-283 415	-190 690
Direct project costs		-2	-16	-472	-584
Gross profit		100 831	67 033	326 640	213 943
Payroll expenses		-43 320	-29 649	-149 824	-101 211
Other operating expenses		-15 162	-10 519	-52 098	-35 954
EBITDA		42 349	26 865	124 718	76 778
Depreciation and amortization	6	-10 118	-8 240	-37 798	-31 063
Operating Profit		32 232	18 624	86 920	45 715
Net interest income		330	246	-399	-774
Net foreign exchange gains (losses)		-44	-2 165	739	-2 016
Profit before tax		32 518	16 706	87 260	42 925
Income tax expense		-5 690	2 617	-16 097	-4 534
Net profit after tax		26 829	19 323	71 163	38 391
Earnings per share					
Ordinary earning per share (USD)		0.140	0.101	0.373	0.212
Fully diluted earning per share (USD)		0.139	0.099	0.369	0.197
Weighted average number of shares					
Basic		190 963	190 905	190 961	181 021
Fully diluted		192 790	194 809	193 042	194 704
Net profit after tax		26 829	19 323	71 163	38 391
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains (losses) on defined benefit plans (before tax)		-163	-54	-163	-84
Income tax effect		36	19	36	19
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Currency translation differences		-883	1 119	-1 186	688
Total comprehensive income		25 818	20 407	69 850	39 014

Consolidated statement of financial position

Amounts USD thousand	Note	31.12.21	31.12.20
ASSETS			
Non-current assets			
Goodwill	11	2 386	2 393
Capitalized development expenses	5/6	31 542	34 563
Software and other intangible assets	5/6/11	15 764	19 905
Deferred tax assets		6 281	3 668
Fixed assets	6	33 885	28 284
Right-of-use assets	6	18 935	25 092
Total non-current assets		108 794	113 906
Current assets			
Inventory		54 943	61 955
Accounts receivable		141 748	88 034
Other current receivables		11 951	9 372
Cash and cash equivalents		279 331	242 547
Total current assets		487 973	401 909
Total assets		596 767	515 814
EQUITY			
Share capital		317	317
Treasury shares		-2	-2
Share premium		235 448	235 448
Other equity		222 438	166 726
Total equity		458 201	402 490
LIABILITIES			
Non-current liabilities			
Pension liability		580	448
Non-current lease liabilities		14 281	21 004
Total non-current liabilities		14 861	21 452
Current liabilities			
Accounts payable		28 392	22 812
Income taxes payable		17 385	4 976
Public duties		7 599	8 789
Current lease liabilities		5 594	5 520
Current loan facility	7	0	0
Current financial liabilities		520	302
Other current liabilities		64 215	49 472
Total current liabilities		123 704	91 871
Total liabilities		138 566	113 323
Total equity and liability		596 767	515 814

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
Equity as of 01.01.21	317	-2	235 448	15 980	379	150 368	402 492
Net profit 2021						71 163	71 163
Other comprehensive income					-1 186	-117	-1 303
Share based compensation			0	6 670			6 670
Option exercise				-20 821			-20 821
Equity as of 31.12.21	318	-2	235 448	1 829	-807	221 413	458 201
Equity as of 01.01.20	303	-5	113 355	6 819	-309	112 042	232 205
Net profit 2020						38 391	38 391
Other comprehensive income					688	-65	623
Share based compensation				3 265			3 265
Sale of treasury shares (option exercise)		2		5 897			5 899
Capital increase*	14		122 093				122 108
Equity as of 31.12.20	317	-3	235 448	15 980	379	150 368	402 492

* 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 million after tax.



Statement of cash flows

Amount in USD thousand	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Cash flows from operating activities					
Profit before tax		32 518	16 706	87 260	42 925
Taxes paid for the period		-4 075	241	-6 332	-2 955
Depreciation and amortization		10 118	8 240	37 798	31 063
Change in inventories, trade receivables and payables		-11 362	13 586	-41 043	-29 561
Share-based compensation		2 168	1 043	6 670	3 151
Movement in pensions		445	109	134	138
Other operations related adjustments		12 663	11 120	11 332	20 530
Net cash flows from operating activities		42 474	51 046	95 818	65 292
Cash flows used in investing activities					
Capital expenditures (including software)	6	-6 015	-5 363	-25 050	-16 480
Capitalized development expenses	6	-614	-1 682	-5 644	-8 398
Business Combination, net of cash acquired	11	0	-13 158	0	-13 158
Net cash flows used in investing activities		-6 629	-20 203	-30 693	-38 035
Cash flows from financing activities					
Changes in treasury shares		0	877	0.000	10 455
Cash settlement of options contract		0	-4 557	-20 758	-4 557
Capital increase		0		0	121 277
Repayment of lease liabilities		-1 698	-601	-6 493	-3 552
RCF drawdown					40 000
RCF repayment					-40 000
Net cash flows from financing activities		-1 697	-4 281	-27 250	123 622
Effects of exchange rate changes on cash and cash equivalents		-817	1 159	-1 090	1 024
Net change in cash and cash equivalents		33 330	27 722	36 784	151 902
Cash and cash equivalents beginning of period		246 001	214 826	242 547	90 645
Cash and cash equivalents at end of period		279 331	242 547	279 331	242 547

Notes

Note 1: General

The Board of Directors approved the condensed second quarter interim financial statements for the three months ended 31 December 2021 and preliminary 2021 for publication on February 2, 2022.

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 Q4 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	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Capitalized development expenses (payroll expenses)	550	1 273	4 121	5 747
Capitalized acquired development expenses	65	409	1 523	2 651
Capital expenditures (including software)	5 961	5 363	24 996	16 480
Right-of-use assets (non-cash)	-2 015	2 293	-100	6 068
Acquisition (net)	0	13 966	0	13 966
Currency adjustments	-112	226	-467	362
Total	4 449	23 530	30 073	45 273
Depreciation and amortization				
Capitalized development expenses	2 476	2 105	8 666	7 825
Software and other intangible assets	1 847	1 488	7 238	6 070
Fixed assets	4 263	3 205	16 018	12 188
Right-of-use assets	1 532	1 442	5 875	4 980
Total	10 118	8 240	37 798	31 063

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 December 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 %.

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.

All outstanding options at year end 2021 will be exercisable in 2022.

	Full year 2021	Full year 2020
Outstanding options beginning of period	2 548 589	5 470 374
Granted	—	
Forfeited	28 992	53 976
Exercised (treasury shares used in settlement)	—	2 287 638
Exercised (cash settlement due to cap being reached)	1 974 394	562 949
Expired	—	17 222
Outstanding end of period	545 203	2 548 589
Of which exercisable	—	954 923

Note 9: RSU and performance shares

With reference to the Annual general meeting held on April 21, 2021, Nordic Semiconductor, on April 28, 2021, granted 452 353 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 600 000 Restricted Stock Units (RSUs) and Performance Shares, equivalent to approximately 0.3% of the company's outstanding share capital.

Financial Calendar 2022:

- April 28, 2022 - 1st Quarter 2022 and AGM
- July 12, 2022 - Half-yearly report 2022
- October 20, 2022 - 3rd Quarter 2022
- February 7, 2023 - 4th Quarter 2022

	Full year 2021	Full year 2020
Outstanding RSUs beginning of period	690 617	—
Granted	423 383	696 017
Forfeited	55 053	5 400
Exercised	—	—
Outstanding end of period	1 058 947	690 617
Of which vest in 2022	495 050	

	Full year 2021	Full year 2020
Outstanding performance shares beginning of period	114 020	55 813
Granted	28 970	58 207
Forfeited	—	—
Exercised	—	—
Outstanding end of period	142 990	114 020
Of which vest in 2022	55 813	

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

No events have occurred since December 31, 2021 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.

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Gross profit	100.8	67.0	326.6	213.9
Total revenue	171.2	127.1	610.5	405.2
Gross margin	58.9%	52.7%	53.5%	52.8%

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

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

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Operating Profit	32.2	18.6	86.9	45.7
Depreciation and amortization	10.1	8.2	37.8	31.1
EBITDA	42.3	26.9	124.7	76.8

- EBITDA margin. EBITDA divided by Total Revenue.

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
EBITDA	42.3	26.9	124.7	76.8
Total revenue	171.2	127.1	610.5	405.2
EBITDA margin	24.7%	21.1%	20.4%	18.9%

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

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Payroll expenses	43.3	29.6	149.8	101.2
EBITDA	15.2	10.5	52.1	36.0
Depreciation and amortization	10.1	8.2	37.8	31.1
Total operating expenses	68.6	48.4	239.7	168.2

- 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.

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Total operating expenses	68.6	48.4	239.7	168.2
Depreciation and amortization	-10.1	-8.2	-37.8	-31.1
Option expense	-2.6	-1.0	-7.6	-4.3
Capitalized expenses	0.6	1.7	5.6	8.4
Cash operating expenses	56.5	40.9	200.0	141.2

- 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.

	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Reported EBITDA	42.3	26.9	124.7	76.8
Long range (cellular IoT) EBITDA loss	10.7	9.3	38.5	30.2
Wi-Fi expense	3.8	0.0	12.3	0.0
Adjusted EBITDA	56.9	36.2	175.6	106.9
Total revenue (excluding cellular IoT revenue)	165.3	124.5	593.5	398.7
Adjusted EBITDA margin	34.4%	29.0%	29.6%	26.8%

- 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.

	Q4 2021	Q4 2020
Total operating expenses	239.7	168.2
Depreciation and amortization	-37.8	-31.1
Operating expenses excluding depreciation and amortization	201.9	137.2
Total revenue	610.5	405.2
LTM opex / LTM revenue	33.1%	33.8%

- 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.

	Q4 2021	Q4 2020
Current assets	488.0	401.9
Cash and cash equivalents	-279.3	-242.5
Current liabilities	-123.7	-91.9
Current financial liabilities	0.5	0.3
Current lease liabilities	5.6	5.5
Income taxes payable	17.4	5.0
Net working capital	108.4	78.3
Total revenue	610.5	405.2
NWC / LTM revenue	17.8%	19.3%

- Underlying gross margin is showing gross margin excluding price adjustment effects. This APM can be used as support for guidance for next quarter.



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