

Q1

Report 2022



NORDIC[®]
SEMICONDUCTOR

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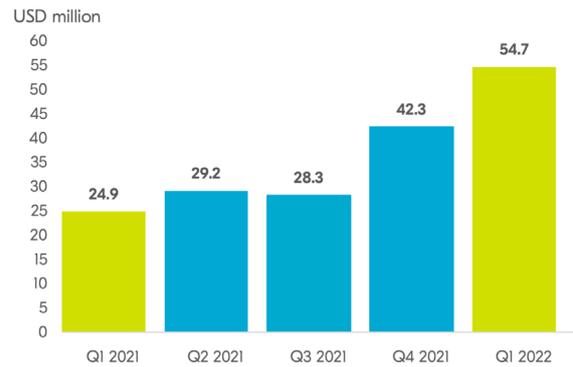
Q1 highlights

- Revenue of USD 183 million (+28%)
- High gross margin of 60% reflecting positive effects of customer and product mix
- EBITDA of USD 55 million (+120%)
- Cellular IoT revenue of USD 7 million, continued to be stalled by component shortage
- Order backlog of USD 1 537 million

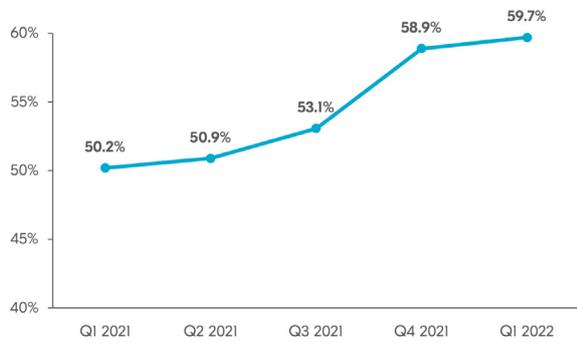
Revenue



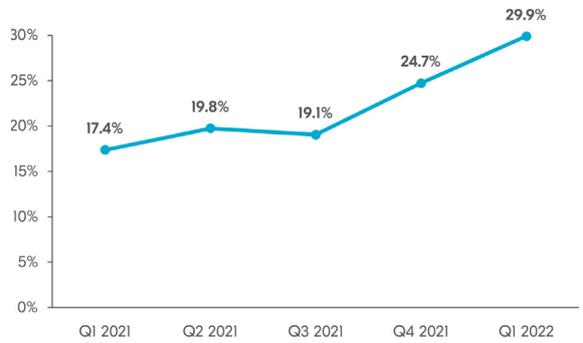
EBITDA



Gross margin



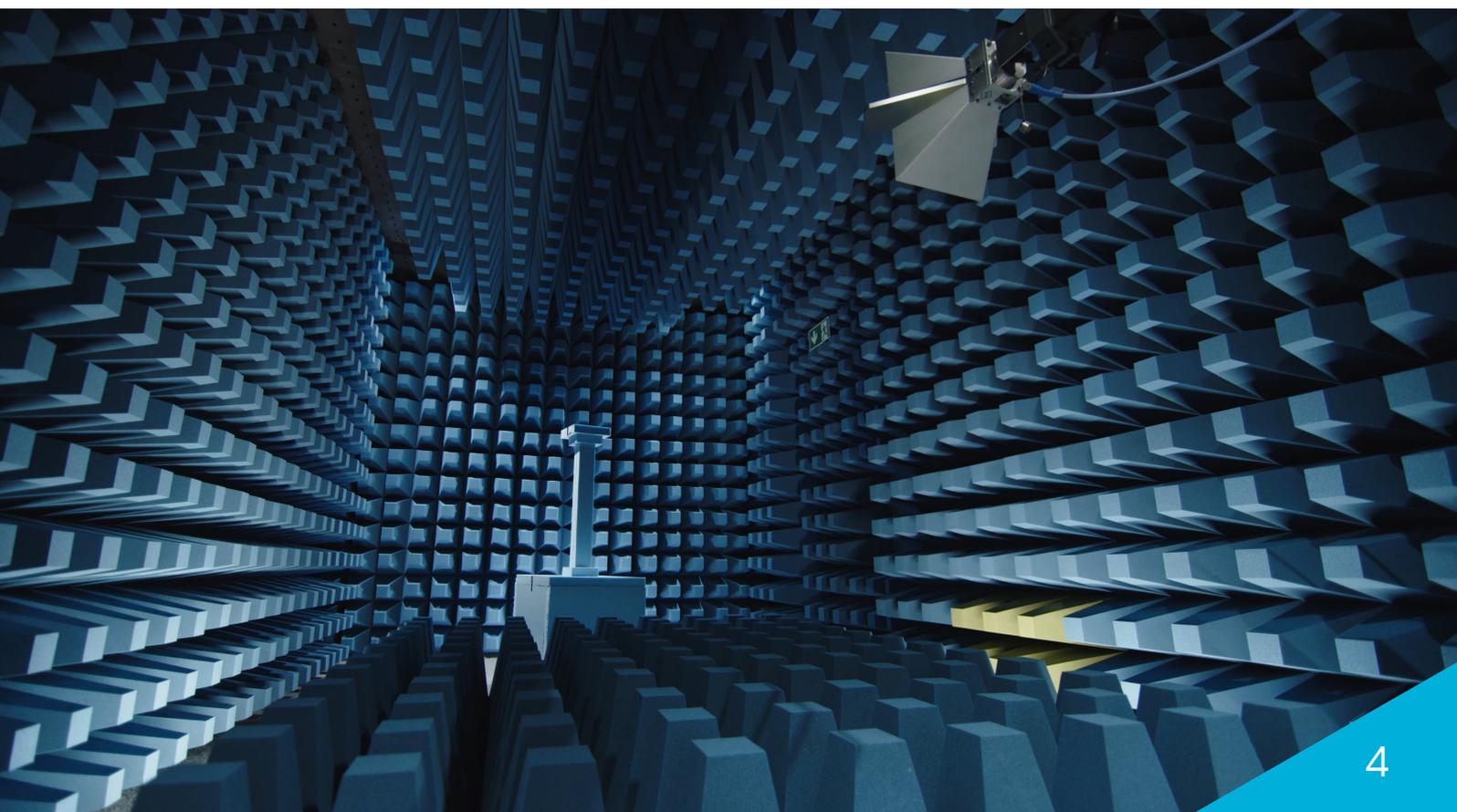
EBITDA margin



Key figures

Q1 2022 financial summary

Amount in USD million	Q1 2022	Q1 2021	Change
Revenue	183.1	143.2	27.8%
Gross profit	109.3	71.9	52.1%
Gross margin %	59.7%	50.2%	9.5 p.p.
EBITDA	54.7	24.9	119.8%
EBITDA %	29.9%	17.4%	12.5 p.p.
Operating profit (EBIT)	44.7	15.7	185.3%
Operating profit % (EBIT)	24.4%	10.9%	13.5 p.p.
Net profit after tax	33.7	13.5	149.9%
Cash and cash equivalents	303.6	196.8	54.3%
Order backlog	1 537.2	802.6	91.5%
LTM Opex excluding depreciation / LTM revenue	32.2%	32.0%	0.2 p.p.
Net working capital / LTM revenue	19.9%	26.9%	-7 p.p.
Equity ratio	77.1%	78.8%	-1.7 p.p.
Number of employees	1 257	1 029	22.2%



Q1 2022 review

Revenues amounted to USD 183.1 million in the first quarter 2022, corresponding to growth of 28% from the first quarter 2021. Revenue continues to be capped by the limited supply of wafers, and the company is working with customers to adjust order volumes to better match delivery capabilities under the current wafer capacity constraints.

Operational review

Nordic Semiconductor (Nordic or the Group) has remained fully operational throughout the Covid-19 pandemic and operated in full compliance with national and local regulations. Although restrictions have been lifted in most countries, the pandemic continues to affect the availability and transportation logistics for a variety of components and products, particularly for shipments in and out of Chinese ports. Nordic's main suppliers and distributors are fully operational, although local restrictions and lockdowns temporarily have affected production and shipments in some areas.

Although Nordic is not directly affected by the ongoing war in the Ukraine, the situation is putting further pressure on industrial and logistical value chains globally.

Supply chain constraints remain

The global shortage of wafer capacity continues to be a significant challenge and we currently see limited ease in the value chain. The company is working tirelessly to source additional material and help its customers manage the delivery challenges.

With current visibility, the strained situation is anticipated to last at least throughout 2022. As described in the interim report for the fourth quarter 2021, the amount of wafers allocated to Nordic will be lowest in the first quarter this year and is expected to increase through the remaining part 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 over the past years.

Demand has been significantly above what Nordic has been able to deliver. In the current situation, the order backlog development is no longer a good indicator for demand. Nordic has customers wanting to place large

orders both for this and next year but Nordic is reluctant to take orders as long as the company cannot confirm timely delivery.

The company has been working with customers to better align orders with the delivery capacity. In a normal situation, where supplies are not constrained, order backlog has been a leading indicator of revenue in the following two quarters.

Accordingly, the order backlog has been reduced to USD 1 537 million from USD 1 687 million at the end of 2021. Further backlog adjustments are required unless the wafer supply situation is resolved.

A new cross-technology development program 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 39% of new design certifications in the Bluetooth Low Energy (Bluetooth LE) market in the first quarter 2022 and 42% for the past 12 months, according to FCC and Bluetooth SIG data compiled by DNB Markets. In the current market situation, Nordic is prioritizing high volume designs.

The number of new Bluetooth LE design certifications was 298 in the first quarter 2022, a decrease of 7% from Q1 2021. 117 of the designs had Nordic inside.

New Bluetooth designs

Nordic customers continued to launch a steady stream of new products powered by the company's SoCs (System-On-Chip).

These products covered a broad range of applications, including educational tools, VR solutions for gaming and fitness, airbags for cyclists, a smartwatch, smart wireless door-locks, meteorology sensors, an e-gaming mouse, an industrial leak sensor, and a professional security and asset tracking device.

Notably, the world-leading audio specialist Sennheiser in the first quarter chose Nordic Bluetooth LE Audio technology. Sennheiser will use Nordic's most advanced SoC – the nRF5340 – to develop a broadcast mode solution for consumers. Sennheiser wishes to deliver consumer audio solutions for people who may be hard-of-hearing or are operating in noisy environments. Sennheiser highlights through-the-wall range and reliability as a key feature for consumers and one of many reasons it chose Nordic.

Cellular IoT being held back by component shortage

Nordic's end-customers are working on close to 200 different 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. Several projects have gained commercial traction and begun to generate meaningful revenue for Nordic.

However, product deliveries were capped by component shortages in the first quarter 2022, specifically deliveries of a specially adapted filter. Although IoT revenues increased by 438% year-on-year, they were on par with the previous quarter. From the second half of 2022 we anticipate to have solved the current supply constraints.

During the first quarter, several new products based on the nRF9160 SiP were launched, including an energy sensor, a solar energy powered utility meter, streetlight control and asset tracking solutions. The nRF9160 was also designed into a new OEM IoT module, and a new IoT development platform.

In 2021, Nordic launched its first service solutions - the nRF Cloud Location Services - offering Nordic's customers a simple and convenient way to manage fleets of IoT devices in the field. In January, the company announced that the nRF Cloud Location Service had won Nordic its fourth consecutive China IoT Innovation Award.

As described in earlier reports, Nordic has established a broad carrier certification program for its nRF9160 SiP, with global operators as well as leading national and regional operators in the US, China, Japan, South Korea, Canada, and Brazil.

The company is addressing the cellular IoT market with a scalable and flexible model, designed to open the broad market for innovative IoT products and 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.

In its efforts to make IoT easy for its customers and accelerate their time-to-market, Nordic continues to expand its Nordic Partner Program. During the first quarter, the company signed up AVSystem for lifecycle device management, Ignion for virtual antenna technology, and Memfault for device fleet monitoring and over-the-air firmware updates and remote debugging.

Cellular IoT solutions require access to cellular technology licenses. Nordic is continuously working to make IoT easy for its customers, and Nordic and Nokia in January 2022 teamed up to simplify IoT Standard Essential Patent licensing. The agreement – which is a first of its kind globally – enables Nordic customers to acquire licenses to Nokia's cellular IoT technology when they purchase IoT hardware, making the licenses available to the customers at the end-device level.

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 RF FEM in 2020 and its first power management IC nPM1100 in 2021. This offered a clear value-add for existing customers building on the nRF52 and nRF53 Series SoCs.

In the first quarter 2022, Nordic launched the nRF21540 DB – development bundle. This consists of the nRF21540 development kit, comprising both the nRF21540 RF FEM and the nRF52840 SoC, and the nRF21540 evaluation kit. This will provide a useful tool for development of products requiring range extension capabilities.

Nordic's entry into the Wi-Fi area continues to progress as planned, with the company on track for market introduction in the second half 2022. In the fourth quarter last year, the company also announced that it is a key contributor to a new 5G wireless standard called DECT-2020 New Radio (NR).

INCOME STATEMENT

Revenue

Amounts in USD thousand	Q1 2022	Q1 2021	Change
Bluetooth	150 456	119 817	25.6%
Proprietary wireless	25 066	20 887	20.0%
Short range wireless components	175 522	140 704	24.7%
Cellular IoT	6 553	1 219	437.6%
ASIC components	1 011	1 058	-4.4%
Consulting services	0	250	-100.0%
Total revenue	183 086	143 231	27.8%

Nordic reported total revenue of USD 183.1 million in the first quarter 2022, which was an increase of 28% from USD 143.2 million in the first quarter 2021. Revenue was 7% higher than the previous quarter mainly reflecting the full-quarter effect of price increases introduced in Q4 2021. Revenue growth continues to be capped by limited availability of wafers.

The order backlog stood at USD 1 537 million at the end of the first quarter 2022, up from USD 803 million at the same time last year.

Revenues by technologies

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

Bluetooth revenue amounted to USD 150 million in the first quarter 2022, an increase of 26% from USD 120 million in the first quarter 2021. Revenue increased by 11% from the previous quarter, reflecting mainly the full quarter effect of price increases implemented during the fourth quarter. Bluetooth share of total revenue was 82% in Q1 2022.

Proprietary revenue was USD 25 million in Q1 2022, which was an increase of 20% year-on-year and down 8% from the previous quarter.

Cellular IoT reported revenue of USD 7 million in Q1 2022, which was an increase of 438% from Q1 2021 and 11% above the previous quarter. The slow sequential development reflects component sourcing challenges.

ASIC component revenues amounted to USD 1.0 million in Q1 2022, compared with USD 1.1 million in Q1 2021 and USD 2.2 million in the previous quarter.

As described in the interim report for the fourth quarter 2021, Nordic has changed the end-market reporting structure to better mirror the internal sales and reporting structures and the underlying verticals. The new classification now also includes Cellular IoT revenues.

Going forward, the company will report on four end-user markets: Consumer, Industrial, Healthcare, and Others.

Note that the revenue developments across these verticals reflect customer allocations from Nordic as well as the changes in underlying demand. This has benefited the Consumer segment at the expense of Industrial customers over the past year, particularly the past three quarters.

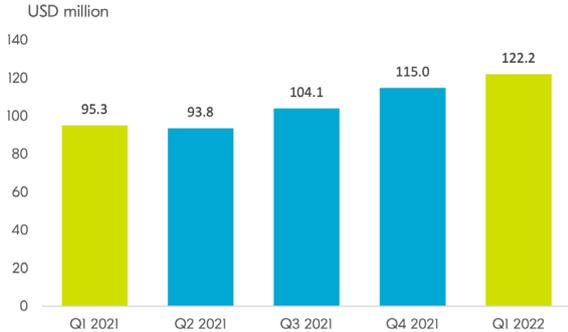
Revenues by end-product markets Amounts in USD thousand	Q1 2022	Q1 2021	Change
Consumer	122 246	95 257	28.3%
Industrial	39 783	33 598	18.4%
Healthcare	14 192	9 211	54.1%
Other	5 854	3 857	51.8%
Total revenues excluding ASIC and Consulting	182 075	141 923	28.3%

Consumer hence accounted for 67% of revenue, having grown by 28% year-on-year to USD 122 million in Q1 2022. The main growth drivers in the period were consumer asset tracking solutions, home automation applications, and continued high demand for PC accessories for home offices and gaming.

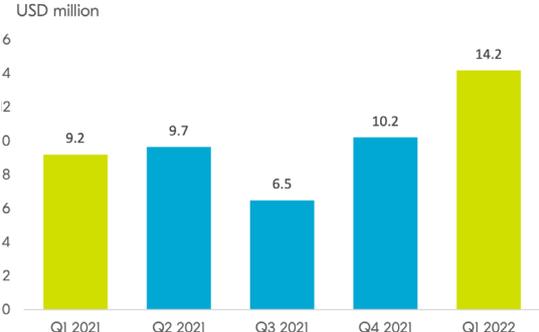
Industrial accounted for 22% of revenues, having grown by 18% year-on-year to USD 40 million. The main drivers have been industrial automation, utility sensors, asset tracking solutions, and retail solutions.

Revenue in the professional Healthcare vertical increased 54% year-on-year to USD 14 million, whereas Other revenue increased 52% to USD 6 million. These two smaller verticals hence accounted for 8% and 3% of total revenue, respectively.

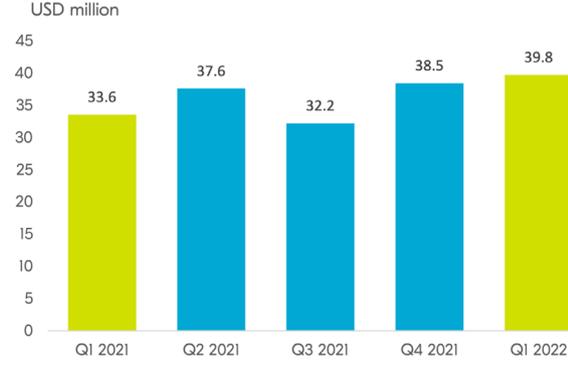
Revenue - Consumer electronics



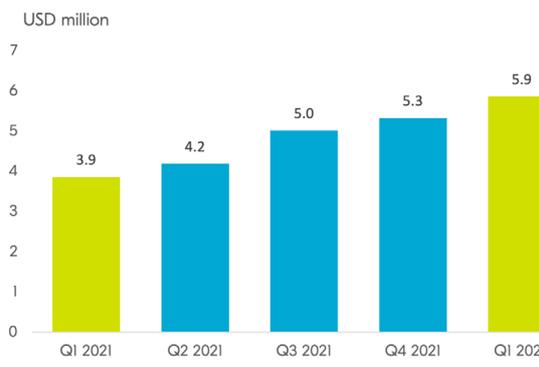
Revenue - Healthcare



Revenue - Industrial



Revenue - Others



Financial results

Amounts in USD thousand	Q1 2022	Q1 2021	Change
Gross profit	109 323	71 893	52.1%
Gross margin	59.7%	50.2%	9.5%
Operating expenses excl. depreciation and amortization	-54 589	-46 995	16.2%
EBITDA	54 733	24 898	119.8%
EBITDA %	29.9%	17.4%	12.5%
Depreciation and amortization	-10 038	-9 232	8.7%
EBIT	44 695	15 666	185.3%

Gross profit

Gross profit was USD 109.3 million in Q1 2022, up 52% from USD 71.9 million in Q1 2021, with the gross margin increasing to 59.7% from 50.2% in the same quarter last year.

The stronger than guided gross margin is a result of continued depletion of materials purchased prior to the supplier price increases in late 2021.

Adjusted for the aforementioned inventory effects, the gross margin is still higher than the indicated gross margin of 53-54%. Product allocation under constrained supply and more positive effects of changes in product and customer mix than previously anticipated, are the reasons for the strong gross margin.

Continued positive effects of changes in customer and product mix is, with the current visibility, expected to generate a gross margin above 54% for the second quarter and full year 2022.

Operating expenses

Operating expenses amounted to USD 54.6 million in Q1 2022, excluding depreciation and amortization, compared to USD 47.0 million in Q1 2021. The increase primarily reflects a higher activity level and a 22% growth in the workforce to 1 257 employees over the past year.

R&D costs amounted to USD 37.3 million, compared to USD 32.3 million in Q1 2021. USD 21.7 million related to the short-range business, USD 11.8 million to cellular R&D and USD 3.9 million to Wi-Fi.

Nordic capitalized a total of USD 1.7 million in development expenses in Q1 2022, compared to USD 1.6 million in Q1 2021.

USD 1.1 million of this related to Wi-Fi investments and USD 0.6 million to the short-range business. Expenses related to equity compensation were USD 1.6 million in Q1 2022.

Total cash operating expenses amounted to USD 54.7 million in Q1 2022, when adding back capitalized development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 47.7 million in Q1 2021.

USD 39.9 million of the cash operating expenses were related to payroll expenses, compared to USD 36.0m in Q1 2021. 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 has increased 19% over the past year to 954. The Sales & Marketing staff increased 23% to 123, whereas the supply chain organization increased 19% to 74 employees. Cash salary expenses increased significantly less, up 11%, explained by reversal of tax accruals related to equity compensations and bonus accruals from 2021.

Other cash operating expenses were USD 14.7 million in Q1 2022, compared to USD 11.7 million in Q1 2021.

Profits

With both revenue and gross profit at record high levels and continued strong cost control, EBITDA more than doubled to USD 54.7 million in Q1 2022 from USD 24.9 million in Q1 2021. The reported EBITDA margin hence increased to 29.9% from 17.4% in the same quarter last year.

Short-Range EBITDA was USD 68.4 million in Q1 2022, and the EBITDA margin for the short-range business 38.7%. This compares to USD 36.5 million and 25.7% in Q1 2021. These figures exclude the Cellular IoT business and the recently acquired Wi-Fi business.

Depreciation and amortization increased to USD -10.0 million in Q1 2022, compared to USD 9.2 million in Q1 2021. 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 1.4 million.

Operating profit (EBIT) was hence USD 44.7 million in Q1 2022, almost a tripling from USD 15.7 million in Q1 2021.

Net financial income was USD 0.1 million in Q1 2022, compared to a net financial cost of USD 0.1 million in Q1 2021.

Profit before tax was USD 44.4 million in Q1 2022, compared to a profit before tax of USD 15.5 million in Q1 2021. Tax expense was USD 10.7 million, compared to tax expense of USD 2.0 million in Q1 2021. The company's statutory tax rate is 22%.

Net profit was hence USD 33.7 million in Q1 2022, compared to a net profit of USD 13.5 million in Q1 2021.



Financial Position

Amounts in USD thousand	31.03.2022	31.12.2021	31.03.2021
Capitalized development expenses	30 724	31 542	33 994
<i>Total non-current assets</i>	105 572	108 844	111 600
Inventory	62 743	54 943	60 809
Cash and cash equivalents	303 558	279 331	196 795
<i>Total current assets</i>	533 768	487 973	403 855
Total assets	639 340	596 817	515 455
<i>Total equity</i>	493 177	458 209	406 357
Equity percentage	77.1%	76.8%	78.8%
<i>Total liabilities</i>	146 163	138 608	109 098
Total equity and liability	639 340	596 817	515 455

Total shareholders' equity amounted to USD 493.2 million at the end of the first quarter 2022, up from USD 406.4 million at the end of the first quarter 2021 and USD 458.2 million at the end of 2021.

The Group equity ratio was 77.1% of a total asset base of USD 639.3 million.

Cash and cash equivalents amounted to USD 303.6 million, compared to USD 196.8 million at the end of the first quarter 2021.

Net working capital increased slightly to USD 129.5 million at the end of first quarter 2022, up from USD 128.6 million at the end of first quarter 2021. Measured as a percentage of last 12 months revenue, net working capital declined to 19.9% from 26.9% at the end of the first quarter 2021. The decline is driven by the revenue increase. However, the ratio increased from a low of 17.8% at the end of 2021, reflecting slightly higher accounts receivables and inventory.

The changes in net working capital mainly reflect an increase in accounts receivable to USD 154.3 million from USD 135.2 million at the end of the first quarter 2021. Inventory increased to USD 62.7 million from USD 60.8 million.

Total current assets amounted to USD 533.8 million at the end of the first quarter 2022, up from USD 403.9 million at the end of the first quarter 2021.

Non-current assets amounted to USD 105.6 million at the end of the first quarter 2022, compared to USD 111.6 million at the end of the first quarter 2021.

Current liabilities amounted to USD 131.1 million, compared to USD 89.5 million at the end of the first quarter 2021. The increase mainly reflects increased taxes payable and public duties, as well as a moderate increase in accounts payable and other current liabilities.

Non-current liabilities amounted to USD 15.0 million, compared to USD 19.6 million at the end of the first quarter 2021. Non-current liabilities mainly consist of lease liabilities. Nordic had no interest-bearing debt at the end of the first quarter 2022.

Cash Flow

Amounts in USD thousand	Q1 2022	Q1 2021
Cash flows from operations	31 994	-26 708
Cash flows from investing activities	-5 804	-7 044
Cash flows from financing activities	-1 527	-11 785
Change in cash and cash equivalents	24 228	-45 752
Cash and cash equivalents at the end of the period	303 558	196 795

Cash flow from operating activities was USD 32.0 million in Q1 2022, compared to USD -26.7 million in Q1 2021. The improvement reflects both improved underlying results and changes in working capital.

Cash flows from investing activities was an outflow of USD 5.8 million in Q1 2022, compared to an outflow of USD 7.0 million in Q1 2021. Capital expenditures -including software- amounted to USD 4.1 million, down from USD 5.4 million in the first quarter last year, whereas capitalized development expenses increased slightly to USD 1.7 million from USD 1.6 million in the same period last year.

Capex over the past years has been investments in lab equipment and purchase of test equipment to secure higher capacity when the wafer shortage eases.

Cash flows from financing activities was an outflow of USD 1.5 million relating to lease liabilities. This compares to an outflow of USD 11.8 million in Q1 2021, which included USD 10.1 million related to cash settlement of options contracts.

Funding

The Group's cash position was USD 303.6 million at the end of the first quarter 2022, compared to USD 196.8 million at the end of the first quarter 2021 and USD 279.3 million at the end of 2021. 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 368.6 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 2021, 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 2021 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 response to the Russian military invasion of Ukraine in February 2022, many governments imposed targeted sanctions and restrictive export control measures including the restriction of semiconductors and related technical assistance destined to Russia and regions of Ukraine. Nordic decided to cease its relatively limited supply of products and services to targeted areas, and to only allow exceptional requests for products providing full compliance with export control regulations. At the time of publication of the quarterly report, there is no indication of notable impact to revenue nor upstream supply. Monitors have been put in place to early detect possible causes for concern going forward.

Although restrictions related to Covid-19 have been lifted in most countries, the pandemic continues to affect the availability and transportation logistics for a variety of components and products, particularly for shipments in and out of Chinese ports. Nordic's main suppliers and distributors are fully operational, although local restrictions and lockdowns temporarily have affected and can in the future affect production and shipments in some areas.

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 persistent imbalances in demand/supply through the value chain, the company has been informed by its main wafer supplier that wafer allocations will remain capped also in 2022.

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's module-based product is dependent on a large number of third-party components and assembly capacity.

The company has seen no major changes to the financial risk compared to the statements given in the Annual Report 2021. 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 303.6 million at the end of the first quarter 2022. The Board of Directors continue to assess the liquidity risk as low.

Nordic holds no interest-bearing debt, and the direct risk associated with interest rate fluctuations is considered low. As described in the Annual Report 2021 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 0.5 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 delivered 28% revenue growth to USD 183 million in the first quarter 2022, with revenue continuing to be capped by the availability of wafers.

Indicated wafer allocations for the second quarter 2022 allows the company to guide for a revenue level of USD 190-210 million. The company anticipates to be awarded higher wafer volumes in the second half of the year and to generate revenue in 2022 that keeps the company on track for its 2023 revenue target of USD 1 billion.

Cellular IoT revenues are expected to remain affected by shortage of components also in the second quarter. From the second half of 2022 it is anticipated that the current supply constraints related to Cellular IoT have been solved.

Nordic sees continued strong growth opportunities well beyond 2023, and maintains its ambition to generate annual revenue growth of at least 25% in 2023-26.

Gross profit was 60% in the first quarter. The stronger than guided gross margin is a result of continued depletion of materials purchased prior to the supplier price increases in late 2021.

With the current visibility, the company expects that continued positive changes in customer and product mix indicate gross margins above 54% for the second quarter and full year 2022.

The company maintains its medium-term target to generate gross margins above 50%, allowing for changes in the customer mix and higher revenue from Cellular IoT.





Oslo, April 27, 2022

Jan Frykhammar
Board member

Birger Steen
Chair

Anita Huun
Board member

Inger Berg Ørstavik
Board member

Svenn-Tore Larsen
Chief Executive Officer

Endre Holen
Board member

Øyvind Birkenes
Board member

Jon Helge Nistad
Board member, employee

Annastiina Hintsala
Board member

Joel Stapelton
Board member, employee

Susheel Raj Nuguru
Board member, employee

Morten Dammen
Board member, employee

Condensed financial information

Income statement

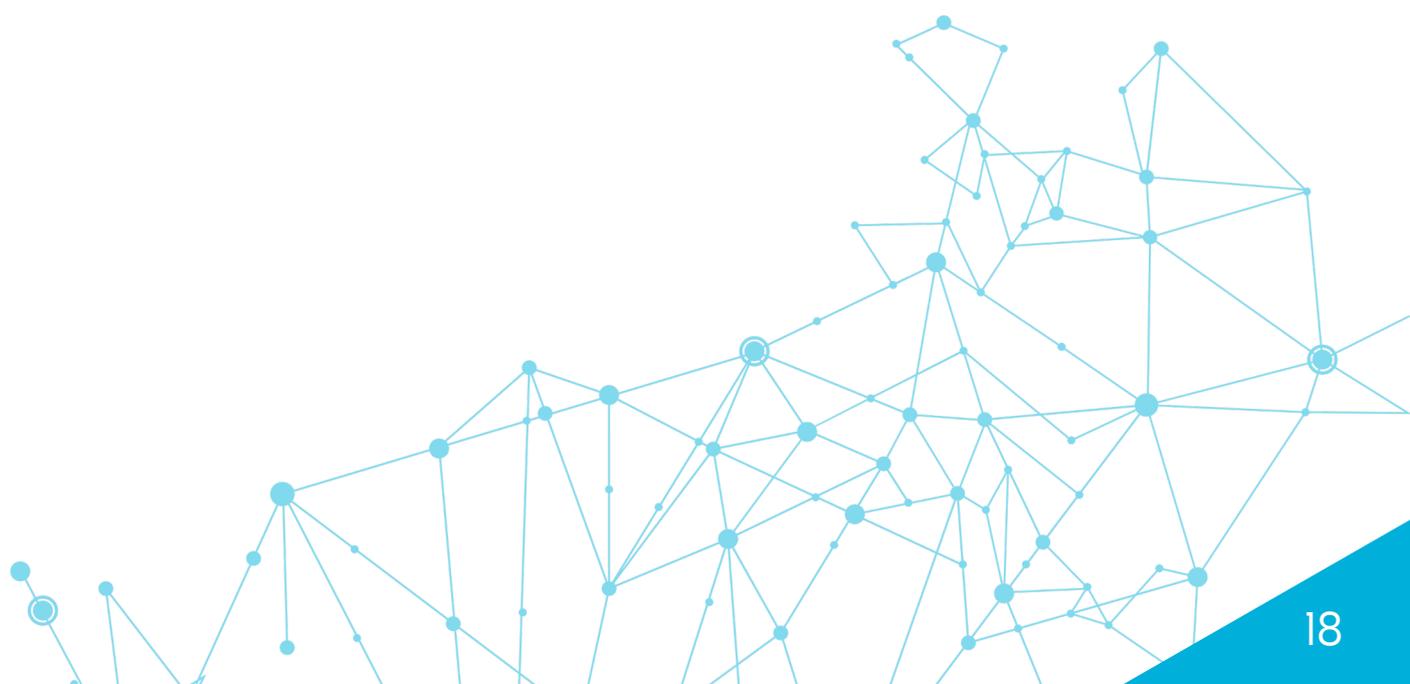
Amounts USD thousand	Note	Q1 2022	Q1 2021	Full year 2021
Total revenue		183 086	143 231	610 528
Cost of materials		-73 763	-71 338	-283 415
Direct project costs		—	—	-472
Gross profit		109 323	71 893	326 640
Payroll expenses		-40 084	-35 951	-149 824
Other operating expenses		-14 506	-11 045	-52 098
EBITDA		54 733	24 898	124 718
Depreciation and amortization	6	-10 038	-9 232	-37 798
Operating Profit		44 695	15 666	86 920
Net interest income		-56	-255	-399
Net foreign exchange gains (losses)		-190	137	739
Profit before tax		44 450	15 548	87 260
Income tax expense		-10 711	-2 048	-16 089
Net profit after tax		33 739	13 500	71 171
Earnings per share				
Ordinary earning per share (USD)		0.177	0.071	0.373
Fully diluted earning per share (USD)		0.175	0.070	0.369
Weighted average number of shares				
Basic		190 963	190 959	190 961
Fully diluted		192 790	193 724	193 042
Net profit after tax		33 739	13 500	71 171
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains (losses) on defined benefit plans (before tax)				-150
Income tax effect				33
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Currency translation differences		-568	-539	-1 186
Total comprehensive income		33 171	12 961	69 867

Consolidated statement of financial position

Amounts USD thousand	Note	31.3.22	31.12.21	31.3.21
ASSETS				
Non-current assets				
Goodwill	11	2 370	2 386	2 393
Capitalized development expenses	5/6	30 724	31 542	33 994
Software and other intangible assets	5/6/11	14 694	15 764	18 439
Deferred tax assets		6 229	6 331	3 674
Fixed assets	6	32 724	33 885	29 405
Right-of-use assets	6	18 832	18 935	23 696
Total non-current assets		105 572	108 844	111 600
Current assets				
Inventory		62 743	54 943	60 809
Accounts receivable		154 301	141 748	135 217
Current financial assets		245	—	341
Other current receivables		12 921	11 951	10 693
Cash and cash equivalents		303 558	279 331	196 795
Total current assets		533 768	487 973	403 855
Total assets		639 340	596 817	515 455
EQUITY				
Share capital		317	317	317
Treasury shares		-2	-2	-2
Share premium		235 448	235 448	235 448
Other equity		257 414	222 442	170 594
Total equity		493 177	458 209	406 357
LIABILITIES				
Non-current liabilities				
Pension liability		711	580	431
Non-current lease liabilities		14 306	14 281	19 129
Total non-current liabilities		15 017	14 861	19 559
Current liabilities				
Accounts payable		29 631	28 392	26 400
Income taxes payable		25 118	17 427	5 409
Public duties		12 557	7 599	5 029
Current lease liabilities		5 587	5 594	5 972
Current financial liabilities		—	520	—
Other current liabilities		58 253	64 215	46 729
Total current liabilities		131 146	123 747	89 538
Total liabilities		146 163	138 608	109 098
Total equity and liability		639 340	596 817	515 455

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 1.1.22	317	-2	235 448	1 829	-806	221 421	458 209
Net profit for the period						33 739	33 739
Other comprehensive income					-568		-568
Share based compensation				1 797			1 797
Equity as of 31.3.22	317	-2	235 448	3 626	-1 374	255 160	493 177
Equity as of 1.1.21	317	-2	235 448	15 980	379	150 368	402 492
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
Equity as of 31.3.21	317	-2	235 448	6 885	-160	163 868	406 357



Statement of cash flows

Amount in USD thousand	Note	Q1 2022	Q1 2021	Full year 2021
Cash flows from operating activities				
Profit before tax		44 450	15 548	87 260
Taxes paid for the period		-2 924	-1 748	-6 332
Depreciation and amortization		10 038	9 232	37 798
Change in inventories, trade receivables and payables		-19 088	-42 410	-41 043
Share-based compensation		1 803	885	6 670
Movement in pensions		134	—	134
Other operations related adjustments		-2 420	-8 215	11 332
Net cash flows from operating activities		31 994	-26 708	95 818
Cash flows used in investing activities				
Capital expenditures (including software)	6	-4 145	-5 433	-25 050
Capitalized development expenses	6	-1 659	-1 611	-5 644
Net cash flows used in investing activities		-5 804	-7 044	-30 694
Cash flows from financing activities				
Cash settlement of options contract		—	-10 141	-20 758
Repayment of lease liabilities		-1 527	-1 644	-6 493
Net cash flows from financing activities		-1 527	-11 785	-27 250
Effects of exchange rate changes on cash and cash equivalents		-435	-216	-1 090
Net change in cash and cash equivalents		24 228	-45 752	36 784
Cash and cash equivalents beginning of period		279 331	242 547	242 547
Cash and cash equivalents at end of period		303 558	196 795	279 331

Notes

Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 31 March 2022 for publication on April 27, 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 1 000 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 Nielsens vei 12, 7052 Trondheim.

Note 2: Confirmation of the financial framework

The Group financial statements for Nordic Semiconductor ASA and its wholly owned subsidiaries, together called "The Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for Q1 2022 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 2021.

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 2022, 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 2022 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2021.

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2021. The group accounts for 2021 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, 2022 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 2022	Q1 2021	Full year 2021
Capitalized development expenses (payroll expenses)	1 423	950	4 121
Capitalized acquired development expenses	237	661	1 523
Capital expenditures (including software)	4 145	5 433	24 996
Right-of-use assets (non-cash)	1 304	222	-100
Currency adjustments	-239	-345	-467
Total	6 869	6 921	30 073
Depreciation and amortization			
Capitalized development expenses	2 478	1 814	8 666
Software and other intangible assets	1 596	1 517	7 238
Fixed assets	4 558	2 938	16 018
Right-of-use assets	1 406	1 111	5 875
Total	10 038	7 380	37 798

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, 2022, 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 2021 for information about the program.

All outstanding options will be exercisable in 2022.

	Q1 2022	Q1 2021
Outstanding options beginning of period	545 203	2 548 589
Granted	—	—
Forfeited	—	7 635
Exercised (cash settlement due to cap being reached)	—	954 923
Expired	—	—
Outstanding end of period	545 203	1 586 031
Of which exercisable	473 655	950 787

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.

	Q1 2022	Q1 2021
Outstanding RSUs beginning of period	1 058 947	690 617
Granted	—	—
Forfeited	4 812	—
Exercised	—	—
Outstanding end of period	1 054 135	690 617
<i>Of which vest in 2022</i>	493 850	—

	Q1 2022	Q1 2021
Outstanding performance shares beginning of period	142 990	114 020
Granted	—	—
Forfeited	—	—
Exercised	—	—
Outstanding end of period	142 990	114 020
<i>Of which vest in 2022</i>	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 2021.

Note 11: Events after the balance sheet

No events have occurred since March 31, 2022 with any significant effect that will impact the evaluation of the submitted accounts.

Financial Calendar 2022:

- July 12, 2022 - Half-yearly report 2022
- October 20, 2022 - 3rd Quarter 2022
- February 7, 2023 - 4th Quarter 2022

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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 2022	Q1 2021	Full year 2021
Gross profit	109.3	71.9	326.6
Total revenue	183.1	143.2	610.5
Gross margin	59.7%	50.2%	53.5%

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

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

	Q1 2022	Q1 2021	Full year 2021
Operating Profit	44.7	15.7	86.9
Depreciation and amortization	10.0	9.2	37.8
EBITDA	54.7	24.9	124.7

- EBITDA margin. EBITDA divided by Total Revenue.

	Q1 2022	Q1 2021	Full year 2021
EBITDA	54.7	24.9	124.7
Total revenue	183.1	143.2	610.5
EBITDA margin	29.9%	17.4%	20.4%

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

	Q1 2022	Q1 2021	Full year 2021
Payroll expenses	40.1	36.0	149.8
Other operating expenses	14.5	11.0	52.1
Depreciation and amortization	10.0	9.2	37.8
Total operating expenses	64.6	56.2	239.7

- 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 2022	Q1 2021	Full year 2021
Total operating expenses	64.6	56.2	239.7
Depreciation and amortization	-10.0	-9.2	-37.8
Option expense	-1.6	-0.9	-7.6
Capitalized expenses	1.7	1.6	5.6
Cash operating expenses	54.7	47.7	199.9

- Order backlog. Customer orders placed by the end of the reporting period for delivery in later quarters. In a normal supply situation, where supplies are not constrained, order backlog is a leading indicator of revenue in the coming 2 quarters. Since early 2021 we are in a supply constrained situation, therefore order backlog is well beyond 2 quarters, and hence order backlog is not an appropriate guide for revenue but it is retained as an APM for consistency.
- 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 2022	Q1 2021	Full year 2021
Reported EBITDA	54.7	24.9	124.7
Long range (cellular IoT) EBITDA loss	9.8	9.5	38.5
Wi-Fi expense	3.9	2.1	12.3
Adjusted EBITDA	68.4	36.5	175.6
Total revenue (excluding cellular IoT revenue)	176.5	142.0	593.5
Adjusted EBITDA margin	38.7%	25.7%	29.6%

- 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 2022	Q1 2021
Total operating expenses	248.1	185.9
Depreciation and amortization	-38.6	-32.9
Operating expenses excluding depreciation and amortization	209.5	153.0
Total revenue LTM	650.4	478.3
LTM opex / LTM revenue	32.2%	32.0%

- 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 2022	Q1 2021
Current assets	533.8	403.9
Cash and cash equivalents	-303.6	-196.8
Current liabilities	-131.1	-89.5
Current financial liabilities	—	—
Current lease liabilities	5.6	6.0
Income taxes payable	25.1	5.4
Net working capital	129.5	128.6
Total revenue LTM	650.4	478.3
NWC / LTM revenue	19.9%	26.9%

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