

Q1

Report 2023



NORDIC[®]
SEMICONDUCTOR

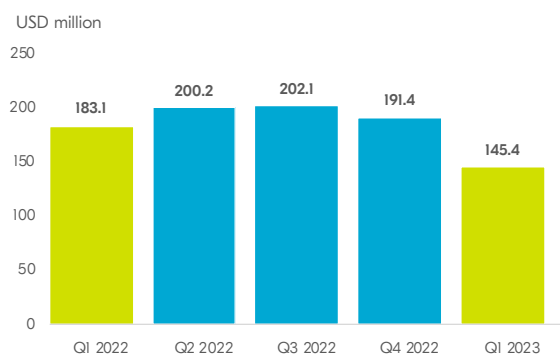
Content

3	Q1 Highlights
4	Key figures
5	Q1 2023 review
	Operational review
	Revenue
	Financial results
	Financial position
	Cash flow
14	Outlook
16	Condensed financial information
20	Notes to the condensed consolidated financial statements
24	Alternative performance measures
28	Cautionary note

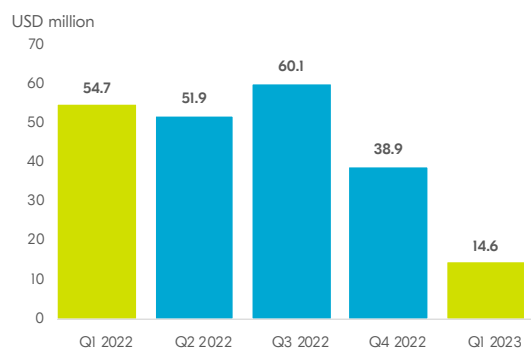
Q1 Highlights

- Revenue of USD 145 million (-21%)
- Demand slowdown and lower deliveries to some tier-1 customers
- Gross margin of 53%
- EBITDA of USD 15 million
- Announcing the fourth generation nRF54 Series
- Completed the acquisition of Mobile Semiconductor

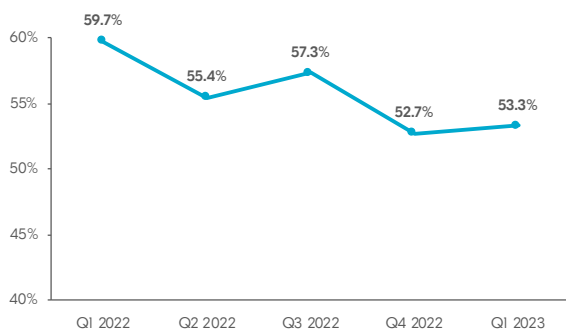
Revenue



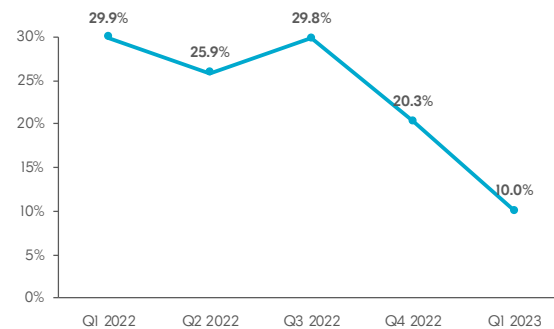
EBITDA



Gross margin



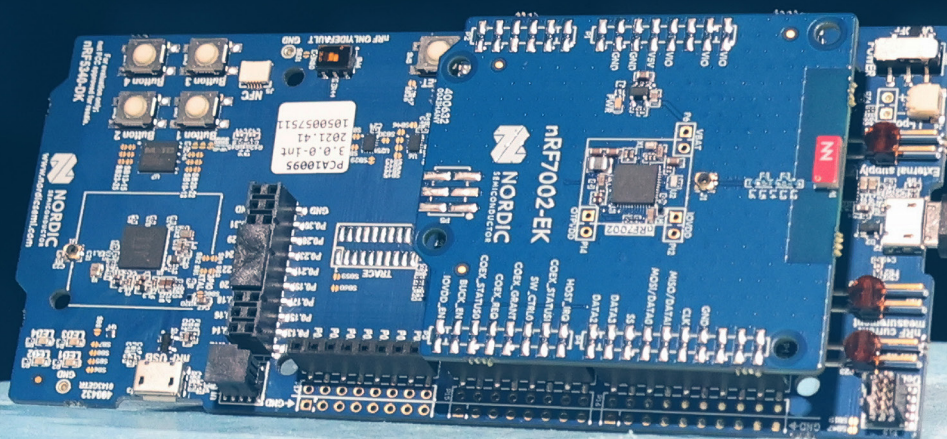
EBITDA margin



Key figures

Q1 2023 financial summary

Amount in USD million	Q1		
	2023	2022	Change
Revenue	145.4	183.1	-20.6%
Gross profit	77.6	109.3	-29.1%
Gross margin %	53.3%	59.7%	-6.4 p.p.
EBITDA	14.6	54.7	-73.4%
EBITDA %	10.0%	29.9%	-19.9 p.p.
Operating profit (EBIT)	3.0	44.7	-93.2%
Operating profit % (EBIT)	2.1%	24.4%	-22.3 p.p.
Net profit after tax	3.0	33.7	-91.0%
Cash and cash equivalents	233.3	303.6	-23.2%
Order backlog	603.4	1 537.2	-60.7%
LTM Opex excluding depreciation / LTM revenue	32.4%	33.1%	-0.7 p.p.
Net working capital / LTM revenue	28.2%	17.8%	10.4 p.p.
Equity ratio	77.4%	76.8%	0.6 p.p.
Number of employees	1 513	1 257	20.4%



Q1 2023 review

Revenue was USD 145.4 million in the first quarter 2023 corresponding to year-on-year decline of 21%. This reflects a general demand slowdown and lower deliveries to some tier 1 customers adjusting inventories. Bluetooth revenue declined by a more moderate 13%. The trend was strongest in the Consumer segment, with year-on-year revenues increasing in the Industrial and Healthcare verticals. Nordic believes it overall has maintained its market shares, and expects a return to growth towards the end of the year.

Weaker demand development

Revenue in the first quarter showed a decline of 21% year-on-year and 24% decline from the previous quarter. As in 2022, the company sees significant changes in the revenue composition in terms of both product technologies, customers, end-user verticals, and geographies.

Bluetooth Low Energy products is the far biggest segment, accounting for 90% of total revenue. Bluetooth revenue declined by 13% year-on-year in the first quarter and by 24% from the previous quarter, due to lower sales in Consumer verticals. The main reason for the decline is weaker demand in the broad market and lower deliveries to some of the tier-1 customers due to inventory adjustments, as well as supply constraints for certain variants of our Bluetooth products.

Proprietary product revenue declined by 68% in the first quarter and 34% from the previous quarter. The declines mainly reflect significantly lower demand for PC accessories and other home office equipment, as well as technology migration to more modern standards like Bluetooth Low Energy. Proprietary accounted for only 5% of total revenue for the quarter.

Cellular IoT revenue is still relatively modest and varying with specific projects. Revenue declined by 28% year-on-year and 6% from the previous quarter, and accounted for 3% of total revenue in the quarter. The remainder of revenues were made up of sales of ASIC components and other products, each representing around 1% of total revenue in the quarter.

Nordic saw significantly increased sales to its largest tier-1 customers through 2022, and these customers continue to increase their share of revenue. The top-10 Bluetooth Low Energy customers accounted for 44% of Bluetooth revenue in 2022 and more than 50% in the fourth quarter, and this was also more than 50% for the first quarter this year.

The company has seen widely varying revenue development across different verticals. Revenue in the large Consumer segment declined by 43% year-on-year and 36% from the previous quarter, reflecting both lower consumer spending on electronics as well as inventory adjustments among equipment manufacturers. Revenue in the Industrial segment increased 14% year-on-year and declined 12% from the fourth quarter, and revenue in the Healthcare segment increased by 66% year-on-year and by 6% from the previous quarter. As a result, the Consumer segment's share dropped from roughly two-thirds to slightly less than half of total revenue.

As mentioned in the previous report, Nordic saw a significant shift in the geographical revenue composition last year, with strong growth in the US and Europe and an accelerating decline in sales in China through 2022.

Improving supply situation

As noted in previous financial reports, the supply of wafers for Nordic's Bluetooth Low Energy products has been constrained over the past years. Lack of wafers affected product shipments to some customers also in the first quarter 2023, although lower demand means that the pressure on the supply chain is now easing. The first quarter was hence the last quarter with supply constraints, and given current demand and supply forecasts Nordic expects wafer supply to be sufficient to meet requirements for the remainder of 2023.

Nordic Semiconductor continues to move forward with a supply resilience and diversification program designed to ensure that the company can provide customers with leading technology at competitive cost, high quality, and reliable supply also in the future. New strategic manufacturing agreements enable capacity expansions in line with the company's longer-term growth ambitions and will strengthen the company's production capacity from 2024 onward.

nRF54 SERIES

Order backlog

The order backlog declined to USD 603 million from USD 838 million at the end of 2022. This reflects weaker demand, order postponements and cancellations, inventory adjustments among customers and distributors, and a gradual normalization of order lead times.

As described in the previous quarterly reports, the order backlog has reflected a significant supply and demand imbalance over the last few years, and Nordic has over the past year worked with its customers to align the backlog with actual delivery capacity.

The order backlog has thus not been a good revenue or demand indicator, and Nordic intends to discontinue the reporting of the order backlog as an Alternative Performance Measure (APM) with effect as of the reporting of the interim results for the second quarter 2023.

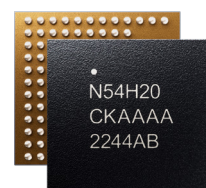
Bluetooth design certifications

Nordic had a very high market share of 46% of new design certifications in the Bluetooth Low Energy (Bluetooth LE) market in the first quarter 2023. This compares with a market share of 40% in the first quarter 2022 and 39% for the full year 2022, according to FCC and Bluetooth SIG data compiled by DNB Markets.

The total number of new Bluetooth LE design certifications was 235 in the fourth quarter, of which 108 had Nordic inside.

nRF54: Redefining wireless connectivity

Nordic announced the fourth-generation low power wireless nRF54 Series chip, which represents a significant step forward in performance. This is a result of the group's unwavering commitment to innovation. The chip has double the processing power of Nordic's current flagship. It allows for increased application with features such as MCU, external memory, and wireless SoC all in one device, making it easier to shrink designs. All the while it is one of the most secure low power chips certified at the highest level in the Platform Security Architecture (PSA) Certified IoT security standard. The new nRF54 extends the multi award-winning nRF53, which has won prestigious awards and is applied with the largest and most demanding customers. In short, the nRF54 is redefining wireless connectivity versatility.



Customer product launches

Nordic customers launched a wide variety of new products powered by the company's Bluetooth Low Energy products also in the first quarter 2023. New product launches included a new Galaxy SmartTag tracker from Samsung, smart home sensors with Amazon Sidewalk support, and Matter-compatibility for lighting systems. Customer also launched a pulse oximeter for medical-grade oxygen monitoring, an edge intelligence solution for electric vehicles, a digital tape measure, a rowing machine, and a group communications headset for motorcycle helmets, as well as new asset trackers smart watches/bracelets, and modules.

Customers also launched new products combining Bluetooth Low Energy and cellular IoT, such as a combined pet tracker and pet health monitor, and an electric car charger enabling electricity price optimization. Pure cellular IoT launches included a smart water flow sensor, an animal tracker, a new cellular IoT gateway, and a new IoT module launched by Vodafone-owned grandcentrix in Germany.

Cellular IoT

Nordic is working to open the broad market for cellular IoT solutions with a scalable and flexible model combining leading-edge ultra-low power hardware, open-source software, strong technical support through DevZone and distributors, an expanding Partner Program, and global carrier certifications.

Nordic's end-customers are working on cellular IoT projects across a wide variety of verticals, including smart cities, logistics and asset tracking, industrial and agricultural monitoring systems, metering, parking, and payment systems, etc.

As described in previous interim reports, the tougher economic climate has increased the risks related to project timing and customer financing of many cellular IoT projects, especially for smaller companies, which adversely affects current and forecasted demand and revenues.

Other product areas — PMIC, Wi-Fi, DECT NR+ PMIC

Nordic is developing a power management systems portfolio and the launch of the nPM1300 PMIC at the beginning of the year was the third product in this portfolio. The nPM1300 integrates essential functions required for Bluetooth Low Energy embedded designs and is optimized for the efficiency and compact size requirements of advanced IoT. The nPM1300 follows the nPM1100 launched in 2021 and the nPM6001 launched in 2022.

Nordic entered the PMIC market because existing power management solutions were not optimized for compact, ultra-low power IoT applications, and in February launched three new versions of its nPM1100. This added a larger but simpler and cheaper 4×4 mm QFN version to the original 2.1×2.1 mm CSP version, as well as two variants supporting higher maximum battery charging voltages for lithium-ion cells common in portable wireless products. These variants expand the market for the company's nPM1100 product series.

Wi-Fi

Nordic is now shipping its new nRF7002 Wi-Fi 6 companion IC, marking Nordic's entry into the Wi-Fi wireless IoT market. The nRF7002 is designed to provide seamless Wi-Fi connectivity and Wi-Fi based locationing as a 'companion IC' to Nordic's existing Bluetooth and cellular IoT products.

This makes Nordic one of few companies globally to offer all of the world's three most popular wireless IoT technologies - Bluetooth, Wi-Fi, and cellular IoT.

DECT NR+

Nordic is taking part in the development of the new DECT standard (Digital Enhanced Cordless Telecommunications) as a full member of the DECT forum. The DECT New Radio (NR)+ standard will be the world's first non-cellular 5G wireless standard.

The standard is being designed to support massive IoT at densities of a million devices per square kilometer and will enable enterprise IoT and public customers to build their own scalable, low-cost massive IoT networks. Typical use cases include asset tracking, smart city, and smart energy projects.

Completed the acquisition of Mobile Semiconductor

Nordic in the first quarter completed the acquisition of Mobile Semiconductor in the US. The Seattle-based company specializes in highly optimized embedded memory technology for microcontrollers (MCUs) and Systems-on-Chip (SoCs). The company has long provided the RAM memory used in Nordic's nRF52 and 53 Series Bluetooth SoCs and the nRF9160 cellular IoT SiPs.

INCOME STATEMENT

Revenue

	Q1		
Amounts in USD thousand	2023	2022	Change
Bluetooth	130 828	150 456	-13.0%
Proprietary wireless	7 942	25 066	-68.3%
Short range wireless components	138 770	175 522	-20.9%
Cellular IoT	4 723	6 553	-27.9%
ASIC components	1 148	1 011	13.6%
Consulting services	0	0	—%
Other	787	0	—%
Total revenue	145 428	183 086	-20.6%

Nordic reported total revenue of USD 145.4 million in the first quarter 2023, which was a decrease of 21% from USD 183.1 million in the first quarter 2022. Revenue was 24% lower than the previous quarter. The decline compared to last year mainly reflects general demand slowdown in proprietary and consumer products.

Revenues by technologies

Nordic classifies its revenues into the following technologies: Short-range wireless components, long range (cellular IoT) wireless components, ASIC components, Consulting services and other. Other revenues include PMIC, front end modules and Wi-Fi, as well as development tool sales. Short-range wireless components are in turn split between Bluetooth and Proprietary solutions.

Bluetooth revenue amounted to USD 130.8 million in the first quarter 2023, a decrease of 13% from USD 150.5 million in the first quarter 2022. The main reason for the decline is weaker demand in the broad market, as well as lower deliveries to some tier-1 customers due to inventory adjustments. Bluetooth share of total revenue was 90% in Q1 2023, highest number recorded.

Proprietary revenue was USD 7.9 million in Q1 2023, which was a decrease of 68% year-on-year and down 34% from the previous quarter. The declines mainly reflect lower demand for PC accessories and other home office equipment after a boost during Covid, and technology migration to more modern standards like Bluetooth Low Energy.

Cellular IoT reported revenue of USD 4.7 million in Q1 2023, which was a decrease of 28% from Q1 2022 and 6% lower than the previous quarter.

ASIC component revenues amounted to USD 1.1 million in Q1 2023, compared with USD 1.0 million in Q1 2022 and USD 1.9 million in the previous quarter.

	Q1		
Revenues by end-product markets Amounts in USD thousand	2023	2022	Change
Consumer	69 750	122 246	-42.9%
Industrial	45 362	39 783	14.0%
Healthcare	23 560	14 192	66.0%
Other	5 608	5 854	-4.2%
Total revenue excl. ASIC & Consulting	144 280	182 075	-20.8%

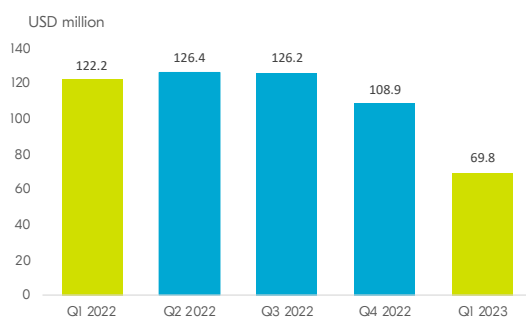
The company reports on four end-user markets: Consumer, Industrial, Healthcare, and Others.

Consumer accounted for 48% of revenue, having decreased by 43% year-on-year to USD 69.8 million in Q1 2023. This is down from a 67% share in Q1 2022. The main reason for the decline is reduced revenue for PC accessories for home offices and gaming.

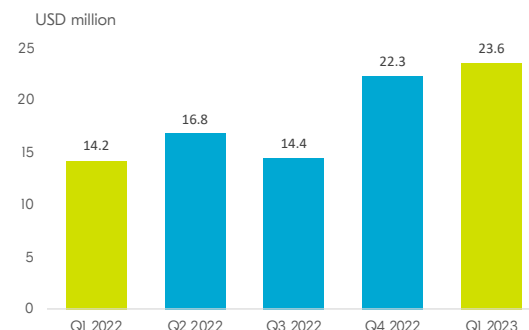
Industrial accounted for 31% of revenues, having grown by 14% year-on-year to USD 45.4 million. This is up from a share of 22% in Q1 2022. Industrial continues to show strength in an overall weak market, driven by industrial automation, utility sensors, asset tracking solutions and retail solutions.

Revenue in the professional Healthcare vertical increased 66% year-on-year to USD 23.6 million. This strong growth comes as a result of one large customer ramping its production significantly. Other revenue decreased 4% year-on-year to USD 5.6 million.

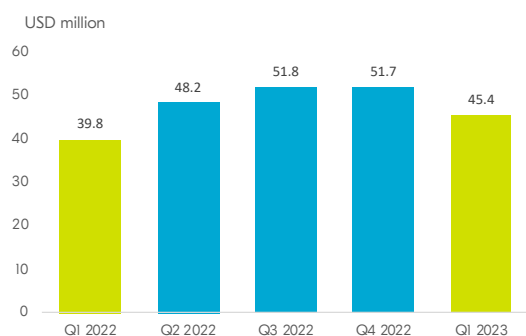
Revenue - Consumer



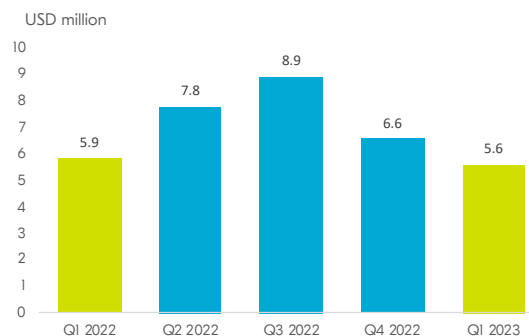
Revenue - Healthcare



Revenue - Industrial



Revenue - Others



Financial results

Amounts in USD thousand	Q1		
	2023	2022	Change
Gross profit	77 555	109 323	-29.1%
Gross margin	53.3%	59.7%	-6.4%
Operating expenses excl. depreciation and amortization	62 998	54 589	15.4%
EBITDA	14 557	54 733	-73.4%
EBITDA %	10.0%	29.9%	-19.9%
Depreciation and amortization	11 509	10 038	14.7%
EBIT	3 048	44 695	-93.2%

Gross profit

Gross profit was USD 77.6 million in Q1 2023, down from USD 109.3 million in Q1 2022, with the gross margin decreasing to 53.3% from 59.7% in the same quarter last year and 52.7% in the previous quarter.

Gross margins in Q1 2022 were positively impacted by depletion of materials purchased prior to the supplier price increases in late 2021. The higher gross margin level compared to the previous quarter mainly reflects changes in customer composition. Scrapping of cellular IoT materials affected gross profits negatively by USD 3 million or 1.6 percentage points in Q4 2022.

Operating expenses

Operating expenses amounted to USD 63.0 million in Q1 2023, excluding depreciation and amortization, an increase of 15% compared to USD 54.6 million in Q1 2022. The increase primarily reflects a higher activity level and a 20% growth in the workforce to 1 513 employees over the past year, partly offset by currency effects.

Due to the strengthening of USD compared to other relevant currencies such as NOK and EUR, Nordic had a positive currency impact on payroll of around USD 4 million compared to Q1 2022. Adjusted for the currency effect, total operating expenses increased by 23%.

R&D costs amounted to USD 47.9 million, compared to USD 37.3 million in Q1 2022. USD 29.6 million related to the short-range business, USD 13.9 million to cellular R&D and USD 4.4 million to Wi-Fi.

Nordic capitalized a total of USD 3.1 million in development expenses in Q1 2023, compared to USD 1.7 million in Q1 2022. The increase relates mainly to the commercialization of the recently announced nRF54 Series, as Nordic does not commence capitalization of R&D until after customer sampling. USD 0.3 million is related to Wi-Fi investments, USD 0.2 million to long-range, and USD 2.6 million to the short-range business.

Total cash operating expenses amounted to USD 64.3 million in Q1 2023, when adding back capitalized

development expenses and deducting depreciation and equity-based compensation from total operating expenses. This compares to USD 54.7 million in Q1 2022.

USD 44.7 million of the cash operating expenses were related to payroll expenses, compared to USD 39.9 million in Q1 2022.

The number of employees in R&D has increased 20% over the past year to 1,151 people. The Sales & Marketing staff increased 11% to 137, whereas the supply chain organization increased 31% to 97 employees.

Other cash operating expenses were USD 19.6 million in Q1 2023, compared to USD 14.7 million in Q1 2022. The increase of 33% is explained by higher activity level, with more tape-outs, higher consulting fees and increased travel expenses.

The company will continue to invest in future growth opportunities. However, in view of the challenging short-term revenue outlook, targeted cost initiatives expected to impact financials from the second half are currently being assessed.

Profit

EBITDA declined to USD 14.6 million in Q1 2023 from USD 54.7 million in Q1 2022. Hence, the reported EBITDA margin decreased to 10.0% from 29.9% in the same quarter last year.

Short-Range EBITDA was USD 31.4 million in Q1 2023, and the EBITDA margin for the short-range business 22.3%. This compares to USD 67.4 million and 38.2% in Q1 2022. These figures exclude the cellular IoT business and the Wi-Fi business.

Depreciation and amortization increased to USD 11.5 million in Q1 2023, compared to USD 10.0 million in Q1 2022. The increase mainly reflects higher amortization of cellular IoT and Wi-Fi intangibles. Amortization of internally developed R&D overall amounted to USD 2.8 million and amortization of leased assets to USD 1.8 million.

Operating profit (EBIT) was USD 3.0 million in Q1 2023, down from USD 44.7 million in Q1 2022.

Net financial income was USD 5.3 million in Q1 2023, compared to a net financial loss of USD 0.2 million in Q1 2022, with the difference mainly explained by USD/NOK movements

Profit before tax was USD 8.4 million in Q1 2023, compared to a profit before tax of USD 44.4 million in Q1 2022. The tax expense in Q1 2023 was USD 5.4 million, representing an effective tax rate of 64%. The tax expense in Q1 2022 was USD 10.7 million. The company's statutory tax rate is 22%. The company presents its accounts in USD, with profits translated into NOK for taxation purposes. During Q1 2023, Nordic had significant currency gains in the NOK accounts resulting in a high effective tax rate. Net profit was USD 3.0 million in Q1 2023, compared to a net profit of USD 33.7 million in Q1 2022.

Financial position

Amounts in USD thousand	31.03.2023	31.12.2022	31.03.2022
Capitalized development expenses	26 941	26 608	30 724
Total non-current assets	209 912	102 120	105 572
Inventory	126 914	102 091	62 743
Cash and cash equivalents	233 260	379 104	303 558
Prepayments	100 000	—	—
Total current assets	554 463	674 121	533 768
Total assets	764 375	776 241	639 340
Total equity	591 999	583 544	493 177
Equity percentage	77.4%	75.2%	77.1%
Total liabilities	172 375	192 697	146 163
Total equity and liability	764 375	776 241	639 340

Total shareholders' equity amounted to USD 592.0 million at the end of Q1 2023, up from USD 583.5 million at the end of 2022.

The Group equity ratio was 77.4% of a total asset base of USD 764.4 million.

Cash and cash equivalents amounted to USD 233.3 million, compared to USD 379.1 million at the end of Q1 2022. The main driver for the change is the increase in prepayments.

Net working capital increased to USD 208.1 million at the end of Q1 2023, up from USD 129.5 million at the end Q1 2022. Measured as a percentage of last 12 months revenue, net working capital increased to 28.2% from 19.9% at the end of Q1 2022. The increase is mainly driven by higher accounts receivables and inventory.

The changes in net working capital mainly reflect an increase in accounts receivable to USD 176.2 million from USD 154.3 million at the end of Q1 2022. This increase comes as a result of revenue timing during the quarter. Inventory increased to USD 126.9 million from USD 62.7 million, mainly reflecting higher inventory of proprietary and cellular IoT products. Inventory levels for Bluetooth products remain stable.

Total current assets amounted to USD 554.5 million at the end of Q1 2023, down from USD 674.1 million at the end of the Q1 2022.

Non-current assets amounted to USD 209.9 million at the end of Q1 2023, compared to USD 102.1 million at the end of Q1 2022. The change is explained by increase in prepayments.

Current liabilities amounted to USD 158.0 million, compared to USD 131.1 million at the end of Q1 2022. The increase reflects timing of compensation plan settlements, increased taxes payable and other current liabilities, as well as a moderate increase in accounts payable.

Non-current liabilities amounted to USD 14.3 million, compared to USD 15.0 million at the end of Q1 2022. Non-current liabilities mainly consist of lease liabilities. Nordic had no interest-bearing debt at the end of Q1 2023.

Cash flow

Amounts in USD thousand	Q1	
	2023	2022
Cash flows from operations	-129 609	31 994
Cash flows from investing activities	-14 654	-5 804
Cash flows from financing activities	-1 823	-1 527
Change in cash and cash equivalents	-145 844	24 228
Cash and cash equivalents at the end of the period	233 260	303 558

Cash flow from operating activities was USD -129.6 million in Q1 2023, compared to USD 32.0 million in Q1 2022. The negative operating cash flow is a result of prepayments and inventory increase in the quarter. The company has made a prepayment of USD 100 million related to ongoing initiatives to strengthen supply resilience and diversification in Q1.

Cash flows from investing activities was an outflow of USD 14.7 million in Q1 2023, compared to an outflow of USD 5.8 million in Q1 2022. Capital expenditures -including software- amounted to USD 5.5 million, up from USD 4.1 million in the fourth quarter last year, whereas capitalized development expenses increased to USD 3.1 million from USD 1.7 million in the same period last year. Cash consideration in acquisition Q1 2023 amounted to USD 6.0 million.

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. Higher capex during Q1 was mainly related to investments in IT infrastructure, test equipment and facilities.

Cash flows from financing activities was an outflow of USD 1.8 million relating to payment of lease liabilities. This compares to an outflow of USD 1.5 million in Q1 2022.

Funding

The Group's cash position was USD 233.3 million at the end of Q1 2023, compared to USD 303.6 million at the end of 2022. 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 383.3 million, including Nordic's right to borrow USD 150 million under sustainability linked RCF.



Outlook

Nordic Semiconductor reported average annual revenue growth of 39% in the three-year period from 2019 through 2022 but saw revenues decline by 21% year-on-year to USD 145 million in the first quarter 2023. The decline was strongest for proprietary products and cellular IoT, although the company also saw lower year-on-year revenue for Bluetooth Low Energy products for the first time in four years. Bluetooth Low Energy showed a more modest revenue decline of 13%.

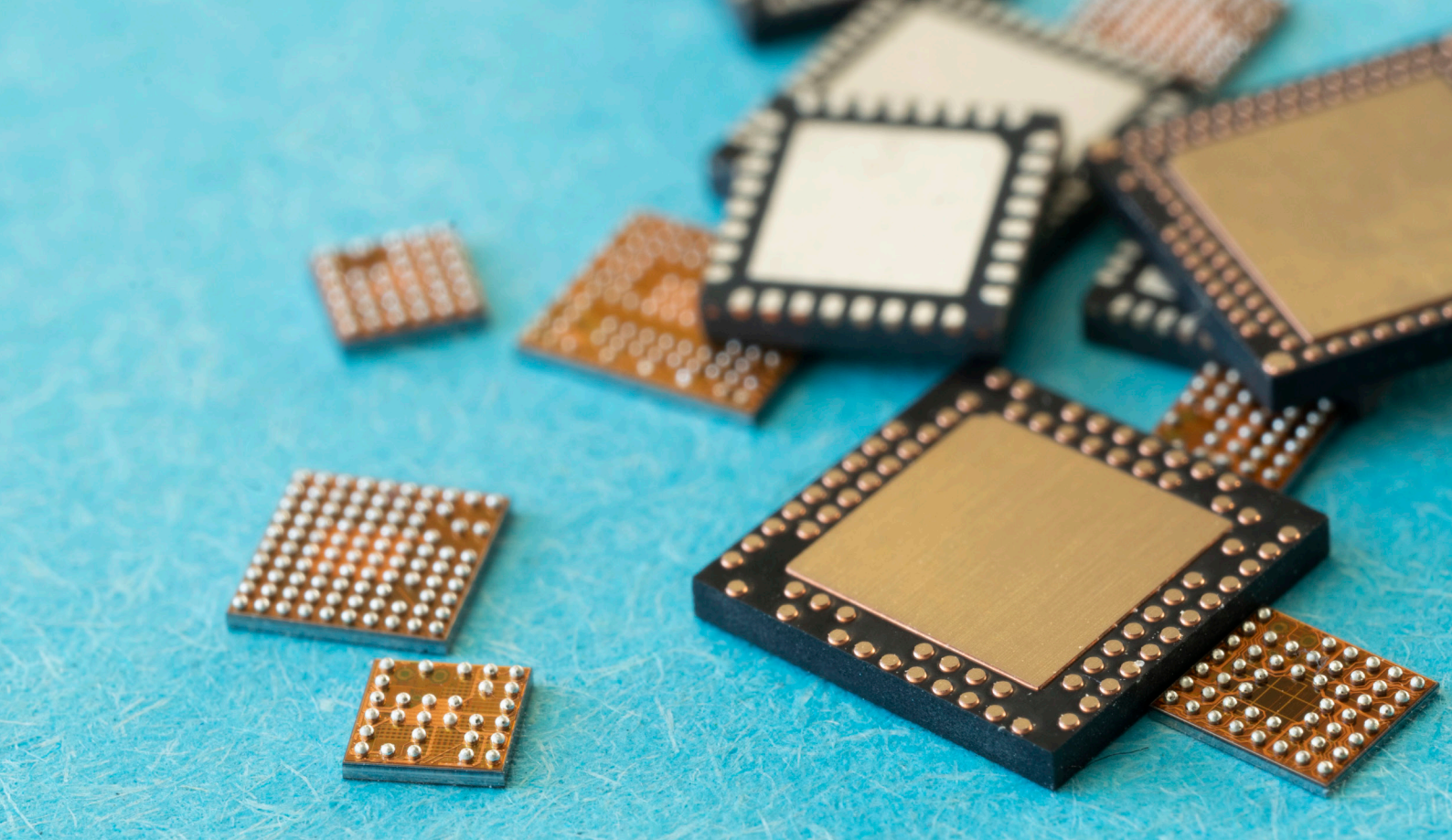
The supply of wafers for Nordic's Bluetooth Low Energy products has been constrained over the past years, although the currently lower demand means that the strain on the supply chain is easing. The first quarter was the last quarter with supply constraints, and given current demand and supply forecasts Nordic expects the supply of wafers to be sufficient to meet demand requirements for the remainder of 2023.

The order backlog and current demand outlook indicates a revenue level of USD 140-160 million also for the second quarter of 2023, which is in line with the first quarter.

The demand development through the first quarter was weaker than previously expected, and the current order backlog and order indications are not sufficient to support the previously communicated expectation of reaching an annual revenue run-rate of USD 1 billion during the second half of the year. Demand from tier-1s is however expected to pick up in the second half of 2023, with the company aiming to return to positive year-on-year growth towards the end of the year.

Gross margin was 53% in the first quarter 2023, which was roughly on par with the previous quarter. The company expects the gross margin to remain above 52% also in the second quarter 2023. The company reiterates its long-term ambition to maintain a gross margin level above 50%.

Nordic will continue to invest in building a leadership position in markets with significant growth potential and maintaining a positive long-term market outlook. The company acknowledges the increased uncertainty regarding the economic environment and product demand, particularly in the consumer segment. In view of the challenging short-term revenue outlook, targeted cost initiatives expected to impact financials from the second half are currently being assessed.



Oslo, April 19, 2023

Jan Frykhammar

Board member

Birger Steen

Chair

Anita Huun

Board member

Inger Berg Ørstavik

Board member

Sverre Torsen

Chief Executive Officer

Endre Holen

Board member

Øyvind Birkenes

Board member

Jon Helge Nistad

Board member, employee

Annastiina Hintsa

Board member

Anja Dekens

Board member, employee

Gro Fykse

Board member, employee

Morten Dammen

Board member, employee

Condensed financial information

Income statement

		Q1		Full year
Amounts USD thousand	Note	2023	2022	2022
Total revenue	4	145 428	183 086	776 734
Cost of materials		-67 874	-73 763	-339 941
Gross profit		77 555	109 323	436 793
Payroll expenses		-43 700	-40 084	-161 440
Other operating expenses		-19 298	-14 506	-69 685
EBITDA		14 557	54 733	205 668
Depreciation and amortization	6	-11 509	-10 038	-44 067
Operating Profit		3 048	44 695	161 602
Net interest income		1 494	-56	4 934
Net foreign exchange gains (losses)		3 853	-190	619
Profit before tax		8 395	44 450	167 155
Income tax expense		-5 354	-10 711	-44 817
Net profit after tax		3 041	33 739	122 339
Earnings per share				
Ordinary earning per share (USD)		0.016	0.177	0.639
Fully diluted earning per share (USD)		0.016	0.175	0.635
Weighted average number of shares				
Basic		191 631	190 963	191 365
Fully diluted		192 789	192 790	192 739
Net profit after tax		3 041	33 739	122 339
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains (losses) on defined benefit plans (before tax)		—	—	74
Income tax effect		—	—	-13
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Currency translation differences		394	-568	-593
Total comprehensive income		3 435	33 171	121 807

Consolidated statement of financial position

Amounts USD thousand	Note	31.3.23	31.12.22	31.3.22
ASSETS				
Non-current assets				
Goodwill	11	10 345	2 284	2 370
Capitalized development expenses	5/6	26 941	26 608	30 724
Software and other intangible assets	5/6	12 648	11 655	14 694
Deferred tax assets		3 768	4 554	6 229
Fixed assets	6	35 488	35 603	32 724
Right-of-use assets	6	20 723	21 416	18 832
Prepayments		100 000	—	—
Total non-current assets		209 912	102 120	105 572
Current assets				
Inventory		126 914	102 091	62 743
Accounts receivable		176 167	175 120	154 301
Current financial assets		—	267	245
Other current receivables		18 121	17 539	12 921
Cash and cash equivalents		233 260	379 104	303 558
Total current assets		554 463	674 121	533 768
Total assets		764 375	776 241	639 340
EQUITY				
Share capital		317	317	317
Treasury shares		-2	-2	-2
Share premium		235 448	235 448	235 448
Other equity		356 235	347 780	257 414
Total equity		591 999	583 544	493 177
LIABILITIES				
Non-current liabilities				
Pension liability		700	676	711
Non-current lease liabilities		13 628	14 861	14 306
Total non-current liabilities		14 328	15 537	15 017
Current liabilities				
Accounts payable		36 254	34 229	29 631
Income taxes payable		38 591	43 758	25 118
Public duties		10 070	6 455	12 557
Current lease liabilities		6 379	6 280	5 587
Other current liabilities		66 753	86 439	58 253
Total current liabilities		158 047	177 160	131 146
Total liabilities		172 375	192 697	146 163
Total equity and liability		764 375	776 241	639 340

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 1.1.23	317	-2	235 448	5 358	-1 399	343 821	583 544
Net profit for the period						3 041	3 041
Other comprehensive income					394		394
Share based compensation				1 878			1 878
Treasury share acquisition payment		0		3 141			3 141
Equity as of 31.3.23	317	-2	235 448	10 377	-1 005	346 862	591 999
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	3 625	-1 374	255 160	493 177

Statement of cash flows

		Q1		Full year
Amount in USD thousand	Note	2023	2022	2022
Cash flows from operating activities				
Profit before tax		8 395	44 450	167 155
Taxes paid for the period		-7 808	-2 924	-16 760
Depreciation and amortization		11 509	10 038	44 067
Change in inventories, trade receivables and payables		-23 767	-19 088	-74 595
Share-based compensation		1 878	1 803	7 794
Movement in pensions		22	134	104
Prepayments		-100 000	—	—
Other operations related adjustments		-19 839	-2 420	14 947
Net cash flows from operating activities		-129 609	31 994	142 711
Cash flows used in investing activities				
Capital expenditures (including software)	6	-5 510	-4 145	-24 065
Capitalized development expenses	6	-3 143	-1 659	-6 489
Business Combination, net of cash acquired	11	-6 000	—	—
Net cash flows used in investing activities		-14 654	-5 804	-30 554
Cash flows from financing activities				
Changes in treasury shares		—	—	—
Cash settlement of options contract		—	—	-4 727
Repayment of lease liabilities		-1 823	-1 527	-6 609
Net cash flows from financing activities		-1 823	-1 527	-11 336
Effects of exchange rate changes on cash and cash equivalents		242	-435	-1 049
Net change in cash and cash equivalents		-145 844	24 228	99 772
Cash and cash equivalents beginning of period		379 104	279 331	279 331
Cash and cash equivalents at end of period		233 260	303 558	379 104

Notes

Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended March 31, 2023 for publication on April 19, 2023.

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 1,500 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 veg 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 2023 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 2022.

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 2023, 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 2023 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2022.

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2022. The group accounts for 2022 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.

The same accounting principles and methods of calculation have been applied as in the Financial Statements for 2022 for the Group.

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, Industrial, Healthcare, 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

Amount in USD thousand	Q1		Full year
Specification of capital expenditures, balance sheet	2023	2022	2022
Capitalized development expenses (payroll expenses)	2 853	1 423	4 234
Capitalized acquired development expenses	290	237	2 255
Capital expenditures (including software)	5 469	4 145	24 065
Right-of-use assets (non-cash)	1 126	1 304	8 810
Acquisition (net)	10 172	—	—
Currency adjustments	177	-239	-243
Total	20 087	6 869	39 121
Depreciation and amortization			
Capitalized development expenses	2 811	2 478	11 428
Software and other intangible assets	1 549	1 596	7 064
Fixed assets	5 330	4 558	19 247
Right-of-use assets	1 819	1 406	6 328
Total	11 509	10 038	44 067

Note 7: Net interest-bearing debt

The Group has a sustainability linked revolving credit facility, which enables it to borrow up to USD 150 million with an interest rate equal to SOFR + margin. The line of credit expires in June 2025, with option to extend. As of March 31, 2023, the Group had not drawn on the credit facility. The security for the credit line is 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 had a stock option program for employees and management. Please see the annual report for 2022 for information about the program.

	Q1	
	2023	2022
Outstanding options beginning of period	—	545 203
Granted	—	—
Forfeited	—	—
Exercised (cash settlement due to cap being reached)	—	—
Expired	—	—
Outstanding end of period	—	545 203

Note 9: RSU and performance shares

With reference to the Annual general meeting held on April 28, 2022, Nordic Semiconductor, on May 6, 2022, granted 517 053 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 550 000 Restricted Stock Units (RSUs) and Performance Shares, equivalent to approximately 0.3% of the company's outstanding share capital.

	Q1	
	2023	2022
Outstanding RSUs beginning of period	1 002 504	1 058 947
Granted	—	—
Forfeited	8 699	4 812
Released	—	—
Outstanding end of period	993 805	1 054 135

	Q1	
	2023	2022
Outstanding performance shares beginning of period	109 632	142 990
Granted	—	—
Forfeited	—	—
Performance adjusted	—	—
Released	—	—
Outstanding end of period	109 632	142 990

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 2022.

Note 11: Business combinations

On March 9, 2023, the Group obtained control of Mobile Semiconductor Inc. hereby referred to as target, by acquiring all the shares in target. With this acquisition, the Group expects to increase its product quality within its product lines.

Amount in USD thousand	Value
Details of the business combination	
Amount settled in cash	6 000
Fair value of immediate equity shares consideration	3 141
Fair value of contingent share consideration	1 360
Total	10 500
Transaction costs	-525
Total consideration for shares	9 975

Amount in USD thousand	Value
Recognized amounts of identifiable net assets	
Property plant and equipment	51
Intellectual property rights	2 090
Other current receivables	448
Cash and cash equivalents	310
Deferred tax liabilities	-564
Other current liabilities	-390
Net identifiable assets	1 943
Goodwill	8 032
Total	9 975

Consideration transferred

The acquisition was settled in cash of 6 000 000 and by 312 843 shares of Nordic Semiconductor ASA. The fair value of the equity shares issued (USD 4 500 000) was based on an agreed value of Nordic's shares on the acquisition date. Of the total shares, 218 348 have been transferred at closing whilst the remaining shares will be held back for up to three years. The contingent consideration of value USD 1 360 000 will either be settled directly to the shareholders of Mobile Semiconductor Inc., or dependent on certain conditions settled in other matters. The contingent consideration will be settled at or prior to Q1 2026. The fair value of acquired IP amounts to USD 2 089 500. Goodwill recognized in the acquisition relates to the expected growth and the value of Mobile Semiconductor Inc. collective know-how, which cannot separately be recognized as an intangible asset.

The reconciliation of the carrying amount of goodwill is as follows:

Amount in USD thousand	2023	2022
Balance, beginning of the year	2 284	2 386
Acquired through business combination	8 032	—
Net exchange difference	29	-102
Balance, end of period	10 345	2 284

Mobile Semiconductor's contribution to the Group results

As Mobile Semiconductor has been merged with Nordic Semiconductor Inc., it is impractical to disclose the contribution Mobile Semi makes to the group as it is not separately recognized in the books. Had the acquisition date been January 1st, we would expect a contribution on EBITDA of approximately USD -0.8m. Assuming this EBITDA contribution for the full year we would expect a full year contribution to EBITDA with USD -3.2m.

Note 12: Events after the balance sheet

No events have occurred since March 31, 2023 with any significant effect that will impact the evaluation of the submitted accounts.

Financial Calendar 2023:

- July 11, 2023 - Half year report 2023
- October 17, 2023 - 3rd Quarter 2023
- February 6, 2024 - 4th Quarter 2023

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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		Full year
	2023	2022	2022
Gross profit	77.6	109.3	436.8
Total revenue	145.4	183.1	776.7
Gross margin	53.3%	59.7%	56.2%

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

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

	Q1		Full year
	2023	2022	2022
Operating Profit	3.0	44.7	161.6
Depreciation and amortization	11.5	10.0	44.1
EBITDA	14.6	54.7	205.7

- EBITDA margin. EBITDA divided by Total Revenue.

	Q1		Full year
	2023	2022	2022
EBITDA	14.6	54.7	205.7
Total revenue	145.4	183.1	776.7
EBITDA margin	10.0%	29.9%	26.5%

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

	Q1		Full year
	2023	2022	2022
Payroll expenses	43.7	40.1	69.7
Other operating expenses	19.3	14.5	69.7
Depreciation and amortization	11.5	10.0	44.1
Total operating expenses	74.5	64.6	183.4

- 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		Full year
	2023	2022	2022
Total operating expenses	74.5	64.6	183.4
Depreciation and amortization	-11.5	-10.0	-44.1
Option expense	-1.9	-1.6	-7.8
Capitalized expenses	3.1	1.7	6.5
Cash operating expenses	64.3	54.7	138.1

- Order backlog. Customer orders placed by the end of the reporting period for delivery in later quarters.
- 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		Full year
	2023	2022	2022
Reported EBITDA	14.6	54.7	205.7
Long range (cellular IoT) EBITDA loss	12.3	9.8	41.4
Wi-Fi expense	4.5	2.9	15.1
Adjusted EBITDA	31.4	67.4	262.2
Total revenue (excluding cellular IoT revenue)	140.7	176.5	593.5
Adjusted EBITDA margin	22.3%	38.2%	44.2%

- 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 2023	Q1 2022
Total operating expenses	285.1	248.1
Depreciation and amortization	-45.5	-38.6
Operating expenses excluding depreciation and amortization	239.5	209.5
Total revenue LTM	739.1	650.4
LTM opex / LTM revenue	32.4%	32.2%

- 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 2023	Q1 2022
Current assets	554.5	533.8
Cash and cash equivalents	-233.3	-303.6
Current financial assets	—	-0.2
Current liabilities	-158.0	-131.1
Current financial liabilities	—	—
Current lease liabilities	6.4	5.6
Income taxes payable	38.6	25.1
Net working capital	208.1	129.5
Total revenue LTM	739.1	650.4
NWC / LTM revenue	28.2%	19.9%

Cautionary note

Certain statements included in this report contain forward-looking information, including, without limitation, information relating to (a) forecasts, projections and estimates, (b) statements of Nordic management concerning plans, objectives and strategies, such as planned product development projects, investments, divestments, or other projects, (c) targeted volumes and costs and profit objectives, (d) various expectations about future developments in Nordic markets, particularly supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, and (i) qualified statements such as “expected”, “scheduled”, “targeted”, “planned”, “proposed”, “intended” or similar. Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty.

In conducting our business, Nordic faces risks that may interfere with our business objectives. Nordic outlines our main strategic, operational, financial, legal, climate & environmental, and social risks in the risk section of

our Annual Report and the information of this section should be carefully considered. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: changes in availability of raw materials and energy; our continued ability to manage the outsourcing of capital intensive production of silicon wafers, packaging and testing of our products; fluctuations of product supply and demand; constant and rapid technological standards; short product life cycles; world economic growth, including rates of inflation; changes in the relative value of currencies; trends in Nordic’s key markets and competition; geo-political risks and trade tensions; and legislative, regulatory and political factors.

No assurance can be given that such expectations will prove to have been correct. Nordic disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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