

# ANNUAL REPORT

# 20 20



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

# Content

3	This is Nordic
4	Message from the CEO
9	Report from the Board of Directors
27	Financial Statements
75	Declaration to the Annual Report
77	Standards of Corporate Governance
83	Auditor Opinion Letter
88	Board of Directors
92	Executive Management
95	Alternative Performance Measures (APM)



Executive Management 2020: Pål Elstad, Marianne Frydelund, Sveinn-Tore Larsen, Svein-Egil Nielsen, Ole Fredrik Morken, Geir Langeland, Katarina Finneng, Kjetil Holstad and Ebbe Rømcke (Absent: Ståle Ytterdal)

# This is Nordic

Nordic Semiconductor (“Nordic” or “the Group”) is a Norwegian fabless semiconductor company specializing in wireless communication technology that powers the Internet of Things (IoT).

The company was established in 1983 and has offices across the globe. Nordic’s award-winning Bluetooth® Low Energy (Bluetooth LE) solutions pioneered ultra-low power wireless, making it the market leader. The technology range was later supplemented by ANT+, Thread, Zigbee and in 2018 the low power, compact LTE-M/NB-IoT cellular IoT solutions was launched, extending Nordic’s penetration of the IoT. The product portfolio was further complemented by the acquisition of Wi-Fi technology in 2020.

Nordic built its market reputation by supplying leading-edge wireless technologies supported by development tools that shield the designer from RF complexity, allowing anyone with a bright idea to build innovations based on the IoT platform. Today, these award-winning, high-performance, yet easy to design-in, Bluetooth LE solutions are used by the world’s leading brands in a variety of products, including wireless PC peripherals, gaming, sports and fitness, mobile phone accessories, consumer electronics, toys, healthcare and automation. Nordic is a member of the ANT+ Alliance, Bluetooth SIG, Thread Group, Zigbee Alliance, Wi-Fi Alliance, and GSMA.

Multiprotocol solutions ensures that companies will be able to benefit from compatibility advancement across different standards. This is becoming the industry benchmark as a host of technology players are focusing on an open connectivity platform rather than the legacy 1-to-1 product to accessory model. This new

way of looking at connectivity will enable a tremendous wave of product innovation driven by anything from an early stage start-up to an established market leading company - and right in the middle of it all, lies a Nordic nRF System-on-Chip.

IoT is not merely standalone short-range connectivity, it also entails the long-range cellular IoT which has been in the making for the past few years. The nRF91® Series, which was launched towards the end of 2018, is Nordic’s first family of low power devices for cellular IoT. Nordic’s solution has integrated LTE-M, NB-IoT, GPS, RF Front End and power management into a very small System-in-Package (SiP), under the highest security standards and with significantly higher energy-efficiency than any comparable products on the market. The cellular IoT market is still in the early stages of the commercialization phase, with Nordic measuring its progress in the number of Telecom operator certifications, development kit shipments and customer pilot projects.

Nordic completed the acquisition of the Wi-Fi assets, IP and the Wi-Fi development team of Imagination Technologies at the end of 2020. The synergies between this team’s unique expertise and Nordic’s low power DNA philosophy will strengthen the future product portfolio enabling the goal of becoming the global leader of connectivity.

# Message from the CEO

Despite a challenging environment in 2020 due to the pandemic, the year became a breakthrough year for IoT solutions in many areas. We delivered unprecedented growth, major global platform companies embraced our Bluetooth and multiprotocol technologies and took important steps towards a leading position in long range and Wi-Fi. More importantly, our people and partners continued to deliver and to serve our customers with no disruptions. The pandemic accelerated technology adoption and healthcare companies expanded into a myriad of applications. Looking ahead, Nordic is well positioned to further create value from the broad IoT market.

Entering 2020 with solid growth momentum, we soon ran into a new and unknown challenge with the Covid-19 pandemic. The main priority in such a situation is the safety and welfare of our employees and partners and their communities. We have operated in full compliance with local and national rules and regulations in all our locations, and I am glad that we have seen very few Covid-19 cases across our global organization.

The other main priority was to secure business continuity, as the restrictions on work, travel and cross-border goods shipments tested the resilience of our supply chain in Asia in the initial phase of the pandemic. With hard work from our employees and our partners we managed to tackle these challenges and fulfill our delivery schedules throughout 2020.

Our concerns about the potential negative demand effects of the pandemic have so far proved to be unfounded, and our revenue overall increased by 41% to USD 405 million in 2020. Bluetooth revenue increased by 43%, significantly exceeding the 20%-30% growth range we have earlier outlined. Our proprietary products were also in high demand, and saw revenue increasing by 27%. Cellular IoT revenue is still modest although the technology is gaining traction with revenue increasing more than fivefold.

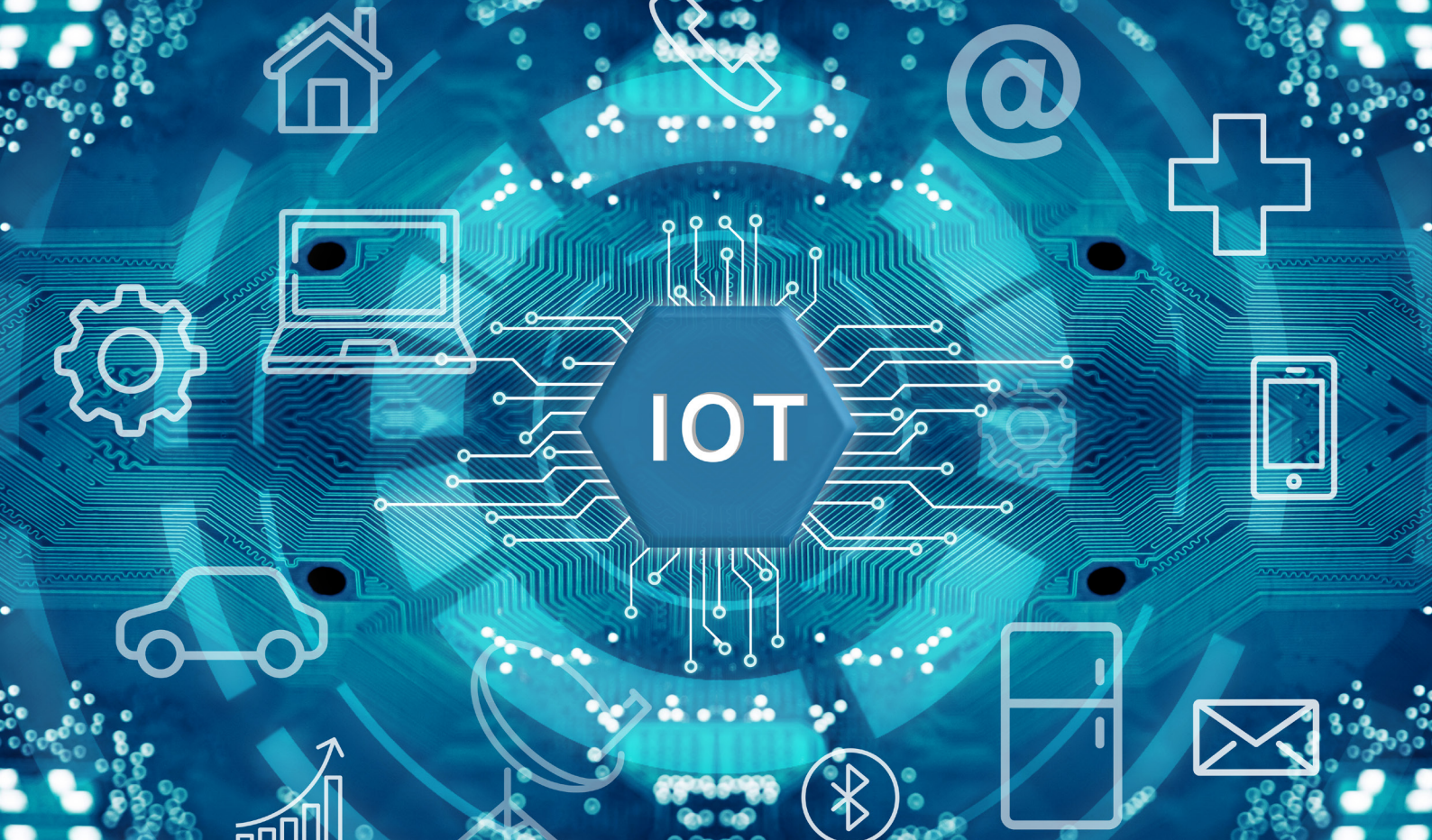
The shift in demand might be even better illustrated by the order backlog. We started the year with a backlog of USD 107 million, primarily for delivery in the first and second quarter of 2020. We ended the year with a backlog of USD 492 million, with deliveries stretching out over the entire 2021.

What does this growth in order backlog volumes tell us? The strong backlog may be an indication that some



Svenn-Tore Larsen, Chief Executive Officer

customers are placing early orders to secure supply throughout 2021 and into 2022. However, it is also evidence that the IoT wave is building momentum. In my comment in the Annual Report 2019, I said that “a global and truly permeating Internet of Things represents a massive long-term market opportunity”, and that we saw “upside potential in disruptive verticals such as smart homes, smart lighting, drug delivery and disease monitoring, and logistics and asset tracking”. This is exactly what is happening as this market opportunity now is beginning to materialize.



Four things stand out if I am to describe our development in this market environment:

Firstly, we are seeing the effects of years of work to set our sales, operations, and innovative capabilities up to meet the demands of major global platform companies. Our leading position in the broad market makes us an attractive partner for these companies, and our combined Bluetooth and multiprotocol products can enable thousands of different devices to connect with the smart home hubs and speakers that are driving the growth in the smart home market. Our strong product offering and customer relations in this market will continue to support our growth in the years to come.

Secondly, we see that IoT for industrial applications is gaining ground at a fast pace. The number of potential applications is near endless within machine and building automation, logistics and asset tracking, retail solutions and more. Our technologies are ideally positioned to take part in this growth.

Thirdly, we saw a breakthrough in technology adoption in the healthcare market. Covid-19 generated a wave of new products for testing, disease detection and prevention, monitoring of social distancing, and more recently vaccine delivery. Even more importantly for the longer-term, the pandemic has fast-forwarded the digitalization process in the sector by several years. Patients, GPs, medical companies, and hospitals all see that connected medical devices can add value, improve convenience, and reduce costs compared to traditional drug delivery and disease monitoring solutions.

Finally, we saw solid demand growth in our most established end-product markets in consumer electronics and wearables. Changes in work practices increased the need for efficient home office solutions, supporting growth for both Bluetooth and proprietary products, and we also saw increased demand from the gaming and entertainment industry.

The accelerating demand growth through 2020 put pressure on the supply chain. As a fabless semiconductor company, we rely on supplies of wafers and other components from third parties and we have partnered up with world-leading suppliers in Asia. However, the increasing supply/demand imbalances through the semiconductor value chain have temporarily limited the global supply of wafers, and we and others have been informed about caps to our wafer allocations in 2021. Although the wafer suppliers are significantly increasing their investments, this temporarily limits our ability to take full advantage of the strong demand.

Despite the short-term challenges, the accelerated adoption of IoT is a clear indication of a stronger long-term market outlook, and we have the innovative mindset, the technologies, the product portfolio, the support ecosystem, and the sales and marketing capabilities needed to exploit this opportunity.

We define ourselves as a leader in connectivity, and we continue to dominate the Bluetooth lower energy broad market in terms of new designs. Data compiled by DNB Markets show that 45% of all new Bluetooth Low Energy (LE) designs registered with Bluetooth Special Interest Group (Bluetooth SIG) in 2020 had Nordic inside. This fortifies the number 1 position we have built over the

years. Bluetooth SIG has certified more than 2,450 different Bluetooth LE products built on Nordic technology over the past five years.

We have the broadest portfolio of Bluetooth LE and multiprotocol portfolio products, ranging from entry-level Systems-on-Chip (SoCs) for cost constrained applications to highly advanced SoCs for more complex and demanding applications. This product breadth offers a unique opportunity to tailor the offering to the customers' needs and maximize the portfolio value. In 2020, we also entered volume production with the first products in our next generation nRF53® Series. With dual core processors supporting Bluetooth Low Energy, Thread, ZigBee, NFC, and Bluetooth mesh, this is a product generation that will move the market forward with significantly lower power consumption, increased performance, and strengthened security.

We are early movers and pride ourselves on having the most compact and power-efficient connectivity products in the emerging market for cellular IoT. Our nRF9160 System-in-Package (SiP) and the Nordic Thingy:91® prototyping module are continuously being improved with new versions and have received industry accolades and awards at regional and global semiconductor events. The cellular IoT market needs to be developed jointly with telecom operators and network providers and other eco-system partners, and we are making steady progress in this respect. Our products have now been verified by a number of telecom majors across North America, Europe, and the largest Asian market, and globally by Deutsche Telecom and Vodafone. The products have also been included in reference IoT designs and several new cellular IoT modules. We continue to see a wide array of future cellular IoT applications being developed across both consumer and industrial markets in the years to come.

In 2020 we also added cutting-edge Wi-Fi technologies to our technology portfolio, completing a 'technology triangle' comprising of leading short-range, mid-range and long-range connectivity solutions. The acquisition of the Wi-Fi team of 81 employees and Wi-Fi technology assets of Imagination Technologies places us in the forefront for the development of future low-power Wi-Fi connectivity solutions. The entire portfolio of Bluetooth LE and multiprotocol products and cellular IoT products are already supported by one common software solution on the nRF Connect Software Development Kit (SDK), enabling end-product developers to use the same software environment and tools for both short-range and long-range applications. The addition of Wi-Fi technology enables us to create a development platform unifying all the wireless technologies in future generations of Nordic products, which expands our addressable market significantly.

We continue to offer industry-leading developer support, and saw the number of development kit shipments increase to almost 100,000 last year. Our DevZone developer community remains vibrant, with visits from some 90 000 developers over the course of the year. Covid-19 stopped us from meeting developers face-to-face on our Nordic Tech Tours, but we have successfully replaced these with digital tools and well-attended webinars. We want to remain 'the engineers' best friend' and believe our collaboration with the developer community is an invaluable part of our customer-centric culture and company DNA.

We have a highly skilled sales and marketing organization that time and again has shown the ability to act as business developers as well as salespeople. Many of our greatest customer successes are rooted in the ability to turn the customers' challenges, requests, and demands into new products and solutions that add significant value both for our customers and us. Our success with global platform companies and vertical market leaders are good examples.

Our R&D staff increased by 18% to 665 people last year and further to 746 when including our Wi-Fi acquisition. The sales and marketing staff increased by 10% to 125. We also increased our supply chain management staff by 24% to 57 people, recognizing the logistical challenges of our growth profile. All in all, we counted 987 employees at the end of the year, which means we have welcomed more than 220 new colleagues to Nordic over the past year.

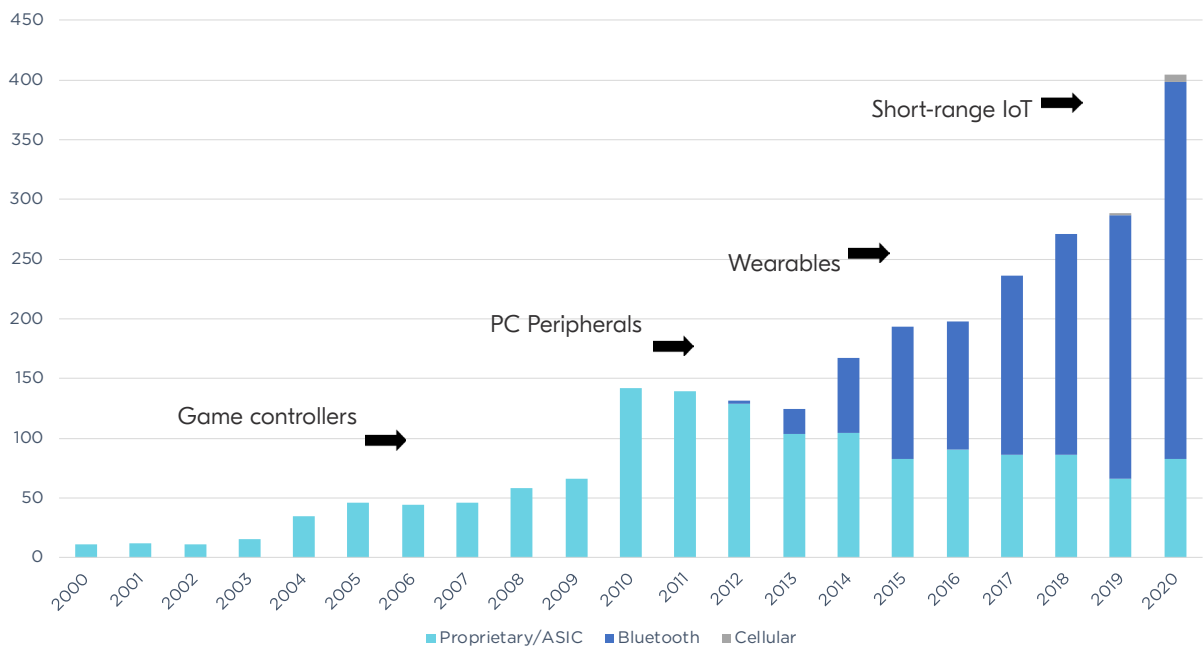
Competent people and innovative ideas will continue to be the key building blocks to drive the business forward. With 50 different nationalities represented in 18 countries, I think Nordic fosters the kind of inclusive, diverse, and ingenious company culture required to continue to attract and retain top talent.

With increasing scale and high growth ambitions, we are paying increasing attention to the sustainability aspects of our operational value chain, business models, and end-product markets, and have been working to integrate sound ESG principles into our strategic roadmap. IoT holds great potential to solve some of the most pressing environmental and societal challenges, and Nordic's commitments and contributions to the UN Sustainable Development Goals (SDGs) show that we want to take an active part in this progress. At the same time, we recognize our responsibilities with regards to our own sourcing, manufacturing, and business conduct, and measure ourselves to the highest of standards. For information about our performance, I recommend you read our separate 2020 ESG Report which is issued in connection with the Annual Report.

Summing up, we see a long-term market outlook at the end of 2020, that is stronger than what we saw at the end of last year. Growth rates have been higher than expected for our short-range business, and although wafer supplies may hold us back in 2021 we have still been allocated wafer volumes that will allow us to increase our 2021 production by a minimum of 25% versus 2020. We also remain confident in the huge potential of cellular IoT, and the addition of Wi-Fi capabilities completes our connectivity offering and further expands our market opportunity.

In 2019 we set ourselves an ambitious goal to become a USD 1 billion company within five years, and expected increasing scale and high operational leverage to generate gradual margin improvements towards a long-term target of 20%. In my opinion the positive demand trends and continued strengthening of the customer base increase the confidence in this aspiration.

### Revenue (USD million)



# NORDIC FACTS



80  
WORKING STUDENTS  
EVERY YEAR



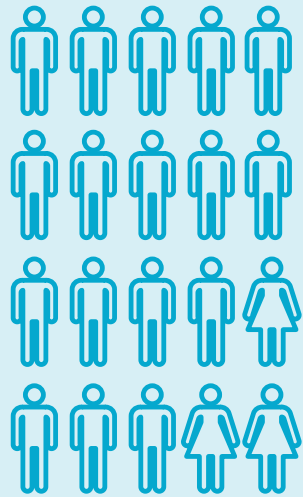
≈ 1000  
EMPLOYEES

R&D	75%
Sales	11%
Supply	6%
Admin	4%
PMT	2%
QA	2%

50  
nationalities in



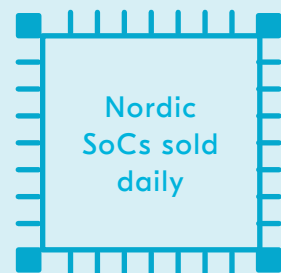
world wide



Established in **1983**  
by four researchers from Trondheim



>1.000.000





# Report from the Board of Directors

Nordic has remained fully operational during the Covid 19-pandemic. The company experienced strong revenue growth across all technologies and end-product markets in 2020, and improvements in gross margin. Combined with operational leverage and cost control, this generated a solid improvement in profitability compared with the previous year. The order backlog increased almost fivefold to nearly USD 500 million at the end of the year.

## Group Overview

Nordic Semiconductor is a fabless semiconductor company designing, marketing, selling, and supporting hardware products and embedded software that enable wireless connectivity solutions.

Founded in 1983 as an integrated circuits manufacturer, Nordic has been a long-standing pioneer within wireless connectivity. Over the past 20 years, the company has developed its technology base from proprietary 2.4 GHz technology for PC accessories to also include a broad portfolio of Bluetooth LE and multiprotocol solutions for short-range connectivity and products and solutions for the emerging long-range cellular IoT market. In 2020, Nordic expanded into the medium-range connectivity market through the acquisition of Wi-Fi assets, IP, and the Wi-Fi development team of Imagination Technologies.

The product offering includes integrated circuits (ICs), System-on-Chip (SoCs), System-in-Package (SiPs), and Software Development Kits (SDKs). The components for these products are manufactured by world-class subcontractors in Asia and distributed to branded electronics manufacturers through an extensive network of global and regional partners.

The end-product markets for Nordic's products include consumer electronics, wearables, building and retail, and healthcare, with all verticals seeing an increasing number of applications and designs. The company also supplies products to module manufacturers.

All these end-product markets contributed to the revenue growth in 2020. The company experienced high demand both in its largest vertical in the consumer electronics market and in the well-established wearables vertical. However, the highest growth came in the Healthcare vertical, driven by increasing technology adoption in the medical community and further accelerated by the Covid-19 pandemic. Building

and Retail also showed high growth with digitization and automation processes driving demand for connectivity solutions.

Since the introduction of Bluetooth LE products in 2012, Nordic has built a leading position in the broad market and increasingly strong customer relationships with global platform companies and other tier-1 customers. These have been the main growth drivers behind Nordic's average annual revenue growth of 16% over the past five years and the 41% revenue growth to USD 405 million in 2020.

The Company is headquartered in Trondheim (Norway) with offices in Oslo (Norway), San Diego (USA), Beijing, Shanghai, Shenzhen and Hong Kong (China), Taipei (Taiwan), Manila (the Philippines), Yokohama (Japan), Seoul (South Korea), Düsseldorf (Germany), Eindhoven (the Netherlands) and London (UK). R&D activities are carried out in Portland (USA), Krakow (Poland), Oulo, Espoo, Tampere and Turku (Finland), Hyderabad (India), Bristol and Hertfordshire (UK), Stockholm and Lund (Sweden) and in Oslo and Trondheim (Norway).

## Strategy and long term target

Nordic's mission is to be a world-leading supplier of connectivity solutions, with ultra-low power proprietary and Bluetooth technologies for short-range, Wi-Fi for medium-range, and cellular IoT technology for the long-range market.

Nordic builds its operations on six strategic pillars:

- **Lead on connectivity** – low power, high performance, feature-rich, reliable and robust
- **Scalable solutions** – scalability across technologies, markets, and customers

- **Excite developers and engage customers**— ease-of-use, value-add integration, and solutions, in a combined broad market and tier-1 customer engagement model
- **Attract talent** — build and retain a high-quality workforce
- **Early movers** — innovate and invest early, and grow with high growth markets
- **Sustainable business** — in own operation and throughout the value chain

Based on these strategic elements, the company has developed a market-leading position in the short-range connectivity space, with a broad portfolio of integrated circuits, systems, and solutions. The company shipped approximately 500 million units in 2020, to a wide variety of applications and a broad customer base ranging from single developers to globally leading high-volume customers.

Nordic’s R&D, sales and marketing functions are both intertwined with its industry leading developer support and the very active and growing developer community ‘DevZone’. This now counts more than 90 000 user profiles, and the company also shipped close to 100,000 development kits in 2020.

Nordic is recognized as a leader in the broad market for Bluetooth LE products. According to data compiled by DNB Markets, approximately 45% of all new Bluetooth Low Energy designs approved by the Bluetooth Special Interest Group (Bluetooth SIG) in 2020 had Nordic inside. Although Nordic continues to attract new broad market clients, the company has seen a shift in the customer mix over the past years. Years of work to establish and develop customer relationships with global platform companies and other tier-1 customers has resulted in significantly increasing order volumes from these customers, who typically have higher volume designs with longer product lifecycles than the average customer.

The cellular IoT product portfolio is dependent on telecom operator certifications and relations to a growing eco-system of IoT solutions providers. Nordic maintains its high ambitions for this area and is ready to deploy two decades of sales and distribution experience from the short-range business to develop the long-range market opportunity.

Given the size and growth opportunities in Nordic’s markets and the company’s strong competitive position, the Board of Directors believes that sound execution of its strategic roadmap will enable strong long-term profitable growth and value generation, in line with the company’s high financial ambitions.

## Operational review

### Bluetooth and multiprotocol products

Nordic views its broad product portfolio of Bluetooth and multiprotocol products and solutions as a clear competitive advantage. The company offers alternatives ranging from entry-level SoCs for cost-constrained applications to highly advanced SoCs for more complex high-performance applications. This enables the company to meet different customer requirements at the right price points.

The company continued to add new variants to its highly successful nRF52® Series also in 2020. The low-end nRF52805 and the mid-range nRF52820 are both multiprotocol SoCs combining Bluetooth LE with the internet protocols Thread and Zigbee. The nRF52805 SoC is supplied in a wafer level chip scale package (WLCSP) measuring only 2.48×2.46mm and is optimized for cost-saving two-layer PCB-designs. Hence, the product enables small and low-cost designs, which normally would be design trade-offs. The nRF52 Series now counts seven different SoCs.

The new generation nRF53 Series was introduced in late 2019, with the first nRF5340 SoC going into volume production towards the end of 2020. Offering the first dual processor multiprotocol SoCs on the market, this generation shifts the benchmark in terms of low power consumption, performance, and security.

### Cellular IoT

In the cellular IoT area, Nordic released several product upgrades for its nRF9160 SiP and the Thingy:91 multi-sensor prototyping tool in 2020, as well as improved software solutions. The products are recognized in the industry as market leading on low power consumptions and size and form factor. The Thingy:91 in April won “Most Competitive Development Tools in China” at the 2019 China Electronic Market (CEM) Editors’ Choice Awards, whereas the nRF9160 in June was shortlisted as a finalist in the ‘IoT Connectivity Solution’ category of the IoT World Awards 2020.



Nordic continued to make progress with its telecom operator certification program through 2020. In addition to general GCF certification and global certifications from Deutsche Telecom and Vodafone, the company has now obtained certifications from Verizon in the US and Bell in Canada, Telstra in Australia, China Telecom in China, KDDI and Softbank in Japan, and LGU+ in Korea. Nordic has obtained all necessary certifications to market and sell cellular IoT products in key markets.

Nordic expects cellular IoT to gain traction from the launch of the unified and common nRF Connect Software Development Kit (SDK) across the entire portfolio of Bluetooth LE and multiprotocol products and cellular IoT products in 2020. This enables developers to operate in the same software environment for both short-range and long-range applications, as well as for products combining the two. A significant share of customers developing long-range products are existing customers in the short-range business that are looking to expand their reach. Developers of new cellular IoT applications will also benefit from Nordic's launch of the faster and more cost-efficient Power Profile Kit II for real-time power measurement during wireless product development. This kit can be used with all Nordic Development Kits and custom designs, including the nRF9160.

### Wi-Fi

In 2020, Nordic entered the medium-range connectivity market through the acquisition of the entire Wi-Fi development team, core Wi-Fi expertise, and the Wi-Fi IP technology assets of Imagination Technologies Group. The Wi-Fi assets include Wi-Fi 4, 5, and 6, and a significant patent portfolio.

Wi-Fi has been requested by several customers and we believe it will complement the current portfolio and be an important differentiator for Nordic. The acquisition makes Nordic one of few companies offering all three of the world's most popular IoT technologies: Bluetooth, Wi-Fi, and cellular IoT.

The acquisition will also enable Nordic to create a development platform unifying all the wireless technologies in future generations of Nordic products, which could expand Nordic's addressable market significantly.

The acquisition increased Nordic's R&D staff by 81 people across several locations in the UK, Sweden, India, and Taiwan. The team also includes Bluetooth Low Energy specialists who will further strengthen Nordic's existing R&D team. Nordic expects annual R&D spend to increase by USD 10-12 million due to the acquisition and expects to see a meaningful revenue contribution from Wi-Fi products within three years.

### Supply Chain

As a fabless semiconductor company, Nordic's products are manufactured and assembled at subcontractors in Asia and delivered to customers by global and regional distributor partners. Nordic in 2020 shipped around 500 million products, which was an increase of 35% from 2019.

In the first half of 2020, the resilience of the supply chain was challenged by restrictions on travels and cross-border goods shipments due to Covid-19. These challenges were overcome with joint efforts of Nordic and its partners, enabling the company to fulfil its delivery schedules through 2020.

High and increasing demand generated increasing imbalances in the supply/demand balance in the semiconductor industry through the second half of 2020 and into 2021, with demand exceeding the supply of wafers. Based on high order inflow, Nordic had placed early orders for wafer volumes that would allow for a significant production increase in 2021 but has later been informed by its main wafer supplier in Taiwan of limitations in the wafer allocation for 2021. The secured wafer deliveries nevertheless allow Nordic to increase production by a minimum of 25% from 2020 to 2021. The wafer shortage is expected to have the largest impact in Q2 2021, with higher volumes expected in the second half of the year.

Nordic has established excess capacity in crucial areas such as in-house testing capabilities to ensure sufficient backend production capacity to meet increased demand.



## Review of the annual accounts

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies. Nordic prepares consolidated annual accounts in accordance with IFRS (International Financial Reporting Standards) as approved by the EU, relevant interpretations, and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this Annual Report.

Note that the Group has identified gross margin, EBITDA, EBITDA margin, short-range EBITDA margin, total operating expenses, cash operating expenses, and order backlog as Alternative Performance Measures in addition to the financial information as prepared in accordance with IFRS as adopted by the EU. Please see page 91 for further details.

### Income Statement

The Group classifies its revenues into the following technologies: short-range wireless components, including Bluetooth LE based and proprietary products, long range (cellular IoT), ASIC components and Consulting services.

### Revenue by technology:

USDm	2020	2019	Change%
Bluetooth	316.0	221.2	42.9%
Proprietary wireless	76.1	59.9	27.0%
<b>Short-range wireless components</b>	<b>392.0</b>	<b>281.1</b>	<b>39.5%</b>
Cellular IoT	6.5	1.0	524.3%
ASIC Components	6.3	6.0	4.3%
Consulting services	0.2	0.2	6.6%
<b>Total</b>	<b>405.2</b>	<b>288.4</b>	<b>40.5%</b>

Total revenue increased by 40.5% to USD 405.2 million in 2020, up from USD 288.4 million in 2019.

Revenue from Bluetooth and multiprotocol products have increased by an average 23% over the past five years and increased by 42.9% to USD 316 million last year. Bluetooth accounted for 78% of Group revenue in 2020. The revenue increase reflects strong demand across all end-product markets both from tier-1 customers and the broad market. Due to the Covid-19 pandemic, we have seen a more rapid digitization and an accelerated technology adoption.

Revenue from Nordic's proprietary products has been in decline due to technology migration to Bluetooth LE and other standards. However, revenue rebounded in 2020 due to increased demand for mobile/PC peripherals for home office solutions. Growing by 27% to USD 76 million in 2020, proprietary revenues more or less returned to the revenue levels seen in 2015-2018. Proprietary solutions accounted for 19% of Group revenue in 2020.

Split by end-product markets, revenue from the short-range wireless components are divided into consumer electronics, wearables, building & retail, healthcare, and others.

### Wireless components revenue by end-product application, excluding cellular IoT:

USDm	2020	2019	Change %
Consumer electronics	163.1	119.4	36.6%
Wearables	63.0	50.4	25.0%
Building/retail	81.9	51.6	58.7%
Healthcare	37.8	19.7	91.8%
Other	46.4	40.0	16.0%
<b>Total</b>	<b>392.2</b>	<b>281.1</b>	<b>39.5%</b>

Consumer electronics increased by 37% in 2020. Nordic has had high deliveries of Bluetooth and proprietary products for PC accessories for a growing home office market in 2020. Gaming accessories have also been a driver in Consumer Electronics over the last year.

Wearables revenue grew 25% in 2020, with strong pull from the Chinese domestic market.

Building/retail revenue increased by 59% in 2020, reflecting continued growth in home automation and industrial applications.

Healthcare increased by 91.8% in 2020. The coronavirus outbreak has generated strong momentum for connected medical devices. The revenue comes both from Covid-19 related applications and general connected healthcare devices.

The 'Other' segment increased by 16%. This mainly reflects sales to module manufacturers servicing many end-products in all markets and regions.

Revenue in the cellular IoT market increased more than fivefold in 2020 to USD 6.5 million. This revenue reflects both sales of development kits and initial sales of end-user cellular IoT prototyping platform. Combined

shipments of the nRF9160 cellular IoT prototyping platform amounted to approximately 11 000 units in 2020, up from 8 300 units in 2019.

Sales of ASIC products increased by 4.3% in 2020 to USD 6.3 million. The Company has not designed new ASICs since 2014, hence future revenue depends on demand from existing customers and applications.

### Gross profit

USDm	2020	2019	Change%
Gross Profit	213.9	146.8	45.8%
Gross Margin	52.8%	50.9%	1.9%p.p.

Gross profit amounted to USD 213.9 million, which was an increase of 45.8% from the previous year. Hence, the gross margin increased to 52.8% from 50.9% in 2019.

The margin levels in 2020 reflect good demand for high-end, high-margin SoCs, positive scale effects, and continuous cost improvements on recently launched products. This was only partly offset by the negative gross margin effects of a larger number of tier-1 customers and cellular IoT revenue with lower gross margin.

Going forward the company expects to see changes in product mix continuing to generate fluctuations between quarters, and that higher tier-1 volumes will translate into a reduction in gross margin for the short-range business to 48%-50% in the medium term.

The long-range module-based business model is expected to have lower gross margins in the range of 35%-40%, with the effect on the total gross margin for the Group depending on the pace of the volume ramp.

### Operating expenses

USDm	2020	2019	Change %
Payroll expenses	101.2	80.3	26.1%
Other OPEX	36.0	33.7	6.8%
<b>OPEX excl. D&amp;A</b>	<b>137.2</b>	<b>113.9</b>	<b>20.4%</b>
Depr. & Amort.	31.1	23.5	32.0%
<b>Total</b>	<b>168.3</b>	<b>137.5</b>	<b>22.4%</b>

Operating expenses amounted to USD 137.2 million in 2020, excluding depreciation and amortization. This was an increase of 20.4% from USD 113.9 million in 2019.

The higher expenses mainly reflect a 17% increase in the number of employees from 767 to 897 during the year. The increased workforce in turn reflects increased R&D activity and strengthened sales efforts for both Bluetooth and cellular IoT. 81 employees were added through the acquisition of the Wi-Fi development team of Imagination Technologies Group on December 31, 2020. Including this acquisition, the number of employees was 978 at year end.

Measured by function, expensed R&D accounted for USD 89.0 million of operating expenses, compared to USD 73.5 million in 2019. R&D is expected to continue to increase in absolute terms for both the short-range and long-range businesses. The R&D intensity, measured as a percentage of revenue, declined by 3.5 percentage points from a peak level in 2019 of 25% to 22% in 2020.

Sales, general and administration (SG&A) expenses increased to USD 48.1 million from USD 40.5 million in 2019. SG&A is also expected to continue to increase in absolute terms, as the Group builds up its long-range organization. However, increased operational leverage is expected to reduce the cost as a percentage of revenue going forward. As a percentage of revenue, SG&A decreased from 14% in 2019 to 12% in 2020.

Total cash operating expenses amounted to USD 141.2 million, when adjusting for non-cash items, capitalized development expenses, equity-based compensation, and depreciation and amortization. This was an increase from USD 123.4 million in 2019. Cellular IoT accounted for USD 34.9 million of total cash operating expenses in 2020, compared to USD 30.4 million in 2019.

Nordic capitalized USD 8.4 million in 2020, down from USD 11.3 million in 2019. Equity based compensation was USD 4.3 million, compared to USD 1.8 million in 2019. Please see the section on Alternative Performance Measures for more details.

**EBITDA and Operating profit**

USDm	2020	2019	Change %
EBITDA	76.8	32.8	134.0%
EBITDA-margin	18.9%	11.4%	7.6%-p
Short-range EBITDA	106.9	57.6	85.6%
Short-range EBITDA-margin	26.8%	20.0%	6.8%-p
Operating profit	45.7	9.3	393.0%
EBIT-margin	11.3%	3.2%	8.1%-p

Earnings before interest, tax, depreciation, and amortization (EBITDA) amounted to USD 76.8 million, an increase from USD 32.8 million in 2019. The corresponding EBITDA-margin increased 7.6 percentage points to 18.9%.

Short-range EBITDA totaled USD 106.9 million and the margin 26.8% in 2020. This compared to a short-range EBITDA of USD 57.6 million and a margin of 20% in 2019.

Depreciation and amortization amounted to USD 31.1 million in 2020, compared to USD 23.5 million in 2019.

Operating profit (EBIT) hence amounted to USD 45.7 million, compared to USD 9.3 million in 2019. EBIT-margin increased to 11.3% in 2020 from 3.2% in 2019.

**Net financial items**

USDm	2020	2019
Net interest	-0.8	0.8
Net foreign exchange	-2.0	-0.4
<b>Net financial items</b>	<b>-2.8</b>	<b>0.4</b>

Nordic had a negative net interest of USD 0.8 million in 2020 due to a USD 40 million drawdown on Revolving Credit Facility in Q1 2020 as a precautionary move to secure the liquidity. The loan was repaid during Q3 2020.

**Profits and taxes**

USDm	2020	2019
Profit before tax	42.9	9.7
Income tax expense	-4.5	-2.4
<b>Net profit after tax</b>	<b>38.4</b>	<b>7.3</b>

The Group recognized tax charges of USD 4.5 million, corresponding to an average tax rate of 10.5%. This compares to USD 2.4 million and an average tax rate of 25% in 2019.

The company's statutory tax rate is 22%. The low tax rate in 2020 is a result of foreign exchange losses in the statutory NOK accounts and tax deduction on option gain payments.

Tax payable amounted to USD 5.3 million, compared to USD 3.9 million in 2019, with the balance reflecting changes in deferred tax and tax benefit.

**Financial position****Balance sheet**

Nordic has total assets of USD 515.8 million at the end of 2020, of which USD 401.9 million in current assets and USD 113.9 million non-current assets.

These assets were financed by total equity of USD 402.5 million at the end of 2020, non-current liabilities of USD 21.7 million and current liabilities of USD 91.9 million.

Current assets were USD 401.9 million at the end of 2020, compared to USD 219.6 million at the end of 2019. This included cash and cash equivalents of USD 242.5 million at the end of the year, up from USD 90.6 million at the end of 2019.

Inventory increased to USD 61.9 million from USD 53.1 million at the end of 2019 and accounts receivables to USD 88.0 million from USD 64.5 million at the end of 2019, due to higher revenues.

Overall, net working capital amounted to 78.5 USD million, compared to USD 70.2 million at the end of 2019. Measured as a percentage of full year revenue, net working capital decreased to 19.4% from 24.3% at the end of 2019. This is mainly a result of a lower inventory in percentage of revenue.

Non-current assets increased to USD 113.9 million at the end of 2020 compared to USD 98.8 million end of 2019, mainly reflecting intangible Wi-Fi assets acquired from Imagination Technologies Group in Q4 2020.

Fixed assets totaled USD 28.3 million at year end, up from USD 26.6 in 2019. Software and other intangible assets increased to USD 19.9 million from 11.4 million, due to the IP acquisition from Imagination Technologies. Capitalized development expenses increased to USD 34.6 million from USD 34.0 million at the end of 2019.

Total shareholders' equity amounted to USD 402.5 million at the end of 2020 up from USD 232.2 million at the end of 2019. The Group equity ratio was hence 78%, compared to 73% at the end of 2019. The significantly strengthened equity position during 2020 primarily reflects earnings in 2020 and a private placement where the company in September 2020 issued 13 million new shares at a subscription price of NOK 88 per share. The transaction generated gross proceeds of approximately USD 125 million.

Total liabilities amounted to USD 113.3 million, compared to USD 86.2 million at the end of 2019. Non-current liabilities increased to USD 21.5 million from USD 20.2 million. Lease liabilities of USD 21.0 million are included in the non-current liabilities.

Current liabilities increased to USD 91.9 million from USD 66.0 million. The increase is mainly explained by higher accounts payable, volume rebates and short-term employee benefit obligations and related taxes.

### Cash flow and funding

USDm	2020	2019
<b>Net cash flow from:</b>		
Operating activities	65.3	19.7
Investing activities	-38.0	-31.5
Financing activities	123.6	-1.5
Currency adj.	1.0	0
Net change in cash and cash equivalents	151.9	-13.2
Cash and cash equivalents 1.1	90.6	103.9
Cash and cash equivalents 31.12	242.5	90.6

Cash flow from operating activities was USD 65.3 million in 2020, compared with USD 19.7 million in 2018. The strong operating cash flow is a result of improved earnings and lower percentage of net working capital.

Cash flow used for investing activities was USD 38.0 million in 2020, compared to USD 31.5 million in 2019. This included USD 13.2 million related to the acquisition of Wi-Fi technology and IP-assets from Imagination Technologies Group. Capital expenditure decreased to USD 16.5 million from USD 20.2 million, including software, whereas capitalized development expenses declined to USD 8.4 million from USD 11.3 million.

Cash inflow from financing activities was USD 123.6 million in 2020, mainly reflecting the share issue in September 2020. In comparison, there was a cash outflow of USD 1.5 million in 2019 from financing activities.

Including the effect of exchange rates, net change in cash and cash equivalents was a cash inflow of USD 151.9 million in 2020, compared to a cash outflow of USD 13.2 million in 2019.

Cash and cash equivalents increased to USD 242.5 million at the end of 2020, from USD 90.6 million at the end of 2019. The cash is mainly held in the Group's functional currency USD, in order to minimize the impact of currency fluctuations.

In addition to cash at hand, Nordic has undrawn revolving credit facilities (RCFs) of USD 65 million, and an unutilized EUR 10 million overdraft facility with the company's main bank. Including these credit lines, available cash amounted to approximately USD 320 million at the end of 2020, compared to approximately USD 167 million at the end of 2019.

Available credits included a USD 40 million RCF and a USD 25 million RCF expiring in November 2022. The RCFs were refinanced in December 2019. The only financial covenant on the RCFs is for the company to maintain an equity ratio above 40%, which compares to the actual equity ratio of 78% at the end of 2020.

Tight cash management is a key priority for the Group, as a strong financial position is required to realize the Company's strategic priorities and growth opportunities. The Board of Directors' assesses the liquidity position as adequate given the company current activity level, investment plans, and business outlook.

### Allocation of net profit for parent company

The parent company Nordic Semiconductor ASA has a net profit after tax of USD 35.8 million in 2020, compared to USD 4.3 million in 2019.

The entire net profit is attributable to the equity holders of the parent. Net profit after tax corresponds with ordinary earnings of USD 0.198 and fully diluted earnings per share of USD 0.184 for 2020. This compares to ordinary and fully diluted earnings per share in 2019 of USD 0.025 and 0.024, respectively.

Nordic pursues an ambitious long-term growth strategy which requires significant investments in R&D and sales and marketing. The Board of Directors recommends that Nordic maintains a solid balance sheet with a high equity ratio and a cash reserve that enables the company to continue driving its technology and product roadmap.

The Board of Directors will hence propose to the Annual General Meeting that the net profit of the parent company is transferred to 'Other equity', and that no dividend is distributed for 2020.

### Risk Management

The Board of Directors oversee the risk management process and carries out biannual reviews of the Group's most important areas of exposure and internal controls in addition to getting updates with regards to risks in board meetings. Nordic complies fully with the Norwegian Code of Practice for Corporate Governance.

## Risk Factors

Based on the information currently known to us, we believe that the following information identifies the most significant risks affecting our business. Any of the factors described below, or any other risk factor discussed elsewhere in this report, could have negative impact on our results or on our outlook.

Four major groups of risks are identified within the Group: Strategic, Operational, Financial, and Legal & Compliance. Some of the risks are outside of Nordic's control, including industry and specific cyclical risks.

### Strategic risk and external factors

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.

#### Geopolitical risk and trade tensions

Challenging global economic conditions and political unrest and uncertainty can result in reduced demand for our products. Geopolitical risks and trade frictions, for example, the ongoing trade war between China and the US, can have a negative impact on Nordic.

The overwhelming reliance on Taiwan for critical supply to the semiconductor industry creates a critical situation for the global economy.

**Response:** Nordic actively monitors the geopolitical situation and is taking actions to reduce the impact on the business, for example supporting our customers in optimizing their value chain and placing early orders to secure supply.

#### Coronavirus

The spreading of the coronavirus has increased the uncertainty in our business outlook. The initial outbreak in China disrupted industry supply channels, and although this has normalized, the spreading of the virus has made authorities in a number of countries enforce strong measures that will affect global economic activities for a period of time. This may affect demand for end-user products in our industry, which in turn will affect both Nordic's products, distributor inventories, and other parts of the industry supply chain. So far, the pandemic has had limited impact on demand and operations, but a prolonged period of reduced global activity and product demand may have significant negative effects on the company's business and financial results.

**Response:** Nordic has imposed strict travel restrictions and work from home policies worldwide. Nordic is continuously monitoring the situation and will make necessary supply chain adjustments to optimize its own production in alignment with any new signals from governments, manufacturers, customers, and distributors.

#### Climate change and natural disasters

The nature of our business as a fabless manufacturer, means that Nordic is heavily reliant on semiconductor manufacturing in Taiwan. Nordic's manufacturing partners are exposed to adverse effects of climate change and natural disasters.

**Response:** Nordic's manufacturing partners have implemented multiple initiatives to understand and manage the effects of climate change and natural disasters on their own operations.

#### Changes in competitive landscape

Nordic Semiconductor's strategic goal is to maintain or preferably improve its market share and remain a leading vendor of wireless connectivity and embedded processing solutions for internet connected things.

Nordic has had a leading market share in Bluetooth LE. The markets in which we operate are highly competitive in terms of price, functionality, and software solutions. In a growing market, we face tough competition from existing competitors as well as new entrants, mainly from China. With Bluetooth LE being adopted across more than 25 identified market verticals, it is likely that more focused and specialized competitors gain market shares, especially in verticals where Nordic's position is weaker.

**Response:** In order to stay competitive and gain market share, Nordic continues to invest in both products, software, and strategic partnerships. Over the past few years the company has further developed its products to include support for additional low power short-range connectivity standards, such as Zigbee and Thread, across its nRF52 Series and its new generation nRF53 Series. Nordic's multiprotocol portfolio ensures that the company is well positioned to benefit from projects seeking to improve compatibility across the different standards.

We depend upon the development of new products and enhancements to our existing products, and the success of our substantial research and development activities can be uncertain. However, Nordic continues to invest more than 20% of revenue in R&D. This is required in order to stay competitive in this market.

#### Risk of Bluetooth being replaced

There is a risk that Bluetooth becomes unattractive compared to other technologies or is bundled with non-Nordic technologies. The biggest immediate threat comes from various wi-fi standards tightly integrated with Bluetooth in combo-chipset. There are other wireless standards, like UWB, that may be a risk factor longer term in some of the verticals where Bluetooth plays a dominant role today.

**Response:** Nordic is a part of the Bluetooth Special Interest Group (Bluetooth SIG), which is continuously developing the Bluetooth standards. In addition, Nordic



has developed Zigbee and Thread solutions and added a Wi-Fi team and Wi-Fi assets. Nordic will continue to monitor the trends in the market, keeping the product portfolio relevant.

**Cellular IoT**

There is a risk that we may not be successful in executing our strategy to capture the cellular IoT market opportunity in terms of scale, time, and volume. Nordic launched the nRF91 Series in the end of 2018, which is Nordic’s first family of low power devices for cellular IoT. There is still a risk that cellular IoT will not be as successful as Nordic had hoped for, or that the market is skewed toward NB-IoT. Customers may choose other low power wide area network (LPWAN) technologies or cancel roll-out of products due to lack of available technologies.

**Response:** Nordic’s solution has integrated LTE-M, NB-IoT, GPS, RF Front-End and power management into a very small System in Package (SiP), under the highest security standards and with significantly higher energy efficiency than any comparable products currently on the market.

As carriers continue to roll out LTE-M and NB-IoT capabilities and certification programs, there are more and more customers looking at adopting these two technologies. In order to mitigate the risk of cellular not being as successful as Nordic had hoped for, Nordic focuses on delivering user-friendly products and working closely with regulators and carriers to remove barriers to entry.

**Key personnel**

In order to deliver on the roadmap that we have promised our customers, we depend on attracting the best team. Our business is our employees. Losing key employees and not attracting key competencies will affect sales, quality of products, delay time to market, and more.

**Response:** Nordic focuses on talent management and succession planning and continues to develop organizational culture. We are continuously improving and adapting our benefit policy to attract and keep key talent.



## Operational risk

### *Product availability, quality, safety and integrity*

Nordic is a fabless semiconductor company, outsourcing component manufacturing and relying on distribution partners for sales to the broad market of original electronics manufacturers and to end-users.

Being “Fabless”, Nordic Semiconductor outsources the capital-intensive production of silicon wafers, packaging and testing of its products to third-party suppliers, mainly in South-East Asia. The manufacturing pipeline involves multiple stages with multiple suppliers. The failure of any of these third-party vendors to deliver products or otherwise perform as required could damage revenue in the short-term, and customer relationships in the long-term.

While execution is outsourced, the manufacturing processes involved often depend on specific tooling’s developed and provided by Nordic Semiconductor, specifically the chip design itself, as well as certain test programs and hardware used for quality screening. Failure on Nordic Semiconductor’s end to provide good quality or enough quantity of such tooling’s may have the same consequences as outlined above.

**Response:** Nordic mitigates this risk of lack of products by either keeping a buffer stock of wafers or finished goods to cover short-term demand. For medium-term requirements Nordic seeks to have second sourcing and having insurance for supply disruptions related to disasters. Nordic’s partners are selected through extensive qualification programs. Lastly, Nordic has its own testers, improving availability of the products and ensuring the right quality.

### *Product ramp*

There is a risk that Nordic is not able to ramp new products according to customer requirements, either resulting in not meeting customer volume demands or resulting in high yield loss.

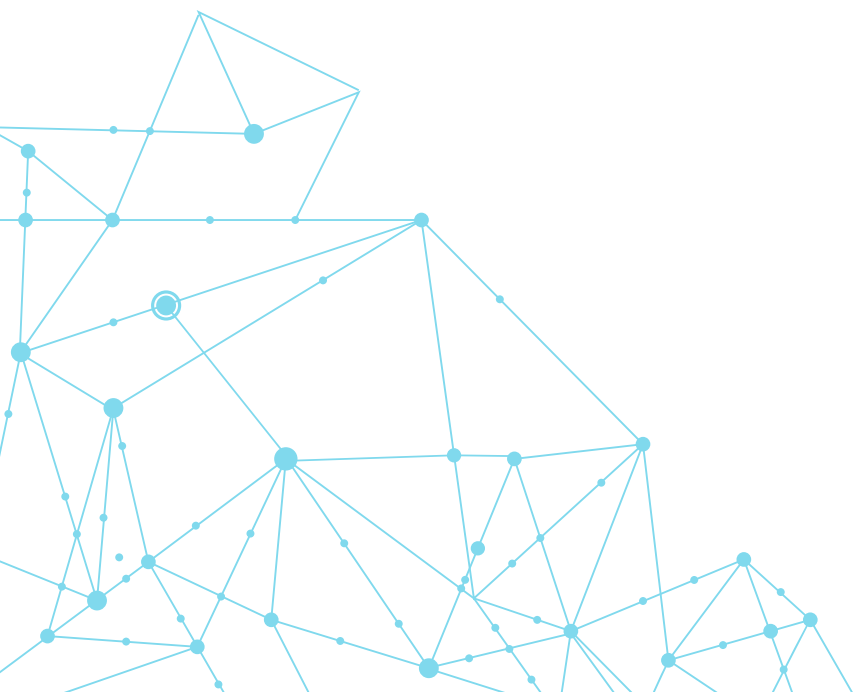
**Response:** Given the timetables for some key product introductions, tight control over the New Product Introduction process is imperative, including quality assurance during high volume product ramps. In addition, Nordic has invested heavily in its own failure analysis lab, to be able solve any issues as quickly as possible.

### *IT and cyber risk*

Our operations are complex, several critical operations are centralized and any disruptions to these operations can have an impact on our ability to deliver products to customers. Furthermore, Nordic’s operations are highly dependent on a fully reliable IT-infrastructure and that all systems operate 100%. Downtime can impact development of new products (delay launch, day to day support to customers, manufacturing and delivery of end products to our end customers). Activities related to cyber-attacks are a risk for our day to day operations.

**Response:** Significant effort is put into having the best solutions for data protection available in the market, and to reduce the risk related to human behavior by providing awareness training to employees. Nordic has implemented disaster recovery plans and backup routines in order to mitigate any effects of potential cyber-attacks, and seeks to maintain appropriate insurance coverage.

Finally, Nordic has implemented disaster recovery plans and backup routines in order to mitigate any effects of cyber-attacks in addition to a cyber insurance that will assist in handling eventual threats and attacks.



### Financial risk

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.

Maintaining a solid R&D cash coverage, measured as cash holding divided by R&D spending, is also necessary to pass the procurement due diligence of tier-one customers, who are expected to make up an increasing part of the revenue base going forward.

At the end of 2020, the R&D cash coverage stood at 2.72x, up from 1.22x at the end of 2019. Nordic had available cash of approximately USD 320 million at the end of 2020, including credit facilities described above under 'Cash Flow and Funding'. The Board of Directors assesses the current liquidity risk as low.

### Interest-rate risk

Nordic holds minimal interest-bearing debt, whereas cash and cash equivalents are held as cash, mainly in USD. We consider the direct risk associated with interest rate fluctuations as low.

### Foreign currency risk

Nordic is exposed to foreign exchange risk, as our sales revenue and direct production costs are almost entirely nominated in USD, whereas our operating expenses

primarily are in NOK and EUR. Hence, fluctuations in the exchange rates between these currencies may impact profit margin.

Nordic does not use any financial instruments to hedge the currency risk. A 1% increase in USD/NOK would – all other things equal – translate into USD 0.8 million in added profit before tax. The company presents its accounts in USD, with profits translated into NOK for taxation purposes.

### Credit risk

Nordic is exposed to credit risk related to both its distributors and certain end-customers. The main counterparties are leading international distributors of electronic components based in Asia, and the company has historically not suffered any significant credit losses.

Nordic's 10 largest customers (distributors) accounted for 90% of total revenue in 2020, with no significant losses on receivables.

Credit monitoring routines are integrated into any new credit lines, requiring security in the form of payment guarantees or advance payment requirements if needed. The company's receivables are not credit insured. The credit risk is considered low.

### Legal and compliance

With an increasing global presence, the focus on governance and ensuring compliance to foreign and local requirements is important. Nordic recognizes the importance of behaving as a good corporate citizen across the globe and adopts international standards for compliance. There is a risk that Nordic temporarily will be non-compliant with new laws or regulations and as a result be exposed to penalties or rulings against us.

In the normal course of business, we might be involved in legal proceedings related to commercial disagreements, claims related to product quality, intellectual property as well as governmental inquiries. An unfavorable ruling in any of these cases can have a material impact on our results.

Our products are complex and vulnerabilities in our products may not have been detected during product development and manufacturing. This may result in damages to our customers revenue and reputation if no work-around is possible. Customer contracts regulate our responsibilities, however there is a risk that legal action can be brought forward representing a material risk on our results.

**Response:** Nordic follows very high standards in terms of quality assurance. Investing in lab equipment and testers reduces time used on fault-finding, enables workarounds to be implemented faster, and effectively screens production defects. Nordic tries to limit the contractual liability to an acceptable level in the industry.

Nordic has implemented policies, training and audits in order to secure that our zero-tolerance policy against fraud, corruption and other unethical behavior are adhered to. Our whistleblowing channel is open to the public and handled by a trusted team including representatives from the Executive Management Team.

### Intellectual property rights

The current landscape of intellectual property rights in and to patents that are essential for the radio communication standards on which Nordic base its products is difficult to navigate. Many owners of standard essential patents have decided to only license the end-device, leaving it up to Nordic's customers to get third party IP necessary for their products, as opposed to licensing Nordic's products.

Knowing that the royalty rate for such licenses will be based on the end-product, Nordic has not followed the same path of unacceptable risk-acceptance as many competitors who have extended indemnification to customers despite the lack of licenses. Instead, Nordic has had open and honest conversations with its customers and with the major patent owners on how to solve this situation, with the goal of enabling access to the relevant licenses through Nordic. Nordic's customers generally appreciate this approach which also enables the customer to be compliant with relevant patent law.

Nordic Semiconductor has never been prevented from selling its established line of products under any intellectual property rights, and is continuously investigating any new allegations by patent holders that Nordic's products infringe on intellectual property of others. Nordic is taking steps to ensure that any such allegations do not prevent the selling, purchasing and use of our products.

The Bluetooth specifications are intended to be written so that all patent claims which are necessary to implement them are held by members of the Bluetooth SIG. Any necessary claims held by members of the Bluetooth SIG, are automatically licensed to members like Nordic as a condition of membership. However, there are other participants in the industry, that own patents and are not members of the Bluetooth SIG, who assert their patents towards companies like Nordic.

The current landscape of both LTE and Bluetooth are considered when Nordic assesses potential loss in connection with litigation. While we believe the risk of loss is minimal due to the company's vast experience and prior art in working with Bluetooth and cellular technology, we will defend any claims asserted against Nordic vigorously, in light of the inherent uncertainties of access to licensing on component level.

**Response:** Nordic is a willing licensee and invites the owners of standard essential patents to NB-IoT and LTE-M to license Nordic's products on FRAND terms on component level, or to enable access to such license to its customers. Nordic Semiconductor ASA is a member of the Fair Standards Alliance and plays an active part in raising awareness around the implications which the lack of licenses has on the industry. Furthermore, Nordic is and has always been active in, and contributing to, standard setting organizations, promoting openness and availability for all to standard essential patents.

## Personnel and organization

The Group had 978 employees at the end of 2020, including 81 employees added through the acquisition of the Wi-Fi development team of Imagination Technologies Group in Q4 2020. The number of employees increased 28% from 767 at the end of 2019.

The increase reflects increased R&D efforts in both the short-range business and cellular IoT, as well as increased Sales & Marketing resources.

The number of R&D personnel increased by 18% to 665 during 2020, further to 746 when including the Wi-Fi acquisition. R&D employees represent 76% of the total number of employees. The Sales & Marketing staff increased by 10% to 125 people at the end of the year, with the remaining 107 working in administration, supply chain and other staff functions.

At year end 2020, 529 or 54% of the employees were employed outside of Norway, compared to 376 or 49% of the employees at the end of 2019.

### Sick leave (Norway specific)

Sick leave remained below industry averages in 2020 with absence due to illness of 1.4%, down from 2.4% in 2019. No occupational illnesses or injuries were reported in 2020.

## Non-discrimination, equality and diversity

The Board of Directors' People and Compensation Committee at Nordic Semiconductor work actively together with the Executive Management Team to enhance diversity and overall people focus.

Diversity is also on the agenda for internal audits as well as the annual management business review. Satisfaction surveys and Leadership surveys give continuous feedback enabling the company to prioritize actions for positive and relevant development.

Nordic Semiconductor's business is based on a diverse composition of a highly specialized and skilled workforce. With 42 different nationalities represented at the company's headquarters, Nordic has a unique position for fostering an inclusive and diverse company culture based on innovation.

Nordic has also seen the need to expand its global presence in order to hire desired and required skillsets. This increases Nordic Semiconductor's competitive edge in a challenging marketplace for talent, thus it underscores the desire to hire competent employees from across the world, regardless of ethnicity and cultural background.

Nordic has implemented a Non-Discrimination Policy:

- *All Nordic Semiconductor employees shall be treated equally and with dignity, courtesy, and respect.*
- *Nordic Semiconductor prohibits any form of discrimination against and/or harassment of employees or applicants for employment due to race, color, nationality or ethnic origin, age, religion, disability, political opinions, gender or sexual orientation, as described by ILO conventions.*
- *Nordic Semiconductor's organizational culture shall be characterized by openness and good internal communication so that any misconduct or problems can be addressed, discussed and resolved in a timely manner.*
- *Nordic Semiconductor's employees are encouraged to report any incident of discrimination to their nearest leader or through the applicable whistle-blower channels. Retaliation against any employee who has reported misconduct, is prohibited. There shall be no unfavorable treatment to any whistle blowers*

In 2020 there were no reported discrimination issues, or findings from internal surveys that indicated discrimination or harassment in the organization.

A detailed description of work done in relation to non-discrimination, equality and diversity is included in the ESG report for 2020 published on the Nordic webpage.

### Employee gender distribution\*

At the end of 2020, 13.8% of the total number of employees were female, down from 14.4% in 2019.

In the Norwegian operation 16% of the workforce were female, up from 15% in 2019. The relatively skewed gender balance in the workforce must be viewed in an industry context. In Norway, women working in the private sector represent around 37%\*\* of the work force, but only around 14%\*\* of electrical engineers and computer science professionals.

The Executive Management consist of 8 men and 2 women, whereas the Board of Directors consists of 4 male and 3 female shareholder elected members, and 4 male employee-elected members.

\*Excludes the acquisition made in 2020

\*\* Based on data from Statistics Norway from 2019

Employee gender distribution*	2020	2019
Total percentage female employees	13.8%	14.4%
Percentage of new female hires globally	11.4%	14.5%
Percentage of new female hires in Norway	21%	22%
Percentage of new female junior hires in Norway	24%	17%
Promoted or hired females to management positions	25%	

Nordic participates in the Norwegian University of Science and Technology's "Jenteprosjektet Ada", which aims to recruit, motivate and educate females within the Norwegian IT industry. Nordic also participates in 'Womens Directory', a Global Semiconductor Alliance initiative targeted at women in the semiconductor industry.

The increase in percentage of new female junior hires in Norway shows a positive effect of the initiatives aimed at female applicants and the importance of continuing with this focus globally going forward.

Gender equality is a fundamental principle for the Group, and efforts are being made to ensure that there is no gender bias in the recruitment processes.

Nordic continuously works on employer branding development, with emphasis on promoting gender equality and employee diversity, and sees an increase in the number of applications from female students and graduate candidates.

### Age diversity\*

Nordic Semiconductor aspires to be a healthy and attractive workplace for employees in all age groups and during all phases of life across the globe. The company has implemented a Phase of Life Policy, aiming to facilitate employee development and knowledge growth throughout the employee journey. The phase of life policy consists of three stages: Junior, Middle and Senior stage. Each phase is based on the perception that employees will have different needs and selected priorities relevant to the various stages of their lives. This gives us an opportunity as an employer to accommodate to the personal needs and requirements of our employees.

The policy was established in Norway at an early stage, and further expanded to include several countries during 2020. The global implementation process that will continue in 2021.

The average age of permanent employees in Nordic was 40.2 years old, with an age range between 21 years old and 69 years old.

### Equal pay

Nordic strives to ensure that work of equal value shall receive equal pay, regardless of cultural diversity, gender, etc. Salary levels are determined based on objective measures, such as seniority, education, experience, and local market expectations.

### Career ladder

Close to 80% of the employees work within Research and Development, and Nordic has developed a standardized framework to determine and adjust salary levels referred to as the Nordic Career Ladder. All salary levels are fixed and illustrated by the advancement through the Ladder.

The company aims to continuously develop employee competence and ensure that all employees advance according to personal and professional career goals. This practice was revised for the Nordic countries in late 2020 and adopting and aligning similar practices globally will be further analyzed during 2021.

The Career Ladder is applicable for all employees within the Research and Development department, including lower managerial levels, and is currently being implemented across the board. Salary increases are initiated through a globally aligned salary review process. Employees are expected to advance through the career ladder, where salary levels are adjusted according to position and related responsibilities. This decreases the risk of any subjective salary assessments based solely on personal performance and preferences, reducing the risk of making biased salary decisions.

Within the R&D department in Norway, the average salary in 2020 for women is 92% of the average salary for males. The average salary for female employees in all departments was 77%, excluding executive management. Within the top management, the average salary of female employees was 76%.

The salary gap between women and men is largely due to the fact that there is still a majority of men in the company's senior positions.

Furthermore, gender differences in salary are also affected by department and location. A larger relative proportion of the women in administrative functions are based in the Philippines, where the salary level is below the Group average.

### Permanent employees in part time positions

Nordic has limited permanent employees in part time positions (5.5%). All part time employees work in reduced positions voluntarily, and at their own request.

\*Excludes the acquisition made in 2020

In 2020, 62.5% of part-time employees were males and 37.5% females, two of the females were partially disabled, working according to a percentage recommended by medical personnel.

Part time employees are offered an opportunity to reevaluate their working percentage during the annual performance conversation with their manager, and more often if desired.

### Parental leave (Norway specific)

Since 1993, a part of the parental leave was devoted to the father as a measurement to promoting gender equality in the labor market in Norway. Nordic pays parental benefits above and beyond the National Insurance Scheme. While the national Insurance Scheme refunds annual salary up to 6 G, Nordic pays up to 9 G, if the employee has been working for at least 6 of the past 10 months before the birth.

During 2020, 29 employees in Nordic were on parental leave, 23 of these were men and 8 women. The average number of weeks on leave for men was 15.7 weeks, while the average for women was 16.4. This shows a healthy distribution of the parental leave across genders.

### Activity plan / goals for 2021

Nordic Semiconductor's Board of Directors, Executive Management Group and Working Environment Committee will in 2021 continue to identify both risk and opportunity measurements connected to diversity and non-discrimination. The working environment committee will include employee representatives in the work to ensure a comprehensive and valuable dialogue through diverse perspectives, both locally and globally.

Activity plan/goals for 2021:

- Strengthen our focus on diversity and non-discrimination through reviewing and updating our current corporate employee policies, including ethical guidelines for both employees and managers
- Continue to strive towards equal pay by incorporating fair and appropriate benchmarking processes across the board
- Continue a close dialogue and collaboration between employee representatives, HR and management
- Include gender equality, discrimination and as a topic in the employee satisfaction survey in 2021
- Increase the percentage of female employees for a more balanced overall gender distribution
- Promoting more women into management positions through more hands-on HR support to managers during internal recruitment processes and promotions in addition to leadership mapping and development

## Corporate Social Responsibility (CSR)/ Environmental Social and Governance (ESG)

Nordic has a high focus on environmental and social responsibility. The company's commitments to CSR and ESG topics are established in adherence to the UN Global Compact's (UNGC) ten principles on human rights, labor, environment and anti-corruption, the Responsible Business Alliance's (RBA) Code of Conduct for social, environmental, and ethical issues in the electronics industry supply chain, and Nordic's Corporate Social Responsibility policy and other company policies.

The framework is established in the ISO-certification of the company's management systems for Quality (ISO 9001), Environmental (ISO 14001), Occupational Health and Safety (ISO 45001), and Information Security (ISO 27001). These standards enable a systematic approach to improvement of the company's business processes and performance on ESG topics. These include hazardous substances, GHG emissions, responsible sourcing of minerals, diversity, health & safety, anti-corruption, non-retaliation, IP-protection, data privacy, responsible supply chain, and transparency.

Along with the commitment to UN Global Compact principles and its ambitions for greater engagement, Nordic Semiconductor in 2019 started a program supporting, identifying, and addressing the UN Sustainable Development Goals (SDGs).

For further information, please refer to the separately prepared ESG Report for 2020, which is prepared in accordance with the UNGC, RBA Code of Conduct, and the Norwegian Accounting Act, Section 3-3. The report also represents the company's official Communication on Progress as a signatory to the UN Global Compact.

The ESG Report is available on [www.nordicsemi.com](http://www.nordicsemi.com), along with the company's CSR policy, the RBA Code of Conduct, the ten principles of UN Global Compact, and the UN Global Compact letter of commitment.

## Corporate Governance

Nordic's guidelines and practices for Corporate Governance comply fully with the Norwegian Code of Practice for Corporate Governance ("the Code"), dated 17 October 2018.

The guidelines also meet the disclosure requirements of the Norwegian Accounting Act and the Securities Trading Act. A thorough review of the guidelines and compliance with the Code is included as a separate section in this Annual Report.

## Shareholder Matters

The Nordic Semiconductor share is listed on the Oslo Stock Exchange (OSE) under the ticker NOD. Total return for the Nordic share was 148% in 2020, compared to an 5% increase for the Oslo Stock Exchange (OSEBX) and an 53%, increase for the PHLX Semiconductor Sector Index (SOX).

The Nordic share closed at NOK 138.0 at year-end 2020, corresponding to a market capitalization of NOK 26.6 billion.

Nordic had 191.0 million shares outstanding at the end of 2019, of which 1.8 million treasury shares. Purchase of treasury shares is viewed as an effective way to cover the obligations related to equity-based compensation.

On the Annual General Meeting in April 2020 the Board was given the authorization to purchase own shares, and to hold treasury shares within the limits of the Norwegian Public Limited Liability Companies Act. The company will seek the same approval on the 2021 Annual General Meeting.

Nordic had approximately 8 800 shareholders at the end of 2020, compared to 3 300 at the end of 2019. The top 20 shareholders held 58.6% of the registered shares.

58.7% of the shares were held by institutions and individuals based in Norway, down from 74.9% in 2019. The below table outlines the geographical split of our shareholder base. The geographical split is based on results from our shareholder analysis vendor, based on data as of December 15, 2020.

Region	December 15, 2020
Norway	58.7%
USA	22.3%
Other Europe	8.1%
England	7.5%
Sweden	2.5%
Rest of World	0.9%

Nordic aims to have an open dialog with shareholders and investors. The company conducted virtual investor roadshows both in Norway and internationally in connection with the interim results and participated on several industry and investment virtual seminars during the year.

Through active communication with the capital market and shareholders in 2020, Nordic ensured that all relevant information required for external evaluation of the company was published in accordance with applicable rules and guidelines issued by the Oslo Stock Exchange.

## Environmental statement

Nordic is a fabless semiconductor company and does not own or operate manufacturing facilities. Hence, the direct environmental effect of the Group's operations is limited.

Manufacturing is outsourced to leading third-party providers, required to operate in compliance with the ISO 14001 environmental standards and under other certifications and qualifications.

Nordic seeks to limit its resource consumption, prevent unnecessary environmental pollution, and manage waste in an environmentally friendly and resource efficient manner.

The Group has established routines to monitor these conditions under management systems certified under ISO 9001, ISO 14001 and OHSAS 18001. Nordic complies with all current applicable laws and regulations, and all its products comply fully with the REACH and RoHS hazardous substance directives. This allows the Group to market itself as a "Green supplier", which is an advantage towards major customers subject to stringent environmental standards of operation.

In line with the recommendation of the Oslo Stock Exchange, the Board of Directors has prepared a separate report on corporate social responsibility including employee and environmental considerations. The report can be downloaded from [nordicsemi.com](http://nordicsemi.com).



## Outlook

Nordic reported 41% revenue growth to USD 405 million in 2020, and a shift in the order backlog from USD 107 million at the end of 2019 to USD 492 million at the end of 2020. The high demand reflects accelerated technology adoption across the company's end-product markets, a widespread technology migration from Bluetooth classic to Bluetooth Low Energy, and a significant growth in applications that require multiprotocol solutions. Nordic has also seen a change in its customer mix, with several global platform companies and other tier-1 customers now placing more orders for high-volume products with longer product lifecycles.

Bluetooth revenue increased by 43% to USD 316 million in 2020, exceeding the 20%-30% growth range the company has earlier indicated for the Bluetooth and multiprotocol product range. Proprietary revenue was also higher than expected, increasing by 27%, supported by high demand for home office equipment. Proprietary revenue is expected to show a percentage decline in the high single-digits in 2021 as the technology migration to Bluetooth continues.

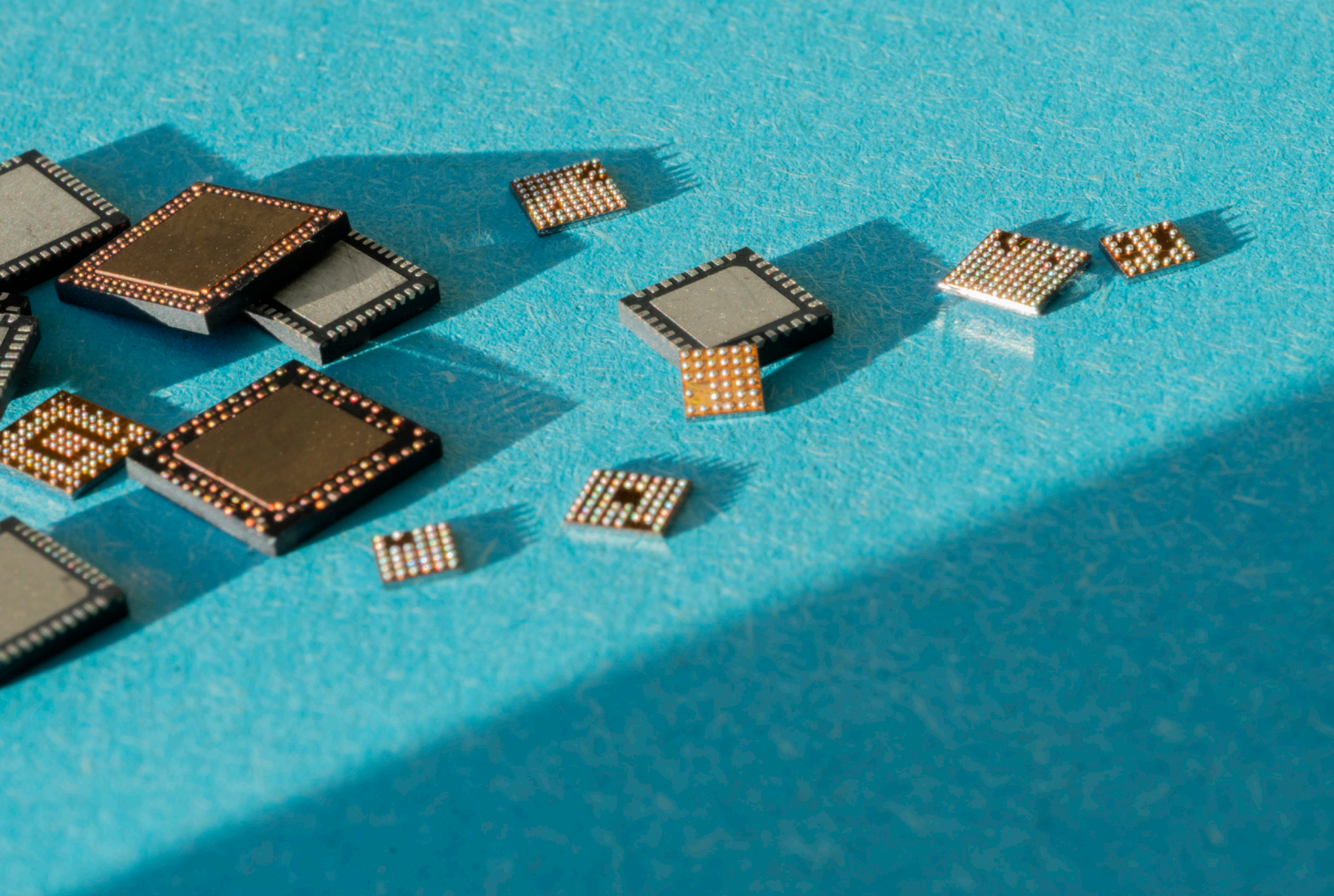
Based on increasing order volumes, Nordic placed early orders for wafer volumes that would allow for a significant increase in production also in 2021. The high demand in the semiconductor market has, however, put increasing strains on the global supply chain through 2020 and into 2021, and the demand/supply imbalances temporarily limit the availability of wafers. Although the main wafer suppliers have indicated significant capital expenditures to increase capacity going forward, this temporarily limits Nordic's ability to take full advantage of the strong demand. The wafer volumes the company has been allocated nevertheless allow Nordic to increase its production by a minimum of 25% in 2021.

The wafer shortage is expected to have the largest impact in the second quarter 2021, with higher volumes expected in the second half of the year. As described in the interim report for the fourth quarter and full year 2020, Nordic guides for a revenue level of USD 130-140 million for the first quarter 2021. There is always inherent uncertainty to future prospects.

Nordic's gross margin improved to 52.8% in 2020 from 50.9% in 2019, with the company reporting a gross margin of 52.7% for the fourth quarter 2020. The high margin level reflects both a product mix with high volumes of advanced high-margin products, and continuous cost improvements on newly launched products.

Nordic expects a gross margin of 50%-51% for the first quarter 2021, and reiterates the expectation that a higher share of sales to tier-1 customers will move the gross margins for the short-range business into the 48%-50% range in the medium term.

The high demand underlines Nordic's solid market position and is a clear indication of the company's growth opportunities and market potential. In 2019, Nordic presented a bold aspiration to build a USD 1 billion company within five years, and the positive demand trends and continued strengthening of the customer base increase the confidence in this aspiration. The company sees continued growth beyond this timeframe, as the evolution of the Internet of Things (IoT) is set to generate a massive long-term market relying on robust and energy-efficient connectivity solutions for billions of IoT products and solutions.



Oslo, March 16, 2021

**Jan Frykhammar**  
Board member

**Birger Steen**  
Chair

**Anita Huun**  
Board member

**Inger Berg Ørstavik**  
Board member

**Svann-Tore Larsen**  
Chief Executive Officer

**Endre Holen**  
Board member

**Øyvind Birkenes**  
Board member

**Jon Helge Nistad**  
Board member, employee

**Annastiina Hintsa**  
Board member

**Joel Stapelton**  
Board member, employee

**Susheel Raj Nuguru**  
Board member, employee

**Morten Dammen**  
Board member, employee



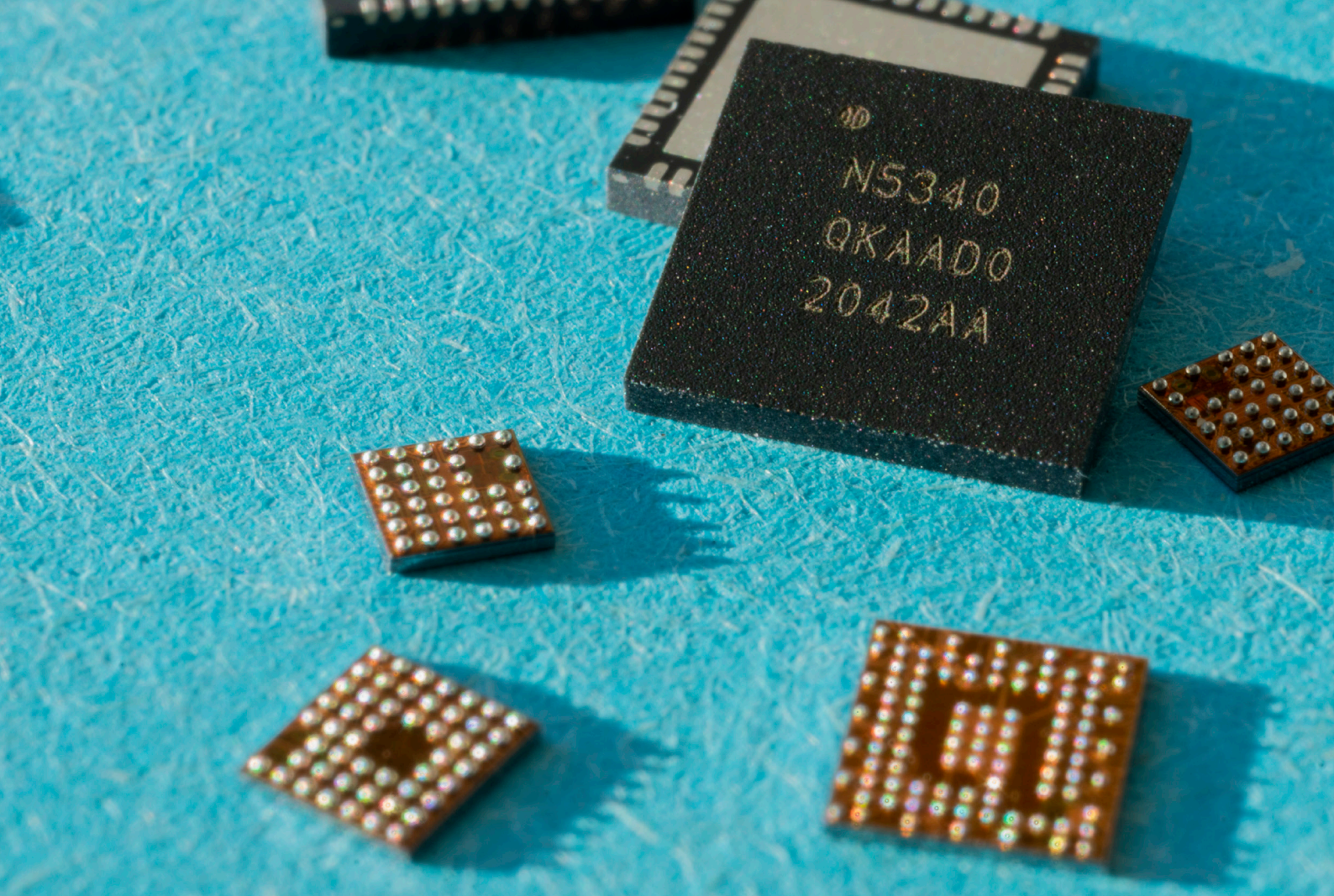
# Financial Statements

## Income statement (for the year ended December 31)

GROUP				PARENT	
2020	2019	Amount in USD 1000	Note	2020	2019
405 217	288 395	<b>Total Revenue</b>	3	406 242	289 226
-190 690	-141 290	Cost of materials	4	-190 690	-141 290
-584	-351	Direct project costs		-584	-351
213 943	146 753	<b>Gross profit</b>		214 968	147 584
-101 211	-80 281	Payroll expenses	9/10/12/18	-61 444	-48 735
-35 954	-33 665	Other operating expenses	5/21	-84 325	-73 695
-31 063	-23 535	Depreciation	11/12/21	-27 128	-19 789
45 714	9 272	<b>Operating profit</b>		42 071	5 365
642	1 910	Financial income	6/22/23	642	1 910
-1 416	-1 102	Financial expenses	6/21/22/23	-1 336	-1 018
-2 016	-375	Net foreign exchange gains (losses)	6/22	-2 014	-373
42 925	9 706	<b>Profit before tax</b>		39 363	5 885
-4 534	-2 379	Income tax expense	7	-3 564	-1 577
38 391	7 327	<b>Net profit after tax</b>		35 799	4 308
		<b>Attributable to:</b>			
38 391	7 327	Equity holders of the parent		35 799	4 308
0,21	0,04	Ordinary earnings per share (USD)	8	0,20	0,03
0,20	0,04	Fully diluted earnings per share (USD)	8	0,18	0,02
2020	2019	<b>Statement of comprehensive income</b>		2020	2019
38 391	7 327	<b>Net profit after tax</b>		35 799	4 308
-84	-83	Actuarial gains (losses) on defined benefit plans (before tax)		-84	-83
19	18	Income tax effect	7	19	18
688	-117	Currency translation differences			
39 014	7 145	<b>Total Comprehensive Income</b>		35 734	4 243
		<b>Attributable to:</b>			
39 014	7 145	Equity holders of the parent		35 734	4 243

## Statement of financial position (as of December 31)

GROUP				PARENT	
2020	2019	Amount in USD 1000	Note	2020	2019
		<b>ASSETS</b>			
		<b>Non-current assets</b>			
2 393	0	Goodwill	24	249	0
34 563	33 990	Capitalized development expenses	12	34 563	33 990
19 905	11 408	Software and other intangible assets	12	19 286	11 120
3 668	2 813	Deferred tax assets	7	3 029	2 429
25 092	23 934	Right of use assets	21	20 616	22 272
28 284	26 625	Fixed assets	11/22/23	24 960	22 354
0	0	Shares in subsidiaries	1/13	1 590	43
<b>113 906</b>	<b>98 770</b>	<b>Total non-current assets</b>		<b>104 294</b>	<b>92 208</b>
		<b>Current assets</b>			
61 915	53 067	Inventory	4	61 955	53 067
88 034	64 519	Accounts receivable	14/22/23	88 034	64 519
9 372	11 359	Other current receivables	15/22/23	10 062	10 045
242 547	90 645	Cash and cash equivalents	16/22/23	238 615	89 205
<b>401 909</b>	<b>219 589</b>	<b>Total current assets</b>		<b>398 666</b>	<b>216 836</b>
<b>515 814</b>	<b>318 359</b>	<b>TOTAL ASSETS</b>		<b>502 960</b>	<b>309 044</b>
		<b>EQUITY</b>			
317	303	Share capital	17	317	303
235 448	113 355	Share Premium	17	235 448	113 355
166 727	118 551	Other components of equity		153 501	108 101
<b>402 492</b>	<b>232 205</b>	<b>Total equity</b>		<b>389 266</b>	<b>221 754</b>
		<b>LIABILITIES</b>			
		<b>Non-current liabilities</b>			
448	310	Pension liability	18	448	310
21 004	19 886	Non-current lease liabilities	21/22/23	18 338	19 085
<b>21 452</b>	<b>20 196</b>	<b>Total non-current liabilities</b>		<b>18 785</b>	<b>19 396</b>
		<b>Current liabilities</b>			
22 812	19 738	Accounts payable	20/22/23	21 059	17 988
4 976	3 136	Income taxes payable	7	4 889	2 886
8 789	3 761	Public duties	20	7 777	3 181
5 520	4 044	Current lease liabilities	21/22/23	3 616	3 142
302	0	Current financial liabilities	22/23	302	0
49 472	35 279	Other current liabilities	15/20/23	57 265	40 696
<b>91 871</b>	<b>65 958</b>	<b>Total current liabilities</b>		<b>94 908</b>	<b>67 894</b>
<b>113 323</b>	<b>86 155</b>	<b>Total liabilities</b>		<b>113 694</b>	<b>87 289</b>
<b>515 814</b>	<b>318 359</b>	<b>TOTAL EQUITY AND LIABILITY</b>		<b>502 960</b>	<b>309 044</b>



Oslo, March 16, 2021

**Jan Frykhammar**  
Board member

**Birger Steen**  
Chair

**Anita Huun**  
Board member

**Inger Berg Ørstavik**  
Board member

**Svann-Tore Larsen**  
Chief Executive Officer

**Endre Holen**  
Board member

**Øyvind Birkenes**  
Board member

**Jon Helge Nistad**  
Board member, employee

**Annastiina Hints**  
Board member

**Joel Stapelton**  
Board member, employee

**Susheel Raj Nuguru**  
Board member, employee

**Morten Dammen**  
Board member, employee

## Nordic Semiconductor Group

## Consolidated statement of changes in equity

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Currency translation reserve	Retained earnings	Total equity
<b>Equity as of 01.01.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>3 307</b>	<b>-190</b>	<b>104 780</b>	<b>221 549</b>
Net profit for the period						7 327	7 327
Other comprehensive income					-119	-65	-184
Sale of treasury shares (option exercise)		0		2 105			2 106
Share based compensation				1 407			1 407
<b>Equity as of 31.12.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>6 819</b>	<b>-309</b>	<b>112 042</b>	<b>232 205</b>
Net profit for the period						38 391	38 391
Other comprehensive income					688	-65	623
Sale of treasury shares (option exercise)		2		5 897			5 899
Share based compensation				3 265			3 265
Capital increase*	14		122 093				122 108
<b>Equity as of 31.12.20</b>	<b>317</b>	<b>-3</b>	<b>235 448</b>	<b>15 980</b>	<b>379</b>	<b>150 368</b>	<b>402 492</b>

## Nordic Semiconductor Parent

## Consolidated statement of changes in equity

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
<b>Equity as of 01.01.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>1 391</b>	<b>99 327</b>	<b>214 370</b>
Net profit for the period					4 308	4 308
Other comprehensive income					-65	-65
Sale of treasury shares (option exercise)		0		2 105		2 106
Share based compensation				1 033		1 033
<b>Equity as of 31.12.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>4 530</b>	<b>103 570</b>	<b>221 754</b>
Prior year adjustment					-21	-21
Net profit for the period					35 799	35 799
Other comprehensive income					-65	-65
Sale of treasury shares (option exercise)		2		5 897		5 899
Share based compensation				3 792		3 792
Capital increase*	14		122 093			122 108
<b>Equity as of 31.12.20</b>	<b>317</b>	<b>-2</b>	<b>235 448</b>	<b>14 219</b>	<b>139 283</b>	<b>389 266</b>

\* The group increased the share capital with NOK 1 144 million, approximately USD 125 million. The amount net of transaction cost was USD 122.1 after tax.

## Statement of cash flows

for the year ended December 31

GROUP				PARENT	
2020	2019	Amount in USD 1000	Note	2020	2019
		<b>Cash flows from operating activities</b>			
42 925	9 706	Profit before tax		39 363	5 885
-2 955	-4 846	Taxes paid for the period	7	-1 922	-4 208
31 063	23 535	Depreciation	11/12/21	27 128	19 789
-29 561	-13 798	Change in inventories, trade receivables and payables	4/14/20/22	-29 333	-14 816
3 151	1 100	Share-based compensation		2 357	726
138	31	Movement in pensions		138	31
20 530	3 950	Other operations related adjustments		21 845	10 340
<b>65 292</b>	<b>19 678</b>	<b>Net cash flows from operating activities</b>		<b>59 576</b>	<b>17 748</b>
		Cash flows used in investing activities			
-16 480	-20 182	Capital expenditures (including software)	11/12	-14 752	-17 233
-8 398	-11 271	Capitalized development expenses	12	-8 398	-11 271
-13 158	-	Business Combination, net of cash acquired	24	-11 694	-
<b>-38 035</b>	<b>-31 454</b>	<b>Net cash flows used in investing activities</b>		<b>-34 844</b>	<b>-28 504</b>
		Cash flows from financing activities			
10 455	2 412	Changes in treasury shares	17	10 455	2 412
121 277	-	Capital increase		121 277	-
-4 557	-	Cash settlement of options contract and issue of share capital		-4 557	-
-3 552	-3 906	Repayment of interest bearing debt		-2 496	-2 972
40 000		RCF drawdown		40 000	
-40 000	-	RCF repayment		-40 000	-
<b>123 622</b>	<b>-1 494</b>	<b>Net cash flows from financing activities</b>		<b>124 677</b>	<b>-560</b>
1 024	37	Effects of exchange rate changes on cash and cash equivalents		-	-
<b>151 902</b>	<b>-13 232</b>	<b>Net change in cash and cash equivalents</b>		<b>149 409</b>	<b>-11 316</b>
90 645	103 876	Cash and cash equivalents as of 1.1.		89 205	100 522
<b>242 547</b>	<b>90 644</b>	<b>Cash and cash equivalents as of 31.12.</b>	<b>16/22</b>	<b>238 615</b>	<b>89 205</b>
4 202	1 847	Restricted cash incl. in the cash and cash equivalents as of 31.12.	16	4 202	1 847



## Note 1: Background

### 1.1 Corporate information

Nordic Semiconductor ASA is a public limited company whose ordinary shares are listed on the Oslo Stock Exchange with ticker code NOD. The Company is domiciled in Norway, and the registered head office is at Otto Nielsens vei 12, 7052 Trondheim.

The Group includes the ultimate parent company Nordic Semiconductor ASA and the wholly owned subsidiaries, Nordic Semiconductor Norway AS, Nordic Semiconductor UK Ltd, Nordic Semiconductor Inc., Nordic Semiconductor Poland Sp. z.o.o, Nordic Semiconductor Finland OY, Nordic Semiconductor Japan KK and Nordic Semiconductor Germany GmbH. In addition, on December 31, 2020, Nordic completed the acquisition of 100% of the shares in Imagination Technologies AB and Imagination Technologies Hyderabad Pvt Ltd.

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

### 1.2 Basis for preparation

The financial accounts for the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and Norwegian authorities and are effective as of 31 December 2020. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

The consolidated financial statements are presented in US dollars ("USD"), which is the functional currency of the parent company. All USD amounts are rounded to the nearest thousand, if nothing else is noted. As a result of rounding differences, it is possible that amounts and percentages do not add up to the total.

Gross profit is revenue less cost of materials and direct project costs. Cost of materials include direct and indirect cost of production. Nordic Semiconductor uses gross profit for internal reporting and has therefore chosen to include it in the external financial reporting.

The Group has only one operating segment. The group does not report or monitor profitability on a lower level, but breaks down its revenue into the following end product markets: Consumer Electronics, Wearables, Healthcare, Building and Retail, Others, Long-Range (cellular IoT), ASIC components and Consulting Services. The Group also breaks down its revenues in the geographical areas in which its distributors are located.

The financial accounts were audited and approved for publication by the Board of Directors on March 16 2021, and will be presented for approval at the Annual General Meeting on April 20, 2021.

### 1.3 Accounting standards adopted in 2020

In 2020, there are few revisions by the International Accounting Standards Board to the financial reporting requirements in accounting policies. The Group has adopted the following amendments:

#### Amendments to IFRS 3 - Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations aimed at resolving the difficulties that can arise when an entity determines whether it has acquired a business or a group of assets.

The amendments will help the Group to determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

The amendments will be effective for business combinations with an acquisition date on or after 1 January 2020.

#### Amendments to IFRS 16 - Covid-19-Related Rent Concessions

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021.

In 2020, there has been one lease agreement with rent concessions as a direct consequence of the covid-19 pandemic. The direct impact on profit and loss was not material for the Group.

### Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework. The effective date is January 1, 2020. The Group considers to be in line with the Conceptual Framework, and there is no need for any changes in accounting principles.

#### Note 2: Significant Accounting Principles

### 2.1 Basis of consolidation

The consolidated financial statements incorporate the results, cash flows and assets and liabilities of the parent company and its subsidiaries.

A subsidiary is an entity that is controlled, either directly or indirectly, by the parent company. Control exists when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Generally, such power exists where the parent company holds a majority of the voting rights of an investee.

Subsidiaries are consolidated from the date control is obtained until the date that control ceases. All subsidiaries are wholly owned by the parent company and there are no non-controlling interests. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

### 2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires that management uses judgement, estimates and assumptions that effect the amounts reported in the financial statements and its disclosures. Management bases its estimates and judgement on previous experience and on various other factors deemed to be reasonable and sensible given the specific circumstances. The main areas of uncertainty for assessments and estimates on the balance sheet date, which represent a risk of creating significant changes to the value of assets and liabilities, are discussed below.

Estimates are continuously reassessed based on changes in the underlying assumptions. Changes in accounting estimates are recognized in the period in which such changes occur. If such changes also apply to future periods, the effect is distributed between current and future periods.

#### Revenue recognition

Revenue recognition principles are described in Note 2.5

Nordic Semiconductor predominantly sells to electronic distributors under a distribution agreement. The distributors will hold a given level of Nordic Semiconductors inventory that is subsequently shipped to an end customer. Nordic Semiconductor uses a "sell in" model in connection with revenue recognition to distribution customers. Under a "sell

in" model, management needs to make judgements and estimates the amount that can affect the reported amounts of revenues and expenses. The main judgments are described as follows.

#### Variable consideration for "Ship and Debit"

When a distributor sells components to specified customer accounts, the distributor will receive an additional rebate after the sale is made, commonly known as a "Ship and Debit" rebate. In estimating the variable consideration, the Group is required to use the expected value method. The Group estimate the rebate based on historical discounts to each distributor, the distributors' inventory level as of 31 December 2020 and expected sales mix. An estimate for this rebate is provided in the accounts, reducing the revenue and increasing refund liabilities. See Note 3.3.

#### Development costs

Development costs are capitalized in accordance with the principles in Note 2.6.

In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefits, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. During 2020 USD 8.4 million was capitalized. The carrying amount of capitalized development costs as of December 31, 2020 and 2019 was USD 37 million and USD 34 million respectively.

#### Leases - Estimating the incremental borrowing rate

The interest rate implicit in the lease cannot readily be determined, therefore the incremental borrowing rate (IBR) is used to measure lease liabilities.

The lessee's IBR is defined in IFRS 16 as "the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment"

The Group has a centralized treasury department, and all financing is from the parent company in order to minimize the costs of finance. The subsidiaries are self-financed with low credit risk due to cost-plus inter-company invoicing for services, and do not enter into financing transactions into third parties. The Group entities have stand-alone arrangements for lease payments either with deposits or bank guarantee.

The IBR reflects what the companies of the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease

(for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's standalone credit rating).

## 2.3 Business combination

A business combination is a transaction or other event in which the Company obtains control of one or more businesses.

Business combinations are accounted for using the acquisition method. Goodwill is the difference between consideration transferred and net assets recognized and is classified as an intangible asset. Consideration transferred represents the sum of the fair values at the acquisition date of the assets given and liabilities incurred or assumed.

Acquisition costs such as advisory, legal, accounting, valuation and other professional fees are expensed to profit or loss in the period in which they are incurred.

Identifiable assets and liabilities of the acquired business are measured at their fair value at the acquisition date, except for certain items that are measured in accordance with the relevant Group accounting policy, such as leases and deferred tax assets.

Right-of-use assets and lease liabilities for leases where the target is the lessee are recognized at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The acquirer measures the right-of-use asset at the same amount as the lease liability.

## 2.4 Foreign currency translation

Each entity within the Group has a functional currency, which is normally the currency in which the entity primarily generates and expends cash. The parent company is the most significant entity in the Group, and its functional currency is USD.

At entity level, a foreign currency is a currency other than the entity's functional currency. Transactions in the profit and loss statement denominated in foreign currencies are recorded in the entity's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Currency translation differences arising at entity level are recognized in profit or loss.

The Group's presentation currency is USD, and foreign operations are those of the parent company's subsidiaries and branches whose functional currency is not the USD. On consolidation, assets and liabilities of foreign operations are translated into USD according to the exchange rates prevailing on the balance sheet date. Profit or loss items

are translated according to monthly average exchange rates. Changes in net assets resulting from exchange rate movements are recognized in other comprehensive income and taken to the currency translation reserve.

## 2.5 Revenue recognition

The Group is in the business of developing and selling integrated circuits. Revenue from customers is mainly generated from sale of products. Services delivered consists of consulting services. The Group and the customer do not receive financing from the sales, and therefore there are no significant financing components to be accounted for separately from the revenue transaction. The normal credit term is 30-60 days upon delivery. In other terms, the sale contracts do not require the customer to pay in advance, and the contract do not require the customer to pay significantly after delivery.

### Sale of products

Sales of products are mostly made direct to distributors ("customer"). Revenue from the sale of products is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The time of delivery, and the time where control of goods is transferred, is usually the time when the goods are transferred to the transport carrier. At the delivery time, the Group has the right of payment for the asset, the customer has legal title to the asset, physical possession has been transferred to the customer and customer has the significant risks and rewards of ownership of the asset.

Revenue recognized on the sale of products is measured at the fair value of the consideration received or receivable, excluding sales taxes and after making allowance for variable considerations such as rebates and product returns.

### Ship and debit rebate

The Group sells products to certain distributor on "ship and debit" terms. It means that the distributor may be entitled to a rebate if the distributor sells the product to end customers at a price lower than the price at which the distributor purchased the products from the Group. The difference in price is then claimed (debited) by the distributor.

The Ship and Debit rebates are recognized as reduction in revenue and increase in liabilities before the distributor do their actual sale to end customers.

### Stock rotation rights

Some distributors are entitled to limited rights of return, referred to as stock rotation rights. The Group tracks the distributor's inventory and can initiate a stock rotation earlier if a certain product is selling better with another distributor. As the products have similar margin, there are no significant losses for the Group when stock rotations are

initiated. The Group does not make provisions or adjustments for stock rotation unless we expect the goods returned to be obsolete. Stock rotation provisions are made if necessary, based on most likely amount method.

#### *End-customer volume rebates*

Some end customers have entered into agreements with Nordic to receive a rebate based on their purchase quantity and price from the distributor. The rebates are recognized as reduction in revenue and increase in liabilities before payout is done to the end customer.

#### **Sale of services**

Revenue from services is recognized as the services are rendered/delivered.

#### **Contract balances**

##### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 2.9

##### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.10.

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **Assets and liabilities arising from rights of return**

##### *Right of return asset*

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. As the customers are only able to exchange the goods, the Group does not have a right of return asset.

##### *Refund liabilities*

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

#### **Cost to obtain a contract**

The Group does not pay commission to employees and all costs related to getting a customer order is immediately expensed. The amortization period for a contract asset would be one year or less, hence the Group is able to use the practical expedient and expense costs directly.

## 2.6 Intangible assets

#### **Research and development expenditure**

Research costs are expensed as incurred.

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.

Costs expensed in prior accounting periods will not be capitalized. Depreciation begins when the product is transferred from development to production. Depreciation is calculated on a straight-line basis over 5 years. Uncertainty exists with respect to the expected period of benefits, as this depends on the future technological development in the market.

#### **Goodwill**

Goodwill acquired in a business combination is carried at cost as established at the acquisition date, less impairment losses, if any.

#### **Other intangible assets**

Other intangible assets comprise identifiable intangibles acquired in business combination (IP, developed technology), licenses and computer software. The assets held by the Group have finite useful lives determined by the expected usage of the asset by the entity. The assets are amortized on a straight-line basis over its estimated useful lives, normally 3-5 years.

The other intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises the purchase price of the asset (including

non-refundable purchase taxes) and any costs directly attributable to preparing the asset for its intended use. In the case of an asset acquired in a business combination, the cost is its fair value at the acquisition date.

The amortization period and the amortization method for intangible assets 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.

## 2.7. Government grants

Grants received are tax refunds and are classified as operating grants. Operating grants are accounted for at the same time as the costs they are intended to cover. Tax refunds are accounted for as a cost reduction. See Note 5 and 9.

## 2.8 Property, plant and equipment

Property, plant and equipment is valued at the lower of cost net of accumulated depreciation and net realizable value. When an asset is sold or discontinued, the gain or loss from the transaction is recognized in the income statement. Cost comprises the purchase price of the asset including fees/ taxes and any direct costs associated with commissioning the asset for use.

Repair and maintenance costs are expensed when incurred. If repair and maintenance increase the value of the asset, the cost will be added to the asset on the balance sheet. Depreciation is calculated on a straight-line basis over the following periods of time:

Office and lab equipment	1-5 years
Computer equipment	3-5 years
Leasehold improvements	5 years

The assets' residual value, useful lives and methods of depreciation are reviewed on an ongoing basis and adjusted prospectively, if necessary.

## 2.9 Impairment of non-financial assets

The Group's non-financial assets includes:

- Goodwill
- Capitalized development expenses
- Other intangible assets (software and IP)
- Property, plant and equipment
- Right-of-use assets

Non-financial assets are tested for impairment whenever there is an indication that their carrying amounts may not be recoverable. Goodwill and intangible assets still under development are subject to an annual impairment test.

A CGU of one non-financial asset is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs that are expected to benefit from the synergies of the related business combination.

If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 2.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group is recognizing a financial asset or liability when it becomes a party to the instrument's contractual terms.

The Group's financial assets and liabilities includes money market fund, accounts receivable and other current receivables, accounts payable, currency swap and other current financial liabilities (borrowings, including bank overdrafts).

### Financial assets

#### *Initial recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset. There is an exemption for accounts receivables, that do not contain a significant financing component or for which the Group has applied the practical expedient, are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.4 Revenue recognition.

Depending of the financial asset's contractual cash flow characteristics and the Group's business model for managing them, the assets are at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

Financial assets are classified and measured at amortized cost or fair value through OCI, if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (held for trading)

The categories relevant for the Group is amortized cost, including accounts receivables and other current receivables, and fair value through profit or loss (held for trading), including money market fund.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost are subsequently at fair value with resulting gains and losses recognized in profit or loss.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred the asset according to IFRS 9 paragraph 3.2.4 and 3.2.5

#### *Impairment of financial assets*

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and accounts payables, net of directly attributable transaction costs.

#### *Subsequent measurement*

All financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss.

After initial recognition, borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments (currency swap) entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## **2.11 Cash and cash equivalents**

Cash and cash equivalents include cash at bank, short-term deposits with an original maturity of three months or less and money market fund. Money market funds are defined as cash equivalents because they are highly liquid and not subject to material fluctuations in value.

## **2.12 Inventory**

Inventory is valued at the lower of cost and net realizable value after deduction for obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined by using the FIFO method. Work in progress includes variable cost and non-variable cost which can be allocated to items based on normal capacity. Obsolete inventory is written down completely.

## **2.13 Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or

before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group has used the optional exemption in IFRS 16 and not accounted lease concessions, such as reduction in lease payments, due to Covid-19 as a lease modification. The following conditions are met:

- The reversed consideration is substantially the same or less than the original consideration
- The reduction in lease payments relates to payments due on or before 30 June 2021
- No other substantive changes have been made to the terms of the lease

That means reductions in lease payments are accounted for as negative variable lease payments and be recognized in profit and loss.

The right-of-use assets are also subject to impairment, see note 2.9.

### **Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low-value assets. The low value election is made on a lease-by-lease basis, and it refers to underlying assets with a value in order of USD 5,000 or less. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

## 2.14 Income taxes

Income tax expenses consist of taxes due and changes to the net deferred tax assets or liabilities.

Deferred tax assets and liabilities are calculated based on the differences between the carrying value of assets and liabilities in the financial accounts and their tax basis when such differences are considered at temporary in nature.

Deferred tax assets are recognized to the extent that it is probable that the individual company will have sufficient taxable income in later periods to utilize the tax assets.

Deferred tax liabilities are accounted for at the nominal value and classified as long-term obligations in the balance sheet.

Deferred income tax relating to items recognized in Other Comprehensive Income ("OCI") or directly in equity is recognized outside profit or loss.

The parent company pays its tax obligation in NOK and the fluctuations between the NOK and the USD impact the financial items. The Group's legal entities that do not have their tax base in USD are exposed to changes in the USD/tax base currency rates. Effects within the current year are classified as tax expense.

## 2.15 Provisions

Provisions (such as legal claims and contractual severance) are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed each balance sheet date and the level reflects the best estimate of the obligation. When the time value is insignificant, the amount of the provision will be equal to the estimated expenditure required to settle the obligation. When the time effect is significant, the amount of the provision will be equal to the present value of future estimated expenditures to settle the obligation.

## 2.16 Employee benefits

### Defined benefit pension plans

The Group had a defined benefit pension plan for its employees who were hired before December 31, 2007. The group has also established a similar plan for employees in the Philippines. This plan is still open. Pension plan assets are valued at fair value. The defined benefit scheme in Norway was converted to a defined contribution scheme. In connection with the transfer, the employees received a "Paid up benefit" for all earned benefits in the defined benefit plan. As there exist certain obligations related to retirees and employees on sick leave, an actuarial calculation is performed and a liability for these employees is included as of December 31, 2020.

### Defined contribution pension plans

Employees hired after January 1, 2008 have a defined contribution pension plan described in Note 18.

### Share based compensation

The Group grants restricted stock units and other awards over its ordinary shares to all employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 19.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other paid in capital), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). See Note 19.

Accounting treatment of social security tax is not treated in IFRS 2. Social security tax is accrued over the vesting period based on the actual value of the stock unit.

## 2.17 Treasury shares

When treasury shares are purchased, the purchase price, including directly attributable costs are recognized as changes in equity. Treasury shares are presented as a reduction of equity. Gains or losses on transactions in treasury shares are not recognized in the income statement.

## 2.18 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

## 2.19 Events after the balance sheet date

Information available after the balance sheet date and applicable to conditions existing at the balance sheet date is included in the preparation of the financial statements. Events after the balance sheet date that do not affect the Group's financial position as of the balance sheet date, but that will affect the Group's financial position in the future, are disclosed if they are significant. See Note 25.



**Note 3: Revenues**

All figures in USD 1000

### 3.1 Disaggregated revenue information

**Revenue classified by end product applications:**

The Group focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: Consumer Electronics, Wearables, Building and Retail, Healthcare and Others. In 2020, wireless components accounted for 96.8%

of sales versus 97.5% in 2019. In addition to standard components, the Group sells customer-specific ASIC components (Application Specific Integrated Circuits) and related Consulting Services.

The Group recognized the first long-range (cellular IoT) revenue in the second half of 2018. Most of Nordic's cellular IoT customers are still in the development phase and revenue from this technology is mainly sale of development kits. When cellular IoT revenue materialize, Nordic will report the revenue in the relevant end product areas.

GROUP			PARENT	
2020	2019	Revenue	2020	2019
163 131	119 409	Consumer Electronics	163 131	119 409
62 967	50 386	Wearables	62 967	50 386
81 871	51 595	Building/Retail	81 871	51 595
37 830	19 725	Healthcare	37 830	19 725
46 364	39 979	Others	46 364	39 979
<b>392 163</b>	<b>281 094</b>	<b>Wireless components</b>	<b>392 163</b>	<b>281 094</b>
6 527	1 046	Long-range (cellular IoT)	6 527	1 046
6 297	6 039	ASIC components	6 297	6 039
230	216	Consulting services	230	216
-	-	Management fee	1 025	831
<b>405 217</b>	<b>288 395</b>	<b>Total revenue from contracts with customers</b>	<b>406 242</b>	<b>289 226</b>

**Revenue classified by customers' location:**

The Group also classifies its revenues on a geographical basis according to its customers' location.

GROUP			PARENT	
2020	2019		2020	2019
37 726	31 464	Europe	38 519	32 090
34 038	27 946	Americas	34 234	28 094
333 453	229 014	Asia/Pacific	333 488	229 042
<b>405 217</b>	<b>288 395</b>	<b>Total revenue from contracts with customers</b>	<b>406 242</b>	<b>289 226</b>

The Group sells its components to distributors, which then sell components onward to electronics manufacturers which build end products and sell them to customers across the world. Two distributors represented more than 10% of the Group's total revenues in 2020 with 30% and 11% of total revenues, respectively. These distributors are based in Asia. In comparison, one distributor represented more than 10% of the Group's total revenues in 2019 with 28%.

**Revenue from contracts with customers classified by timing of revenue recognition:**

2020	2019		2020	2019
404 987	288 179	Goods transferred at a point in time	404 987	288 179
230	216	Services transferred over time	1 255	1 047
<b>405 217</b>	<b>288 395</b>	<b>Total revenue from contracts with customers</b>	<b>406 242</b>	<b>289 226</b>

**3.2 Contract balances**

2020	2019		2020	2019
88 034	64 519	Trade receivables	88 034	64 519

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. See note 22 for further details.

**3.3 Right of return assets and refund liabilities**

2020	2019		2020	2019
16 184	13 881	Refund liability — arising from ship & debit	16 184	13 881
0	0	Refund liability — arising from stock rotation	0	0
8 515	6 300	Refund liability — arising from end-customer volume rebates	8 515	6 300

**3.4 Performance obligations**

The performance obligations for the sale of components is normally satisfied upon the time of delivery. Payment is generally due 30 to 60 days within delivery.

For the consulting services the performance obligation is satisfied over-time and the customer is generally invoiced at month-end for the work performed.

The Group has decided to use the practical expedient and not disclose unsatisfied or partially unsatisfied performance obligations. All remaining performance obligations are expected to be recognized within one year.

**Note 4: Cost of materials / inventory**

All figures in USD 1000

GROUP			PARENT	
2020	2019		2020	2019
199 578	151 677	Purchased materials	199 578	151 677
-8 888	-10 387	Changes in inventory	-8 888	-10 387
<b>190 690</b>	<b>141 290</b>	<b>Cost of materials</b>	<b>190 690</b>	<b>141 290</b>
18 751	19 699	Raw material	18 751	19 699
17 566	11 559	Work in Progress	17 566	11 559
25 638	21 808	Finished Goods	25 638	21 808
<b>61 955</b>	<b>53 067</b>	<b>Total inventory</b>	<b>61 955</b>	<b>53 067</b>
3 242	2 919	Amount written down	3 242	2 919

As Nordic Semiconductor is a fabless manufacturer, all inventories, including raw materials and finished goods, are located at sub-contractors.

**Note 5: Other operating expenses**

All figures in USD 1000

GROUP			PARENT	
2020	2019		2020	2019
12 733	11 264	Service and maintenance	11 877	10 605
11 470	9 351	Other consultancy fees	8 059	6 641
953	1 428	Office rental expenses	615	1 023
1 005	1 095	Office equipment	797	859
6 180	5 236	Material and components	5 581	4 729
-22	-15	Tax grant	-22	-15
-2 647	-3 495	Capitalized development expenses	-2 647	-3 495
1 246	4 023	Travel and meeting expenses	891	2 635
5 036	4 778	Other operating expenses	4 780	4 459
0	0	Other operating expenses intercompany	54 394	46 254
<b>35 954</b>	<b>33 665</b>	<b>Total other operating expenses</b>	<b>84 325</b>	<b>73 695</b>

**Auditor remuneration, excl. of VAT**

Fees to the auditor are included in consultancy fees above.

GROUP			PARENT	
2020	2019		2020	2019
69	91	Statutory audit services	61	68
0	36	Tax advisory services	0	36
8	44	Other audit related services	8	44
<b>78</b>	<b>171</b>	<b>Total revenues</b>	<b>69</b>	<b>148</b>

**Note 6: Net financial items**

All figures in USD 1000

GROUP			PARENT	
2020	2019		2020	2019
515	1 910	Interest income	515	1 910
127	-	Other financial income	127	-
<b>642</b>	<b>1 910</b>	<b>Financial income</b>	<b>642</b>	<b>1 910</b>
768	834	Interest expenses on lease liabilities	768	750
648	268	Financial expense	568	268
2 016	375	Foreign exchange loss (net)	2 014	373
<b>3 431</b>	<b>1 477</b>	<b>Financial expense</b>	<b>3 350</b>	<b>1 391</b>
<b>-2 790</b>	<b>433</b>	<b>Net financial income/expense</b>	<b>-2 708</b>	<b>519</b>

**Note 7: Tax**

All figures in USD 1000

GROUP			PARENT	
2020	2019		2020	2019
		Tax expense consists of		
-5 264	-3 852	Tax payable	-4 077	-2 833
730	1 473	Change in deferred tax / tax benefit	513	1 256
<b>-4 534</b>	<b>-2 379</b>	<b>Tax expense</b>	<b>-3 564</b>	<b>-1 577</b>

GROUP			PARENT	
2020	2019		2020	2019
		<b>Reconciliation of nominal and actual tax expense</b>		
42 925	9 706	Profit before tax	39 363	5 885
<b>-9 444</b>	<b>-2 135</b>	<b>Tax at nominal rate 22 %</b>	<b>-8 660</b>	<b>-1 295</b>
-62	-39	Tax effect of different tax rates in other countries	-99	-27
2 551	155	Tax effect permanent differences	2 694	97
-104	-	Tax effect of tax benefit not being recognized in the balance sheet	-	-
620	45	Excess tax provision previous year	620	45
1 904	-405	Currency effect from translation to USD	1 881	-398
<b>-4 534</b>	<b>-2 379</b>	<b>Tax expense</b>	<b>-3 564</b>	<b>-1 577</b>

GROUP						
	Balance Sheet		Income Statement		Other Comp. income	
	2020	2019	2020	2019	2020	2019
Deferred tax benefit						
Inventory	494	645	-151	323	0	0
Fixed Assets	1 825	1 408	417	457	0	0
Leasing	157	15	143	15	0	0
Options (share based payments)	982	707	275	254	0	0
Pension obligation	99	68	12	-11	19	18
Financial instrument	66	0	66	0	0	0
Accruals	145	22	123	0	0	0
<b>Deferred tax benefit - gross</b>	<b>3 769</b>	<b>2 865</b>	<b>886</b>	<b>1 037</b>	<b>19</b>	<b>18</b>
Gain and loss account	43	52	-9	-14	0	0
Net other tax-obligations	58	0	58	-409	0	0
<b>Deferred tax obligation - gross</b>	<b>101</b>	<b>52</b>	<b>49</b>	<b>-423</b>	<b>0</b>	<b>0</b>
Currency effect of translation to USD	0	0	-106	12	0	0
Net deferred tax benefit (obligation)	3 668	2 813				
Deferred tax expense			730	1 472	19	18

PARENT						
	Balance Sheet		Income Statement		Other Comp. income	
	2020	2019	2020	2019	2020	2019
Deferred tax benefit						
Inventory	494	645	-151	323	0	0
Fixed Assets	1 187	1 024	162	241	0	0
Leasing	157	15	143	15	0	0
Options (share based payments)	982	707	275	254	0	0
Pension obligation	99	68	12	-11	19	18
Financial instrument	66	0	66	0	0	0
Accruals	145	22	123	0	0	0
<b>Deferred tax benefit - gross</b>	<b>3 130</b>	<b>2 481</b>	<b>631</b>	<b>821</b>	<b>19</b>	<b>18</b>
Gain and loss account	43	52	-9	-14	0	0
Net other tax-obligations	58	0	58	-409	0	0
<b>Deferred tax obligation - gross</b>	<b>101</b>	<b>52</b>	<b>49</b>	<b>-423</b>	<b>0</b>	<b>0</b>
Currency effect of translation to USD	0	0	-69	12	0	0
Net deferred tax benefit (obligation)	3 029	2 429				
Deferred tax expense			513	1 256	19	18

GROUP			PARENT	
2020	2019		2020	2019
		Reconciliation of net deferred tax benefit:		
2 813	1 335	Opening balance as of 1.1	2 429	1 168
730	1 472	Tax expense/income recognized in profit and loss	513	1 256
19	18	Tax expense/income recognized in other comprehensive income	19	18
107	-12	Currency effect from translation to USD	69	-12
<b>3 668</b>	<b>2 813</b>	<b>Net deferred tax benefit 31.12</b>	<b>3 029</b>	<b>2 429</b>

The group has not recognized net deferred tax benefit of USD 149 thousand related to the subsidiary in India and USD 104 thousand related to the subsidiary in Poland.

GROUP			PARENT	
2020	2019		2020	2019
		Net deferred tax recognized in OCI as of 31.12:		
19	18	Net gain/(loss) on actuarial gains and losses	19	18
<b>19</b>	<b>18</b>	<b>Total tax other comprehensive income</b>	<b>19</b>	<b>18</b>

#### Note 8: Shares outstanding

	2020	2019
<b>Basis for calculation of basic earnings per share</b>		
Earnings for the year (USD '000)	38 391	7 327
Weighted average number of outstanding shares ('000)	181 021	175 313
<b>Earnings per share (USD)</b>	<b>0.21</b>	<b>0.04</b>
<b>Basis for calculation of fully diluted earnings per share</b>		
Earnings for the year (USD '000)	38 391	7 327
Weighted average number of outstanding shares ('000)	194 704	176 394
<b>Earnings per share (USD)</b>	<b>0.20</b>	<b>0.04</b>

#### The number of shares was as follows:

Date		Number of shares issued	Shares outstanding
01.01.2020	Balance at beginning of period	179 781 600	175 661 690
31.12.2020	Balance at end of period	192 781 600	190 958 613

Options granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if they have been vested at the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earning per share. Details relating to the options are set out in note 19.

**Note 9: Payroll expenses**

All figures in USD 1000

GROUP			PARENT	
2020	2019	Combined expenses for salary and other compensation are distributed as follows:	2020	2019
72 522	62 556	Salary and vacation pay	42 462	37 968
18 553	12 846	Other compensation	12 804	9 415
9 520	6 756	Payroll tax	9 007	6 421
-535	-497	Tax grant	-535	-497
6 898	6 396	Defined contribution pension	3 453	3 204
-5 747	-7 776	Capitalized development expenses (hourly costs)	-5 747	-7 776
<b>101 211</b>	<b>80 281</b>	<b>Total</b>	<b>61 444</b>	<b>48 735</b>
831	722	Weighted average number of full time employees	520	461

GROUP			PARENT	
2020	2019	Employees as of December 31, are distributed as follows:	2020	2019
449	391	Norway	449	391
211	188	Finland	0	0
74	51	Poland	0	0
46	39	USA	0	1
32	26	Taiwan	32	26
31	26	Philippines	31	26
15	16	Hong Kong	15	16
17	13	China	17	13
4	4	South Korea	4	4
4	4	Japan	0	0
4	4	Sweden	4	4
3	1	Germany	0	0
2	1	Spain	2	1
2	0	Australia	2	0
1	1	Switzerland	1	1
1	1	UK	1	1
1	1	The Netherlands	1	1
<b>897</b>	<b>767</b>	<b>Total excluding business combination</b>	<b>559</b>	<b>485</b>
14	0	Sweden	0	0
39	0	India	0	0
22	0	UK	0	0
5	0	Taiwan	5	0
<b>80</b>	<b>0</b>	<b>Total from business combinations</b>	<b>5</b>	<b>0</b>
<b>977</b>	<b>767</b>	<b>Total</b>	<b>564</b>	<b>485</b>

**Note 10: Compensation to Group management and Board of Directors**

All figures in USD 1000

<b>Total compensation expensed for Board Members</b>	<b>2020</b>	<b>2019</b>
Birger Steen, Chair	120	104
Inger Berg Ørstavik, Board Member	53	50
Endre Holen, Board Member	50	53
Jan Magnus Frykhammar, Board Member	62	50
Øyvind Birkenes, Board Member	45	45
Annastiina Hintsa, Board Member	37	37
Anita Huun, Board Member	53	40
Tore Valderhaug (Vice Chair until 24.4.19)	0	14
Craig Ochikubo, Board Member (until 24.4.19)	0	4
Jon Helge Nistad, Board Employee Representative (Board remuneration only)	11	11
Asbjørn Sæbø, Board Employee Representative (Board remuneration only)	3	11
Susheel Nuguru, Board Employee Representative (Board remuneration only)	11	11
Morten Dammen, Board Employee Representative (Board remuneration only)	11	9
Joel Stapleton, Board Employee Representative (Board remuneration only)	8	0
Joakim Ferm, former Board Employee Representative (Board remuneration only)	0	3
<b>Total</b>	<b>473</b>	<b>446</b>



Total compensation* expensed during the year for the CEO and other executives:							
2020	Salary	Bonus	Options**	RSU	Other Comp.	Pension expenses	Total
Svenn-Tore Larsen, <i>CEO</i>	412	65	33	57	1	15	584
Pål Elstad, <i>CFO</i>	245	40	21	31	2	15	356
Svein-Egil Nielsen, <i>CTO &amp; Strategy Director</i>	278	33	23	36	2	15	388
Geir Langeland, <i>Sales &amp; Marketing Director</i>	262	42	22	33	2	15	376
Ebbe Rømcke, <i>Quality Director</i>	173	25	12	21	2	15	247
Ole Fredrik Morken, <i>Supply Chain Director***</i>	299	31	21	26	2	15	394
Marianne Frydenlund, <i>Legal Director</i>	152	21	5	19	1	15	213
Ståle Ytterdal, <i>Director IR &amp; Strategic Sales</i>	200	28	10	20	2	15	275
Kjetil Holstad, <i>Director of Product Management</i>	173	23	7	20	2	15	240
Katarina Finneng, <i>HR Director</i>	190	32	5	17	3	15	262
<b>Total</b>	<b>2 385</b>	<b>342</b>	<b>159</b>	<b>279</b>	<b>20</b>	<b>151</b>	<b>3 335</b>
2019	Salary	Bonus	Options**	RSU	Other Comp.	Pension expenses	Total
Svenn-Tore Larsen, <i>CEO</i>	394	65	58	48	2	16	583
Pål Elstad, <i>CFO</i>	240	42	38	30	2	16	368
Svein-Egil Nielsen, <i>CTO &amp; Strategy Director</i>	279	39	40	36	2	16	412
Geir Langeland, <i>Sales &amp; Marketing Director</i>	255	39	39	31	2	16	383
Ebbe Rømcke, <i>Quality Director</i>	168	27	20	20	2	16	253
Ole Fredrik Morken, <i>Supply Chain Director***</i>	314	33	37	25	2	16	427
Marianne Frydenlund, <i>Legal Director</i>	130	22	5	16	2	15	190
Ståle Ytterdal, <i>Director IR &amp; Strategic Sales***</i>	325	6	17	22	3	16	390
Kjetil Holstad, <i>Director of Product Management</i>	142	0	10	18	2	16	188
Katarina Finneng, <i>HR Director (from 1.9.2019)</i>	68	0	0	0	1	5	74
<b>Total</b>	<b>2 315</b>	<b>273</b>	<b>265</b>	<b>246</b>	<b>20</b>	<b>151</b>	<b>3 269</b>

\*Management compensation is paid in NOK. Exchange rate for 2020: 9,41 and 2019: 8,80

\*\*Option cost is the expense of fair value of options based on Black Scholes calculation

\*\*\*Includes expat allowances (housing, school, etc.)

## Executive Compensation 2020

The Board has established a People, Leadership and Compensation Committee to recommend and evaluate remuneration principles and execution for the CEO and to guide and evaluate, principles and strategy for the compensation of Executive Management. Furthermore, the People, Leadership and Compensation Committee evaluates and oversees the overall compensation strategy for the Group and provides deeper Board oversight other people and organization related matters. The CEO's total compensation, and any adjustments, is first reviewed by the Committee and then approved by the Board. The Board considers CEO compensation each year. The compensation of the other members of the Executive Management, including adjustments of these, are agreed between the CEO and the respective manager in the context of an overall compensation plan recommended by the Committee and approved by the Board.

Nordic operates in a highly competitive international technological market. The Board has approved a reward strategy document that sets out the guiding principles of Nordic's remuneration strategy to support the attraction, engagement and retention of the relevant talent.

Nordic's remuneration strategy is based on the principles of aligning remuneration arrangements with our strategic drivers and rewarding executives and employees fairly for their contribution. The Remuneration Strategy is underpinned by Nordic's values of Engagement, Contribution, Knowledge, Respect and Responsibility.

The main principle of the Group's policy for remuneration and compensation is that the members of the Executive Management team shall be offered competitive terms, to attract and retain leaders with the desired competence to the Group's Executive Management team. Compensation shall be split between fixed salary, short-term incentives and long-term incentives. The mix between the short-term and long-term incentives is set to reward the optimal value creation for our shareholders.

The Group has established an annual performance bonus program ("The Plan") for the Executive Management team, in which the executive must remain within his or her position (not resigned) until the start of the following year in order to be eligible. The bonuses are awarded as a direct cash payment. The Plan's targets are set for the entire team to recognize Nordic's culture, collaboration and interdependencies among the existing team members in addition to individual KPIs. Company and team targets are set by the People and Compensation Committee combined with achievement of individual KPIs. Achievement of targets will result in performance pay bonus of 25% of base salary. The performance bonus is capped at 50% of base salary.

In 2015, a long-term incentive plan (LTI) was introduced for the Executive Management team and other employees, structured as a 4-year option plan commencing in 2016. In

2019, an amendment was made to the plan where part of the options granted to executives was replaced by Performance Shares.

For 2020, the Annual General Meeting approved to replace the stock option program with a Restricted Stock Unit (RSU) program for all employees, and a combination of Restricted Stock Units and Performance Shares for Executive Management.

The RSUs vest over 2 years and will be delivered to the employee at the vesting date at par value.

For the Executive Management team of 10 people, 50% of the LTI plan was given as Performance Shares. Executives are granted Performance Shares which are conditional upon the achievement of a certain set of objectives, including revenue growth, EBITDA growth, individual KPIs and Nordic's share price performance relative to the relevant indices.

The Performance Shares vest and will be delivered at par value upon the completion of the performance period, which is three years. Granting of shares is dependent on achievement of at least 80% of the set performance targets. At the threshold, 50% of the shares will be granted, whilst on 120% achievement of targets a maximum 2 times the shares will be granted.

The LTI rewards employees for creating shareholder value over the long term. While the targets for the LTI is set at Group level, the grant size per individual may differ given the performance of the individual. The LTI is subject to an absolute limit and fulfillment of performance criteria, both decided by the Board at its discretion.

Refer to note 19 for details of grants made in 2020.

The Group offers pensions plans to all employees; managers included. In addition, the Group provides managers with other limited benefits in kind such as a company telephone.

The Group's Chief Executive Officer has agreed to a 6-month mutual resignation period, except that the resignation period increases to 12 months in the event that the Group is acquired or merged with another company. The rest of the executive management team has a 3-month resignation period and there are no severance pay agreements.

The guidelines for determination of salary and other compensation for leading employees, as outlined for the Annual General Meeting in 2020, have been complied with.

New guidelines for senior executives will be proposed for the 2021 Annual General meeting and will be made available on the company's website.

The Group has granted executives and employee Board members the following options according to the terms:		
Executives and employee Board members	RSU granted 2020*	Options granted 2019
Svenn-Tore Larsen, CEO	10 621 RSU	38 163 stock options
Pål Elstad, CFO	6 345 RSU	23 163 stock options
Geir Langeland, Sales Director	6 621 RSU	24 767 stock options
Svein-Egil Nielsen, CTO	7 172 RSU	28 144 stock options
Ebbe Rømcke, Quality Director	4 276 RSU	15 761 stock options
Ole Fredrik Morken, Supply Chain Director	5 241 RSU	19 701 stock options
Marianne Frydenlund, Legal Director	4 000 RSU	12 946 stock options
Ståle Ytterdal, Director IR & Strategic Sales	4 414 RSU	17 499 stock options
Kjetil Holstad, Director of Product Management	4 276 RSU	14 072 stock options
Katarina Finneng, HR Director	5 241 RSU	20 000 Stock options
Morten Dammen, Board Employee Representative	2 150 RSU	3 559 stock options
Jon Helge Nistad, Board Employee Representative	600 RSU	2 781 stock options
Susheel Nuguru, Board Employee Representative	600 RSU	2 563 stock options
Asbjørn Sæbø, Board Employee Representative	**	3 452 stock options
Joel Stapleton, Board Employee Representative	2 650 RSU	**

During 2020 the executives exercised the following options:

Executives	Grant year	Number of options exercised	Strike price	Cash payout in USD 1000
Svenn-Tore Larsen, CEO	2017	65 575	35.77	498
Pål Elstad, CFO	2017	43 804	35.77	333
Geir Langeland, Sales Director	2017	43 804	35.77	333
Svein-Egil Nielsen, CTO	2016	43 804	47.72	191
	2017	43 804	35.77	333
Ebbe Rømcke, Quality Director	2016	21 771	47.72	95
	2017	21 771	35.77	165
Ole Fredrik Morken, Supply Chain Director	2016	20 000	47.72	0***
	2017	43 804	35.77	333
Ståle Ytterdal, Director IR & Strategic Sales	2017	17 506	35.77	133
Kjetil Holstad, Director of Product Management	2016	6 069	47.72	34
	2017	5 600	35.77	24

\*The RSU for management vest after three years for management two years for employees

\*\* Not Board Employee Representative for this period

\*\*\* Purchased shares, no cash payout from the company

**Note II: Fixed assets**

All figures in USD 1000

<b>GROUP</b>					
<b>2020</b>	<b>Office and lab equipment</b>	<b>Computer equipment and machinery</b>	<b>Fixture and fittings</b>	<b>Property</b>	<b>Total</b>
Opening balance	25 113	45 386	4 735	333	75 568
Additions	4 881	8 025	814	-	13 721
Addition from business combination	60	58	6	-	124
<b>Acquisition cost as of 31.12</b>	<b>30 055</b>	<b>53 470</b>	<b>5 556</b>	<b>333</b>	<b>89 414</b>
Opening balance	12 957	33 670	2 317	-	48 943
Depreciation expenses	5 768	5 632	787	-	12 188
<b>Accumulated depreciation as of 31.12</b>	<b>18 725</b>	<b>39 302</b>	<b>3 104</b>	<b>-</b>	<b>61 131</b>
<b>Net carrying value as of 31.12</b>	<b>11 330</b>	<b>14 168</b>	<b>2 453</b>	<b>333</b>	<b>28 284</b>

<b>PARENT</b>					
<b>2020</b>	<b>Office and lab equipment</b>	<b>Computer equipment and machinery</b>	<b>Fixture and fittings</b>	<b>Property</b>	<b>Total</b>
Opening balance	16 789	42 311	4 095	333	63 529
Additions	3 775	7 739	699	-	12 213
<b>Acquisition cost as of 31.12</b>	<b>20 565</b>	<b>50 051</b>	<b>4 794</b>	<b>333</b>	<b>75 743</b>
Opening balance	7 477	31 615	2 084	-	41 176
Depreciation expenses	3 554	5 400	653	-	9 607
<b>Accumulated depreciation as of 31.12</b>	<b>11 031</b>	<b>37 014</b>	<b>2 737</b>	<b>-</b>	<b>50 782</b>
<b>Net carrying value as of 31.12</b>	<b>9 533</b>	<b>13 036</b>	<b>2 057</b>	<b>333</b>	<b>24 960</b>

GROUP					
2019	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	14 882	39 425	2 689	333	57 329
Additions	10 231	5 961	2 046	-	18 239
<b>Acquisition cost as of 31.12</b>	<b>25 113</b>	<b>45 386</b>	<b>4 735</b>	<b>333</b>	<b>75 568</b>
Opening balance	8 723	29 236	1 788	-	39 747
Depreciation expenses	4 233	4 434	528	-	9 196
<b>Accumulated depreciation as of 31.12</b>	<b>12 957</b>	<b>33 670</b>	<b>2 317</b>	<b>-</b>	<b>48 943</b>
<b>Net carrying value as of 31.12</b>	<b>12 157</b>	<b>11 717</b>	<b>2 418</b>	<b>333</b>	<b>26 625</b>

PARENT					
2019	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	8 907	36 594	2 269	333	48 103
Additions	7 882	5 717	1 827	-	15 426
<b>Acquisition cost as of 31.12</b>	<b>16 789</b>	<b>42 311</b>	<b>4 095</b>	<b>333</b>	<b>63 529</b>
Opening balance	5 509	27 395	1 668	-	34 573
Depreciation expenses	1 968	4 219	416	-	6 603
<b>Accumulated depreciation as of 31.12</b>	<b>7 447</b>	<b>31 615</b>	<b>2 084</b>	<b>-</b>	<b>41 176</b>
<b>Net carrying value as of 31.12</b>	<b>9 312</b>	<b>10 697</b>	<b>2 012</b>	<b>333</b>	<b>22 354</b>
GROUP AND PARENT					
<b>Estimated useful life</b>	<b>3 – 5 years</b>	<b>3 – 4 years</b>	<b>5 years</b>		
Depreciation method	Straight-line	Straight-line	Straight-line	No Depreciation	

Total depreciation expenses consist of depreciation of fixed assets and depreciation of intangible assets (note 12).

### Non-depreciable property assets:

The Parent company has an apartment in Trondheim for use by employees in the Oslo office while in Trondheim. The apartment is assessed at acquisition cost. The residual value is expected to be at least equal to the book value.

### Scrapped capital assets

All capital assets that are ready to be scrapped have been fully depreciated and have no residual book value.

### Capital assets temporarily out of operation

The Group has no capital assets that are temporary out of operation.

### Impairment

There has been no indications of impairment losses during the year.

### Change in estimate with respect to useful lives and depreciation methods

There has been no basis for changing useful lives and depreciation methods during the year.

**Note 12: Intangible assets**

All figures in USD 1000.

GROUP				
2020	Software and other intangible assets	Capitalized Development expenses	Goodwill	Total
<b>Acquisition cost</b>				
Opening balance	33 231	65 976	-	99 207
Additions	3 121	8 398	-	11 518
Addition from business combination	11 447	-	2 393	13 840
<b>Accumulated cost as of 31.12</b>	<b>47 799</b>	<b>74 373</b>	<b>2 393</b>	<b>124 566</b>
<b>Accumulated depreciation</b>				
Opening balance	21 824	31 986	-	53 810
Depreciation expenses	6 070	7 825	-	13 895
<b>Total accumulated depreciation as of 31.12</b>	<b>27 894</b>	<b>39 811</b>	<b>-</b>	<b>67 705</b>
<b>Net carrying amount</b>	<b>19 905</b>	<b>34 563</b>	<b>2 393</b>	<b>56 861</b>

PARENT				
2020	Software and other intangible assets	Capitalized Development expenses	Goodwill	Total
<b>Acquisition cost</b>				
Opening balance	32 533	65 976	-	98 509
Additions	2 539	8 398	-	10 937
Addition from business combination	11 445	-	249	11 694
<b>Accumulated cost as of 31.12</b>	<b>46 517</b>	<b>74 373</b>	<b>249</b>	<b>121 140</b>
<b>Accumulated depreciation</b>				
Opening balance	21 413	31 985	-	53 399
Depreciation expenses	5 818	7 825	-	13 643
<b>Total accumulated depreciation as of 31.12</b>	<b>27 231</b>	<b>39 811</b>	<b>-</b>	<b>67 042</b>
<b>Net carrying amount</b>	<b>19 286</b>	<b>34 563</b>	<b>249</b>	<b>54 098</b>

GROUP	Non-capitalized R&D expenses:	PARENT
65 242	Personnel expenses	34 968
23 796	Other operating expenses	16 607
<b>89 038</b>	<b>Total cost recognized in income statement</b>	<b>51 575</b>
<b>97 436</b>	<b>Total cost for R&amp;D (incl. capitalized development cost)</b>	<b>59 973</b>

GROUP			
2019	Purchased Software	Capitalized Development expenses	Total
<b>Acquisition cost</b>			
Opening balance	31 368	54 704	86 073
Additions	1 863	11 271	13 134
<b>Accumulated cost as of 31.12</b>	<b>33 231</b>	<b>65 976</b>	<b>99 207</b>
<b>Accumulated depreciation</b>			
Opening balance	16 305	27 018	43 324
Depreciation expenses	5 519	4 967	10 486
<b>Total accumulated depreciation as of 31.12</b>	<b>21 824</b>	<b>31 986</b>	<b>53 810</b>
<b>Net carrying amount</b>	<b>11 407</b>	<b>33 990</b>	<b>45 398</b>

PARENT			
2019	Purchased Software	Capitalized Development expenses	Total
<b>Acquisition cost</b>			
Opening balance	30 727	54 704	85 431
Additions	1 807	11 271	13 078
<b>Accumulated cost as of 31.12</b>	<b>32 533</b>	<b>65 976</b>	<b>98 509</b>
<b>Accumulated depreciation</b>			
Opening balance	16 123	27 018	43 141
Depreciation expenses	5 290	4 967	10 258
<b>Total accumulated depreciation as of 31.12</b>	<b>21 413</b>	<b>31 985</b>	<b>53 399</b>
<b>Net carrying amount</b>	<b>11 120</b>	<b>33 990</b>	<b>45 110</b>

<b>Estimated useful life</b>	<b>3 – 10 years</b>	<b>1 – 5 years</b>	
Depreciation method	Straight-line	Straight-line	

GROUP	Non-capitalized R&D expenses:	PARENT
48 973	Personnel expenses	26 256
24 515	Other operating expenses	16 296
<b>73 487</b>	<b>Total cost recognized in income statement</b>	<b>42 552</b>
<b>84 758</b>	<b>Total cost for R&amp;D (incl. capitalized development cost)</b>	<b>53 823</b>

Expensed research and development activities relate to new technologies and new services and products.

## Impairment

There has been no indications of impairment losses during the year.

## Change in estimate with respect to useful lives and depreciation methods

There has been no basis for changing useful lives and depreciation methods during the year.

**Note 13: Subsidiaries**

All figures in USD 1000

The following subsidiaries have been included in the financial statements:

Subsidiaries consolidated in*	Established Year	Location	Share Ownership	Voting Rights
Nordic Semiconductor Inc	2006	USA	100%	100%
Nordic Semiconductor Poland S.P z o.o.	2013	Poland	100%	100%
Nordic Semiconductor Finland OY	2014	Finland	100%	100%
Nordic Semiconductor Japan KK	2017	Japan	100%	100%
Nordic Semiconductor Germany GmbH	2018	Germany	100%	100%
Nordic Semiconductor Norway AS	2020	Norway	100%	100%
Nordic Semiconductor UK Limited	2020	UK	100%	100%

Subsidiaries as of 31 December 2020*	Ownership	Share of votes	Net profit 2020	Equity 31. Dec 2020
Nordic Semiconductor Inc, USA	100%	100%	217	2 017
Nordic Semiconductor Poland S.p Z o.o.	100%	100%	162	962
Nordic Semiconductor Finland OY	100%	100%	1 977	11 655
Nordic Semiconductor Japan KK	100%	100%	6	97
Nordic Semiconductor Germany GmbH	100%	100%	0	65
Nordic Semiconductor Norway AS	100%	100%	0	111
Nordic Semiconductor UK Limited	100%	100%	0	0

- All intellectual property (IP) is owned by Nordic Semiconductor ASA. Nordic Semiconductor ASA is the ultimate parent company of the Group. All subsidiaries operate as contract research and development centers and invoice Nordic Semiconductor ASA according to the Group's transfer pricing policy.
- Nordic Semiconductor Inc is a market development and product promotion and support company, but in 2016 a small R&D department was also started.
- Nordic Semiconductor Poland Sp. z.o.o. is an extension of the software development team in the parent company.
- Nordic Semiconductor Finland OY is a development company. This R&D team works closely alongside the rest of the R&D teams in the Group.
- Nordic Semiconductor Japan KK is a market development and product promotion and support company,
- Nordic Semiconductor Germany GmbH is a market development and product promotion and support company,
- Nordic Semiconductor Norway AS is the parent company of Nordic Semiconductor UK Limited and the companies acquired as part of the business combination 31.12.2020, see note 24 for more information.
- Nordic Semiconductor UK limited was established in December 2020 and had no activity in 2020. It will have development activities from 2021.

\*In addition to the companies in the table, Nordic Semiconductor ASA acquired 100% of the shares of Imagination Technologies AB and Imagination Technologies Hyderabad Pvt Ltd through Nordic Semiconductor Norway AS 31.12.2020. See not 24 for further information.



**Note 14: Accounts Receivable**

All figures in USD 1000

GROUP			PARENT	
2020	2019		2020	2019
88 034	64 519	Gross receivables	88 034	64 519
0	0	Provision for doubtful accounts	0	0
<b>88 034</b>	<b>64 519</b>	<b>Accounts Receivable, net</b>	<b>88 034</b>	<b>64 519</b>

**Note 15: Intercompany**

All figures in USD 1000

PARENT	2020	2019
Loan to group companies	2 551	-
Receivables group companies	1 070	224
<b>Total</b>	<b>3 621</b>	<b>224</b>
<b>Payables</b>		
Accounts payable, group companies	17 268	10 586
<b>Total</b>	<b>17 268</b>	<b>10 586</b>

PARENT	2020	2019
Service fee for management services	1 025	831
<b>Total revenue intercompany</b>	<b>1 025</b>	<b>831</b>
Service fee for R&D and product promotion	54 394	46 254
<b>Total intercompany expenses</b>	<b>54 394</b>	<b>46 254</b>

**Note 16: Cash and cash equivalents**

All figures in USD 1000

GROUP			PARENT	
2020	2019	Cash and cash equivalents as of the balance sheet date were as follows:	2020	2019
183 644	88 797	Cash at bank	179 712	87 358
4 202	1 847	<i>Restricted cash (withholding tax account)</i>	4 202	1 847
54 701	-	Money market funds	54 701	-
<b>242 547</b>	<b>90 645</b>	<b>Cash and cash equivalents in statement of financial position</b>	<b>238 615</b>	<b>89 205</b>

- Cash at banks earns interest at floating rates based on daily bank deposit rates.
- The parent company presents total bank deposits in the international cash pool, while Nordic Semiconductor OY presents its share of the international cash pool as a receivable from group company. Nordic Semiconductor ASA and Nordic Semiconductor OY participate in the cash-pool, which is operated by Danske Bank.
- Restricted deposits is held by Nordic Semiconductor ASA, and are subject to regulatory restrictions and are therefore not available for general use by the entities within the group.
- Interest on bank deposit is set to floating rates based on daily bank deposit rates.
- For information on liquidity risk, see note 23.

**Note 17: Share capital and shareholder information****Share capital**

The share capital in Nordic Semiconductor as of December 31, 2020 consists of one share class with a total of 192 781 600 shares with a face value of NOK 0.01, with a total share capital of NOK 1 927 816. Each share grants the same rights in the company, and in the event of any increase in capital, existing shareholders have pre-emptive rights for any new shares.

During the year the following changes have been made in the number of shares, share capital and share premium:

GROUP	Number of shares		Share capital (USD 1000)		Treasury shares (USD 1000)		Share premium (USD 1000)	
	2020	2019	2020	2019	2020	2019	2020	2019
Holdings as of 1.1	179 781 600	179 781 600	303	303	-5	-5	113 355	113 355
Issue of share capital	13 000 000	-	14	-	-	-	122 093	-
Change in treasury shares	-	-	-	-	2	0	-	-
<b>Holdings as of 31.12</b>	<b>192 781 600</b>	<b>179 781 600</b>	<b>317</b>	<b>303</b>	<b>-2</b>	<b>-5</b>	<b>235 448</b>	<b>113 355</b>

**Dividend**

No dividend was paid during 2020.

**Treasury shares**

The Company owned 1,822,987 treasury shares on December 31, 2020. At January 1, 2020, the Company owned 4,119,910 treasury shares. Based on a resolution of the annual general meeting of April 21, 2020, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 179,000 through one or more transactions. This authority is limited to 9.96% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2021, and by June 30, 2021 the latest.

**Long-Term Incentive plan**

With reference to the annual general meeting, on April 21, 2020, Nordic Semiconductor approved a Restricted Stock Unit (RSU) program for all employees, and a combination of RSUs and Performance Shares for Executive Management.

See note 19 for further information.

## Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2020 (based on shareholder register):

Shareholder	Shares	Percentage
FOLKETRYGDFONDET	25 152 296	13.0 %
ACCELERATOR LTD	17 482 950	9.1 %
State Street Bank and Trust Comp	17 209 743	8.9 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	3 533 814	1.8 %
DANSKE INVEST NORSKE INSTIT. II.	3 208 861	1.7 %
Morgan Stanley & Co. LLC	2 848 762	1.5 %
PASSESTA AS	2 800 000	1.5 %
JPMorgan Chase Bank, N.A., London	2 640 570	1.4 %
ALDEN AS	2 475 000	1.3 %
Euroclear Bank S.A./N.V.	2 289 697	1.2 %
CLEARSTREAM BANKING S.A.	2 275 719	1.2 %
Morgan Stanley & Co. LLC	2 226 095	1.2 %
VPF DNB AM NORSKE AKSJER	2 099 655	1.1 %
MP PENSJON PK	1 911 696	1.0 %
VERDIPAPIRFONDET DNB NORGE	1 907 576	1.0 %
TTC INVEST AS	1 853 000	1.0 %
State Street Bank and Trust Comp	1 831 217	0.9 %
VERDIPAPIRFONDET KLP AKSJENORGE IN	1 830 589	0.9 %
NORDIC SEMICONDUCTOR ASA	1 822 987	0.9 %
VERDIPAPIRFONDET KLP AKSJENORGE	1 779 459	0.9 %
<b>Total for the 20 largest shareholders</b>	<b>99 179 686</b>	<b>51 %</b>
Other shareholders	93 601 914	49 %
<b>Total shares outstanding</b>	<b>192 781 600</b>	<b>100 %</b>

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 15, 2020 based on data provided by an investor relations advisory service provider\*, and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Nordic VPS share register.

Shareholder	Shares	Percentage
Folketrygdfondet	25 430 896	13.2 %
Accelerator LTD	17 482 950	9.1%
Capital Group	7 609 836	3.9%
Danske Bank Asset Management	6 858 718	3.6%
Invesco	6 802 690	3.5%
Alfred Berg	6 315 564	3.3%
DNB Asset Management	6 126 443	3.2%
Vanguard Group	4 703 245	2.4%
KLP	4 222 815	2.2%
Oberweis Asset Management	3 981 785	2.1%
BlackRock	3 182 775	1.7%
Contour Asset Management	3 074 707	1.6%
Passesta AS	2 800 000	1.5%
Alden AS	2 475 000	1.3%
Storebrand Asset Management	2 221 956	1.2%
BMO Global Asset Management (UK)	2 085 179	1.1%
Skoien AS	2 050 000	1.1%
MP Pensjon	1 911 696	1.0%
TTC Invest AS	1 853 000	1.0%
Nordic Semiconductor ASA	1 822 987	0.9%
<b>Total for the 20 largest shareholders</b>	<b>113 012 242</b>	<b>59%</b>
Other shareholders	79 769 358	41 %
<b>Total shares outstanding</b>	<b>192 781 600</b>	<b>100 %</b>

Shares held by the Board of Directors and Executive Management were as follows as of December 31, 2020:

Board of Directors	Shares	Executive Management	Shares
Birger Steen	181 231	Svenn-Tore Larsen	1 905 400
Inger Berg Ørstavik	3 431	Pål Elstad	8 846
Jan Frykhammar	22 431	Katarina Finneng	0
Anita Huun	11 431	Geir Langeland	177 700
Endre Holen	157 931	Svein-Egil Nielsen	17 000
Øyvind Birkenes	8 773	Ebbe Rømcke	68 900
Annastiina Hintsu	2 431	Ole Fredrik Morken	180 000
Jon Helge Nistad	0	Ståle Ytterdal	244 000
Joel Stapleton	0	Kjetil Holstad	6 604
Susheel Nuguru	0	Marianne Frydenlund	2 000
Morten Dammen	0		
<b>Total</b>	<b>387 659</b>	<b>Total</b>	<b>2 590 450</b>

\*Every reasonable effort has been made to verify the data; however neither Nordic nor the investor relations advisory service provider, can guarantee the accuracy of the analysis.

**Note 18: Pensions****Defined benefit plan**

The pension liability for the group consists of liabilities in Norway and The Philippines. Nordic has set up a pension plan for the Philippine office as of January 2014. The retirement plan is unfunded and of the defined benefit type which provides a retirement benefit calculated based on number of years of credited service. At the end of 2020 the pension liability was USD 204 869.

For the company in Finland pensions are financed by contributions from the insured employees and employers. The Norwegian company in the Group is required to have mandatory employment pension for employees in Norway, according to the Mandatory Employment Pension Act.

The defined benefit plan was closed for new members effective January 1, 2008 and from this point a new defined contribution plan was established. The two different types of pensions are described below:

<b>Defined Pension Plan</b>	<b>2020</b>	<b>2019</b>
Current service cost	0	0
Interest expense	19	27
Expected return on plan assets	-15	-23
Administration fee	2	2
<b>Total pension expense excl. social security tax</b>	<b>5</b>	<b>6</b>
Social security tax	1	1
<b>Total pension expense incl. social security tax</b>	<b>6</b>	<b>7</b>

<b>Net pension obligation for the year was calculated as follows:</b>	<b>2020</b>	<b>2019</b>
Pension obligations	1 174	1 141
Plan assets	961	921
<b>Estimated net pension obligations</b>	<b>213</b>	<b>220</b>
Social security tax	30	31
<b>Total pension expense incl. social security tax</b>	<b>243</b>	<b>251</b>

<b>Total pension liability for the Group</b>	<b>2020</b>	<b>2019</b>
Employees in Norway	243	251
Employees in Philippines	205	59
<b>Total</b>	<b>448</b>	<b>310</b>

**Defined contribution pension plan**

All employees in Norway have a defined contribution pension plan from 01.01.2016. The main benefit is a contribution of 7% of salary up to 7.1 basis points (G) and 18% of salary between 7.1 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 40 years of full employment. In 2020, the cost of the defined contribution pension was USD 3 380 522, and the plan had 469 members.

**Note 19: Long-term incentive plans**

On February 26, 2016, Nordic Semiconductor granted 1,590,000 share options to 320 employees. The options were granted at a strike price of NOK 47.72 (10% above volume weighted average share price the week following Q4 2015 results). If the company's share price exceeds a cap of NOK 143.16, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On February 22, 2017, Nordic Semiconductor granted 1,625,412 share options to 307 employees. The options were granted at a strike price of NOK 35.77 (10% above volume weighted average share price the week following Q4 2016 results). If the company's share price exceeds a cap of NOK 107.31, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. These options reached cap in 2020, and outstanding options were settled in cash.

On February 27, 2018, Nordic Semiconductor granted 1,444,600 share options to 300 employees. The options were granted at a strike price of NOK 47.27 (10% above volume weighted average share price the week following Q4 2017 results). If the company's share price exceeds a cap of NOK 141.81, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On March 15, 2019, Nordic Semiconductor granted 1,752,366 share options to 666 employees. The options were granted at a strike price of NOK 39.44 (10% above volume weighted

average share price the five days prior to the grant date). If the company's share price exceeds a cap of NOK 118.32, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On May 3, 2019, Nordic Semiconductor granted 196,644 share options and 55,814 performance shares to the management group. The options were granted at a strike price of NOK 45.1 (10% above volume weighted average share price the five days prior to the grant date). If the company's share price exceeds a cap of NOK 135.3, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

On April 29, 2020, Nordic Semiconductor granted 754,224 Restricted Stock Units (RSUs) and Performance shares to 775 employees. A share price of NOK 58.4 was used as basis for the calculation of RSUs and Performance Shares, which was the weighted average share price the five trading days after the Annual General Meeting. The RSUs vest after two and three years. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

<b>A summary of share option transactions during 2020 and 2019 is below:</b>	<b>2020</b>	<b>2019</b>
<b>Outstanding options 1.1</b>	<b>5 470 374</b>	<b>4 194 293</b>
Granted	-	1 947 010
Forfeited	53 976	97 060
Exercised	2 850 587	448 545
Expired	17 222	-
<b>Outstanding options 31.12</b>	<b>2 548 589</b>	<b>5 470 374</b>
<i>Of which exercisable</i>	954 923	2 283 646

<b>A summary of RSUs transactions during 2020 and 2019 is below:</b>	<b>2020</b>	<b>2019</b>
<b>Outstanding RSUs 1.1</b>	<b>0</b>	<b>0</b>
Granted	696 017	0
Forfeited	5 400	0
Exercised	0	0
<b>Outstanding RSUs 31.12</b>	<b>690 617</b>	<b>0</b>

A summary of performance shares transactions during 2020 and 2019 is below:	2020	2019
<b>Outstanding performance shares 1.1</b>	<b>55 813</b>	<b>0</b>
Granted	58 207	55 813
Forfeited	-	0
Exercised	-	0
<b>Outstanding performance shares 31.12</b>	<b>114 020</b>	<b>55 813</b>

The fair value of the options, RSUs and performance shares are set on the grant date and expensed over the vesting period. USD 3 123 thousand was expensed during 2020 and USD 1 540 thousand in 2019.

The fair value per RSU and performance share without market condition granted in 2020 was NOK 60.95. The fair value of the performance shares with Relative Total Shareholder Return performance condition granted in 2020 was NOK 84.5457. The valuation is based on a Monte Carlo simulation model with the following assumptions:

#### Share price on the grant date

The closing share price of the company and peer group companies (SOX Index) of NOK 60.95 and USD 1797.76, respectively.

#### Risk-free interest rate

The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2020, i.e. 0.35 % in Norway and 0.23% in the US.

#### Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equaled 45.33% on the date of grant in 2020 for the company and 34.55% for the SOX Index.

#### Expected lifetime

Performance shares vest on the April 29, 2023. Performance end date is December 31, 2022, so as of vesting date the quantity to vest is known. Performance shares expire 3 years from grant date, i.e. 29th of April 2023.

#### Correlation coefficients

Correlation coefficient quantifies the degree to which the companies' share prices jointly react to the news flow. The historic correlation coefficients has been calculated by using daily share price logarithmic returns of peer group companies in local currency.

**Note 20: Current liabilities**

All figures in USD 1000

GROUP			PARENT	
2020	2019		2020	2019
22 812	19 738	Accounts payable	21 059	17 988
-	-	Accounts payable from subsidiaries	17 268	10 586
4 976	3 136	Taxes payable	4 889	2 886
11 398	5 942	Employee benefit obligations	6 417	3 312
277	203	Board members benefit obligations	277	203
8 789	3 761	Social security tax and payroll tax	7 791	3 181
7 633	6 258	Holiday pay	5 019	4 271
16 184	13 881	Ship and debit rebate	16 184	13 881
8 515	6 300	End-customer rebate	8 515	6 300
362	-	Contractual severance payment	-	-
5 520	4 044	Current lease liabilities	3 616	3 142
302	0	Currency swap	302	-
4 446	2 602	Accrued expenses	2 928	2 049
656	93	Other current liabilities	642	93
<b>91 871</b>	<b>65 958</b>	<b>Total Current liabilities</b>	<b>94 908</b>	<b>67 894</b>



## Note 21: Leases

All figures in USD 1000.

The Group is a lessee and has entered into agreements to lease office space, office equipment, machinery and vehicles.

The Group's office leases range between 1 to 7 years, equipment and machinery range between 3 to 5 years and vehicles are leased for less than 3 years.

There are no leases with variable lease payments, other than lease payments linked to a consumer price index. Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective

lessor. Extension options have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The Group also has certain leases of office buildings and office equipment and machinery with lease terms of 12 months or less and leases of office equipment and machinery and vehicles with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

In 2020, there has not occurred any material rent concessions as a direct consequence of the Covid-19 pandemic.

Minimum lease payments payable on leases are presented in note 24 Financial assets and liabilities.

### Amounts recognized in the balance sheet:

The balance sheet shows the following amounts relating to leases:

GROUP			PARENT	
31.12.2020	31.12.2019		31.12.2020	31.12.2019
		Right of use assets		
24 730	23 237	Property	20 255	21 575
362	696	Office equipment and machinery	362	696
<b>25 092</b>	<b>23 934</b>	<b>Total</b>	<b>20 616</b>	<b>22 272</b>

GROUP			PARENT	
31.12.2020	31.12.2019	Lease liabilities	31.12.2020	31.12.2019
		Current		
5 520	4 044	Current	3 616	3 142
21 004	19 886	Non-Current	18 337	19 085
<b>26 523</b>	<b>23 931</b>	<b>Total</b>	<b>21 953</b>	<b>22 227</b>

GROUP			PARENT	
2020	2019		2020	2019
6 042	7 672	Additions to the right-of-use assets	2 197	7 661
-	845	Disposals to the right-of-use assets	-	845

#### Amounts recognized in the statement of profit or loss:

The statement of profit or loss shows the following amounts relating to leases:

GROUP			PARENT	
2020	2019		2020	2019
		<b>Depreciation charge of right-of-use assets</b>		
4 617	3 648	Properties	3 514	2 723
363	205	Office equipment and machinery	363	205
<b>4 980</b>	<b>3 853</b>	<b>Total</b>	<b>3 878</b>	<b>2 928</b>
844	837	Interest expense	768	753
339	470	Expenses relating to short-term leases	169	357
523	199	Expenses relating to leases of low-value	296	94
<b>6 686</b>	<b>5 360</b>	<b>Total amount recognised in profit and loss</b>	<b>5 111</b>	<b>4 132</b>
<b>5 563</b>	<b>4 393</b>	<b>Total cash outflow for leases</b>	<b>4 358</b>	<b>3 420</b>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

GROUP	Cash flow information for lease liabilities	PARENT
<b>23 931</b>	<b>Net liabilities as at 1 January 2020</b>	<b>22 227</b>
-3 414	Cash flows from financing activities incl. foreign exchange adjustment	-2 471
6 006	Acquisitions	2 197
-	Disposals	-
<b>26 523</b>	<b>Net liabilities as at 31 December 2020</b>	<b>21 953</b>

## Note 22: Financial instruments

All figures in USD 1000.

### Capital structure

Nordic Semiconductor's strategy relating to its capital structure is to maintain sufficient cash and cash equivalents to meet the Group's requirements for ongoing operations and for new investments. Management believes that it is especially important to retain a strong credit rating and significant liquidity as the Group competes in a global market against larger companies.

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy

and its operating assumptions. In order to maintain or amend the capital structure, Nordic may purchase its own shares on the market, pay dividends to shareholders, pay back capital to shareholders or issue new shares.

In September, Nordic Semiconductor issued 13 million new shares at a subscription price of NOK 88 per share. The transaction generated gross proceeds of approximately USD 12m.

Nordic Semiconductor targets to have an equity ratio above 50% at all times, measured as total equity divided by total assets.

GROUP			PARENT	
2020	2019		2020	2019
402 492	232 205	Total equity	389 266	221 754
515 814	318 359	Total assets	502 960	309 044
<b>78%</b>	<b>73%</b>	<b>Equity ratio</b>	<b>77%</b>	<b>72%</b>

### Financial assets

The group holds the following financial assets at amortised cost:

GROUP			PARENT	
2020	2019	<i>Amortised cost</i>	2020	2019
88 024	64 519	Accounts receivables	88 034	64 519
4 170	3 190	Other short-term receivables	2 322	2 322
187 846	90 645	Cash and cash equivalents	183 914	83 237
<b>280 050</b>	<b>158 353</b>	<b>Total financial assets at amortised cost</b>	<b>274 270</b>	<b>159 575</b>

GROUP			PARENT	
2020	2019	<i>Fair value through profit or loss</i>	2020	2019
54 701	-	Money market fund	54 701	-
<b>54 701</b>	<b>-</b>	<b>Total financial assets at fair value through profit or loss</b>	<b>54 701</b>	<b>-</b>

Changes in financial assets at fair value through profit or loss:

GROUP			PARENT	
2020	2019		2020	2019
-	-	<b>As at 1 January 2020</b>	-	-
51 809		Acquisition of financial instruments	51 809	
87		Changes in fair value	87	
2 805	-	Currency translation difference	2 805	-
<b>54 701</b>	<b>-</b>	<b>As at 31 December 2020</b>	<b>54 701</b>	<b>-</b>

## Financial liabilities

The group holds the following financial liabilities:

GROUP			PARENT	
2020	2019		2020	2019
		<i>Amortised cost</i>		
22 812	19 738	Accounts payable	21 059	17 988
49 472	35 279	Other current liabilities	57 567	40 696
		<b>Lease Liabilities</b>		
21 004	19 886	Non-current lease liabilities	18 338	19 085
5 520	4 044	Lease Liabilities	3 616	3 142
<b>98 807</b>	<b>78 948</b>	<b>Total financial liabilities at amortised cost</b>	<b>100 580</b>	<b>80 911</b>

GROUP			PARENT	
2020	2019	<i>Fair value through profit or loss</i>	2020	2019
302	-	Currency swap	302	-
<b>302</b>	<b>-</b>	<b>Total financial liabilities through profit or loss</b>	<b>302</b>	<b>-</b>

Changes in financial liabilities at fair value through profit or loss:

GROUP			PARENT	
2020	2019		2020	2019
-	-	As at 1 January 2020	-	-
302	-	Changes in fair value	302	-
<b>302</b>	<b>-</b>	<b>As at 31 December 2020</b>	<b>302</b>	<b>-</b>

### Interest-bearing loans and borrowings:

The Group has long-term revolving credit facilities ("RCF"), which enables it to borrow up to USD 40m and USD 25m at any time with an interest rate equal to LIBOR + margin. The line of credit agreement of USD 40m and USD 25m expires in November 2022. As of December 31, 2020, Nordic has not drawn on any of the credit lines. The security is provided by inventory, receivables and operating equipment with book values as follows; inventories USD 62m, accounts receivable USD 88m and operating equipment USD 23m.

The following financial covenants are included for the revolving credit facilities:

- Equity ratio shall not be lower than 40 %.

In addition to the two RCFs, the Group has a EUR 10m bank overdraft facility with its main bank. This overdraft is not utilized at the end of December. The remainder of the Group's financing is made through short-term, non-interest bearing debt. This financing typically consists of debt to suppliers, the public sector, employees and others. Nordic has entered into a Tenancy Guarantee with Danske Bank as unconditional guarantor for NOK 41m for the office in Trondheim and SEK 0.4m for the office in Stockholm. The first warranty is given to secure payments of up to 24 months of rent for the office in Trondheim.

### Fair value measurement

The financial instruments that are carried at fair value are revalued on a recurring basis. The financial instruments are not designated at fair value through profit or loss on initial recognition.

In 2020, the Group has invested in these financial assets and liabilities using the following methods and assumptions:

- Money market fund is defined as cash equivalents because the asset is liquid and not subject to material fluctuations in value. The asset is measured at quoted market price in an active market at the balance sheet date.
- Currency swap represents the present value of the future contractual cash flows. The fixed side is specified in the swap agreement as the agreed currency rate and the floating side is the observable spot exchange rates.

### Note 23: Financial risk management

All figures in USD 1000.

The Group's finance department is responsible for carrying out the policies and guidelines for financial risk management approved by the Board.

The Group is mainly exposed to counterparty credit risk, liquidity risk, interest rate risk and foreign currency risk.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivables) and from its financing activities, including foreign exchange transactions, cash and cash equivalents with banks and other financial institutions and other financial instruments.

The Group's sale of components takes place through its distribution partners within defined geographic regions, where Asia is the dominant region. The Group depends on a relatively small number of customers. Customer credit risk is managed by each region subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit evaluation and individual credit limits are defined in accordance with this assessment. Outstanding accounts receivables are regularly monitored and assurance from distributors that end customer sales is secured through letter of credits is obtained.

The Group make an allowances for expected credit losses on receivables based on a provision matrix that is initially based on the historical observed default rates. The Group has calibrated the matrix to adjust the historical credit loss experience with forward-looking information.

#### Age distribution of customer receivables was:

GROUP			PARENT	
2019	2019		2020	2019
		Gross total		
74 901	55 052	Not due	74 901	55 052
12 632	6 214	Past due 0-30 days	12 632	6 214
125	1 948	Past due 31-120 days	125	1 948
376	1 304	Over 120 days	376	1 304
<b>88 034</b>	<b>64 519</b>	<b>Total</b>	<b>88 034</b>	<b>64 519</b>

Historically there has not been any significant credit losses. On a forward looking perspective, 85 percent of trade receivables are within terms. On that basis, expected credit loss for trade receivables are limited and allowances for doubtful accounts at 31 December 2020 equal 0.

The Group has a limited number of customers, regular contact and long-term relationships with most of its customer base. Some of the customers are dependent on Nordic Semiconductor to stay in business.

#### Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit and loss.

#### The maximum exposure to credit risk on the balance sheet date was:

GROUP			PARENT	
2020	2019		2020	2019
88 034	64 519	Accounts receivable	88 034	64 519
9 372	11 359	Other short-term receivables	10 062	10 045
<b>97 406</b>	<b>75 878</b>	<b>Total</b>	<b>98 096</b>	<b>74 563</b>

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when due and to close out market positions.

Overall, we monitor cash flows at both Group and entity level. The Group seeks to minimize risk when investing its cash balances and . Investments can only be made in securities which have been approved by the Board.

As of 31 December 2020, cash and cash equivalents amounted to USD 242.5m (USD 90.6m), see note 16 for details. The total balance includes money market fund at fair value USD 54.7m.

The Group has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Group has the following due dates with regard to contracts for financial liabilities as of December 31, 2020:

GROUP	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five year
Accounts payable	22 812	22 812	22 812		
Currency swap	302	302	302		
Other short-term liabilities	63 539	63 539	63 539		
Lease liabilities*	26 523	29 277	6 322	17 092	5 863
<b>Total</b>	<b>113 177</b>	<b>115 930</b>	<b>92 975</b>	<b>17 092</b>	<b>5 863</b>

PARENT	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five year
Accounts payable	21 059	21 059	21 059		
Payable to subsidiaries	4 618	4 618	4 618		
Currency swap	302	302	302		
Other short-term liabilities	65 313	65 313	65 313		
Lease liabilities*	21 953	27 116	4 345	14 362	5 863
<b>Total</b>	<b>113 245</b>	<b>118 408</b>	<b>95 637</b>	<b>14 362</b>	<b>5 863</b>

\*Lease liabilities is mainly office facility rent in Oslo and Trondheim

## Interest rate risk

The Group's liquidity requirements and risk assessment determine its investment strategy and interest rate exposure.

The Group's policy is to maintain a short-term investment horizon for its surplus cash. The investment portfolio should not have an average duration longer than six (6) months.

The Group has long-term revolving credit facilities, which allows it to borrow up to a total of USD 65m at an interest rate of LIBOR + margin. The line of credit agreement of USD 40m and USD 25m expires end of November 2022.

If interest rates increase 1 basis point, the negative effect on profit before tax given current utilization of the RCF is USD 0 per year as the credit facility is not utilized.

## Foreign currency risk

The Group is subject to foreign currency risk as it operates internationally with development and commercial activities.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The dominated functional currency for the Group is USD. Nearly all revenues and cost of goods are in USD, but approximately 50% and 20% of the Group's operating expenses (excluding depreciation and amortisation) and tax cash flows are denominated in NOK and EUR. The Group does not use hedging instruments to minimize its exposure to foreign currency risk from operating activities affecting profit and loss.

Below is a sensitivity analysis of changes in the NOK exchange rate on Group balance sheet items, and their impact on profit and loss:

Profit before tax	
NOK exchange rate +/- 10%	+/- 4 488

The table below shows the Group's exposure in sales to foreign currency risk in the most significant currencies:

GROUP	2020			2019		
	Local currency (1000)	USD (1000)	Share of total revenues in %	Local currency (1000)	USD (1000)	Share of total revenues in %
USD	404 011	404 011	99.7 %	287 124	287 124	99.6 %
EUR	1 061	1 206	0.3 %	1 134	1 271	0.4 %
<b>Total</b>		<b>405 217</b>	<b>100.0 %</b>		<b>288 395</b>	<b>100.0 %</b>

PARENT	2019			2018		
	Local currency (1000)	USD (1000)	Share of total revenues in %	Local currency (1000)	USD (1000)	Share of total revenues in %
USD	404 217	404 217	99.5 %	287 124	287 124	99.3 %
EUR	1 605	1 830	0.5 %	1 730	1 933	0.7 %
Other		194	0.0 %		169	0.1 %
<b>Total</b>		<b>406 242</b>	<b>100.0 %</b>		<b>289 226</b>	<b>100.0 %</b>

The Group uses derivative financial instruments to reduce its exposure to currency exchange rate movements and hold currency swap in relation to fixed income fund investments. Derivatives are not held for speculative purposes.

All derivative financial instruments are recognized as assets and liabilities measured at fair value, and all fair value gains and losses are recognized in profit or loss. Where the fair value of a derivative on initial recognition differs from the transaction price, if any, the difference is recognized immediately in profit or loss only if the fair value is evidenced by a quoted price in an active market or is based on a valuation technique that uses only data from observable markets.

The table below shows the Group's exposure at the end of reporting period in the most significant currencies: All amounts stated in USD 1000.

GROUP	2020		2019	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
USD	87 731	19 898	64 519	15 809
EUR	300	2 007		1 886
NOK		480		1 547
Other		427		497
<b>Total</b>	<b>88 034</b>	<b>22 812</b>	<b>64 519</b>	<b>19 738</b>

PARENT	2020		2019	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
USD	87 731	19 898	64 519	15 809
EUR	300	351		109
NOK		480		1 547
Other		330		523
<b>Total</b>	<b>88 034</b>	<b>21 059</b>	<b>64 519</b>	<b>17 988</b>

## Determination of fair value

As of December 31, 2019 the Group had no financial assets or financial liabilities where there is considered to be a difference between book value and fair value.

Below is an overview of Nordic's financial instruments:

GROUP	2020		2019	
	Book value	Fair market value	Book value	Fair market value
<b>Financial assets</b>				
Accounts receivables	88 034	88 034	64 519	64 519
Short-term receivables	9 372	9 372	3 190	3 190
Cash and cash equivalents	242 547	242 547	90 645	90 645
<i>incl. money market fund</i>	<i>54 701</i>	<i>54 701</i>		
<b>Financial liabilities</b>				
Accounts payable	22 812	22 812	19 738	19 738
Current financial liabilities	302	302	0	0
Other short-term liabilities	49 472	49 472	35 279	35 279

PARENT	2020		2019	
	Book value	Fair market value	Book value	Fair market value
<b>Financial assets</b>				
Accounts receivables	88 034	88 034	64 519	64 519
Short-term receivables	10 062	10 062	2 322	2 322
Cash and cash equivalents	228 024	228 024	83 237	83 237
<i>incl. money market fund</i>	<i>54 701</i>	<i>54 701</i>		
<b>Financial liabilities</b>				
Accounts payable	21 059	21 059	17 988	17 988
Current financial liabilities	302	302	0	0
Other current liabilities	57 265	57 265	40 696	40 696

Book value is a reasonable estimate of fair value in cases where these numbers are identical.



**Note 24: Business combination**

On 31 December 2020, the Group completed the acquisition of Imagination Technologies' Wi-Fi business in UK, Taiwan, India and Sweden. The acquisition included the development team, 81 employees, associated Wi-Fi IP tech assets and 100 % of the shares in Imagination Technologies AB and Imagination Technologies Hyderabad Pvt Ltd.

Our provisional allocation of the purchase price to the identifiable assets and liabilities and goodwill is set out below.

Identifiable intangible assets being transferred to the Group as part of the transaction comprise of Wi-Fi 6, which is still under development, Wi-Fi 5 and Wi-Fi 4. The goodwill arising on this business combination can be attributed to the skills and talent of the in-place work-force and the synergies expected to be achieved from integrating the acquired operations into the Group's existing business.

Provisional fair value of net assets acquired	USD thousand
Software and other intangible assets	11 447
Fixed Assets	125
Other current receivables	397
Accounts payable	(87)
Income taxes payable	151
Public duties	271
Other current liabilities	(1 540)
<b>Net identifiable assets acquired</b>	<b>10 765</b>
Goodwill arising on acquisition	2 393
<b>Consideration</b>	<b>13 158</b>

Satisfied by:	
Cash consideration	14 245
Cash acquired	(1 087)
Total consideration	13 158

The acquisition date was December 31, 2020 meaning the business acquired did not contribute to any profit and loss in Q4-2020. During Q4 2020, we incurred transaction costs of USD 296 254.

Expected economic lifetime of identifiable intangible asset is 5 years for accounting and tax purposes.

Goodwill is acquired through business combination and represent the fair value of know-how from the employee related to the Wi-fi business unit of Imagination Technologies UK Ltd. We have only identified one business unit that the acquired goodwill is allocated to, and that represents the Nordic business as whole.

Goodwill is tested for impairment annually, first in Q3 2021, at the level of the cash generating segment to which it is allocated.

Goodwill is deductive for tax purposes, with 20 % annual rate.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue would have been unchanged and Group profit for the year ended 31 December 2020 would have been reduced by USD 8.4 million. The amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2020, together with the consequential tax effects.

**Cash flows in relation to business combination**

The net cash outflow on the purchase of businesses was as follows:

<b>Cash flows from investing activities (amount in USD thousand)</b>	
Cash consideration	14 245
Cash and cash equivalents acquired	(1 087)
Net cash consideration within investment activities	13 158

**Note 25: Events after the balance sheet date**

There are no events after the balance sheet date with materially affect on the financial statements.

**Note 26: Related party transactions**

Nordic Semiconductor ASA, the ultimate parent company of the Group, is listed on Oslo Stock exchange. The Group has no material transactions with related parties.

The ultimate parent company has transactions with its wholly-owned subsidiaries, see note 15 for further information.



Declaration to  
the Annual Report

# Declaration to the Annual Report


## Responsibility Statement

- The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for 2020 have been prepared in accordance with current accounting standards and give a true and fair view of the Parent company and the Group's assets, liabilities, financial position and results of the operations.
- We also confirm that the report by the Board of Directors provides a fair overview of the parent company and the Group and its development, financial results and position, and describes the Group's key risks and uncertainties.

Oslo, March 16, 2021



**Jan Frykhammar**  
Board member



**Birger Steen**  
Chair



**Anita Huun**  
Board member



**Inger Berg Ørstavik**  
Board member



**Svann-Tore Larsen**  
Chief Executive Officer



**Endre Holen**  
Board member



**Øyvind Birkenes**  
Board member



**Jon Helge Nistad**  
Board member, employee



**Annastiina Hintsa**  
Board member



**Joel Stapelton**  
Board member, employee



**Susheel Raj Nuguru**  
Board member, employee



**Morten Dammen**  
Board member, employee

# Standards of corporate governance

The Board of Directors ("Board") and Management of Nordic Semiconductor ASA ("Nordic" or the "Company") aim to execute their respective tasks in accordance with the highest standards for corporate governance.

Nordic Semiconductor's standards for corporate governance provide a critical foundation for the company's management. These principles must be viewed in conjunction with the company's efforts to constantly promote a sound corporate culture throughout the organization. The company's core values of respect, trust, accountability and equal treatment are central to the Board's and management's efforts to build confidence in the company, both internally and externally. Nordic Semiconductor is a UN Global Compact (UNGC) signatory and is committed to the Ten Principles as set forth by the UNGC in the areas of Human Rights, Labor, Environment and Anti-corruption. Nordic Semiconductor has adopted the Responsible Business Alliance (RBA) Code of Conduct, which specifically focuses on topics relevant for the electronics industry, and promotes this to ensure sustainable business operations and supply chain. Additional information on this work can be read in the annual Environmental, Social, Governance (ESG) report, as published on Nordic Semiconductor's website.

The Board's statement on corporate governance is set out below. It complies with the structure adopted by the Norwegian Corporate Governance Board (NUES). The statement also meets the information requirements set out in Section 3-3b of the Accounting Act and Section 5-8a of the Securities Trading Act.

The Articles of Association do not contain provisions that deviate from Chapter 5 of the Public Limited Liability Companies Act. The information requirements in the Accounting Act are integrated into the statement below where appropriate. This also applies to information about matters related to shareholders.

## Statement of corporate governance

The Company adheres to the NUES and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

The Company's foundational values are described in Nordic's Company Policies, and the procedures and guidelines for ethics and corporate responsibility have been designed based on these policies. The company has a separate annual report on ESG.

*Deviations from the Code of Practice: None*

## Activities

The Articles of Association describe the objective and set clear limits for the company's business.

According to Nordic's Articles of Association, "The objective for which the company is established is the development and sale of electronic components, integrated circuits, design tools and related solutions."

Nordic designs, sells and delivers integrated circuits and related intellectual property for use in short and long-range wireless applications. The company specializes in ultra-low power components, based on its proprietary 2.4 GHz RF, various Bluetooth related standards and emerging standards for cellular IoT communications like NB-IoT and LTE-M. All manufacturing and direct distribution of components are outsourced to specialist subcontractors. The company is headquartered in Trondheim, Norway, and has offices in USA, China, Korea, India, Sweden, UK, Japan, Taiwan, Poland, Finland, Germany and the Philippines.

The Board sets clear objectives for the business with a view to create value for shareholders. The Board leads the company's strategic planning and make decisions that form a basis for the company's executive management to prepare and carry out investments to drive future growth. Strategic plans are evaluated on an ongoing basis, with a Board strategy review being conducted annually in an off-site multi-day meeting. New and updated long-term objectives, strategies and risk profiles are agreed on towards the end of the year, or in connection with major events.

The objectives include matters that relate to human rights, employee rights and social matters, the prevention of corruption, the working environment equal treatment, discrimination and environmental impact; see the separate ESG report. The objectives are revised and adopted annually. Objectives for the coming year are revised and determined annually towards the end of the current year.

*Deviations from the Code of Practice: None*

## Equity and dividends

The Board of Directors ensures that the company has a capital structure that is appropriate to the Company's objectives, strategy and risk profile. The Company's growth philosophy, as well as the cyclical nature of its business, means that the Company will aim to maintain a high equity ratio and considerable liquidity. The Company aims primarily to provide shareholders with returns in the form of appreciation of the shares and has a long-term goal to pay dividends based on surplus cash generated by the company, while taking longer term growth targets into consideration. The company's dividend policy is reviewed each year by the Board of Directors. The Annual General Meeting can mandate the Board the authorization to pay dividends based on the latest approved Annual Report. The justification for this authorization needs to be explained and should reflect the Company's dividend policy.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held April 21, 2020 has been authorized to buy back up to 17,900,000 own shares for a total par value of NOK 179,000.00 in one or more transactions. The authorization is limited to 10 percent of the Company's share capital, and the price per share which the Company may pay for shares acquired in this manner shall not be less than the par value nor greater than NOK 200. This power of attorney will remain in effect until the company's ordinary Annual General Meeting in 2021. The Board believes that it is expedient for the Board to be authorized to purchase own shares, partly to fulfil the remuneration schemes for employees, and partly so that shares can be used as a consideration in connection with the acquisition of businesses or for subsequent sale or cancellation. Such authorization must be decided by the General Meeting and will apply until 30 June the following year.

In accordance with the decision passed at the general meeting held April 21, 2020, the Board of Directors has the authority to increase the company's share capital by issuing up to 17,900,000 shares with a total par value of NOK 179,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including strengthening the Company's shareholder's equity, to execute share capital increases with one or more strategic partners, or to complete a merger or acquisition using shares or cash. This power of attorney will remain in effect until the Company's Annual General Meeting in 2021, and can be implemented through a private placement, rights issue or public offering.

Nordic Semiconductor has one class of shares, where each share has one vote at the Company's shareholders' meeting. Nordic Semiconductor strictly adheres to the principle of equal treatment of all shareholders. The Company's transactions in its own shares are conducted in accordance with good stock exchange practice in Norway.

If the Board wishes to quickly raise capital, the Board has been authorized to direct a share capital increase to selected investors chosen by the Board, up to the limits quantified above. In this event, the Company will notify the stock exchange of its reasons for implementing a directed share placement. Existing shareholders' preemptive subscription rights under §10-4 in the Norwegian Companies Act can be waived under these circumstances.

Such capital increases shall be executed at or near the current stock price listed on the Oslo Stock Exchange. This authorization remains valid until the Company's ordinary annual general meeting in 2020

*Deviations from the Code of Practice: None.*

## Equal treatment of shareholders and transactions with close associates

The Company is generally cautious in regard to transactions with shareholders, members of the Board of Directors, senior employees or related parties to the above. To ensure that the best code of conduct applies, the Board requires notification and review of any process or transaction in which both the company and a senior employee or member of the Board of Directors may have interests. Nordic Semiconductor will seek to comply with the principles of equal treatment of related parties and possible transactions with related parties that are laid down in the Norwegian Code of Practice for Corporate Governance.

The Company considers Shareholders' preemption rights in connection with an increase in share capital to be an important and fundamental right in a healthy shareholder community, and the preemption right can only be waived in exceptional circumstances. Waiving of this right will be based on the Company's and shareholders' mutual interests. In such case, there will be full transparency about the matter, and the shareholders will receive identical information simultaneously through a stock exchange announcement and subsequently on the Company's website.

This also applies if the Board utilizes the authorizations it has been granted.

The Company's transactions in own shares must always comply with the arm's length principle and be on ordinary market terms.

*Deviations from the Code of Practice: None.*

## Freely negotiable shares

Nordic Semiconductor's shares are freely tradable and there are no restrictions on the sale and purchase of the Company's shares beyond those pursuant to Norwegian law.

Each share carries one vote.

*Deviations from the Code of Practice: None.*

## General Meeting

The Annual General Meeting is the company's highest body and the shareholders exert their authority in the company through the Annual General Meeting. Nordic Semiconductor and the Board encourages all shareholders to participate and exercise their rights at the Annual General Meeting.

The Board of Directors should ensure that the Annual General Meeting is held in accordance with the Norwegian Code of Practice for Corporate Governance ensuring all shareholders the ability to participate. The notice of the Annual General Meeting, including relevant information shall be announced and distributed at least 21 days in advance of the Annual General Meeting, and the final date for notification of attendance is one working day prior to the Annual General Meeting. The Board of Directors should further ensure that:

- The resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting
- Any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible
- The Chair of the Board of Directors and the Chair of the Nomination Committee are present at the general meeting. In addition, the Chair of the Audit Committee and the Compensation Committee should attend the meeting
- The general meeting is able to elect an independent Chair for the general meeting. In 2020 and in 2021 the Annual General Meeting was held as a video conference and all shareholders were given the opportunity to both view and participate in the meeting.

Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The Company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

*Deviations from the Code of Practice: None.*

## Nomination Committee

Nordic Semiconductor has a Nomination Committee, as provided for in the Articles of Association. The Annual General Meeting stipulate guidelines for the duties of the nomination committee, elect the chair and members, and stipulates the committee's remuneration.

The Nomination Committee's duties are to represent the interests of the shareholders in general, and to propose qualified candidates for the Annual General Meeting's election of the Board of Directors as well as to propose the remuneration to the Board of Directors.

The Nomination Committee should justify why it is proposing each candidate in the notice for the AGM separately, including information on the candidates' competence, capacity and independence.

The nomination committee holds regular meetings with major shareholders as well as management and individual shareholder elected Board members. In addition, all shareholders can submit suggestions to the nomination committee through a link on Nordic's webpage.

The Nomination Committee consists of three members who are shareholders or who represent the shareholders. The Company's executive personnel are not represented on the Nomination Committee. The deadline for submitting proposals to the Nomination Committee is one month before the Annual General Meeting.

The members of the Nomination Committee are:

- John Harald Henriksen (Chair)
- Viggo Leisner
- Eivind Lotsberg

*Deviations from the Code of Practice: None.*

## The composition and independence of the Board of Directors

Norwegian companies can be governed by either a one-tier or a two-tier board structure, consisting of a board of directors and, in a two-tier structure, a corporate assembly.

Any company with more than 200 employees is generally required to have a corporate assembly, with two-thirds of the members elected by shareholders and one-third elected by the company's employees. If a company agrees with its employees not to have a corporate assembly, employees have the right to appoint additional representatives to the board of directors. The company has agreed with its employees to not have a corporate assembly and thereby

increased the numbers of employees elected Board members. In 2020, the Board consisted of 7 shareholder elected Board Members and 3 employee elected Board Members.

The Norwegian Code of Practice for Corporate Governance recommends that a majority of shareholder-elected directors are independent of the Company and its executive management and that no members of executive management serve as directors.

Furthermore, the Norwegian Public Companies Act prohibits the CEO from serving as chair and requires that public companies have boards of directors consisting of at least 40% women.

The Board of Directors and the Chair of the Board of Directors are elected by the shareholders at the Annual General Meeting on the basis of proposals from the Nomination Committee.

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business contacts. No executive personnel or representatives of business associates are members of the Board. At least 40% of the shareholder elected Board Members are female (in 2020 three out of seven or 43%).

The shareholder-elected Board members are elected, in accordance with the Articles of Association, for one year at a time. The employee representatives are elected for two years at a time.

A more detailed description of the background, qualifications, and term of service of each member of the Board of Directors and the number of Nordic Semiconductor shares they own are provided in the annual report and on the Company's webpage.

Members of the Board are encouraged to hold shares in the company.

*Deviations from the Code of Practice: None.*

## The work of the Board of Directors

The conduct of the Board of Directors is in accordance with the Board instructions of Nordic Semiconductor ASA. In accordance with the said instructions, the

Board is responsible, to the degree necessary, for approving business strategies and budgets for the company. The Board is also responsible for ensuring that the company has competent executive management with clear internal distribution of responsibility and work.

Each year, the Board of Directors adopts a specific meeting and activity plan for the following year. This plan covers strategic planning, monitoring of the business, and other relevant business issues. The Board's activity plan for 2021 stipulates eight meetings, two of which are scheduled as all day or multi-day meetings to discuss and explore strategy and technology-specific issues.

During 2020, the Board held 8 ordinary Board Meetings and 5 extraordinary meetings. As a result of the pandemic, all meetings except one were conducted online. All Board Members attended all meetings.

The Board of Directors carries out an evaluation of its activities each year and on this basis discusses improvements in the organization and implementation of its work.

The Board has established two board committees comprising Board members – the Compensation Committee and the Audit Committee. The committees' mandates are based on a group perspective. The board committees do not have decision-making power but are charged with making proper preparations for board meetings in the matters with which they are concerned. In the Board's experience, the work of board committees makes the overall Board more effective and efficient and has allowed for deeper and stronger involvement in the business's challenges and initiatives.

The Board has established a People and Compensation Committee to recommend and evaluate remuneration principles and execution for the CEO, to guide and evaluate, principles and strategy for the compensation of executive management and to evaluate and oversee the overall compensation strategy for the company. The committee consists of four members and have had 5 meetings in 2020.

The People and Compensation committee consist of the following Board Members:

- Endre Holen (Chair)
- Birger K. Steen
- Jon Helge Nistad

The members of the People and Compensation Committee are selected to ensure that the compensation programs are fair and appropriate, but also reflect the challenges related to attracting and



retaining key talent in a global technology market for engineers. Therefore, the committee both consists of an employee elected Board Member and two shareholder elected Board Members with extensive experience from the global technology space.

All members participated in all meetings.

The Audit Committee consists of three members of the Board. The Committee collectively has the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and at least one member has the required qualifications within accounting or auditing. The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings.

The Audit Committee held 6 meetings in 2020 and has been in regular contact with the Company's auditor regarding audits of the statutory accounts and it also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

The Audit Committee consists of the following Board Members:

- Jan Frykhammar (Chair)
- Inger Berg Ørstavik
- Anita Huun

The members of the of the Audit Committee have extensive experience to be able to properly oversee the Company's accounting, financial reporting, and internal and external audits; and general adherence to principles of good corporate governance.

One of the members has extensive experience from the CFO role in a global technology company, one member has experience from both investment banking and the CFO role and the final member has experience as a professor in Law.

All members participated in all meetings.

*Deviations from the Code of Practice: None.*

## Risk Management and internal control

The Board and Management are committed to ensure that the company maintains sound and effective internal controls to safeguard the value of the enterprise, as well as its principles of ethical conduct and corporate social responsibility. Nordic Semiconductor's risk management system is fundamental to the achievement of its financial goals.

The Board complies with NUES's recommendations in its work on risk management and internal control. The Company's most important risk areas and the internal control system are continuously reviewed.

The Company's primary internal control routines related to financial reporting are as follows: The finance team prepares a monthly financial report which is distributed to and reviewed by CEO and the Board of Directors. In preparing the monthly financial report, the accounting team conducts reconciliations of all major balance sheet items, which are independently reviewed by a second member of the team. Balance sheet items subject to accounting estimates are regularly analyzed to ensure that all assumptions relating to the accounting estimate remain valid. As part of the monthly financial report, the financial results are compared with the company's budget and prior forecast to analyze variances and ensure that they are not the result of incorrect reporting.

Each year, the external auditor performs tests of the company's internal control routines. The quarterly and annual financial reports are also subject to review and approval by the Board. In addition, the Board of Directors performs annual review of the company's business strategy focusing on market development, technology updates, competitive positioning and risk factors. In addition, the Board reviews various aspects of the company's business throughout the year, including performing a half yearly detailed risk review.

The Board presents an in-depth description and analysis of the company's financial status in the report of the Board of Directors in the company's annual report. The report also describes the main drivers and risks related to the operation of the business.

*Deviations from the Code of Practice: None.*

## Remuneration to the Board of Directors

Remuneration to the Board of Directors is decided by the Annual General Meeting based in the Nomination Committees recommendation. All remuneration to the Board of Directors is disclosed in Note 10 of the Nordic Semiconductor Group annual accounts. The remuneration to Board members is not performance based or linked to the company's performance, and the company does not provide share options to Board members. Members of the Board of Directors receives remuneration for work related to Board committees.

*Deviations from the Code of Practice: None.*

## Remuneration to the Executive Management

Board of Directors discusses and approves the terms and conditions for the CEO once a year and reviews and monitors the general terms and conditions for other senior employees of the group.

The main principle in the Company's policy for remuneration and compensation is that the leading employees shall be offered competitive terms, so as to ensure the Company continues to attract and retain the desired and necessary talent. Compensation for executive management is established in accordance with the above-mentioned main principle.

The Company has established an annual performance bonus for the executive management team, for which the employee must remain within his position until the start of the following year to be eligible. The bonuses are awarded through a direct cash payment and, when appropriate, long-term incentives in the form of restricted shares and/or stock options. Performance-based compensation is subject to absolute payout limits and fulfillment of performance criteria, both decided by the Board at its discretion.

*Deviations from the Code of Practice: None.*

## Information and Communications

The Board of Directors has established a communications strategy for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The strategy has been published on the Company's investor relations web pages ([www.nordicsemi.com/About-us/Investor-Relations](http://www.nordicsemi.com/About-us/Investor-Relations)).

Nordic Semiconductor aims to communicate actively, openly and in a timely fashion with the financial market. The Company's accounting procedures are highly transparent and its financial statements are prepared and presented in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors monitors the company's reporting.

Nordic Semiconductor's financial reporting calendar for 2021 has been announced to the Oslo Stock Exchange and can be found on the company's website. The company's annual and quarterly reports contain extensive information about the various aspects of the company's activities. The Company's quarterly presentations are transmitted directly on the internet and may be found on Nordic Semiconductor's investor relations webpages together with the quarterly and annual reports and a comprehensive and detailed presentation of other information, reports and documents.

Nordic Semiconductor's Chief Financial Officer is responsible for contact with shareholders outside of the General Meeting. In addition the Investor Relations Director has extensive contact with shareholders. The Chief Financial Officer and Investor Relations Director

reports regularly to the Board about the Company's investor relations activities.

*Deviations from the Code of Practice: None.*

## Takeovers

The Board of Directors have established guiding principles for how it will act in the event of a takeover bid.

The Board of Directors will not seek to hinder or obstruct any takeover bid for the Company's activities or shares. In the event of a takeover bid, as discussed in item 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will seek to comply with the recommendations therein as well as complying with relevant legislation and regulations.

If the Company is acquired, the CEO's resignation period extends to 12 months, and any remaining retention bonus to the CEO will be paid in its entirety following the closing of the acquisition, as described in Note 10 of the Group financial statements. There are otherwise no material obligations expected by the Company as a result of an acquisition, aside from normal legal and advisory fees.

*Deviations from the Code of Practice: None.*

## Auditor

PWC was elected effective 2019 by the Annual General Meeting to act as auditor to confirm to the Annual General Meeting that Nordic Semiconductor's annual accounts have been prepared and presented in accordance with current laws and regulations. Fees paid to the auditor are approved at the Annual General Meeting.

In the fall, the external auditor presents to the Audit Committee an evaluation of risk, internal control and the quality of reporting at Nordic Semiconductor, and the audit plan for the current year. In addition, the auditor meets the Audit Committee on a regular basis. The external auditor also takes part in the Board's discussions on the annual financial statements. On both occasions, the Board of Directors ensures that the Board and the external auditor are able to discuss relevant matters at a meeting at which the executive management is not present.

The auditor shall be independent of the company. Therefore, Nordic Semiconductor does not engage the elected auditor for tasks other than the financial audit required by law. Nevertheless, the auditor is used for tasks that are naturally related to the audit, such as technical assistance with tax returns, annual accounts, understanding of accounting and tax rules and confirmation of financial information in various contexts. All other services than audit services performed by PWC are approved by the Audit Committee.

*Deviations from the Code of Practice: None.*

# Auditor Opinion Letter



To the General Meeting of Nordic Semiconductor ASA

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

---

#### *Opinion*

We have audited the financial statements of Nordic Semiconductor ASA, which comprise:

- The financial statements of the parent company Nordic Semiconductor ASA (the Company), which comprise the statement of financial position as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Nordic Semiconductor ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

---

#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

*PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo  
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no  
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and  
authorised accounting firm*

## Independent Auditor's Report - Nordic Semiconductor ASA



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. Revenue recognition has the same characteristics and risks this year as the previous year and consequently have been an area of focus also for the 2020 audit

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

#### *Revenue Recognition – ship and debit provision*

Revenue from contracts with customers is recognized when control of the goods is transferred to the customer (distributor). The time of delivery, and the time where control of goods is transferred, is usually the time when the goods are transferred to the transport carrier.

When a distributor sells components to specified customer accounts, the distributor will receive an additional discount after the sale is made, commonly known as a “Ship and Debit” discount. The group uses the expected value method for calculating the discount. The method requires assessing historical discounts to each distributor, the distributors’ inventory level as of 31 December 2020 and expected sales mix. An estimate for this discount is provided for in the financial statements, reducing revenue and increasing liabilities with 16,2 million USD as of 31 December 2020. Due to the judgements involved, we determine the ship and debit provision to be a key audit matter.

Refer to note 2.2, note 2.5 and note 3.3 where group management explain the Group’s revenue recognition policy, including significant judgements, estimates and assumptions, and the recorded ship and debit provision as of 31 December 2020.

We assessed the Group’s revenue recognition policy, including revenue recognition for ship and debit sales. Furthermore, we obtained an understanding of management’s process for estimating the ship and debit provision as of 31 December 2020 and reviewed a sample of distributor sales agreements.

We performed a retrospective review of the monthly ship and debit provisions throughout 2020 and compared the monthly discount provision levels to actual ship and debit discount levels. We compared the estimated ship and debit provision as of 31 December 2020 to historical discount levels and discussed with management to challenge their estimated distributor discounts on an individual distributor basis. We performed an assessment of the outcome of management’s prior year estimates by comparing actual discounts in 2020 to the prior year ship and debit provision. We tested the mathematical accuracy of the calculation of the provision.

We also obtained the actual ship and debit claims in January 2021 and compared the ship and debit level to the ship and debit provision as of 31 December 2020.

Based on our audit procedures we found management’s assumptions to be reasonable.

We also assessed the information in note 2.2, note 2.5 and note 3.3 and found it appropriate.

## Independent Auditor's Report - Nordic Semiconductor ASA




---

*Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

---

*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

---

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

(3)

## Independent Auditor's Report - Nordic Semiconductor ASA



resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report - Nordic Semiconductor ASA



## *Report on Other Legal and Regulatory Requirements*

---

### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

---

### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2021  
**PricewaterhouseCoopers AS**

Eivind Nilsen  
State Authorised Public Accountant

(This document is signed electronically)



# Board of Directors & Executive Management



# Board of Directors

## Birger Steen | Chair

Chair of the Board since 2018 and board member since 2017



Birger Steen is a technology investor based in Munich, Germany and serves as Principal at Summa Equity AB. He served as CEO of Parallels, Inc. from 2010 to 2016. He was Vice President of Worldwide SMB and Distribution at Microsoft Corp. in Redmond and General Manager of Microsoft Russia and Microsoft Norway from 2002 to 2010. Prior to joining Microsoft, Mr. Steen was CEO of Scandinavia Online and Vice President of Business Development in Schibsted ASA, where he first served as a consultant while at McKinsey & Company from 1993 to 1996. Mr. Steen received his MSc in Computer Science and Industrial Engineering from the Norwegian Institute of Technology in Trondheim. He also holds a degree in Russian language from the Defense School of Intelligence and Security in Oslo and received his MBA from INSEAD in France. Mr. Steen has served as a Non-Executive Director of Schibsted ASA since 2014, Nordea Bank AB since 2015, where he chairs the Board Operations and Sustainability Committee, and at Cognite AS and Pagero AB since 2019. He is the founder and Chair of the Nordic Innovation Summit in Seattle and Chair of the Advisory Board at Digital Norway.

Current holdings in the company: 181 231 shares.

## Inger Berg Ørstavik | Board Member

Board member since 2017



Inger Berg Ørstavik is a professor at the Department of Private Law, University of Oslo. She has previously been a partner with Advokatfirmaet Schjødt AS and a lawyer at the office of the Attorney General for Civil Affairs. Mrs. Ørstavik has a law degree from the University of Oslo, a LL.M. from Ruprecht-Karls-Universität in Heidelberg, Germany, and a Ph.D. from the University of Oslo in the areas of intellectual property law and competition law. She has taught international human rights law at Fudan University in Shanghai, China where she resided from 2005 to 2009. Mrs. Ørstavik has experience as a member of the Board of Directors in several listed companies.

Current holdings in the company: 3 431 shares.

## Jan Frykhammar | Board Member

Board member since 2019



Jan Frykhammar is former interim CEO, CFO, Head of Professional Services and CFO North America in Ericsson AB. He has extensive knowledge of the telecom market and a broad experience in the accounting area in his former role as CFO.

Current holdings in the company: 22 431 shares.



### Anita Huun | Board Member

Board member since 2019

Anita Huun, currently CFO in Cappelen Damm and a former CFO of Microsoft Norway with background as equity analyst with focus on IT companies. She has also been a Director at Link Mobility ASA.

Current holdings in the company: 11 431 shares.



### Endre Holen | Board Member

Board member since 2019

Endre Holen has more than 25 years consultancy experience from McKinsey & Co. He has primarily worked with large international technology companies and has been Managing Partner for McKinsey's Global Tech Media and Telecom team. Mr. Holen also has a broad experience and a wide professional network from counseling Fortune 1000 CEOs on topics like strategy, corporate performance, succession planning, leadership and Board governance.

Current holdings in the company: 153 061 shares.



### Øyvind Birkenes | Board Member

Board member since 2019

Øyvind Birkenes, currently the CEO at Airthings AS, and formerly General Manager for Low Power RF at Texas Instruments (TI) in the USA, where he headed the product lines that developed and sold ultra-low power wireless MCUs, radio transceivers and System on Chips.

Current holdings in the company: 8 773 shares.



### Annastiina Hintsa | Board Member

Board member since 2019

Annastiina Hintsa is the COO of Hintsa Performance in Finland, a company focusing on enhancing the performance and leadership of client companies, best known for working with Formula 1 teams. Ms. Hintsa also has experience from McKinsey & Co. and from the Bank of Finland.

Current holdings in the company: 2 431 shares.

# Employee Representatives



## Jon Helge Nistad | Board Employee Representative

Board member since 2017

Jon Helge Nistad has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. Jon Helge has been employed in Nordic Semiconductor since 2006, where he has gained experience in application development, embedded software design and project management. He is currently working as a Senior R&D engineer in Nordic Semiconductor.

Current holdings in the company: 0 shares, 2 854 share options and 600 RSUs.



## Joel Stapelton | Board Employee Representative

Board member since 2020

Joel Stapleton is an Engineer, graduating with honors from The Australian National University in 2002. He joined Nordic in 2008 after working with GPS systems and secure communication systems in Australia. At Nordic, Joel has had several roles as an embedded SW Engineer, SW Architect, and since 2012, as a Technical Product Manager specifying Wireless SoC and Bluetooth SW platform products working with Nordic Sales and R&D teams and key customers.

Current holdings in the company: 0 shares, 3 889 shares options and 2 650 RSUs.



## Susheel Ray Nuguru | Board Employee Representative

Board member since 2018

Susheel Raj Nuguru has a Master of Science in Electronics from Tampere University of Technology. He has been with Nordic since 2012 but has been working with embedded programming since 2004. His area of focus is the software side of real time systems. Susheel is currently employed as a Technical Support senior engineer at Nordic. During his employment with Nordic he has gained experience within sales, marketing and R&D while working for various departments.

Current holdings in the company: 0 shares, 1 709 share options and 600 RSUs.



## Morten Dammen | Board Employee Representative

Board member since 2019

Morten Dammen has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. Morten has been employed in Nordic Semiconductor since 2001, with a seven-year break between 2007 and 2014. Morten is currently working as a Senior Project Manager in IC development. Morten has also been working in Q-Free ASA for 10 years, in several positions from project management, team management to VP R&D.

Current holdings in the company: 0 shares, 4 073 share options and 2 150 RSUs.

# Executive Management



## Svenn-Tore Larsen | Chief Executive Officer

Mr. Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor. Larsen was member of the Board of Nordic Semiconductor from 2000-2002.

Holdings in the company: 1 905 400 shares, 46 109 share options, 10 621 RSUs and 24 057 performance shares.



## Pål Elstad | Chief Financial Officer

Pål Elstad has held several senior financial positions, most recently as investor relations responsible for REC Silicon ASA and Head of Finance for REC Solar in Singapore. In addition, he has extensive manufacturing and supply-chain experience from General Electric Healthcare. Mr. Elstad holds a Bachelor of Economics degree from the Norwegian Business School (BI) and is a State Authorized Public Accountant (CPA).

Holdings in the company: 18 846 shares, 29 761 share options, 6 345 RSUs and 12 747 performance shares.



## Katarina Finneng | Human Resources Director

Mrs. Finneng has extensive international experience within management, Human Resources and Communications/PR from several different sectors. Her most recent position before being appointed HR Director in Nordic Semiconductor from September 2019 was with Norwegian Air Shuttle ASA. Katarina Finneng holds a Master of Political Science degree from the University of Gothenburg, Sweden, as well as an Executive Master degree in Management from BI Norwegian Business School. Mrs. Finneng is a Director of the Board in the real estate development company Solon Eiendom ASA.

Holdings in the company: 0 shares, 13 334 share options, 5 241 RSUs and 5 241 performance shares.



## Marianne Frydenlund | Legal Director

Mrs. Frydenlund holds a law degree from the University of Oslo and North Dakota. She started her career in 2007 as a Warranty Responsible in StatoilHydro (Equinor), before taking on various Legal Counsel and Contract Manager positions. Her experience includes working for Huawei Technologies, Aker Engineering & Technologies (Aker Solutions) and Nexans Norway. Marianne sits on the Board of the Norwegian Company Lawyers Association and is on the committee for the annual winter seminar for Industrijuristgruppen/Industry Lawyer Association. Mrs. Frydenlund was appointed Legal Director at Nordic Semiconductor in February 2018, and also acts as Secretary to the Board of Directors.

Holdings in the company: 2 200 shares, 10 298 share options, 4 000 RSUs and 7 506 performance shares.



### Kjetil Holstad | Director of Product Management

Mr. Holstad has a B.Sc degree in Electronics from Høgskolen i Sør-Trøndelag. After working 15 years in various technical and marketing positions related to MCUs and wireless technologies in Atmel Corporation and Texas Instruments, he joined Nordic in 2015 as a Product Manager for the short range wireless business. In 2019 Kjetil was appointed Director of Product Management.

Holdings in the company: 6 604 shares, 12 714 share options, 4 276 RSUs and 8 087 performance shares.



### Geir Langeland | Sales and Marketing Director

Mr. Langeland has a B.eng Honours degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He was appointed Product Manager Standard Components at Nordic Semiconductor in October 1999, before being appointed to Director Sales and Marketing September 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/Applications Engineer in Memec Norway, a leading global electronic components distribution company.

Holdings in the company: 187 700 shares, 30 511 share options, 6 621 RSUs and 13 328 performance shares.



### Ole-Fredrik Morken | Supply Chain Director

Mr. Morken joined the company as an Analog IC designer in 1994 and has since held numerous positions related to Project- and Supply Chain Management, including a brief employment for SensoNor ASA in 1999. He was appointed Supply Chain Director in 2010 and is currently based in Taipei. Mr. Morken holds a Master's degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU).

Holdings in the company: 180 000 shares, 27 134 share options, 5 241 RSUs and 10 576 performance shares.

### Svein-Egil Nielsen | Chief Technology Officer & Director of Strategy



Mr. Nielsen holds MBA from the Haas School of Business at the University of California, Berkeley and Bachelor of Engineering honors degree in Computer and Electronics Systems from University of Strathclyde. He joined Nordic in 2001 as Director of Sales and Marketing. He also held a position as R&D director from 2005 to 2006 and Director of Emerging Technologies and Strategic Partnerships from 2010 to 2012. Additionally, he served Innovation Norway as their Director of San Francisco and Houston offices where he was in charge of promoting Norwegian technology from 2007 to 2010. Prior to Nordic, he worked for Boston Consulting Group as a consultant.

Holdings in the company: 17 000 shares, 32 763 share options, 7 172 RSUs and 14 794 performance shares.

### Ebbe Rømcke | Quality Director



Mr. Rømcke has a M.Sc. degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). He was appointed Quality Director of Nordic Semiconductor in 2002. Prior to this Mr. Rømcke worked eight years in the company as Digital Designer, Project Manager and Group Manager. He has also experience from Digital Design and Project Management in Normarc AS (now Park Air Systems), a leading manufacturer of aviation systems.

Holdings in the company: 68 900 shares, 17 507 share options, 4 276 RSUs and 8 544 performance shares.

### Ståle "Steel" Ytterdal | Director Investor Relations



Mr. Ytterdal holds a Bachelor of Electronics Engineering and Business Administration from NKI College of Engineering in Oslo, Norway. He worked several years in Ericsson Standard Component before starting in Nordic as Regional Sales Manager for Asia and the Pacific in 2001. Between 2004 and 2019, Mr. Ytterdal was stationed in Hong Kong as Director of Sales&Marketing in APAC, establishing Nordic's presence in the region. He also held a position as Director of the Board of the Norwegian Chamber of Commerce in Hong Kong from 2005-2008. Mr. Ytterdal is from 2019 based in Oslo, Norway, appointed as Director IR.

Holdings in the company: 126 000 shares, 16 633 share options, 4 414 RSUs and 9 140 performance shares.

# 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. An Alternative Performance Measure is a measure of historical or future financial performance, financial position, or cash flows other than a financial measure defined or specified in the applicable financial reporting framework.

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 operations performance.

GROUP	2020	2019
Gross profit	213.9	146.8
Total revenue	405.2	288.4
<b>Gross Margin</b>	<b>52.8%</b>	<b>50.9%</b>

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

- **EBITDA.** Earnings before interest, taxes (operating profit), depreciation and amortization.

GROUP	2020	2019
Operating profit	45.7	9.3
Depreciation	31.1	23.5
<b>EBITDA</b>	<b>76.8</b>	<b>32.8</b>

- **EBITDA Margin.** EBITDA divided by Total Revenue.

GROUP	2020	2019
EBITDA	76.8	32.8
Total Revenue	405.2	288.4
<b>EBITDA Margin</b>	<b>18.9%</b>	<b>11.4%</b>

- **Short-range 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.

GROUP	2020	2019
Reported EBITDA	76.8	32.8
Long-range (cellular IoT) EBITDA loss	30.2	24.7
<b>Short-range EBITDA</b>	<b>106.9</b>	<b>57.6</b>
Total revenue (excluding cellular IoT revenue)	398.7	287.3
<b>Short-range EBITDA margin</b>	<b>26.8%</b>	<b>20.0%</b>

- **Cash Operating Expenses.** Total payroll and other operating expenses adjusted for non-cash related items including option expenses, receivable write-off and capitalization of development expenses. Nordic management believes that this measurement best captures the expenses impacting the cash flow of the Group.

GROUP	2020	2019
Payroll expenses	101.2	80.3
Other operating expenses	35.9	33.7
Depreciation	31.1	23.5
<b>Total operating expenses</b>	<b>168.2</b>	<b>137.5</b>
Depreciation	-31.1	-23.5
Option expense	-4.3	-1.8
Capitalized expenses	8.4	11.3
<b>Cash Operating Expenses</b>	<b>141.2</b>	<b>123.4</b>

- **Last twelve months operating expenses excluding depreciation 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.

	2020	2019
Total operating expenses	168.2	137.4
Depreciation	-31.1	-23.5
<b>Operating expenses excluding depreciation</b>	<b>137.2</b>	<b>113.9</b>
Total revenue	405.2	288.4
<b>LTM opex / LTM revenue</b>	<b>33.8%</b>	<b>39.5%</b>

- **Net working capital divided by last twelve months revenue.** Net working capital is a measure of both a company's efficiency and its short-term financial health, and by dividing the measure by last twelve months, seasonal effects are excluded. Nordic management uses this ratio to report on liquidity management to the financial market and internally to track performance.

	2020	2019
Current assets	401.9	219.6
Cash and cash equivalents	-242.5	-90.6
Current liabilities	-91.7	-66.0
Current financial liabilities	0.3	-
Current lease liabilities	5.5	4.0
Income taxes payable	5.0	3.1
<b>Net working capital</b>	<b>78.5</b>	<b>70.2</b>
Total revenue	405.2	288.4
<b>NWC / LTM revenue</b>	<b>19.4%</b>	<b>24.3%</b>

- **Backlog.** Customer orders placed by the end of the reporting period for delivery in next and following quarters. This APM can be used as support for guidance for next quarter.





Norway | TRONDHEIM  
Otto Nielsens veg 12  
7004 Trondheim, Norway  
Phone: +47 72 89 89 00

Norway | OSLO  
Karenslyst Allé 5  
0213 Oslo, Norway  
Phone: +47 22 51 10 50



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