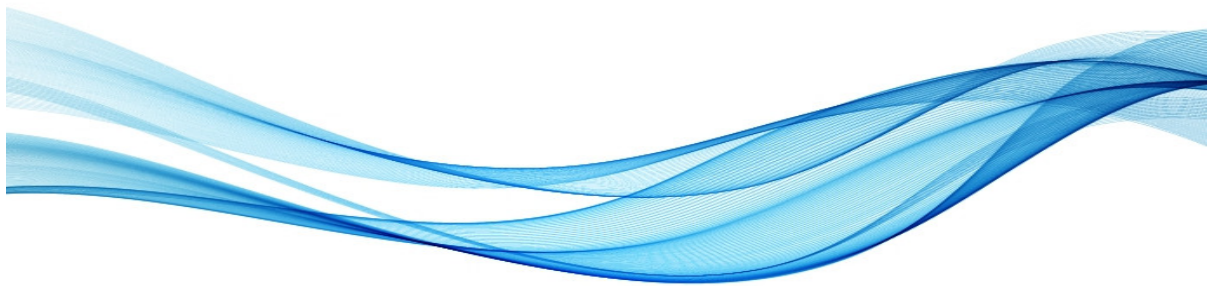




3rd QUARTER 2017 REPORT



- Record high quarterly revenue at MUSD 65.7, a 25.5% growth from Q3 2016
- Bluetooth revenue with continued strong momentum at MUSD 45.7, a 46.8% growth from Q3 2016
- Gross Margin improved from 46.2% in Q3 2016 to 47.8% in Q3 2017
- EBITDA at MUSD 8.4 compared to MUSD 6.9 in Q3 2016. EBIT at MUSD 4.9 compared to MUSD 3.9 in Q3 2016
- Continued strong design win momentum and close to 50% product certification market share

Q3 2017 Financial Summary

Amounts in USD million (unaudited)	3rd quarter		Change
	2017	2016	
Revenue	65,7	52,3	25,5 %
Order Backlog	65,4	22,5	190,7 %
Gross Margin %	47,8 %	46,2 %	3,4 %
EBITDA	8,4	6,9	20,5 %
Operating Profit (EBIT)	4,9	3,9	26,6 %
Operating Profit % (EBIT %)	7,5 %	7,4 %	0,8 %
Net profit after tax	3,6	2,6	36,3 %
Free Cash Flow (Net cash flow excluding financing)	2,8	6,2	-55,5 %
Cash and cash equivalents	26,1	29,3	-10,9 %

Revenue

Technology	Q3			01.01.-30.09		
	2017	2016	Change %	2017	2016	Change %
Proprietary wireless	16.838	19.806	-15,0 %	59.171	62.837	-5,8 %
Bluetooth	45.672	31.107	46,8 %	106.052	76.536	38,6 %
ASIC components	2.985	1.343	122,3 %	5.961	5.479	8,8 %
Consulting services	155	34	355,9 %	453	212	113,7 %
Total	65.650	52.290	25,5 %	171.637	145.064	18,3 %

Total revenue in Q3 2017 was MUSD 65.7, compared with MUSD 52.3 in Q3 2016. The growth is driven by a continued strong Bluetooth low energy (Bluetooth) momentum offset by a decline in proprietary wireless technologies. Compared to Q2 2017 revenues are up seasonally 11.9%.

Revenue from Bluetooth ended at MUSD 45.7 representing a growth of 46.8% from MUSD 31.1 in Q3 2016. In Q3 2017, Bluetooth represented 69.6% of revenue compared to 59.5% of revenue in Q3 2016. Compared to Q2 2017 Bluetooth revenue increased seasonally 26.7% from MUSD 36.0.

Revenue from proprietary wireless ended at MUSD 16.8 compared with MUSD 19.8 in Q3 2016, representing a decrease of 15.0%. Sales of Proprietary in Q3 is impacted by change in product mix and transition to Bluetooth low energy. Overall proprietary is down 5.8% year to date.

In Q3 2017, gross profit was MUSD 31.4, or 47.8% of revenues, compared with MUSD 24.2, or 46.2% of revenues during Q3 2016. The gross margin improvement came as a result of continued improved yields on the nRF52, less proprietary sales, offset by a shift in customer and product mix.

Total operating expenses including depreciation and amortization, was MUSD 26.4 in Q3 2017 compared with MUSD 20.3 in Q3 2016, representing an increase of 30.4%.

Operating expenses include a write-off of a receivable related to a smaller distributor in Asia of MUSD 1. Adjusted for this write-off, total operating expenses increased by 25.5%. This increase is explained by a higher number of employees and negative effects of the strengthening of the Norwegian Krone and Euro against the US Dollar. The change in currency rates resulted in increased quarterly expenses of MUSD 1 compared to corresponding period last year.

Total cash operating expenses (excluding depreciation and amortization) before options, net capitalized R&D expenses and write-off of receivables were MUSD 23.6 in Q3 2017, compared with MUSD 18.5 in Q3 2016. Adjusted for FX, cash operating expenses have increased by 21.8%.

The main driver for the increased cash operating expenses is the headcount growth from 521 in Q3 2016 to 588 in Q3 2017. Total salary expenses have also been impacted by the need to retain highly attractive personnel in a very competitive industry. In addition, other operating expenses related to R&D, software, IP and test manufacturing have increased proportionally with the higher activity level.

Total costs for the Cellular investment in Finland were MUSD 5.0 in Q3 2017 compared to 4.0 MUSD in Q3 2016. As the project enters into a market launch phase, we expect some additional expenses related to headcount increase and tape-out of silicon wafers.

During Q3 2017, Nordic capitalized MUSD 1.9, compared with MUSD 1.5 in Q3 2016, related to internally developed products. The capitalization can be attributed to new versions of the Bluetooth platform nRF52 that has moved to the final development stages prior to commercialization during 2017. The Cellular project is currently entering a commercialization stage and project capitalization may increase going forward depending on when the project reaches certain pre-defined project phases.

Earnings before interest, tax, depreciation and amortization (EBITDA) were MUSD 8.4 in Q3 2017 compared to MUSD 6.9 in Q3 2016. Adjusted for the receivable write-off, EBITDA was MUSD 9.4 in Q3 2017.

Profit before tax was MUSD 4.3 in Q3 2017, which is a 16.6% increase from MUSD 3.6 in Q3 2016. Income tax expense was MUSD 0.7 in Q3 2017. The base tax rate for the group is 24%. Net profit after tax was MUSD 3.6 in Q3 2017, compared with net profit of MUSD 2.6 in Q3 2016.

Markets

Revenue Markets	Q3			01.01.-30.09		
	2017	2016	Change %	2017	2016	Change%
Amounts in USD thousand						
Consumer Electronics	26.058	25.269	3,1 %	72.555	71.602	1,3 %
Wearables	10.639	11.104	-4,2 %	27.693	30.515	-9,2 %
Building/Retail	15.709	7.537	108,4 %	41.024	18.555	121,1 %
Healthcare	4.619	3.486	32,5 %	9.268	8.863	4,6 %
Others	5.485	3.517	56,0 %	14.684	9.838	49,3 %
Wireless Components	62.510	50.913	22,8 %	165.223	139.373	18,5 %
ASIC components	2.985	1.343	122,3 %	5.961	5.479	8,8 %
Consulting services	155	34	355,9 %	453	212	113,7 %
Total	65.650	52.290	25,5 %	171.637	145.064	18,3 %

Nordic Semiconductor continues to pursue a diversification strategy to be less dependent on both individual customers and industries. The effect of this strategy can be illustrated by a shift in revenue attributed from non-consumers of 29% in Q3 2016 to 41% in Q3 2017.

Although Nordic does not report on the number of design wins, the company continues to have close to 50% market share of new products certified with the Bluetooth Organization (source: FCC, Bluetooth Organization, DNB Markets).

Strong execution on the diversification strategy is enabled by an industry leading cost/feature product offering. The above is combined with a design friendly support ecosystem and sales & marketing activities that cater to both the long tail and to targeted customers and verticals.

Consumer Electronics

The Consumer Electronics market consists of PC Accessories, Mobile Phone Accessories and Home Entertainment devices. This market segment has historically been dominated by PC Accessories. However, we are observing substantial growth in wireless solutions for appliances such as TVs / set-top box remotes, game controllers and toys.

Revenue within the Consumer Electronics market increased by 3.1% from MUSD 25.3 to MUSD 26.1 in Q3 2017 compared with corresponding period last year. Compared to Q2 2017, revenue increased seasonally by 10.4%.

Nordic continues to view PC Accessories as a key market. More importantly, Bluetooth technology creates additional opportunities for Nordic to address the tablet accessory market. As tablets implement Bluetooth Ready technology, these devices are now able to connect with ultra-low power Bluetooth keyboards and other accessories. Bluetooth low energy offers much longer battery lifetime for tablet keyboards compared to traditional Bluetooth technology, and will enable tablets to be used more effectively.

Gaming and toys will continue to be a strong driver of the Consumer Electronics market, with several new design wins received during the quarter. In addition, we are seeing strong traction within our reference design for smart remote controls. This also includes remotes for Virtual Reality systems.

Wearable Devices

Compared with Q3 2016, Wearable Devices market revenue (i.e., portable electronics such as sports monitoring devices and smart watches) decreased by 4.2% from MUSD 11.1 to MUSD 10.6. Compared to last quarter, revenues increased by 22.4% from MUSD 8.7. The increase, compared to last quarter, comes as a result of the vast number of design wins reported with the nRF52 during the last 12 months.

Nordic has proven its technology leadership with the introduction of the nRF52 family on top of its existing technology platform. The Wafer Level Chip Scale Package (WL-CSP) variant of its nRF52832 Bluetooth® System-on-Chip (SoC) occupies a quarter of the footprint area of the standard-packaged Nordic nRF52832 and targets next-generation, high-performance wearables and space-constrained IoT applications.

Building and Retail

The Building and Retail market consists of connectivity solutions for home and industrial applications, as well as retail solutions.

It targets a massive end-market with solutions for smart locks, smart payment systems, alarm systems, smoke detectors, beacons, location tags and more. Building and Retail is less seasonal and revenue in this market evens out the seasonal trends of other markets to which Nordic is exposed.

The Building and Retail market is showing strong revenue momentum and has continued the trend from Q2 2017, when it became Nordic's second largest market after Consumer Electronics. This development is expected as a large part of design wins reported during the last quarters are products within the Building and Retail market.

Building and Retail market revenue were MUSD 15.7 in Q3 2017, an increase of 108.4% from MUSD 7.5 in Q3 2016. This increase is driven by sales to additional RFID solution customers, payment/tracking solutions for smart cities, industrial applications and various beacon related applications.

Compared to last quarter, revenue was down by 6.1% from MUSD 16.7. This reduction is explained by lower volumes for a retail related customer.

Healthcare

Healthcare is an emerging market for Nordic. Reported revenue relates to design wins within glucose monitoring and hearing aids. Healthcare reported a 32.5% revenue increase during the quarter to MUSD 4.6 compared to MUSD 3.5 in Q3 2016. Compared to Q2 2017, revenues increased by 85.7% from MUSD 2.5. As reported in previous quarters, Nordic has several design wins within the Healthcare market. The increase in Q3 2017 compared to both Q3 2016 and Q2 2017 relates mainly to the new lifecycles of current projects.

In addition to an individual's own physical awareness, hospitals, doctors, employers and insurance companies are interested in the ability to monitor basic physiological functions. For example, continuous blood glucose monitors and hearing aids are

increasing in volume orders for Nordic. These and other applications are currently still in their infancy, particularly as they relate to IoT, remote healthcare and big data analytics. When these products are being commercialized, Nordic expects important growth within this market.

Others

This category includes sales to module manufactures as well as distribution sales, where no final customer is reported. Revenues from this vertical were in Q3 2017 MUSD 5.5, up 56.0% from MUSD 3.5 in Q3 2016. Compared to Q2 2017 revenue increased 5.0% from MUSD 5.2.

Sale to module manufacturers is an important market for Nordic. Module manufactures develop compact ultra-low power Bluetooth modules for space-constrained applications employing coin cell batteries. The modules reduce development time by providing a complete wireless solution and are tailored for OEMs who wish to develop their own application software.

Research and Development

Bluetooth Low Energy

Nordic is continuously expanding its product offering to capture new opportunities, both customer specific and new markets. As a result, Nordic has the industry's strongest Bluetooth 5 line-up.

Earlier this year Nordic launched its most advanced chip, the nRF52840. During Q3, the nRF52840 multiprotocol SoC was Thread certified and enabled simultaneous Thread and Bluetooth 5 connectivity for the first time.

The Chip with 'Dynamic Multiprotocol' feature uniquely supports concurrent Thread and Bluetooth 5 wireless connectivity (eliminating the need to disconnect from one network before connecting with another). This capability also ensures that any Thread product based on the Nordic nRF52840 SoC and Nordic nRF5 SDK for Thread is seamlessly interoperable with Bluetooth 5 devices. In operation, the nRF52840 can effectively work as a bridge between Thread and Bluetooth 5 networks, and can communicate with, for example, both a smartphone over Bluetooth 5, and a Thread wireless sensor, enabling data to be exchanged between them without going via the Cloud.

Low Power Cellular IOT (Internet of Things)

Nordic Semiconductor has demonstrated its ability to become the market leader within Bluetooth low energy technology. Bluetooth low energy is the preferred communication technology for short range, low power communication. Complementing Nordic's leading offering and roadmap on short-range wireless, the expanded product roadmap for long-range wireless is a part of the company's strategy to target new high growth markets with its wireless connectivity and embedded processing technology.

Nordic Semiconductor's roadmap for low power cellular IoT, includes highly integrated chipsets and advanced software for the upcoming 3GPP Release 13 LTE-M and NB-IoT technologies. Highly optimized for power and size, the upcoming nRF91 Series is designed specifically to address the needs of emerging low power cellular IoT applications.

Nordic continues to be on schedule with overall functional and performance testing on chipsets that was delivered during 1H 2017. At the same time, we have received strong interest and positive feedback from potential customers. Nordic has commenced successful interoperability testing with infrastructure partners on base stations and started certification testing with carrier partners on networks. Finally we are on track to start sampling with a limited set of lead customers during Q4 2017.

On the carrier side, LTE-M deployments are ahead of schedule. AT&T and Verizon have announced US nationwide coverage. Full suite of new rate plans and bundles with modules have also been released. This represents a significant milestone for the cellular IoT market. As the US is one of the largest markets, it drives awareness and interest in LTE-M, including more interest and demand for our upcoming nRF91 series solutions.

Balance Sheet and Cash Flow

As of 30 September 2017, Nordic Semiconductor had total assets of MUSD 182.5 of which MUSD 135.5 were current assets. Non-Current assets were MUSD 47.0. During Q3 2017, net working capital increased by MUSD 1.5 mainly because of increased accounts receivable due to higher sales, offset by higher accounts payables. Inventories are slightly down compared to Q2 2017, but still above Q3 2016 due to high inventories of nRF52 wafers and finished good available for increased sales in the following quarters.

Total liabilities were MUSD 58.3, of which MUSD 38.0 were current liabilities. Total Shareholders' equity was MUSD 124.2, which represents an equity ratio of 68.1%, down from 69.9% in Q2 2017.

Cash flow from operating activities was MUSD 6.0 in Q3 2017. Strong focus on cash generating activities has resulted in a decrease in net working capital, as a percent of revenue, from 33.6% in Q3 2016 to 32.7% in Q3 2017.

Cash flow from investments was an outflow of MUSD 3.3, compared to MUSD 5.0 in Q3 2016. Capital expenditures were MUSD 1.4, driven by purchases of Lab equipment

for the operations in Finland and equipment for new office building in Trondheim. Compared to Q3 2016 Nordic did not invest in IP in Q3 2017 which impact cash flow from investments. Capitalized development expenses were in Q3 2017 MUS\$ 1.9, compared with MUS\$ 1.5 last year.

Nordic's strategy is to keep a tight cash management and to optimize our cash generating ability. Short-term working capital requirements may be financed by utilizing the Revolving Credit Facility (RCF). Under the RCF agreement, the company may borrow up to MUS\$ 40 at any time with a rate of LIBOR + margin. At September 30 2017, the company had utilized MUS\$ 20 of the RCF. In addition to the RCF, the Company has a EUR 10 million bank overdraft facility with its main bank. This overdraft is not utilized at the end of September.

Cash during Q3 2017 increased with MUS\$ 2.8 to MUS\$ 26.1 by the end of September 2017 from MUS\$ 23.3 at the end of June 2017. Available cash at September 30, 2017 including credit facilities is MUS\$ 56.1.

Organization

As of 30 September 2017, Nordic Semiconductor had 588 employees, compared to 521 employees at 30 September 2016. Of these, 450 employees work within Research and Development representing an increase of 45 employees compared to 30 September 2016.

In order to take advantage of accelerating growth opportunities, Nordic has also increased staff within Sales and Marketing to 83 employees in Q3 2017 from 67 in Q3 2016. The main growth is within the global team of field applications engineers to support a growing number of customers.

Business Outlook

A number of design wins over the last years have enabled Nordic to increase its customer list. In addition, a strong product line-up has made Nordic able to compete and win designs in a large variety of product categories and verticals.

We expect Bluetooth to be the growth driver for 2017. Based on strong momentum in Q3 2017 we increase the 2H 2017 outlook range provided in Q2 to a 35% growth in Bluetooth for the lower end, and 45% for the upper end.

Further we expect Proprietary revenue to stabilize, however with a single digit percentage overall reduction for the year. This decline comes as a result of the transition to Bluetooth and a shift in product mix.

The strong order backlog reported in Q2 continues by the end of Q3 2017. The backlog is Bluetooth dominated with a healthy balance between Q4 2017 and 1H 2018. The improved market in combination with the strong order backlog

contributes to a solid coverage for maintaining our guided range of MUSD 120 - 130 in 2H 2017.

We expect gross margins to be in the range of 46% - 48% for 2H 2017, in line with the previous half year but below our long-term target of 50%.

Oslo, October 16, 2017
Board of Directors

For further information, please contact:

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Financial Calendar 2017

February 15 th , 2018	4 th Quarter 2017
April 17 th , 2018	1 st Quarter 2018
July 13 th , 2018	2 nd Quarter 2018
October 17 th , 2018	3 rd Quarter 2018
February 13 th , 2019	4 th Quarter 2018

Condensed Financial Information for the Three Months Ended 30 September 2017

Consolidated income statement

Amounts in USD thousand (unaudited)	<u>Q3</u>		<u>01.01 - 30.09</u>		<u>Year</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
					(Audited)
Total Revenue	65.650	52.290	171.637	145.064	197.698
Cost of materials	(33.723)	(28.102)	(89.941)	(76.160)	(104.046)
Direct project costs	(558)	(24)	(824)	(154)	(608)
Gross profit	31.369	24.163	80.872	68.751	93.044
Payroll expenses	(15.502)	(12.159)	(41.924)	(36.114)	(49.185)
Other operating expenses	(7.508)	(5.068)	(19.604)	(16.210)	(22.677)
EBITDA	8.359	6.936	19.345	16.427	21.181
Depreciation	(3.437)	(3.048)	(9.728)	(8.215)	(11.473)
Operating Profit (EBIT)	4.922	3.888	9.616	8.212	9.708
Net interest	(40)	42	(175)	6	(39)
Net foreign exchange gains (losses)	(630)	(284)	(678)	(765)	(911)
Profit before tax	4.253	3.646	8.763	7.452	8.758
Income tax expense	(667)	(1.015)	(1.647)	(1.826)	(2.334)
Net profit after tax	3.586	2.632	7.116	5.626	6.424
Earnings per share					
Basic	0,022	0,016	0,044	0,035	0,040
Fully Diluted	0,022	0,016	0,044	0,035	0,039
Weighted average number of shares (in '000)					
Basic	161.796	162.481	161.795	162.458	162.465
Fully Diluted	161.983	162.441	161.795	162.697	162.994

Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	<u>Q3</u>		<u>01.01 - 30.09</u>		<u>Year</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
					Audited
Net profit after tax	3.586	2.632	7.116	5.628	6.424
Actuarial gain/loss recognized in equity	-	-	-	-	(21)
Difference with translation to USD	78	(476)	(2)	(94)	(109)
Comprehensive income for the period	3.664	2.156	7.115	5.534	6.294

Consolidated statement of financial position

Amounts in USD thousand (unaudited)	Audited		
	30.09.2017	30.06.2017	31.12.2016
Capitalized development expenses	17.406	16.559	14.395
Software and other intangible assets	14.728	14.590	12.054
Deferred tax assets	2.134	2.029	1.973
Property assets	1.194	1.230	1.317
Equipment	11.569	12.198	12.050
Other long-term assets	1	1	2
Non-current assets	47.032	46.606	41.792
Inventory	47.411	47.749	52.044
Accounts receivable	56.578	48.320	54.772
Other short term receivables	5.392	5.989	4.941
Cash and cash equivalents	26.073	23.324	21.135
Current assets	135.454	125.381	132.892
TOTAL ASSETS	182.486	171.988	174.684
Shareholders' equity	124.222	120.255	116.270
Pension liability	280	273	293
Long term Interest bearing liabilities	20.000	20.000	20.000
Non-current liabilities	20.280	20.273	20.293
Accounts payable	14.514	10.401	15.295
Income taxes payable	2.000	1.318	2.786
Public duties	1.805	2.114	2.260
Short-term loan facility	-	-	-
Other short-term liabilities	19.665	17.626	17.780
Current liabilities	37.984	31.459	38.121
TOTAL EQUITY AND LIABILITIES	182.486	171.988	174.684

Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	Q3		01.01 - 30.09		Year
	2017	2016	2017	2016	2016
					Audited
Equity at beginning of period	120.255	115.784	116.270	112.405	112.405
Net profit for the period	3.586	2.632	7.116	5.628	6.424
Purchase of treasury shares	-	0	-	0	(2.673)
Sale of treasury shares on options exercise	-	-	-	(0)	(233)
Share-based compensation	304	304	838	304	476
Dividend to shareholders	-	-	-	-	-
Cash settlement of options contract	-	(195)	-	(195)	-
Actuarial gain/loss recognized in equity	-	-	-	-	(21)
Difference with translation to USD	78	(476)	(2)	(94)	(109)
Equity at end of period	124.222	118.049	124.222	118.049	116.270

Consolidated cash flow statement

Amounts in USD thousand (unaudited)	Q3		01.01 - 30.09		Audited
	2017	2016	2017	2016	2016
Profit before tax	4.253	3.725	8.763	7.290	8.758
Taxes paid for the period	-	-	(2.216)	(5.895)	(10.198)
Depreciation	3.437	2.990	9.728	8.075	11.473
Change in inventories, trade receivables and payables	(3.852)	3.448	2.016	7.312	(7.871)
Share-based compensation expense	307	103	841	65	599
Movement in pensions	6	83	(13)	57	(414)
Other operations related adjustments	1.874	848	305	(4.298)	(2.039)
Net cash flows from operating activities	6.026	11.198	19.424	12.605	307
Capital expenditures (including software)	(1.396)	(3.524)	(8.338)	(8.169)	(9.824)
Proceeds from sales of equipment	-	-	-	-	-
Capitalized development expenses	(1.864)	(1.461)	(6.037)	(4.101)	(5.304)
Net cash flows from investing activities	(3.259)	(4.985)	(14.375)	(12.270)	(15.128)
Changes in Treasury stock	-	-	-	(0)	(2.660)
Cash settlement of options contract	-	-	-	195	146
Interest bearing debt	-	-	-	-	10.000
Net cash flows from financing activities	-	-	-	195	7.486
Effect of changes in currency rates	(16)	(514)	(110)	(550)	(457)
Net change in cash and cash equivalents	2.750	5.699	4.939	(20)	(8.158)
Cash and cash equivalents at start of period	23.323	23.573	21.135	29.293	29.293
Cash and cash equivalents at end of period	26.074	29.272	26.074	29.272	21.135

Notes to the Consolidated Interim Financial Statements

Note 1: General

The Board of Directors approved the condensed third quarter interim financial statements for the three months ended 30 September 2017 for publication on October 16, 2017.

Nordic Semiconductor ASA develops and sells integrated circuits and related solutions for short-range wireless communication. The company specializes in ultra-low power (ULP) components, based on its proprietary 2.4 GHz RF and Bluetooth technology.

Nordic Semiconductor ASA is listed on the Oslo Stock Exchange and is a public limited liability company registered in Norway. The Company's head office is located at Otto Niensens vei 12, 7052 Trondheim.

Note 2: Confirmation of the financial framework

The Group financial statements for Nordic Semiconductor ASA and its wholly owned subsidiaries, together called "The Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for Q3 2017 do not include all the information required for the full year financial statements and shall be read in conjunction with the Group Annual Accounts for 2016.

The financial statements are presented in thousand USD, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2016. The group accounts for 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted; however, Nordic does not plan an early adoption.

Nordic has performed an assessment of the new standard's effects and does not expect the impact of the new standard to be significant with respect to how and when revenue is recognized. Any minor changes will be introduced using the modified approach.

Note 4: Use of estimates

In the interim financial statements for 2017, judgments, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2017 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2016.

Note 5: Segment information

In accordance with IFRS 8, the Group has only one business segment, which is the design and sale of integrated circuits and related solutions.

The Group classifies its revenues into the following revenue markets: Wireless components, ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the product category ("hub") to which its components communicate. These include: Consumer Electronics, Wearable Devices, Healthcare, Building and Retail, and Others.

The Group also reports its Wireless component revenue by technology, including proprietary wireless and Bluetooth protocols.

Note 6: Related Parties

With reference to the Annual General Meeting on April 19, 2016 ("AGM"), Nordic Semiconductor has on February 22, 2017, granted 1,625,412 share options to employees and primary insiders.

On the AGM the Company was authorized to issue up to 1.7 million options in 2017, equivalent to approximately 1% of the outstanding share capital in options to all employees. According to the approval, the option scheme has a long-term element as options are exercisable over a three-year period and expire after five years. 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.

Note 8: Risk management

A description of risk factors can be found in Note 22 of Nordic Semiconductor's 2016 annual report.

Note 9: Events after the balance sheet date

No events have occurred since September 30, 2017 with any significant effect that will impact the evaluation of the submitted accounts.

Definitions

Alternative performance measures

Nordic's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Nordic's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies

Order Backlog

Total confirmed orders placed as of period end for deliveries in following periods. Adjusted for rebates and other revenue recognition estimates.

Gross Margin

Gross Profit divided by Total Revenue.

Free cash flow

Sum of net cash flow from operating expenses and net cash flow from investing activities.

EBIT

Earnings before interest and tax. Equivalent to Operating profit in IFRS 1.

EBITDA

Earnings before interest, tax, depreciation and amortization.

Total Operating Expenses

Sum of payroll expenses, other operating expenses, depreciation and amortization.

Cash Operating expenses

Total payroll and other operating expenses adjusted for non-cash related items including option expenses, capitalization of development expenses and income related to de-recognition of pension liability.