Q2
& first half report 2018

NORDIC SEMICONDUCTOR

Content

HIGHLIGHTS

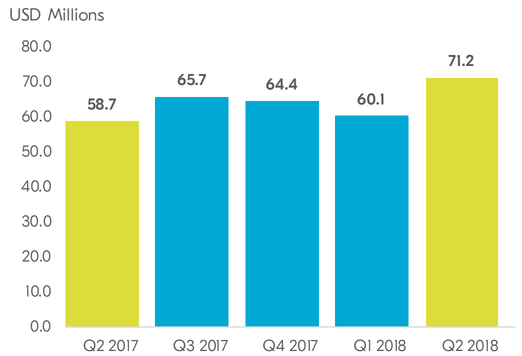
- Bluetooth® year-on-year growth of 45.2%. Bluetooth revenue came in at MUSD 52.3 in Q2 2018, an increase of MUSD 16.3 from MUSD 36.0 in Q2 2017.

- Continued gross margin improvements. Gross margin of 49.0% in the quarter. Increase of 2.3 percentage points from 46.7% in Q2 2017.

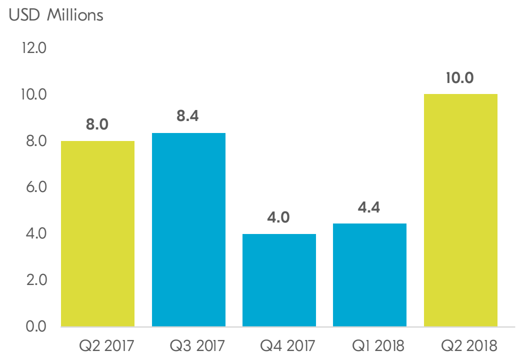
- EBITDA year-on-year growth of 25.2%. EBITDA of MUSD 10.0 in Q2 2018, an increase of MUSD 2.0 from MUSD 8.0 in Q2 2017. EBITDA affected positively by increased revenue and gross margin.

- During Q2 2018 Nordic sampled more than 30 key customers, and first design wins have been secured for the new nRF91 Series Cellular IoT products.

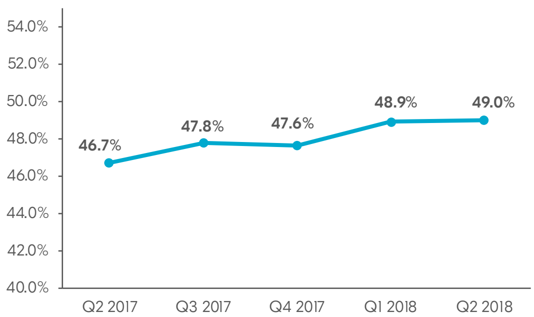
Revenue



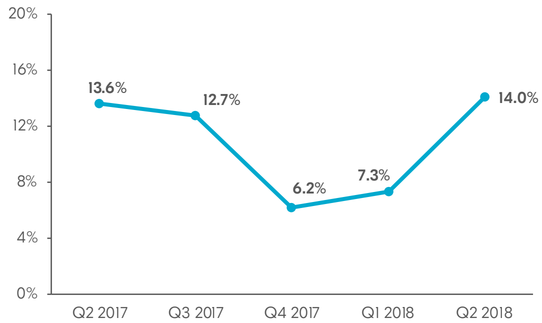
EBITDA



Gross Margin



EBITDA Margin



KEY FIGURES

Q2 2018 and first half 2018 financial summary

Amount in USD million	Q2 2018	Q2 2017	Change	H1 2018	H1 2017	Change
Revenue	71.2	58.7	21.3 %	131.3	106.0	23.9 %
Gross profit	34.9	27.4	27.4 %	64.3	49.5	29.8 %
Gross Margin %	49.0 %	46.7 %	2.3 p.p.	49.0 %	46.7 %	2.3 p.p.
EBITDA	10.0	8.0	25.2 %	14.4	11.0	31.1 %
EBITDA %	14.0 %	13.6 %	0.4 p.p	11.0 %	10.4 %	0.6 p.p.
Operating Profit (EBIT)	5.7	4.8	19.4 %	6.5	4.7	38.8 %
Operating Profit % (EBIT)	8.0 %	8.1 %	-0.1 p.p.	5.0 %	4.4 %	0.6 p.p.
Net profit after tax	4.3	3.9	12.0%	4.3	3.5	21.9 %
Free Cash Flow (Net cash flow excluding financing)	-3.8	-4.5	na	-8.2	2.3	na
Cash and cash equivalents	107.0	23.3	358.8 %	107.0	23.3	358.8 %
Order Backlog	80.1	65.3	22.7 %			
Working capital in relation to annualized revenue	26.7 %	34.5 %	-7.8 p.p.			
Equity ratio	84.5 %	70.4 %	14.1 p.p.			
Number of employees	629	564	11.5 %			

Revenue by technology

Amount in USD thousand	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %
Proprietary wireless	16 960	20 714	-18.1 %	36 909	42 333	-12.8 %
Bluetooth	52 324	36 035	45.2 %	90 690	60 380	50.2 %
ASIC Components	1 852	1 653	12.0 %	3 641	2 976	22.3 %
Consulting services	22	249	-91.1 %	43	298	-85.5 %
Total	**71 158**	**58 651**	**21.3%**	**131 283**	**105 987**	**23.9%**

First half

Total revenue in the first half of 2018 was MUSD 131.3, compared with MUSD 106.0 in the first half of 2017, representing a 23.9% growth. For the first half of 2018, Bluetooth sales was MUSD 90.7 representing a 50.2% growth compared to MUSD 60.4 in the first half of 2017.

Gross profit was MUSD 64.3 or 49.0% of revenue in the first half of 2018, compared with MUSD 49.5, or 46.7% of revenue during the first half year of 2017. The gross profit increase for first half of 2018 is primarily explained by lower costs related to higher yield on the nRF52 Series products and a more favorable customer and product mix.

Total operating expenses including depreciation were MUSD 57.8 in the first half year of 2018, compared with MUSD 44.8 in the first half year of 2017.

Earnings before interest, tax, depreciation and amortization (EBITDA) were MUSD 14.4 in first half of 2018 compared to MUSD 11.0 in first half of 2017.

Net profit after tax was MUSD 4.3 in the first half of 2018, compared with MUSD 3.5 in the first half of 2017.

FINANCIAL REVIEW

Income statement

Nordic Semiconductor (Nordic or the Group) total revenue was MUSD 71.2 in Q2 2018, compared to MUSD 58.7 in Q2 2017. The growth driver is Bluetooth with 45.2% year-on-year growth, while Proprietary is down 18.1%. ASIC revenue increased by 12.0 % year-on-year.

Revenue from Bluetooth ended at MUSD 52.3, representing a growth of 45.2% from MUSD 36.0 in Q2 2017. Bluetooth revenue constitutes 73.5% of total revenue in the quarter. The corresponding percentage for Q2 2017 was 61.4%. The revenue growth is a result of continuously securing new design wins and diversifying the customer base. Revenue growth is evenly distributed between the mature product portfolio and high traction on newly released products. Compared to Q1 2018, Q2 2018 Bluetooth revenue increased seasonally by 36.4% from MUSD 38.4.

Revenue from proprietary wireless ended at MUSD 17.0 compared with MUSD 20.7 in Q2 2017, representing a decrease of 18.1%. Sales of Proprietary are impacted by a change in product mix and an ongoing, but slow transition to Bluetooth Low Energy. Proprietary revenue decreased 15.0% in Q2 2018, compared to Q1 2018.

Backlog ended at MUSD 80.1, up from MUSD 65.3 in Q2 2017.

In Q2 2018, gross profit was MUSD 34.9, or 49.0% of revenue, compared with MUSD 27.4, or 46.7% of revenue during Q2 2017. The strong improvement is the result of a 21.3% revenue increase and margin expansion of 2.3 percentage points. Continued yield improvements on the nRF52 Series, lower wafer prices and less scrapping during the quarter contributed to the margin expansion. A favorable customer and product mix has also contributed to the gross margin improvements. Compared to Q1 2018, gross margins have increased 0.1 percentage points.

Total operating expenses, including depreciation and amortization, increased 29.1% to MUSD 29.2 from MUSD 22.6 in Q2 2017. Compared to Q1 2018, total operating expenses including depreciation and amortization have increased 2.2% from MUSD 28.6.

During Q2 2018, Nordic has capitalized a total of MUSD 3.6, of which MUSD 2.9 relates to payroll expenses. The corresponding total capitalization amount in Q2 2017 is MUSD 2.0 and MUSD 3.3 in Q1 2018. Close to all of the capitalized expenses for Q2 2018, MUSD 3.4, are related to the cellular IoT investment. Nordic started capitalizing on this project when lead customer sampling started in Q1 2018.

Expenses related to equity compensation was MUSD 0.2 in Q2 2018, compared to MUSD 0.3 in Q2 2017 and MUSD 0.4 in Q1 2018.

Adjusted for capitalization and equity-based compensation, total cash operating expenses increased 34.5% to MUSD 28.4 in Q2 2018 from MUSD 21.1 in Q2 2017. This is explained by a 11.5% increase in the number of employees, from 564 at the end of Q2 2017 to 629 at the end of Q2 2018. The main increase is within sales and customer related projects. The cost level is also impacted by continued high expenses related to commercialization of new products, including the high-end nRF52 Series product line and the Cellular IoT products. Compared to year-end cash operating expenses in percentage of LTM (last twelve months) revenue has decreased.

Total cash operating expenses for the cellular investment were MUSD 6.8 in Q2 2018, compared to MUSD 4.5 in Q2 2017. Similarly to Q1 2018 there have been additional expenses related to headcount increases and tape-out of silicon wafers in Q2 2018.

Depreciation and amortization were MUSD 4.3 in Q2 2018, compared to MUSD 3.2 in Q2 2017. Included is MUSD 1.2 in amortization of internally developed R&D, compared to MUSD 1.0 in Q2 2017. Although capitalization has increased during the last quarters, amortization is unchanged due to completion of the amortization period for the nRF51 product line. However, depreciation on software and other intangible assets have increased compared to last year.

Earnings before interest, tax, depreciation and amortization (EBITDA) were MUSD 10.0 in Q2 2018 compared to MUSD 8.0 in Q2 2017. The improvement comes as a result of higher revenues and improved gross margins only partly offset by higher operating expenses.

Net profit was MUSD 4.3 in Q2 2018, up from MUSD 3.9 in Q2 2017. Income tax expense was MUSD 1.8 in Q2 2018. The base tax rate for the group is 23%.

Markets

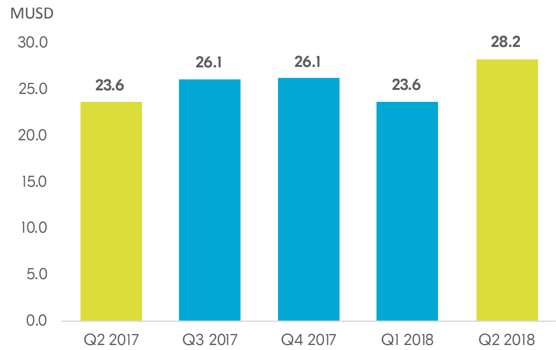
Amount in USD thousand	Q2 2018	Q2 2017	Change %	H1 2018	H1 2017	Change %
Consumer Electronics	28 249	23 612	19.6 %	51 877	46 497	11.6 %
Wearables	11 870	8 691	36.6 %	22 074	17 053	29.4 %
Building/Retail	13 754	16 735	-17.8 %	25 973	25 315	2.6 %
Healthcare	5 349	2 487	115.1 %	10 042	4 649	116.0 %
Others	10 062	5 224	92.6 %	17 633	9 199	91.7 %
Wireless components	**69 284**	**56 749**	**22.1 %**	**127 599**	**102 713**	**24.2 %**
ASIC components	1 852	1 653	12.0 %	3 641	2 976	22.3 %
Consulting services	22	249	-91.1 %	43	298	-85.5 %
Total	**71 158**	**58 651**	**21.3 %**	**131 283**	**105 987**	**23.9 %**

The Group classifies its revenues into the following technologies: Wireless components, ASIC components and Consulting services. Within Wireless components, the Group reports its revenues based on the end product markets. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others. Historically, Consumer Electronics and Wearables have been the main markets, and growth drivers. However, Nordic continues to pursue a diversification strategy to be less dependent on both individual customers and industries.

Although Nordic does not report on the number of design wins, the company continues to have a strong market share of new products certified with the Bluetooth SIG (source: FCC, Bluetooth SIG, DNB Markets). Based on the available analysis this market share was 40% in Q2 2018, compared to 35% in Q2 2017.

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

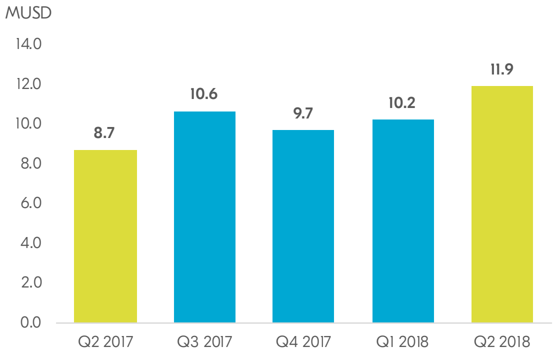


The Consumer Electronics market consists of PC Accessories, Mobile Phone Accessories and Home Entertainment devices.

Revenue within the Consumer Electronics market increased by 19.6% from MUSD 23.6 to MUSD 28.2 in Q2 2018 compared with corresponding period last year. Revenue is also up 19.6% from MUSD 23.6 in Q1 2018. Q2 2018 has been a very strong quarter for the consumer electronics market.

PC Accessories is still seen as a key part of consumer electronics. Bluetooth technology has created opportunities for Nordic to address the tablet accessory market. As tablets implement Bluetooth technology, these devices are now able to connect with ultra-low power Bluetooth keyboards and other accessories. Bluetooth LE offers much longer battery lifetime for tablet keyboards compared to traditional Bluetooth technology, and will enable tablets to be used more effectively.

Wearables



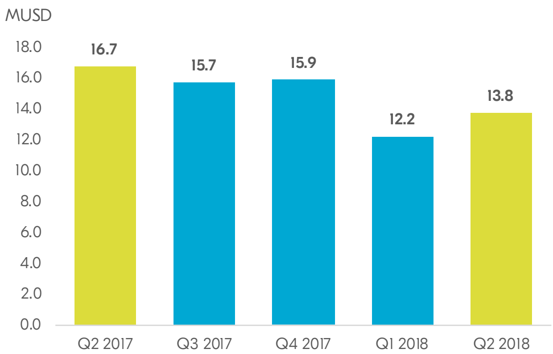
Revenue - Wearables

The Wearable market consists of activity trackers, sport and fitness bands and smart clothing.

Revenue within the Wearables market increased by 36.6% from MUSD 8.7 to MUSD 11.9 in Q2 2018 compared with corresponding period last year. Revenue increased 16.3% from MUSD 10.2 in Q1 2018. With the nRF52 Series Nordic has seen increased design win traction within this market, materializing in strong revenue growth in H1 2018 compared to last year.

Nordic has proven its technology leadership with the introduction of the nRF52 Series 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



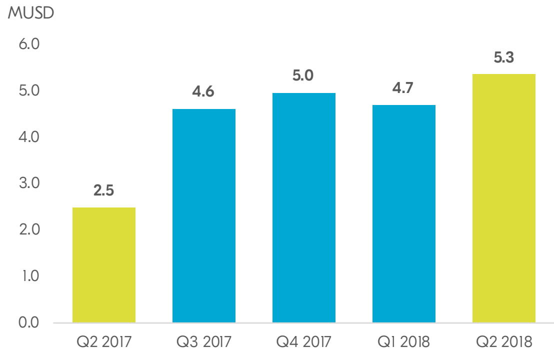
Revenue - Building/Retail

Building and Retail consists of a broad variety of products used within home automation (smart homes), industrial applications and retail solutions.

Revenue within the Building and Retail market decreased by 17.8% from MUSD 16.7 to MUSD 13.8 in Q2 2018 compared with corresponding period last year. However, revenue increased 12.6% from MUSD 12.2 in Q1 2018. Q2 2017 was the strongest quarter yet for the building and retail market, dominated by citybike projects. Revenue almost doubled in Q2 2017 from Q1 2017.

Home Automation, as part of Building and Retail, is seen as the next key growth driver for Bluetooth. Nordic has seen strong traction in design wins within for example lighting, alarm systems, smoke detectors, temperature controls and smart locks. With the introduction of the nRF52840 multiprotocol SoC, Nordic now has a Thread certified solution that enables simultaneous Thread and Bluetooth 5 connectivity for the first time. This will significantly improve the deployment of connected items in your home. The nRF52 Series is the main contributor to the growth from last year.

Healthcare



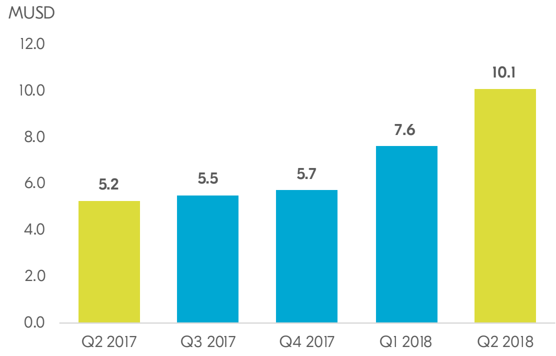
Revenue - Healthcare

The Healthcare market consists of all products that are certified to be used within the medical care. End products range from hearing aid, glucose monitoring and drug delivery systems. Healthcare is an emerging market for Nordic.

Revenue within the Healthcare market increased by 115.1% from MUSD 2.5 to MUSD 5.3 in Q2 2018 compared with corresponding period last year. Revenue increased 14.0% from MUSD 4.7 in Q1 2018. The strong growth from last year comes as a result of new product releases that have been introduced in Q4 2017 and during in Q1 2018.

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. A majority of the products within the Healthcare market is still in their infancy, particularly as they relate to IoT, remote healthcare and big data analytics. To the extent that these products are being commercialized, Nordic expects continued growth within this market.

Others



Revenue - Others

The Others market consists of sales to module manufacturers as well as distribution sales, where no final customer is reported.

Revenue within the Others market increased by 92.6% from MUSD 5.2 to MUSD 10.1 in Q2 2018 compared with corresponding period last year. Revenue increased 32.9% from MUSD 7.6 in Q1 2018. The strong growth from last year comes as a result of continuous new module designs and sales efforts from Nordics module partners.

Sales 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.

Financial Position

As of 30 June 2018, the Group had total assets of MUSD 270.3, of which MUSD 216.2 were current assets. Non-Current assets were MUSD 54.1. Capitalized development expenses increased net MUSD 7.1, from MUSD 16.6 in Q2 2017 to MUSD 23.7 in Q2 2018.

Compared with Q2 2017, net working capital has decreased by MUSD 2.8 to MUSD 69.9 (MUSD 72.7 in Q2 2017) or 26.7% (34.5% in Q2 2017) of LTM revenue. The decrease in net working capital is explained by lower inventory and higher current liabilities, partly offset by higher accounts receivable.

Total liabilities were MUSD 42.0, down from MUSD 50.9 in Q2 2017. MUSD 41.7 were current liabilities, compared to MUSD 30.7 at the end of Q2 2017. Of the current liabilities, MUSD 9.1 relates to the accrual for ship and debit related to sale to distributors, compared to MUSD 8.9 in Q2 2017. During Q2 2018, Nordic repaid MUSD 20 of its long-term debt, and at the end of the quarter the group had no long-term debt except for its pension liability of MUSD 0.3.

On April 24th 2018 Nordic completed a private placement of 16.3 million new shares. Net proceeds of the private placement was NOK 790 million, or MUSD 98.9. Total Shareholders' equity was MUSD 228.4 at the end of Q2 2018, up from MUSD 125.0 at year end 2017. The Group had an equity ratio of 84.5% 30 June 2018, up from 67.5% and 70.4% 31 December 2017 and 30 June 2017, respectively.

Cash Flow

Cash flow from operating activities was MUSD 4.9 in Q2 2018, compared with a cash flow of MUSD 0.4 in Q2 2017. Strong focus on cash generating activities has resulted in a net working capital as a percent of revenues decrease from Q2 2017 to Q2 2018.

Cash flow from investments was an outflow of MUSD 8.7, compared to MUSD 4.9 in Q2 2017. Capital expenditures were MUSD 3.6, driven by purchases of system hardware, lab equipment and test equipment. Capitalized development expenses were MUSD 3.6, compared with MUSD 2.0 in corresponding quarter last year.

Under current RCF agreements, Nordic may borrow a total of MUSD 65 at any time with a rate of LIBOR + margin. During Q2 Nordic repaid MUSD 20. At June 30, 2018, the Group had not utilized the RCF. In addition, the Group has a MEUR 10 bank overdraft facility with its main bank. At June 30, 2018 the Group had not utlized this overdraft.

Cash during Q2 2018 increased with MUSD 74.8 to MUSD 107.0 by the end of June 2018 from MUSD 32.2 at the end of March 2018. Available cash at June 30, 2018 including credit facilities was MUSD 183.7 compared to MUSD 89.6 at March 31, 2018. The cash is mainly kept in the Group's functional currency USD in order to avoid currency fluctuations.

BUSINESS OVERVIEW

As of 30 June 2018, Nordic Semiconductor had 629 employees, compared to 615 and 564 employees at the end of Q1 2018 and Q2 2017, respectively. A total of 474 employees worked within Research and Development at the end of Q2 2018, representing an increase of 44 employees compared to corresponding period in 2017.

In order to take advantage of accelerating growth opportunities, Nordic has also increased staff within Sales and Marketing to 94 employees at 30 June 2018 from 79 at the end of June 2017. The growth within sales and marketing comes by expanding the team into new regions.

The Group continues to see the benefits of its focus over the last years on widening and diversifying its customer mix, decreasing its dependence on consumer product cycles. These additional customers — comprising professional, industrial, and B2B markets such as Medical, Enterprise Automation, and Building & Retail — tend to be more stable and have significantly longer product cycles than traditional consumer electronics. Exposure to a broader and more diversified set of customers and industries is expected to diminish revenue volatility for Nordic.

Nordic has continued the broadening of it product portfolio that was reported in Q1 2018. The ramp up of the nRF52840 has continued, and during Q2 2018 we have delivered significant volumes to several key customers using this product, mainly for utilizing the Thread support that is available on the nRF52840. This product is mainly utilized within the smart home market. Nordic's product road map includes several variations of the nRF52 Series that is especially designed for this growth market.

During H1 2018, Nordic has delivered approximately 28 000 development kits, up from 19 000 during the same period last year. We see this strong growth as a result of the broad product portfolio now available to our customers.

Nordic has demonstrated its ability to become the market leader within Bluetooth Low Energy technology. Bluetooth LE is the preferred communication technology for short-range, low power communication. The strategic investment in low power cellular IoT is a part of the company's strategy to target new high growth markets with its wireless connectivity and embedded processing technology.

The Group's roadmap for low power cellular IoT, includes highly integrated System-in-Packages and advanced software for the upcoming 3GPP 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. The potential of low power cellular IoT is vast and opens for applications that technologies such as Bluetooth, Wi-Fi, and conventional 3G and 4G cellular just can not support. LTE-M and NB-IoT technologies offer sufficient throughput for the low data rates characteristics of IoT sensors, together with kilometers of range, battery powered operation, and lower cost.

In January 2018, Nordic launched the nRF91 Series and started sampling key customers. During Q2 Nordic expanded the customer sampling and have sampled more that 30 lead customers during the quarter. We have a target to sample a diversified set of customers and focus on a combination of large and fast moving companies. The objective now is to sample more than 100 potential customers under the lead customer sampling program for the full year 2018. Several of the lead customers have progressed far on their designs and we already see demand for production quantities by the end of 2018.

During Q2 2018 Nordic has secured the first nRF91 Series design win with a European customer for an asset tracking solution.

Nordic's top priority for 2018 is to secure design wins under the expanded lead customer sampling program as well as secure the volume ramp with those customers. With regards to availability for a broader customer base, we target start of general availability during Q4 2018.

At the end of the quarter we received production ready silicon back from the foundry. This silicon is feature complete and optimized for power and performance. We are currently progressing with testing, characterization and certification on that silicon.

Complementing the current LTE-M solution with nRF91 Series, Nordic has during Q2 completed the first NB-IoT trials on several European networks. The NB-IoT software will be made available to lead customers during Q3.

BUSINESS OUTLOOK

Nordic's backlog is continuing to be strong, and we exit Q2 2018 with a backlog of MUSD 80.1, up 22.7% year on year. The backlog has a healthy distribution between Q3 and Q4.

Gross margins for Q2 2018 ended up in the higher end of the guidance range due to a continued favorable customer and product mix.

Based on a strong backlog and a guided Bluetooth growth of 30%-40% in H2 2018, we provide a revenue guidance range of MUSD 150 to MUSD 160 in H2 2018. We expect gross margins to be in the upper range of 48% – 50%, our long term target for short-range IoT, and hitting our 50% target in a quarter during H2 2018.

Entering H2 2018, Nordic continues its effort on investments to fuel future growth and scaling of supply chain to meet customer demand and requirements.

Oslo, 11 July 2018

Terje Rogne
Chairman

Tore Valderhaug
Deputy Chairman

Craig Ochikubo
Board member

Inger Berg Ørstavik
Board member

Anne Marit Panengstuen
Board member

Birger Steen
Board member

Asbjørn Sæbø
Board member, employee

Susheel Raj Nuguru
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Jon Helge Nistad
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Svenn-Tore Larsen
Cheif Executive Officer

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Financial Calendar 2018:

- October 17th, 2018 - 3rd Quarter 2018
- February 13th, 2019 - 4th Quarter 2018

CONDENSED FINANCIAL INFORMATION

Income statement

Amount in USD 1000	Note	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Total Revenue		**71 158**	**58 651**	**131 283**	**105 987**	**236 003**
Cost of materials		-36 264	-31 023	-67 003	-56 218	-123 645
Direct project costs		-1	-244	-1	-265	-872
Gross profit		**34 893**	**27 384**	**64 279**	**49 504**	**111 487**
Payroll expenses		-16 173	-13 005	-33 877	-26 422	-60 517
Other operating expenses		-8 733	-6 401	-16 004	-12 096	-27 657
EBITDA		**9 987**	**7 977**	**14 399**	**10 986**	**23 313**
Depreciation	5	-4 296	-3 211	-7 882	-6 292	-12 863
Operating profit		**5 690**	**4 766**	**6 516**	**4 694**	**10 450**
Net interest		-15	-8	-55	-136	-348
Net foreign exchange gains (losses)		434	-8	-255	-49	-322
Profit before tax		**6 109**	**4 749**	**6 206**	**4 510**	**9 780**
Income tax expense		-1 785	-890	-1 902	-980	-3 017
Net profit after tax		**4 323**	**3 859**	**4 304**	**3 530**	**6 763**
Earnings per share						
Ordinary earnings per share (USD)		0.025	0.024	0.026	0.022	0.042
Fully diluted earnings per share (USD)		0.024	0.024	0.025	0.022	0.042
Weighted average number of shares						
Basic		173 976	161 795	167 885	161 795	161 796
Fully Diluted		179 102	161 795	170 690	161 795	161 926
Net profit after tax		**4 323**	**3 859**	**4 304**	**3 530**	**6 763**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:						
Actuarial gains (losses) on defined benefit plans (before tax)			-			-25
Income tax effect			-			6
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Currency translation differences		-393	63	-195	28	134
Total Comprehensive Income		**3 929**	**3 922**	**4 108**	**3 558**	**6 878**

Consolidated statement of financial position

Amount in USD 1000	Note	30.06.18	30.06.17	31.12.17
ASSETS				
Non-current assets				
Capitalized development expenses	5/6	23 671	16 559	18 925
Software and other intangible assets	5/6	15 097	14 590	15 509
Deferred tax assets		1 519	2.029	1 516
Fixed assets	6	13 809	13 427	12 258
Other long term assets			1	-
Total non-current assets		**54 097**	**46 606**	**48 209**
Current assets				
Inventory		46 333	47 749	43 789
Accounts receivable		55 523	48 320	48 582
Other short-term receivables		7 377	5 989	7 844
Cash and cash equivalents		107 009	23 324	36 695
Total current assets		**216 242**	**125 381**	**136 910**
TOTAL ASSETS		**270 339**	**171 988**	**185 119**

EQUITY				
Share capital		303	283	283
Treasury shares		-2	-2	-2
Share Premium		113 355	14 436	14 436
Other equity		114 696	106 324	110 237
Total equity		**228 352**	**121 041**	**124 953**
LIABILITIES				
Non-current liabilities				
Pension liability		308	273	293
Other long-term loan facility	7	0	20 000	20 000
Total non-current liabilities		**308**	**20 273**	**20 293**
Current liabilities				
Accounts payable		16 744	10 401	13 075
Income taxes payable		2 309	1 318	3 069
Public duties		2 748	2 114	2 774
Other short-term debt		19 878	16 840	20 955
Total current liabilities		**41 679**	**30 673**	**39 873**
Total liabilities		**41 987**	**50 947**	**60 166**
TOTAL EQUITY AND LIABILITY		**270 339**	**171 988**	**185 119**

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
Equity as of 01.01.18	**283**	**-2**	**14 253**	**2 094**	**134**	**108 008**	**124 953**
Net profit for H1 2018	-	-	-	-	-	4 304	4 304
Purchase of treasury shares	-	-1	-	-	-	-40	-41
Sale of treasury shares (option exercise)	-	1	-	-	-	-	1
Issue of share capital	20	-	98 919				98 939
Share based compensation	-	-	-	391	-	-	391
Other comprehensive income	-	-	-	-	-195	-	-195
Equity as of 30.06.18	**303**	**-2**	**113 355**	**2 485**	**-61**	**112 272**	**228 352**
Equity as of 01.01.17	**283**	**-2**	**14 436**	**968**	**-**	**101 264**	**116 949**
Net profit for H1 2017	-	-	-	-	-	3 530	3 530
Share based compensation	-	-	-	534	-	-	534
Other comprehensive income	-	-	-	-	28	-	28
Equity as of 30.06.17	**283**	**-2**	**14 436**	**1 502**	**28**	**104 794**	**121 041**

Statement of cash flows

Amount in USD 1000	Note	Q2 2018	Q2 2017	H1 2018	H1 2017	Full year 2017
Cash flows from operating activities						
Profit before tax		6 109	4 749	6 206	4 510	9 780
Taxes paid for the period		-1 036	-1 095	-1 992	-2 216	-1 600
Depreciation		4 296	3 211	7 882	6 292	12 863
Change in inventories, trade receivables and payables		-2 083	-5 860	-5 780	5 868	12 152
Share-based compensation		150	309	619	534	1 129
Movement in pensions		-15	6	15	-19	-19
Other operations related adjustments		-2 525	-927	-1 292	-1 569	743
Net cash flows from operating activities		**4 896**	**393**	**5 659**	**13 398**	**35 049**
Cash flows used in investing activities						
Capital expenditures (including software)	6	-5 099	-2 918	-6 966	-6 943	-10 832
Capitalized development expenses	6	-3 635	-1 970	-6 913	-4 173	-8 572
Net cash flows used in investing activities		**-8 734**	**-4 888**	**-13 878**	**-11 116**	**-19 404**
Cash flows from financing activities						
Changes in treasury shares		-	-		-	-
Capital increase		98 939	-	98 939	-	-
Repayment of interest bearing debt		-20 000	-	-20 000	-	-
Cash settlement of options contract and issue of share capital		-	-	-32	-	-
Net cash flows from financing activities		**78 939**	**-**	**78 907**	**-**	**-**
Effects of exchange rate changes on cash and cash equivalents		-286	-60	-373	-94	-86
Net change in cash and cash equivalents		**74 816**	**-4 556**	**70 314**	**2 188**	**15 560**
Cash and cash equivalents beginning of period		32 193	27 879	36 695	21 135	21 135
Cash and cash equivalents at end of period		**107 009**	**23 323**	**107 009**	**23 323**	**36 695**

NOTES

Note 1: General

The Board of Directors approved the condensed second quarter interim financial statements for the three months ended 30 June 2018 and six first months of 2018 for publication on July 11, 2018.

Nordic develops and sells integrated circuits and related solutions for short-range wireless communication. The Group specializes in ultra-low power (ULP) components, based on its proprietary 2.4GHz RF and Bluetooth technology. Nordic is also developing its long-range low-power cellular chip-set, providing customers with a broad portfolio of low-power connectivity solutions across the spectrum of distances from near-field to long-range.

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

Note 2: Confirmation of the financial framework

The Group financial statements for Nordic Semiconductor ASA and its wholly owned subsidiaries, together called "The Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for Q2 2018 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 2017.

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

In the interim financial statements for 2018, 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 2018 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2017.

IFRS 15 and IFRS 9 was implemented 1.1.2018 without any changes to the opening balance. For further information see note 2 in the 2017 annual report.

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2017. The group accounts for 2017 were prepared in accordance with International Financial Reporting Standards (IFRS), relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

New standards, amendments to standards, and interpretations have been published, but are not effective at December 31, 2018 and have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16, issued in January 2016, establishes a balance sheet lease accounting model that will increase transparency and comparability beginning in 2019.

The group is in the process of assessing the impact of the standard. Significant changes are expected to be made in the statement of financial position and cash flows as a result of removing the distinction between operating and finance leases.

The main leases that will be recognized in the balance sheet are the different office leases. The group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment of all current lease contracts, it is estimated that as of January 1, 2019 fixed assets will be increased by approximately MUSD 20 with the offsetting increase of long term liabilities. Based on June 30, 2018 balance sheet, this change would have reduced the Equity ratio from 84.5% to 78.7%. All other equal, we expect that the implementation of IFRS 16 will improve EBITDA by approximately MUSD 4 for 2019, but no significant changes to the net profit due to increased depreciation and interest expense.

A more detailed estimate of the effects on the Group's financial statements will be provided in the Q3 2018 report.

Note 4: Segment information

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

The Group classifies its revenues into the following technologies: Wireless components, ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the markets to which its components communicate. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others.

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

Note 5: Intangible assets

The Group recognizes intangible assets in the balance sheet if it is likely that the expected future economic benefits attributable to the asset will accrue to the Groupand the assets acquisition cost can be measured reliably.

Costs associated with development are capitalized if the following criteria are met in full:

- The product or the process is clearly defined and the cost elements can be identified and measured reliably;
- The technical feasibility is demonstrated;
- The product or the process will be sold or used in the business;
- The asset will generate future financial benefits.
- Sufficient technical, financial and other resources for project completion are in place.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Note 6: Capitalization, depreciation and amortization

Specification of capital expenditures, balance sheet	**Q2 2018**	**Q2 2017**	**H1 2018**	**H1 2017**	**Full year 2017**
Capitalized development expenses (payroll expenses)	2 871	1 652	5 053	3 256	5 526
Capitalized acquired development expenses	764	318	1 860	917	3 045
Capital expenditures (including software)	5 099	2 918	6 966	6 943	10 832
Currency adjustments	-262	-58	-114	-64	337
Total	**8 472**	**4 830**	**13 765**	**11 052**	**19 740**
Depreciation, amortizations and impairments					
Capitalized development expenses	1 150	1 004	2 167	2 009	4 042
Software and other intangible assets	1 359	533	2 052	1 022	2 088
Fixed Assets	1 787	1 674	3 664	3 261	6 734
Total	**4 296**	**3 211**	**7 883**	**6 292**	**12 863**

Note 7: Net interest-bearing debt

The Group has long-term revolving credit facilities, which enables it to borrow up to MUSD 40 and MUSD 25 at any time with an interest rate equal to LIBOR + margin. The line of credit of MUSD 40 expires in September 2019, while the other MUSD 25 expires in November 2022. The Group repaid MUSD 20 during Q2 2018 and as of June 30, 2018, the Group had not drawn on any credit facilities. The security for the credit lines are provided by inventory, receivables and operating equipment.

The following financial covenants are included:
Equity ratio shall not be lower than 40 %.

In addition to the two RCFs, the Group has a MEUR 10 bank overdraft facility with its main bank. This overdraft is not utilized at the end of June 2018.

Note 8: Stock options

Nordic has a stock option program for employees and management. Please see the annual report for 2017 for information about the program and particularly note 23 for the 2018 grant.

	H1 2018	H1 2017	Full year 2017
Outstanding options beginning of period	**3 127 663**	**5 287 714**	**5 287 714**
Options granted	1 447 400	1 625 412	1 625 412
Options forfeited	3 500	24 831	54 761
Options exercised	241 863	-	-
Options expired	-	3 730 702	3 730 702
Outstanding options end of period	**4 329 700**	**3 157 593**	**3 127 663**
Of which exercisable	1 308 350	511 338	506 671

Note 9: Financial risk

Nordic is exposed to several risks, including currency risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how the Group manages these risks, please see the annual report for 2017.

Note 10: Events after the balance sheet date

No events have occurred since June 30, 2018 with any significant effect that will impact the evaluation of the submitted accounts.

BOARD AND MANAGEMENT CONFIRMATION

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2018, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

The Board of Directors and Chief Executive Officer of
Nordic Semiconductor ASA
Oslo, 11 July 2018

Terje Rogne
Chairman

Tore Valderhaug
Deputy Chairman

Craig Ochikubo
Board member

Inger Berg Ørstavik
Board member

Anne Marit Panengstuen
Board member

Birger Steen
Board member

Asbjørn Sæbø
Board member, employee

Susheel Raj Nuguru
Board member, employee

Jon Helge Nistad
Board member, employee

Svenn-Tore Larsen
Cheif Executive Officer

ALTERNATIVE PERFORMANCE MEASURES

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures (APM) that are regularly reviewed by management to enhance the understanding of the Group's performance.

The Group has identified the following APMs used in reporting (amount in USD million):

- Gross Margin. Gross Profit divided by Total Revenue. Gross margin is presented as it is the main financial KPI to measure the Group's operational performance.

	Q2 2018	Q2 2017	H1 2018	H1 2017
Gross profit	34.9	27.4	64.3	49.5
Total revenue	71.2	58.7	131.3	106.0
Gross Margin	**49.0%**	**46.7%**	**49.0%**	**46.7%**

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

- EBIT. Earnings before interest and tax. Equivalent to Operating profit in IFRS 1.
- EBITDA. Earnings before interest, taxes, depreciation and amortization.

	Q2 2018	Q2 2017	H1 2018	H1 2017
Operating profit	5.7	4.8	6.5	4.7
Depreciation	4.3	3.2	7.9	6.3
EBITDA	**10.0**	**8.0**	**14.4**	**11.0**

- EBITDA Margin. EBITDA divided by Total Revenue.

	Q2 2018	Q2 2017	H1 2018	H1 2017
EBITDA	10.0	8.0	14.4	11.0
Total revenue	71.1	58.7	131.3	106.0
EBITDA Margin	**14.0%**	**13.6%**	**11.0%**	**10.4%**

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

	Q2 2018	Q2 2017	H1 2018	H1 2017
Payroll expenses	16.2	13.0	33.9	26.4
Other Opex	8.7	6.4	16.0	12.1
Depreciation	4.3	3.2	7.9	6.3
Total Operating Expenses	**29.2**	**22.6**	**57.8**	**44.8**

- 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. Cash operating expenses intends to show operating expenses, excluding items with no cash effect and items affecting comparability.

	Q2 2018	Q2 2017	H1 2018	H1 2017
Total operating expenses	29.2	22.6	57.8	44.8
Depreciation	-4.3	-3.2	-7.9	-6.3
Option expense	-0.2	-0.3	-0.6	-0.5
Capitalized expenses	3.6	2.0	6.9	4.2
Cash Operating Expenses	**28.4**	**21.1**	**56.2**	**42.2**

- Order Backlog. Customer orders placed by the end of the quarter for delivery in next and following quarters.