Q4

& preliminary full year 2018 report

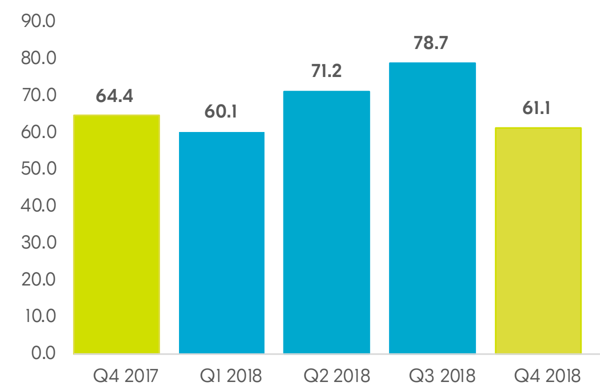
NORDIC®
SEMICONDUCTOR

Content

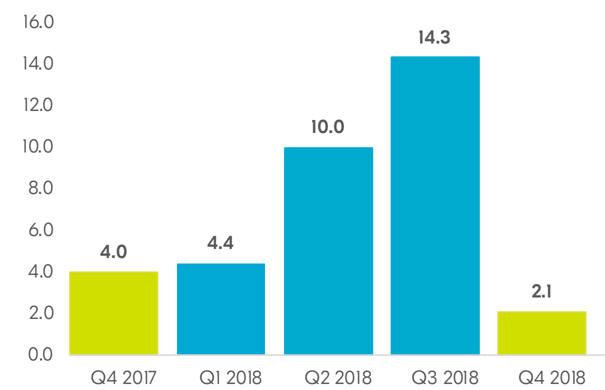
Q4 HIGHLIGHTS

- Revenue of MUSD 61.1 in Q4 2018, decrease of 5.0% year-over-year
- Gross margin at 51.0%, up 3.4 p.p. year-over-year
- Bluetooth revenue of MUSD 40.1 in Q4 2018, decrease of 9.0% year-over-year. Revenue impacted by trade tensions and low demand in China
- Solid proprietary revenue due to accelerated shipments out of China prior to tariffs
- Successful production launch of cellular IoT-product. First revenue recognized in Q4 2018
- EBITDA of MUSD 2.1 or EBITDA margin of 3.4%
- Short range EBITDA of MUSD 7.0 or short range EBITDA margin of 11.5%
- Strong design wins with Tier 1 customers worldwide

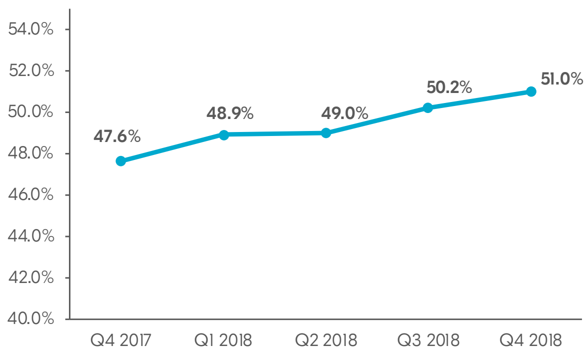
Revenue



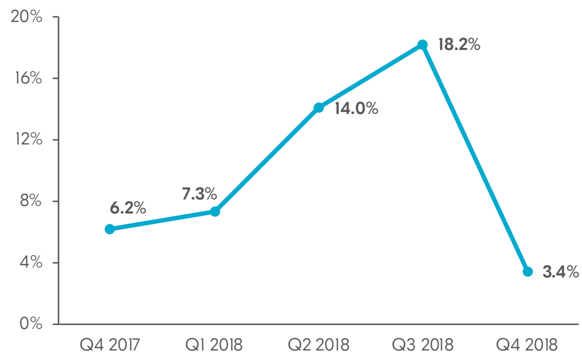
EBITDA



Gross Margin



EBITDA Margin



KEY FIGURES

Q4 2018 financial summary

	Q4			Full year		
Amount in USD million	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Revenue	61.1*	64.4	-5.0 %	271.1	236.0	14.9 %
Gross profit	31.2	30.6	1.9 %	135.0	111.5	21.1 %
Gross Margin %	51.0 %	47.6 %	3.4 p.p.	49.8 %	47.2 %	2.6 p.p.
EBITDA	2.1	4.0	-47.4 %	30.8	23.3	32.0 %
EBITDA %	3.4 %	6.2 %	-2.8 p.p.	11.4 %	9.9 %	1.5 p.p.
Operating Profit (EBIT)	-2.4	0.8	na	14.0	10.5	34.4 %
Operating Profit % (EBIT)	-3.9 %	1.3 %	-5.2 p.p.	5.2 %	4.4 %	0.8 p.p.
Net profit after tax	-2.6	-0.4	na	8.9	6.8	31.0 %
Cash and cash equivalents	103.9	36.7	183.1 %	103.9	36.7	183.1 %
Order Backlog	70.0	53.7	30.4 %			
LTM opex excluding depreciation/ LTM revenue	38.4%	37.4%	1.0 p.p.			
Net working capital / LTM revenue	22.6 %	26.9 %	-4.3 p.p.			
Equity ratio	82.9 %	67.5 %	15.4 p.p.			
Number of employees	685	601	14.0 %			

* Includes sale of a fixed asset of MUSD 0.3

Revenue by technology

	Q4			Full year		
Amount in USD thousand	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Proprietary wireless	17 531	18 257	-4.0 %	77 254	77 428	-0.2 %
Bluetooth	40 123	44 074	-9.0 %	185 148	150 126	23.3 %
Cellular IoT	232	0	na	232	0	na
ASIC Components	2 789	1 955	42.7 %	7 994	7 916	1.0 %
Consulting services	451	80	463.8 %	505	533	-5.2 %
Total	**61 126**	**64 366**	**-5.0 %**	**271 134**	**236 003**	**14.9 %**

FINANCIAL REVIEW

Income statement

Nordic Semiconductor's (Nordic or the Group) total revenue was MUSD 61.1 in Q4 2018, compared with MUSD 64.4 in Q4 2017. Overall year-over-year decrease was 5.0%. Year-over-year decrease for Bluetooth was 9.0% and year-over-year decrease for proprietary was 4.0%.

Revenue from Bluetooth ended at MUSD 40.1, down from MUSD 44.1 in Q4 2017. Bluetooth revenue constitutes 65.6% of total revenue in the quarter, compared with 68.5% in Q4 2017. Bluetooth growth was negatively impacted by the trade tensions and thereby low demand in China. In comparison the Building and Retail market in China was unusually strong in Q4 2017.

Nordic recognized MUSD 0.2 in cellular IoT revenue in Q4 2018. This is the first quarter the Group has recognized long-range revenue.

Nordic has seen an increased number of end-product certifications in the quarter, with a total of 133 new certifications. This is the highest number in more than a year and represents a year-overyear growth of 8%. The Group is continuously working on securing new design wins and diversifying the customer base. Similar to Q3 the Group experience a strong pull for the higher-end nRF52 products in Q4, increasing the average selling prices of the BLE products.

Revenue from proprietary ended at MUSD 17.5 compared with MUSD 18.3 in Q4 2017, representing a 4.0% decrease. For the full year proprietary is down 0.2%, which is a softer decrease than expected. As reported during Q3 2018, the stronger than expected proprietary revenue in 2018 can be attributed to prolonged lifecycle for several key products and new design wins. In addition, during Q4 2018 the Grup has observed customer accelerated shipments out of China prior to tariffs expected to be implemented in Q1 2019.

Order backlog has been strong throughout the year. Backlog ended at MUSD 70.0, representing a 30.4% increase, compared with MUSD 53.7 in Q4 2017 and a seasonal decline from MUSD 77.0 at the end of Q3 2018. Although the backlog is strong entering 2019, there have pushouts from Q1 to Q2.

The Group's gross margin increased from 47.6% in Q4 2017 to 51.0% this quarter. In Q4 2018, gross profit was MUSD 31.2, compared with MUSD 30.6, in Q4 2017. The strong gross profit improvement is the result of margin expansion despite revenue decrease. A continued favorable customer and product mix has also contributed to the gross margin improvement. Compared to Q3 2018, gross margin has increased 0.8 percentage points, mainly as a result of high ASIC revenue and volume bonuses received in Q4.

Total operating expenses, including depreciation and amortization, increased 12.7% to MUSD 33.6 from MUSD 29.8 in Q4 2017. Compared to Q3 2018, total operating expenses including depreciation and amortization have seasonally increased 13.2% from MUSD 29.6.

During Q4 2018, Nordic capitalized a total of MUSD 3.0, of which MUSD 2.5 relates to payroll expenses. The corresponding total capitalization amount in Q4 2017 was MUSD 2.5 and MUSD 3.1 in Q3 2018. Of the total capitalization in Q4 2018, MUSD 2.6 are related to the cellular IoT investment. Nordic started capitalizing on this project when lead customer sampling started in Q1 2018. The remaining relates to new versions of the short-range offering.

Expenses related to equity compensation was MUSD 0.3 in Q4 2018, unchanged from both Q4 2017 and Q3 2018.

Adjusted for capitalization and equity-based compensation, total cash operating expenses increased 10.0% to MUSD 31.8 in Q4 2018 from MUSD 28.9 in Q4 2017. This is explained by a 14.0% increase in the number of employees, from 601 at the end of 2017 to 685 at the end of 2018. The increase is mainly 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.

Total cash operating expenses for the cellular investment were MUSD 7.6 in Q4 2018, compared with MUSD 6.0 in Q4 2017. The increase is mainly related to higher personnel expenses. The cellular cash operating expenses increased 24.6% from MUSD 6.1 in Q3 2018 mainly as a result of holidays in Q3.

Depreciation and amortization were MUSD 4.5 in Q4 2018, compared with MUSD 3.1 in Q4 2017. Included is MUSD 1.0 in amortization of internally developed R&D, unchanged from Q4 2017.

Earnings before interest, tax, depreciation and amortization (EBITDA) were MUSD 2.1 in Q4 2018 compared with MUSD 4.0 in Q4 2017. The decline of 47.4% is a result of lower revenue and higher operating expenses partly offset by improved gross margin. For the short range business, EBITDA was MUSD 7.0 in Q4 2018, compared with MUSD 10.0 in Q4 2017.

Net profit was MUSD -2.6 in Q4 2018, down MUSD 2.2 from MUSD -0.4 in Q4 2017. Income tax expense was MUSD 1.6 in Q4 2018 related to currency gain in the parent company, as most cash is held in USD and tax is calculated in NOK. The base tax rate for the group is 23%.

Full year

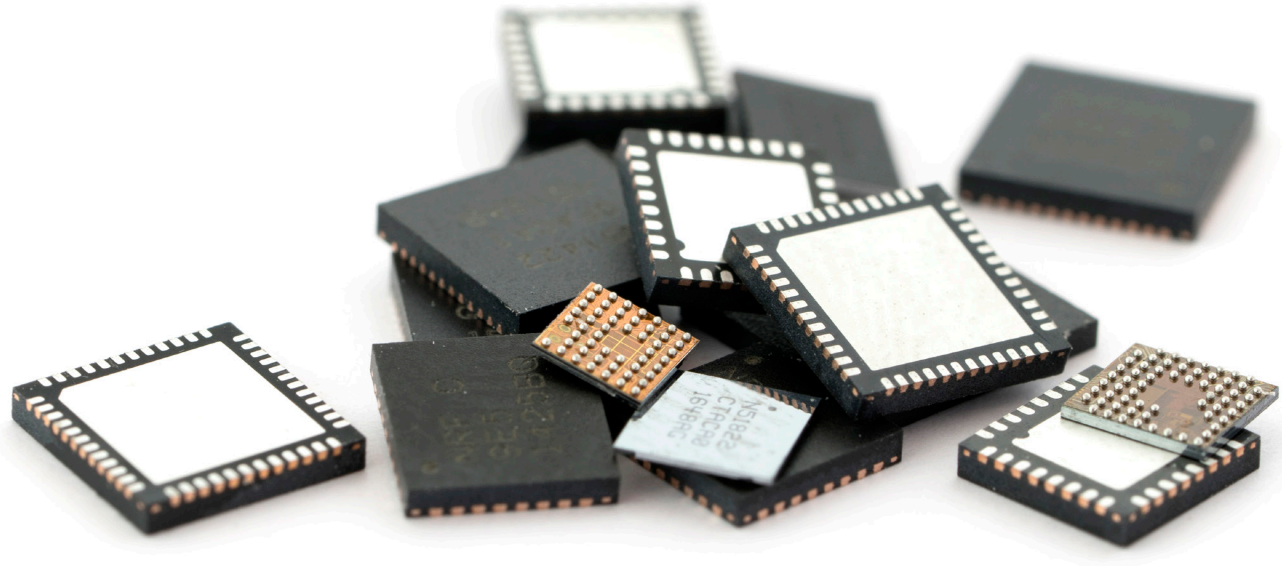
Total revenue for Nordic Semiconductor in 2018 was MUSD 271.1, compared with MUSD 236.0 in 2017, representing a growth of 14.9%. Bluetooth revenue increased by 23.3% to MUSD 185.1 from MUSD 150.1 in 2017. A significant part of the growth came in first half of 2018 with a Bluetooth growth of 50.2% year-over-year, while the second half of 2018 had a slowdown, with a 5.3% year-over-year growth, due to trade tensions and a significant decrease of volume sales of one application in China.

Gross profit for the full year 2018 was MUSD 135.0, representing a gross margin of 49.8%, compared with MUSD 111.5 and 47.2% respectively in 2017. Gross margin has improved throughout 2018 and been above 50% in the second half of the year.

Total operating expenses including depreciation and amortization were MUSD 121.0 in 2018, compared with MUSD 101.0 in 2017. The higher spending is explained by higher R&D headcount and increased marketing and sales activities.

The Group's operating profit (EBIT) increased to MUSD 14.0 in 2018 from an operating profit of MUSD 10.5 in 2017. Net financial items came in at a gain of MUSD 1.0 in 2018 and a loss of MUSD 0.7 in 2017.

Profit before tax was MUSD 15.1 in 2018, compared with MUSD 9.8 in 2017. Income tax expense for the Group was MUSD 6.2, or 41.3% of pretax profit. The base tax rate for the group is 23%, but the actual rate fluctuates based on the effect of net financial items and options. Net profit after tax was MUSD 8.9 in 2018, compared with net profit after tax of MUSD 6.8 in 2017.



Markets

	Q4			Full year		
Revenue in USD thousand	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Consumer Electronics	24 938	26 136	-4.6 %	111 724	98 691	13.2 %
Wearables	9 360	9 663	-3.1 %	43 838	37 355	17.4 %
Building/Retail	9 966	15 888	-37.3 %	48 646	56 912	-14.5 %
Healthcare	5 475	4 963	10.3 %	22 578	14 231	58.7 %
Others	7 916	5 681	39.3 %	35 618	20 365	74.9 %
Short range wireless components	**57 655**	**62 331**	**-7.5 %**	**262 404**	**227 554**	**15.3 %**
Long range (cellular IoT)	232	0	na	232	0	na
ASIC components	2 789	1 955	42.7 %	7 994	7 916	1.0 %
Consulting services	450	80	462.5 %	504	533	-5.4 %
Total	**61 126**	**64 366**	**-5.0 %**	**271 134**	**236 003**	**14.9 %**

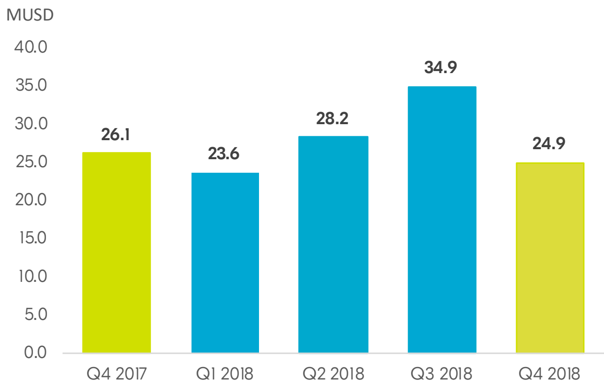
The Group classifies its revenues into the following technologies: Short range wireless components, long range (cellular IoT), ASIC components and Consulting services. Within short range wireless components, the Group reports its revenues based on the end product markets. These include: Consumer Electronics, 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.

The Company has during Q4 2018 recognized the first long range (cellular IoT) revenue. As most of Nordic's cellular IoT customers are in the development phase, revenue from this technology mainly relates development kits sales. During 2019, Nordic will report the revenue in the relevant markets.

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 43% in Q4 2018, compared to 47% in Q4 2017. Fluctuations in this ratio is to be expected as certain periods carries more or less designs attractive to Nordic's more advanced chipsets.

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



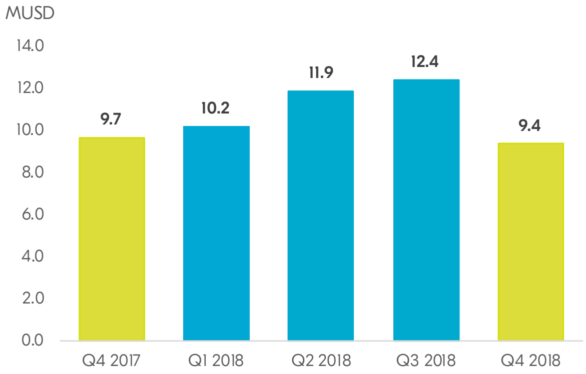
Revenue - Consumer Electronics

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

Revenue within the Consumer Electronics market decreased by 4.6% to MUSD 24.9 in Q4 2018 from MUSD 26.1 in the corresponding period last year and decreased by 28.6% from MUSD 34.9 in Q3 2018. The decrease in Q4 2018 is attributed to lower proprietary sales in the quarter.

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, pens and other accessories. Bluetooth LE offers much longer battery lifetime for these accessories compared to traditional Bluetooth technology, and will enable tablets to be used more effectively.

Wearables



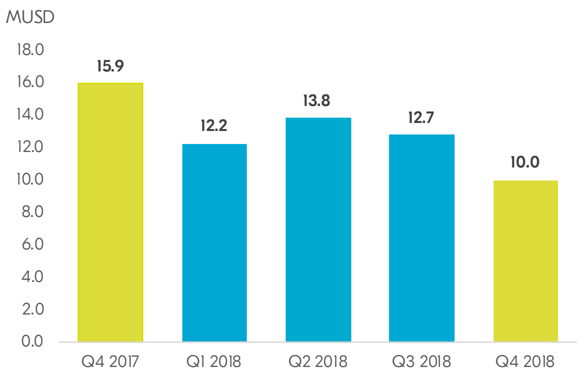
Revenue - Wearables

The Wearables market includes smart watches, activity trackers, sport and fitness bands and smart clothing.

Revenue from the Wearables market decreased by 3.1% to MUSD 9.4 in Q4 2018 from MUSD 9.7 in the corresponding period last year. Revenue decreased 24.5% from MUSD 12.4 in Q3 2018. With the nRF52 Series Nordic has seen increased design win traction within this market. Q4 is seasonally a weaker quarter compared with Q3.

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. With the introduction of the nRF52840, Nordic further strengthens its product offering for high end wearables.

Building and Retail



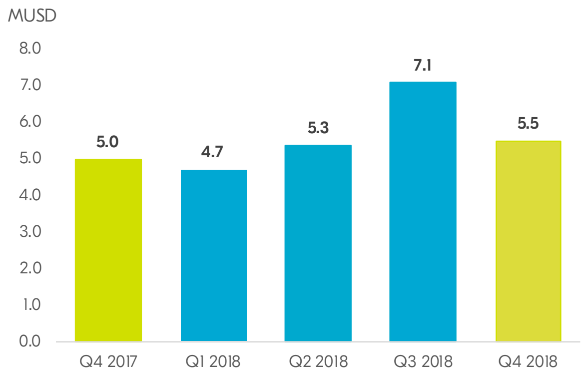
Revenue - Building/Retail

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 37.3% to MUSD 10.0 in Q4 2018 from MUSD 15.9 in the corresponding period last year. Revenue decreased 21.6% from MUSD 12.7 in Q3 2018. Last year was positively impacted by one application with three customers in China. With disappointing revenues from this design in 2018, Building and Retail shows a decline.

Home Automation, part of Building and Retail, is seen as one of the next key growth drivers 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 private homes. To further strengthen the product offering within Building and Retail, Nordic has introduced a protocol stack for Zigbee, the third important short-range protocol for smart homes.

Healthcare



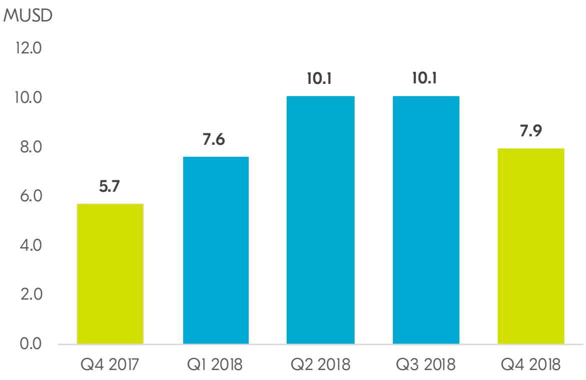
Revenue - Healthcare

The Healthcare market consists of all products that are certified to be used within medical care. End products range from hearing aids, glucose monitoring and drug delivery systems.

Revenue within the Healthcare market increased by 10.3% to MUSD 5.5 in Q4 2018 from MUSD 5.0 in the corresponding period last year. Revenue decreased 22.5% from MUSD 7.1 in Q3 2018. The year-over-year growth is mainly a result of new product releases during 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 are still in their infancy, particularly as they relate to IoT, remote healthcare and big data analytics. These products are now being commercialized and 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 39.3% to MUSD 7.9 in Q4 2018, from MUSD 5.7 in the corresponding period last year. Revenue decreased 21.4% from MUSD 10.1 in Q3 2018. The year-over-year growth is 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. Furthermore, this activity allows Nordic to scale sales activity faster and expand customer reach.

Financial Position

As of 31 December 2018, the Group had total assets of MUSD 267.2, of which MUSD 205.5 were current assets. Non-Current assets were MUSD 61.7. Capitalized development expenses increased by MUSD 8.8, from MUSD 18.9 in Q4 2017 to MUSD 27.7 in Q4 2018.

Compared with Q4 2017, net working capital has decreased by MUSD 2.1 to MUSD 61.3 (MUSD 63.4 in Q4 2017). Similarly, net working capital in percentage of LTM has decreased 4.3 percentage points to 22.6% (26.9% in Q4 2017). Accounts receivable was MUSD 3.2 higher at the end of Q4 2018 compared with the end of Q4 2017. Total liabilities were MUSD 45.6, down from MUSD 60.2 in Q4 2017. MUSD 45.3 were current liabilities, compared with MUSD 39.9 at the end of Q4 2017. Of the current liabilities, MUSD 11.4 comes from accrual for ship and debit related to sale to distributors, compared with MUSD 8.1 in Q4 2017.

Total Shareholders' equity was MUSD 221.5 at the end of 2018, up from MUSD 125.0 at year end 2017. The Group had an equity ratio of 82.9% 31 December 2018, up from 67.5% 31 December 2017.

Cash inflow from operating activities was MUSD 28.8 in Q4 2018, compared with a cash inflow of MUSD 15.6 in Q4 2017. Q4 cash flow from operating activities is high due to customer payments from the strong third quarter sales.

Cash flow from investments was an outflow of MUSD 8.5, compared with a cash outflow of MUSD 5.0 in Q4 2017. Capital expenditures were MUSD 5.4, driven by building of failure analysis lab and test equipment. Capitalized development expenses were MUSD 3.0, compared with MUSD 2.5 in corresponding quarter last year.

During Q4 the Group initiated a share buyback program and had an outflow of MUSD 12.1 related to purchases of treasury shares.

Under current RCF agreements, Nordic may borrow a total of MUSD 65 at any time with a rate of LIBOR + margin. At December 31, 2018, the Group had not utilized the RCF.

The Group's cash position was MUSD 103.9 at the end of 2018, up from MUSD 95.0 at the end of September 2018. Excluding financing activities , the Group is cash neutral for the full year 2018. Available cash at December 31, 2018 including credit facilities was MUSD 168.9 compared with MUSD 160.0 at September 30, 2018. The cash is mainly kept in the Group's functional currency USD in order to avoid currency fluctuations.

BUSINESS OVERVIEW

Nordic Semiconductor has been a long-standing pioneer in the semiconductor space for IoT. It all started with market leadership in the PC accessory segment with a proprietary 2.4GHz technology. By 2010 the company had outcompeted major semiconductor companies through innovative technology that proved to be much easier and more reliable for customers to make use of. Winning the largest and most demanding customers in the space allowed Nordic quickly to become the dominant force with a 70-80% market share.

As early as in 2008 Nordic took a leadership role to bring this proprietary short range low energy communication solution into a standard that the entire industry could adhere to. This later became known as Bluetooth Smart supported by Bluetooth Special Interest Group (SIG) . Nordic has grown its market share within this technology and a total of 40 - 50% of all new designs have in the last year been with Nordic technology. The portfolio of standardized short range low energy communication technology has been further complemented with Thread and Zigbee, both released in 2018.

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.

On January 28th 2019 the Bluetooth SIG released a new v5.1 version of the Bluetooth Core Specification supporting a brand-new feature called Direction Finding. This enhances existing Bluetooth Locationing Services with improved accuracy in real-time locationing (RTLS) and indoor positioning systems beyond what was previously possible with Bluetooth wireless technology. Nordic, as the market leader in Bluetooth Low Energy, is immediately on the market with the latest features to developers as they become available with the specification. The soon to be available nRF52811 is a multiprotocol Bluetooth SoC that has Bluetooth 5.1 support for direction finding.

Nordic engaged in an aggressive investment program in 2014 to develop a new line of cellular IoT low energy solutions. Four years later the Group is finally getting ready to take this to the market. As of early December, and prior to product launch, Nordic had sampled over 350 lead customers. On December 12th, 2018, Nordic completed a successful public launch of the IoT cellular product, the nRF9160. This was made possible after all the major certifications were completed, including GCF, FCC and CE. Post product launch, selected distributors have been shipping more than 2000 development kits to a wide variety of customers. Based on these development kits, Nordic's customers are now building prototypes across a range of verticals.

Nordic’s top priority during 2018 has been to secure design wins under the expanded lead customer sampling program as well as securing the volume ramp with those customers. During Q4 2018 Nordic secured additional design wins and reported the first cellular IoT revenue.

In addition to working with customers, a focus has been on engaging with the major carriers in selected key markets. Nordic is currently working closely with 10 major operators lined up for network specific approval programs. Furthermore, the Group is collaborating with Telenor to open their network for developers. Nordic’s nRF91 development kit is to be sold in Telenor’s web shop.

As of 31 December 2018, Nordic Semiconductor had 685 employees, compared with 663 and 601 employees at the end of Q3 2018 and Q4 2017, respectively. A total of 515 employees worked within Research and Development at the end of Q4 2018, representing an increase of 58 employees compared with corresponding period in 2017.

In order to take advantage of accelerating growth opportunities, Nordic has also increased staff within Sales and Marketing to 101 employees as of 31 December 2018 from 89 at the end of December 2017. The growth within sales and marketing comes by expanding the team into new regions.

BUSINESS OUTLOOK

Continued uncertainty related to trade tensions results in temporarily reduced growth rates in Q1 2019. Based on current backlog, guidance for Q1 2019 revenue is MUSD 50-55.

Continuous pull for higher ASP products and cost improvements result in maintaining gross margin of around 50% for Q1 2019.

Nordic continues its effort on investments to fuel future growth and scaling of supply chain to meet customer demand and requirements. Increased capex related to investments in lab equipment to secure future growth in Cellular IoT and Tier 1 customers' requirements result in Capex of MUSD 7-8 for Q1 2019.

For the medium-term, we foresee normalized annual growth rates of 20-30% for our Bluetooth business and between 0 and -10% for our proprietary business. For cellular IoT, we expect growth patterns to be broadly in line with historic Bluetooth growth.

Oslo, 4 February 2019

Birger Steen
Chair

Tore Valderhaug
Deputy Chair

Craig Ochikubo
Board member

Inger Berg Ørstavik
Board member

Svenn-Tore Larsen
Chief Executive Officer

Anne Marit Panengstuen
Board member

Asbjørn Sæbø
Board member, employee

Susheel Raj Nuguru
Board member, employee

Jon Helge Nistad
Board member, employee

Financial Calendar 2019:

- April 24th, 2019 - 1st Quarter 2019
- July 11th, 2019 - 2nd Quarter 2019
- October 17th, 2019 - 3rd Quarter 2019
- February 7th, 2020 - 4th Quarter 2019

For further information, please contact:

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CONDENSED FINANCIAL INFORMATION

Income statement

Amount in USD 1000	Note	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Total Revenue		**61 126**	**64 366**	**271 134**	**236 003**
Cost of materials		-29 939	-33 703	-136 111	-123 645
Direct project costs		-	-49	-1	-872
Gross profit		**31 187**	**30 614**	**135 021**	**111 487**
Payroll expenses		-19 830	-18 593	-70 048	-60 517
Other operating expenses		-9 271	-8 053	-34 199	-27 657
EBITDA		**2 086**	**3 968**	**30 775**	**23 313**
Depreciation	6	-4 462	-3 135	-16 727	-12 863
Operating profit		**-2 376**	**833**	**14 047**	**10 450**
Net interest		1 377	-173	1 354	-348
Net foreign exchange gains (losses)		-25	357	-320	-322
Profit before tax		**-1 024**	**1 017**	**15 081**	**9 780**
Income tax expense		-1 607	-1 371	-6 222	-3 017
Net profit after tax		**-2 631**	**-353**	**8 859**	**6 763**
Earnings per share					
Ordinary earnings per share (USD)		-0.015	-0.002	0.051	0.042
Fully diluted earnings per share (USD)		-0.015	-0.002	0.049	0.042
Weighted average number of shares					
Basic		176 280	161 796	172 591	161 796
Fully Diluted		176 308	162 121	179 454	161 926
Net profit after tax		**-2 631**	**-353**	**8 859**	**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)		-21	-25	-21	-25
Income tax effect		5	6	5	6
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Currency translation differences		-53	4	-324	134
Total Comprehensive Income		**-2 700**	**-368**	**8 519**	**6 878**

Consolidated statement of financial position

Amount in USD 1000	Note	31.12.18	30.09.18	31.12.17
ASSETS				
Non-current assets				
Capitalized development expenses	5/6	27 686	25 707	18 925
Software and other intangible assets	5/6	15 063	15 330	15 509
Deferred tax assets		1 335	1 515	1 516
Fixed assets	6	17 582	15 317	12 258
Total non-current assets		**61 667**	**57 869**	**48 209**
Current assets				
Inventory		42 679	44 211	43 789
Accounts receivable		51 784	76 651	48 582
Other short-term receivables		7 155	6 640	7 844
Cash and cash equivalents		103 876	95 002	36 695
Total current assets		**205 494**	**222 504**	**136 910**
TOTAL ASSETS		**267 161**	**280 372**	**185 119**

EQUITY				
Share capital		303	303	283
Treasury shares		-5	-2	-2
Share Premium		113 355	113 355	14 436
Other equity		107 896	122 187	110 237
Total equity		**221 549**	**235 843**	**124 953**
LIABILITIES				
Non-current liabilities				
Pension liability		279	274	293
Other long-term loan facility	7	-	-	20 000
Total non-current liabilities		**279**	**274**	**20 293**
Current liabilities				
Accounts payable		10 424	15 275	13 075
Income taxes payable		5 043	4 784	3 069
Public duties		2 901	1 975	2 774
Other short-term debt		26 966	22 222	20 955
Total current liabilities		**45 333**	**44 255**	**39 873**
Total liabilities		**45 612**	**44 529**	**60 166**
TOTAL EQUITY AND LIABILITY		**267 161**	**280 372**	**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**	**14 436**	**2 094**	**134**	**108 008**	**124 953**
Net profit for 2018	-	-	-	-	-	8 859	8 859
Purchase of treasury shares	-	-4	-	-	-	-12 071	-12 076
Sale of treasury shares (option exercise)	-	1	-	-	-	-	1
Issue of share capital	20	-	98 919				98 939
Share based compensation	-	-	-	1 213	-	-	1 213
Other comprehensive income	-	-	-	-	-324	-16	-341
Equity as of 31.12.18	**303**	**-5**	**113 355**	**3 307**	**-190**	**104 780**	**221 549**
Equity as of 01.01.17	**283**	**-2**	**14 436**	**968**	**-**	**101 264**	**116 949**
Net profit for 2017	-	-	-	-	-	6 763	6 763
Share based compensation	-	-	-	1 126	-	-	1 126
Other comprehensive income	-	-	-	-	134	-19	115
Equity as of 31.12.17	**283**	**-2**	**14 436**	**2 094**	**134**	**108 008**	**124 953**

Statement of cash flows

Amount in USD 1000	Note	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Cash flows from operating activities					
Profit before tax		-1 024	1 017	15 081	9 780
Taxes paid for the period		-767	616	-2 759	-1 600
Depreciation		4 462	3 135	16 728	12 863
Change in inventories, trade receivables and payables		21 555	10 136	-4 708	12 152
Share-based compensation		370	288	1 231	1 129
Movement in pensions		-11	-6	-30	-19
Other operations related adjustments		4 257	438	4 974	743
Net cash flows from operating activities		**28 842**	**15 625**	**30 516**	**35 049**
Cash flows used in investing activities					
Capital expenditures (including software)	6	-5 447	-2 493	-17 530	-10 832
Capitalized development expenses	6	-3 027	-2 535	-12 993	-8 572
Net cash flows used in investing activities		**-8 473**	**-5 028**	**-30 523**	**-19 404**
Cash flows from financing activities					
Changes in treasury shares		-12 075	-	-12 075	-
Capital increase		-	-	98 939	-
Repayment of interest bearing debt		-	-	-20 000	-
Cash settlement of options contract and issue of share capital		-	-	-32	-
Net cash flows from financing activities		**-12 075**	**-**	**66 832**	**-**
Effects of exchange rate changes on cash and cash equivalents		581	24	357	-86
Net change in cash and cash equivalents		**8 875**	**10 621**	**67 181**	**15 560**
Cash and cash equivalents beginning of period		95 002	26 074	36 695	21 135
Cash and cash equivalents at end of period		**103 876**	**36 695**	**103 876**	**36 695**

NOTES

Note 1: General

The Board of Directors approved the condensed fourth quarter interim financial statements for the three months ended 31 December 2018 for publication on February 4, 2019.

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 Q4 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 plans to adopt IFRS 16 using the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The right of use asset will be measured at an amount equal to the lease liability 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. Based on an updated assessment of all current leases as of 1.1.2019, it is estimated that as of January 1, 2019 fixed assets will be increased by approximately MUSD 23 with the offsetting increase of long term liabilities. Based on year end 2018 balance sheet, this change will reduce the Equity ratio from 82.9% to 76.3%. All other equal, we expect that the implementation of IFRS 16 will improve EBITDA by approximately MUSD 4.2 for 2019, but no significant changes to the net profit due to increased depreciation and interest expense.

Note 4: Segment information

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

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

The Group also reports its 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	**Q4 2018**	**Q4 2017**	**Full year 2018**	**Full year 2017**
Capitalized development expenses (payroll expenses)	2 451	1 183	9 774	5 526
Capitalized acquired development expenses	575	1 351	3 219	3 045
Capital expenditures (including software)	5 447	2 493	17 530	10 832
Currency adjustments	-812	-98	-933	337
Total	**7 661**	**4 929**	**29 590**	**19 740**
Depreciation, amortizations and impairments				
Capitalized development expenses	1 046	1 016	4 232	4 042
Software and other intangible assets	859	556	4 518	2 088
Fixed Assets	2 557	1 564	7 979	6 732
Total	**4 462**	**3 135**	**16 729**	**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. As of December 31, 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 was not utilized at the end of December 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.

	Full year 2018	Full year 2017
Outstanding options beginning of period	**3 127 663**	**5 287 714**
Options granted	1 447 400	1 625 412
Options forfeited	97 060	54 761
Options exercised	283 710	-
Options expired	-	3 730 702
Outstanding options end of period	**4 194 293**	**3 127 663**
Of which exercisable	1 265 338	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 December 31, 2018 with any significant effect that will impact the evaluation of the submitted accounts.

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.

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Gross profit	31.2	30.6	135.0	111.5
Total revenue	61.1	64.4	271.1	236.0
Gross Margin	**51.0 %**	**47.6 %**	**49.8 %**	**47.2 %**

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.

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Operating profit	-2.4	0.8	14.0	10.5
Depreciation	4.5	3.1	16.7	12.9
EBITDA	**2.1**	**4.0**	**30.8**	**23.3**

- EBITDA Margin. EBITDA divided by Total Revenue.

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
EBITDA	2.1	4.0	30.8	23.3
Total revenue	61.1	64.4	271.1	236.0
EBITDA Margin	**3.4 %**	**6.2 %**	**11.4 %**	**9.9 %**

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

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Payroll expenses	19.8	18.6	70.0	60.5
Other Opex	9.3	8.1	34.2	27.7
Depreciation	4.5	3.1	16.7	12.9
Total Operating Expenses	**33.6**	**29.8**	**121.0**	**101.0**

- 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. This APM is important to measure the development in underlying cost base

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Total operating expenses	33.6	29.8	121.0	101.0
Depreciation	-4.5	-3.1	-16.7	-12.9
Option expense	-0.3	-0.3	-1.2	-1.1
Capitalized expenses	3.0	2.5	13.0	8.6
Receivable write off	-		-	-1.0
Cash Operating Expenses	**31.8**	**28.9**	**116.0**	**94.6**

- Order Backlog. Customer orders placed by the end of the quarter for delivery in next and following quarters. This APM is used to understand the guiding for the next quarter.

- Adjusted EBITDA margin. EBITDA excluding cellular IoT, divided by Total Revenue exluding cellular IoT revenue. This APM shows Nordic's profitability excluding products in an investment phase with limited revenue.

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Reported EBITDA	2.1	4.0	30.8	23.3
Long range (cellular IoT) EBITDA loss	4.9	6.0	16.9	20.0
Adjusted EBITDA	**7.0**	**10.0**	**47.7**	**43.4**
Total revenue (excluding cellular IoT revenue)	60.9	64.4	270.9	236.0
Adjusted EBITDA margin	**11.5%**	**15.5%**	**17.6%**	**18.4%**

- Last twelve months operating expenses exluding depreciation divided by last twelve months revenue. This APM is used in internal and external reporting to track cost level, avoiding seasonalities by measuring over a full year.

	Full year 2018	Full year 2017
Total operating expenses	121.0	101.0
Depreciation	-16.7	-12.9
Operating expenses excluding depreciation	**104.2**	**88.**
Total revenue	271.1	236.0
LTM opex / LTM revenue	**38.4%**	**37.4%**

- 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. When dividing net working capital by last twelve months revenue we avoid seasonalities.

	Full year 2018	Full year 2017
Current assets	205.5	136.9
Cash and cash equivalents	-103.9	-36.7
Current liabilities	-45.3	-39.9
Income taxes payable	5.0	3.1
Net working capital	**61.3**	**63.4**
Total revenue	271.1	236.0
NWC / LTM revenue	**22.6%**	**26.9%**