Q4

& preliminary full year 2019 report

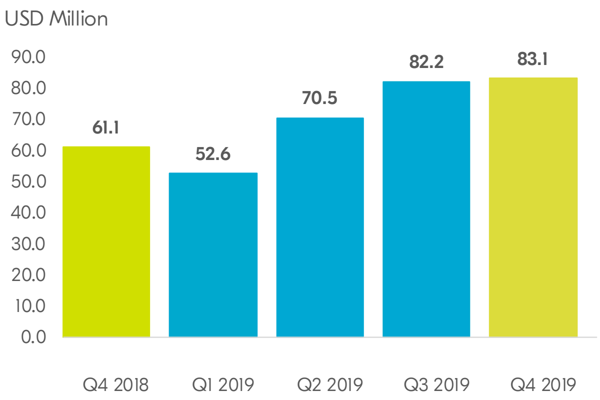
NORDIC®
SEMICONDUCTOR

Content

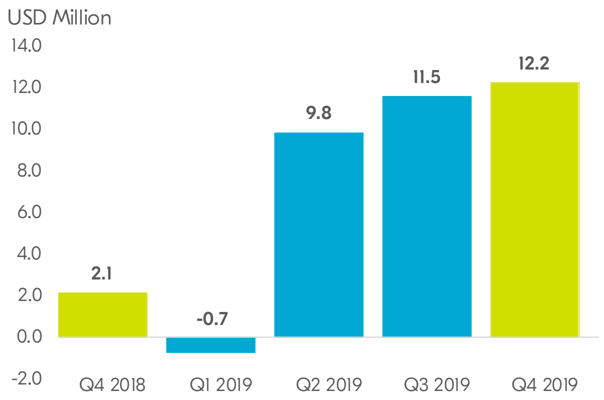
HIGHLIGHTS

- All time high revenue of USD 83.1 million (+36%)
- Gross margin of 51.6%
- Order backlog of USD 107 million (+52%)
- Bluetooth revenue of USD 65.5 million (+63%)
- Maintaining design leadership in Bluetooth low energy
- For the full year, revenue increased 6.4% to USD 288.4 million, with a gross margin of 50.9%
- Secured certification in cellular IoT with Verizon in 2019, with Deutsche Telecom and Vodafone following in Q1 2020
- Won Norwegian Tech Awards for the nRF9160 cellular SiP and China IoT Innovation Award for 'Nordic Thingy:91', in addition to 'Most Respected Emerging Company' by the Global Semiconductor Alliance

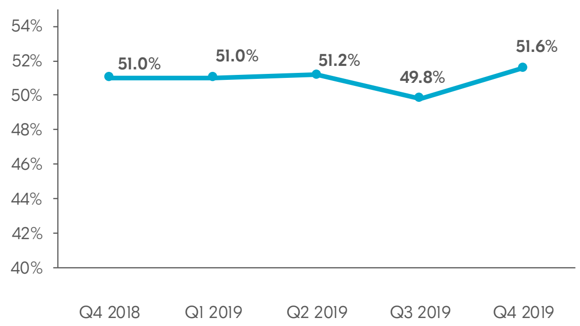
Revenue



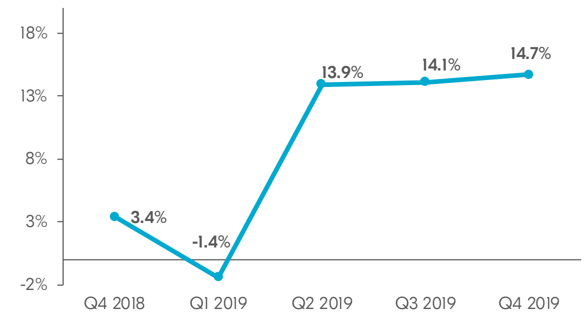
EBITDA



Gross Margin



EBITDA Margin



KEY FIGURES

Q4 2019 FINANCIAL SUMMARY

	Q4			Full year		
Amount in USD million	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	83.1	61.1	36.0 %	288.4	271.1	6.4 %
Gross profit	42.9	31.2	37.6 %	146.8	135.0	8.7 %
Gross Margin %	51.6 %	51.0 %	0.6 p.p.	50.9 %	49.8 %	1.1 p.p
EBITDA	12.2	2.1	484.9 %	32.8	30.8	6.6 %
EBITDA %	14.7 %	3.4 %	11.3 p.p.	11.4 %	11.4 %	0.0 p.p.
Operating Profit (EBIT)	5.4	-2.4	N/A	9.3	14.0	-34.0 %
Operating Profit % (EBIT)	6.4 %	-3.9 %	N/A	3.2 %	5.2 %	-2.0 p.p.
Net profit after tax	4.4	-2.6	N/A	7.3	8.9	-17.3 %
Cash and cash equivalents	90.6	103.9	-12.7 %	90.6	103.9	-12.7 %
Order Backlog	106.6	70.0	52.3 %	106.6	70.0	52.3 %
LTM opex excluding depreciation/ LTM revenue	39.5 %	38.4 %	1.1 p.p.	39.5 %	38.4 %	1.1 p.p.
Net working capital / LTM revenue	24.3 %	22.6 %	1.7 p.p.	24.3%	22.6 %	1.7 p.p
Equity ratio	72.9 %	82.9 %	-10.0 p.p.	72.9 %	82.9 %	-10.0 p.p.
Number of employees	767	685	12.0 %	767	685	12.0 %

REVENUE BY TECHNOLOGY

	Q4			Full year		
Amount in USD million	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Proprietary wireless	16.3	17.5	-6.8 %	59.9	77.3	-22.4 %
Bluetooth	65.5	40.1	63.3 %	221.2	185.1	19.4 %
Cellular IoT	0.2	0.2	-31.0 %	1.0	0.2	350.7 %
ASIC Components	1.1	2.8	-60.4 %	6.0	8.0	-24.5 %
Consulting services	-	0.5	N/A	0.2	0.5	-57.3 %
Total	**83.1**	**61.1**	**36.0%**	**288.4**	**271.1**	**6.4%**

FINANCIAL REVIEW

Revenues amounted to USD 83.1 million for the fourth quarter 2019, compared to USD 61.1 million in the fourth quarter 2018. Bluetooth revenues increased to USD 65.5 million from USD 40.1 million. Gross margin improved to 51.6% from 51.0%, and EBITDA increased to USD 12.2 million from USD 2.1 million. EBIT improved to USD 5.4 million from a loss of USD 2.4 million, whereas net profit improved to USD 4.4 million from a net loss of USD 2.6 million. The backlog was USD 107 million at the end of the year, up from USD 70 million at the end of 2018.

INCOME STATEMENT

Nordic Semiconductor (Nordic or the Group) reported total revenue of USD 83.1 million in Q4 2019, an increase of 36% from USD 61.1 million in Q4 2018 and 1% above Q3 2019. Bluetooth revenue increased by 63% year-on-year. The order backlog was USD 107 million at the end of the year, which was 52% above year-end 2018.

Bluetooth revenue amounted to USD 65.5 million in Q4 2019, up from USD 40.1 million in Q4 2018 and USD 62.2 million in the normally seasonally stronger Q3. The Bluetooth share of total revenue increased from 66% in Q4 2018 to 79% in Q4 2019.

The strong year-on-year growth reflects both significantly higher revenue contribution from new tier-1 Bluetooth Low Energy customers and a weak Q4 2018.

Compared to last year, revenue in Q4 2019 was also supported by stronger demand ahead of Chinese New Year, which fell 10 days earlier in 2020 than it did in 2019.

Proprietary revenue was USD 16.3 million in Q4 2019, which was a decline of 7% year-on-year and 12% below Q3 2019, and broadly in line with our guidance of a year-on-year decline in the high single-digits. Nordic continued to see a relatively strong PC segment but a weaker than expected development in other proprietary markets. Proprietary revenue accounted for 20% of total revenue in the quarter, down from 29% in the same quarter last year.

Cellular IoT is still in the early stages of commercialization across the industry. Nordic is reporting revenue of USD 0.2 million in Q4 2019, consisting mainly of sales of development kits. The reduction in revenue compared to previous quarters reflects delays in software deliveries resulting in early customers postponing purchases.

For the full year 2019, total revenue amounted to USD 288.4 million, up 6% from USD 271.1 million in 2018. Bluetooth revenue amounted to USD 221.2 million, up 19% from USD 185.1 million, whereas proprietary revenue declined 22% to USD 59.9 million from USD 77.3 million in 2018.

Bluetooth's share of 2019 full year revenue increased from 68% to 77%, whereas the proprietary revenue share declined from 28% to 21%. Cellular IoT revenue remained modest at USD 1.0 million (0.2), whereas ASIC revenue amounted to USD 6.0 million (8.0), and consulting revenue to USD 0.2 million (0.5).

The impact of increased Bluetooth tier-1 business is reflected in the year-end order backlog, which increased by 52% to USD 107 million from 2018. The order backlog is well spread over the coming quarters.

Nordic maintained its leadership in terms of Bluetooth Low Energy end-product certifications in 2019. The company's share of new designs increased to 41% in 2019 from 39% last year, based on FCC data compiled by DNB Markets. A total of 591 new products certified in 2019 had Nordic inside, which was an increase of 23% from 2018.

In Q4 2019 isolated, 136 Bluetooth Low Energy certified products had Nordic inside, with the market share declining to 39% from 43% in Q4 2018.

The Group's gross margin increased to 51.6% in Q4 2019, from 51.0% in the same quarter last year and 49.8% in the previous quarter. This was above the gross margin guidance of ~50% that was indicated in the financial report for the third quarter 2019. The positive margin development from Q3 2019 and compared to Q4 2019 guidance mainly reflects changes in product mix, with a higher share of more complex high-margin SoCs like the nRF52840 and improved cost on newly introduced products.

Gross profit hence amounted to USD 42.9 million in Q4 2019, which was an increase of 38% from USD 31.2 million in Q4 2018 and 5% above the USD 40.9 million reported for the previous quarter.

Gross profit for the full year 2019 amounted to USD 146.8 million, which was an increase of 9% from 2018. The gross margin improved from 49.8% to 50.9%, and hence exceeded the communicated 50% margin target.

Operating expenses amounted to USD 30.7 million in Q4 2019, excluding depreciation and amortization. This was an increase of 6% from USD 29.1 million in Q4 2018.

Effective January 1, 2019 the Group implemented IFRS 16 Leases accounting, which reduced operating expenses in Q4 2019 by USD 1.3 million compared to Q4 2018. Reported numbers for 2019 are in accordance with IFRS 16 but no adjustments have been made to the 2018 numbers.

For the full year 2019, total operating expenses amounted to USD 113.9 million, excluding depreciation and amortization. This was an increase of 9.3% from USD 104.2 million in 2018. The positive effect of the implementation of IFRS 16 was USD 4.4 million for the full year.

Nordic capitalized a total of USD 3.1 million in development expenses in Q4 2019, of which USD 2.5 million related to payroll expenses. This compares to USD 3.0 million in Q4 2018.

USD 0.6 million of the capitalization in Q4 2019 related to cellular IoT investments, with the balance relating to the short-range business.

For the full year 2019, capitalization of development expenses amounted to USD 11.3 million, compared to USD 13.0 million in 2018.

Expenses related to equity compensation was USD 0.5 million in Q4 2019, up from USD 0.3 million in Q4 2018.

For the full year 2019, share-based compensation expense amounted to USD 1.8 million, compared to USD 1.2 million in 2018.

Total cash operating expenses amounted to USD 33.3 million in Q4, when adding back capitalized development expenses, deducting depreciation and equity-based compensation from total operating expenses. This was an increase of 4.8% from USD 31.8 million in Q4 2018.

Cash operating expenses for cellular IoT isolated were USD 8.3 million in Q4 2019, compared to USD 7.6 million in Q4 2018.

For the full year 2019, total cash operating expenses amounted to USD 123.4 million, compared to USD 116.0 million in 2018. Cellular IoT accounted for USD 30.4 million in 2019, compared to USD 26.8 million in 2018.

The increase in operating expenses is primarily driven by a 12.0% increase in the number of employees, from 685 at the end of 2018 to 767 at the end of 2019. The higher employee base in turn reflects increased R&D activity and strengthened sales efforts for both Bluetooth products and cellular IoT.

The number of R&D employees increased by 9.3% to 563 during 2019, whereas the Sales & Marketing staff increased by 12.9% to 113.

Earnings before interest, tax, depreciation and amortization (EBITDA) was USD 12.2 million for Q4 2019, compared to USD 2.1 million for Q4 2018 and USD 11.5 million in Q3 2019. The sharp year-on-year increase mainly reflects higher Bluetooth revenue.

The reported EBITDA margin increased to 14.7% from 3.4% in Q4 2018 and 14.1% in Q3 2019.

Excluding cellular IoT, the EBITDA was USD 19.8 million in Q4 2019, and the EBITDA-margin 23.8% This compares to USD 7.0 million and 11.5% in Q4 2018, and to USD 18.1 million and 22.2% in Q3 2019.

For the full year 2019, EBITDA increased to USD 32.8 million from USD 30.8 million in 2018, with a a stable EBITDA margin of 11.4%. Excluding cellular IoT, the EBITDA increased to USD 57.6 million in 2019 from USD 47.7 million in 2018, with the EBITDA-margin improving to 20.0% from 17.6%.

Depreciation and amortization amounted to USD 6.8 million in Q4 2019, compared to USD 4.5 million in Q4 2018.

This included USD 1.8 million in amortization of internally developed R&D, including the start of amortization of cellular IoT intangible assets, as well as USD 0.9 million increased amortizing after implementation of IFRS 16 - Leases.

For the full year 2019, depreciation and amortization increased to USD 23.5 million from USD 16.7 million in 2018. Implementation of IFRS 16 explained USD 3.9 million of the increase.

Operating profit (EBIT) was USD 5.4 million in Q4 2019, compared to an operating loss of USD 2.4 million in Q4 2018.

For the full year 2019, EBIT declined to USD 9.3 million from USD 14.0 million in 2018, with the decline explained by a continued increased R&D spending and increased depreciation and amortization following a step-up in capex during 2018-2019.

Profit before tax was USD 5.3 million in Q4 2019, up from a loss of USD 1.0 million in Q4 2018. Tax expense was USD 1.0 million, or 17.8% of profit before tax. While the Group's base tax rate is 22%.

Net profit was hence USD 4.4 million in Q4 2019 compared to a loss of USD 2.6 million in Q4 2018.

For the full year 2019, profit before tax declined to USD 9.7 million from USD 15.1 million in 2018, whereas net profit declined to USD 7.3 million from USD 8.9 million in 2018.

MARKETS

	Q4			Full year		
Revenue in USD thousand	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Consumer Electronics	33 797	24 938	35.5%	119 409	111 724	6.9%
Wearables	16 107	9 360	72.1%	50 386	43 838	14.9%
Building/Retail	16 611	9 966	66.7%	51 595	48 646	6.1%
Healthcare	4 969	5 475	-9.2%	19 725	22 578	-12.6%
Others	10 384	7 916	31.2%	39 979	35 618	12.2%
Short range wireless components	**81 868**	**57 655**	**42.0%**	**281 094**	**262 404**	**7.1%**
Long range (cellular IoT)	160	232	-31.0%	1 046	232	350.7%
ASIC components	1 105	2 789	-60.4%	6 039	7 994	-24.5%
Consulting services	-	450	N/A	216	504	-57.3%
Total	**83 133**	**61 126**	**36.0%**	**288 395**	**271 134**	**6.4%**

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

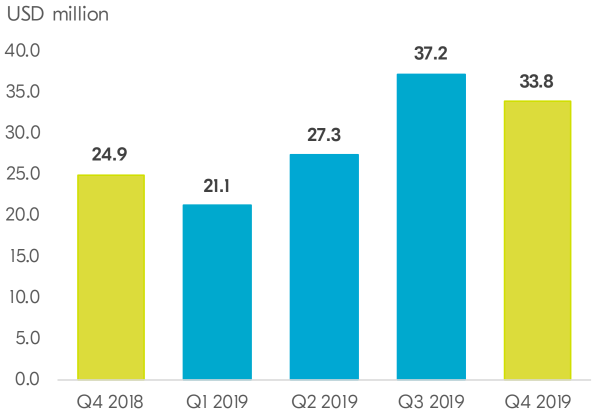
Within short-range wireless components, the Group reports revenues based on the following end-product markets: Consumer Electronics, Wearables, Building & Retail, Healthcare, and Others.

Nordic will start reporting cellular IoT revenue by end-product markets once revenue reaches a meaningful level.

Revenue from PC accessories remain a key part of consumer electronics. Although overall sales of PCs and tablets are stable, the replacement of accessories and the introduction of new types of accessories open new opportunities for Nordic for both proprietary solutions and the extensive range of Bluetooth products.

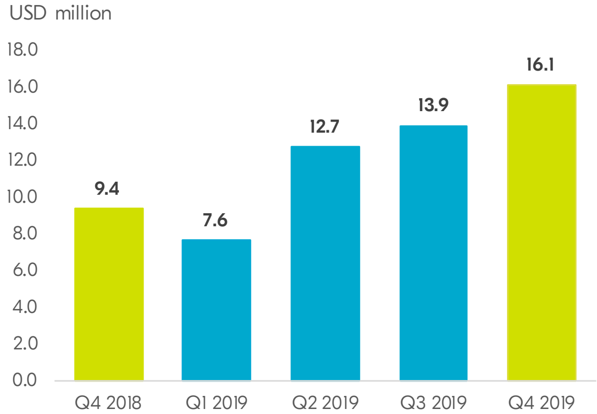
Nordic early in Q1 2020 successfully demonstrated Bluetooth Audio in co-operation with Bluetooth SIG at the CES trade show in Las Vegas. While Audio may hold a large potential, the standard needs to be further developed and Nordic does not expect significant revenue from this area in 2020.

Consumer Electronics



Revenue - Consumer Electronics

Wearables



Revenue - Wearables

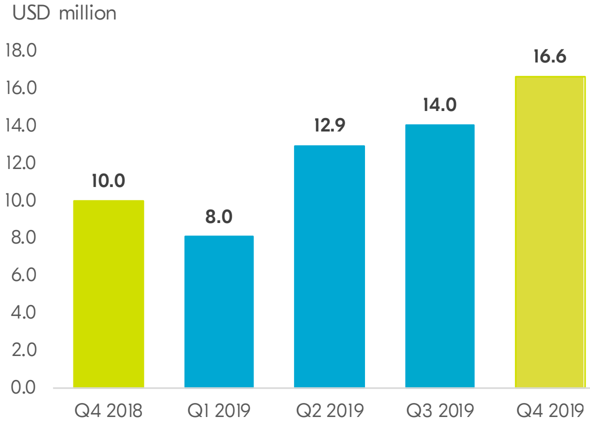
The Consumer Electronics market consists of PC Accessories, Mobile Phone Accessories and Home Entertainment devices.

Consumer Electronics revenue increased by 35.5% to USD 33.8 million in Q4 2019 from USD 24.9 million in the corresponding period last year. The revenue growth primarily reflects increased Bluetooth sales, particularly Home Entertainment services, whereas proprietary revenue showed a year-on-year decline.

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

Revenue from Wearables increased by 72.1% to USD 16.1 million in Q4 2019, from USD 9.4 million in the corresponding period last year. With the nRF52 Series Nordic has increased its design win traction within this market, especially in the high-end part of the Chinese domestic market.

Building and Retail



Revenue - Building/Retail

The Building and Retail market consists of a broad variety of products used within Smart Home/home automation, industrial applications and retail solutions

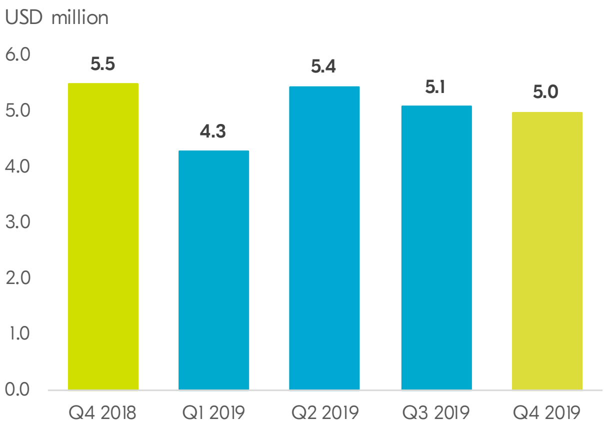
Building and Retail revenue increased by 66.7% to USD 16.6 million in Q4 2019 from USD 10.0 million in the corresponding period last year.

Home Automation is seen as a key growth driver for Bluetooth going forward, and Nordic has seen strong traction in design wins within for example smart lighting, alarm systems, smoke detectors, temperature controls and smart locks.

With the introduction of the nRF52840 multiprotocol SoC, Nordic has a Thread-certified solution that enables simultaneous Thread and Bluetooth 5 connectivity. This will significantly improve the deployment of connected items in private homes. To further strengthen the product offering within Building and Retail, Nordic has also introduced a protocol stack for Zigbee, the third important short-range protocol for smart homes and industrial applications such as smart lighting.

Nordic is participating in the working group for the recently launched Project CHIP (Connected Home over IP), which is supported by industry majors Amazon, Apple and Google and the Zigbee alliance.

Healthcare



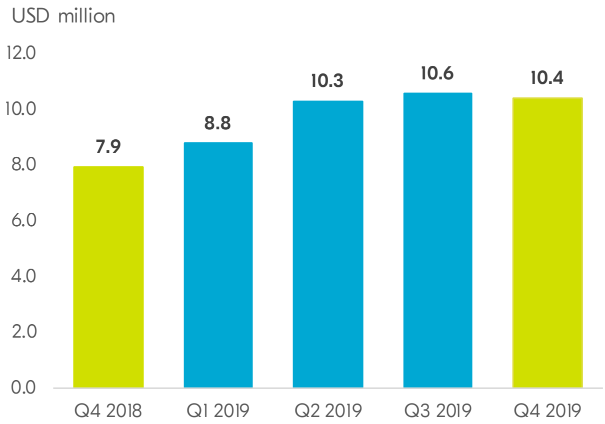
Revenue - Healthcare

The Healthcare market consists of all products certified for use in medical care, such as hearing aids, glucose monitoring and drug delivery systems.

Revenue in the Healthcare market segment decreased by 9.2% to USD 5.0 million in Q4 2019 from USD 5.5 million in the corresponding period last year. The reduction comes as a result of delay in ramp of new products.

Most connected Healthcare products are still in their infancy, particularly as they relate to IoT, remote healthcare and big data analytics. Order volumes for products such as continuous blood glucose monitoring hearing aids have been increasing for Nordic, and the company expects growth in this segment to pick up as more drug monitoring and drug delivery products are being commercialized.

Others



Revenue - Others

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

Revenue within Others increased 31.2% to USD 10.4 million in Q4 2019, from USD 7.9 million in the corresponding period last year. The year-over-year growth is a result of continuous new module designs and sales efforts from Nordic's module partners.

Module manufacturers is an important market for Nordic. Module manufacturers develop compact ultra-low power Bluetooth modules for space-constrained applications employing coin cell batteries. The modules reduce development time by providing complete wireless solutions and are tailored for OEMs who wish to develop their own application software. This activity allows Nordic to scale its sales activities faster and continue to expand its customer reach.

FINANCIAL POSITION

Balance sheet

The Group's total assets amounted to USD 318.4 million at the end of 2019, up from USD 267.2 million at the end of 2018.

Current assets amounted to USD 219.6 million, compared to USD 205.5 million at the end of 2018. This included cash and cash equivalents of USD 90.6 million at the end of the year, down from USD 103.9 million at the end of last year.

Inventory increased to USD 53.1 million from USD 42.7 million at the end of 2018 and accounts receivables to USD 64.5 million from USD 51.8 million at the end of 2018.

Overall, net working capital amounted to USD 70.2 million, compared to USD 61.3 million at the end of 2018. Measured as a percentage of the full year revenue, net working capital increased to 24.3% from 22.6% at the end of 2018. This reflects a significantly higher activity and sales level in Q4 2019 compared to the same quarter last year, and a significantly higher year-end order backlog requiring a higher inventory.

Non-current assets amounted to USD 98.8 million at the end of 2019, compared to USD 61.7 million at the end of 2018. The increase is mainly explained by the inclusion of right-of-use assets in equipment assets as a result of the implementation of IFRS 16 -Leases with effect from January 1, 2019.

Capitalized development expenses increased to USD 34.0 million from USD 27.7 million at the end of 2018.

Total shareholders' equity amounted to USD 232.2 million at the end of 2019, up from USD 221.5 million at the end of 2018. The Group equity ratio was hence 72.9%, compared to 82.9% at the end of 2018. The decline is mainly explained by the higher asset base as a result of IFRS 16 - Leases.

Total liabilities amounted to USD 86.2 million, compared to USD 45.6 million at the end of 2018. The increase is mainly driven by the implementation of IFRS 16.

Non-current liabilities increased to USD 20.2 million from USD 0.3 million, of which USD 19.9 million reflect non-current lease liabilities after the implementation of IFRS 16.

Current liabilities increased to USD 66.0 million from USD 45.3 million, of which current lease liabilities accounted for USD 4.0 million. The remainder of the increase is explained by an increase in accounts payable to USD 19.7 million from USD 10.4 million at the end of 2018, which in turn reflects the increased activity and sales level.

Cash flow

Cash inflow from operating activities was USD 10.4 million in Q4 2019, compared with a cash inflow of USD 28.8 million in Q4 2018. The reduced cash conversion is explained by the working capital development in the respective quarters, with a significantly higher activity level in Q4 2019 than in Q4 2018.

Cash flow from investments was an outflow of USD 8.4 million in Q4 2019, compared to an outflow of USD 8.5 million in Q4 2018. This reflected capital expenditures of USD 5.3 million (5.5) and capitalized development expenses of USD 3.1 million (3.0).

Cash flow from financing activities was a positive USD 1.6 million, reflecting sales of treasury stock of USD 2.4 million to cover exercise of employee share options and a reduction in interest bearing debt of USD 0.8 million related to IFRS 16. In Q4 2018 the company saw a cash outflow from financing activities of USD 12.1 million, reflecting purchases of treasury shares as part of a share buyback program.

Funding

The Group's cash position was USD 90.6 million at the end of 2019, a reduction from USD 103.9 million at the end of 2018. The cash is mainly kept in the Group's functional currency USD, in order to minimize the impact of currency fluctuations.

Available cash including credit and overdraft facilities amounted to USD 166.9 million, compared to USD 168.9 million at the end of 2018. This includes Nordic's right to borrow a total of USD 65 million at any time under a Revolving Credit Facility (RCF), and a EUR 10 million overdraft facility with the company's main bank. Neither the RCF nor the overdraft facility were utilized at any point in time in 2019.

RISK AND UNCERTAINTY FACTORS

The Group is exposed to risk and uncertainty factors, which may affect some or all of its activities. As part of the Group's operating system, an extensive set of policies and procedures are in place to handle these factors. Key policies are approved by the Board of Directors annually. For further information, see 2018 Annual report.

The outbreak of the coronavirus in China increases uncertainty in our business outlook, due to the near-term risk of supply chain disruptions and reduced end-user demand. The company has imposed travel restrictions to Asia, which may affect business performance going forward.

OPERATIONAL REVIEW

Nordic Semiconductor has been a long-standing pioneer in wireless connectivity, from proprietary 2.4GHz technology for PC accessories via pure Bluetooth low energy products to todays' short-range multiprotocol products and long-range cellular IoT solutions.

Nordic quickly became the market leader in the PC accessory market with its proprietary technology, and this continues to be an important market that Nordic serves with both proprietary and Bluetooth low energy products.

Nordic has also been a pioneer in the development of the Bluetooth low energy market over the past decade. The company has built a leading position in the broad market, and around 40% of new designs coming to the market use Nordic's connectivity technology.

The company's leading nRF52 Series offers a wide variety of SoCs (System on a Chip) for different application and requirements, and the company in Q4 2019 launched the first SoC in the next generation nRF53 Series.

The nRF5340 is the world's first dual processor SoC, supporting multiple protocols with Bluetooth low energy, Bluetooth 5.1. direction finding, Bluetooth Mesh, NCF, Thread and Zigbee, with higher performance and strengthened security features.

During the fourth quarter, Nordic also launched the nRF21540 front-end module for range extension of Bluetooth Low Energy, Bluetooth Mesh, Thread, Zigbee and 2.4GHz proprietary.

The nRF21540, the nRF5340 and the many multiprotocol SoCs in the nRF52 Series all offer competitive advantages in complex IoT solutions such as professional lighting systems and other industrial applications, asset tracking, and Smart Home & home automation solutions.

Within the Smart Home segment, we are pleased that global platform companies Apple, Google and Amazon recently formed Project CHIP (ConnectedHome over IP) together with the Zigbee Alliance of which Nordic is a member of. Project CHIP is established to work for the adoption of an open and free connectivity standard to increase compatibility and interoperability between different Smart Home hubs and devices. The intention is to leverage development work and protocols from existing systems such as Amazon's Alexa Smart Home, Apple's Homekit and Google's Weave.

Nordic sits on the new CHIP working group within the Zigbee Alliance and we are excited about the opportunities this may open in this Smart Home market. The entire range of Nordic SoCs supporting Thread and Bluetooth low energy will be compatible with the new standards that are being established.

Over the past five years, Nordic has also carried out an extensive investment program to develop a new line of cellular IoT low power connectivity solutions.

In late 2018 the company launched the nRF9160 SiP (System in Package) as the first product in the nRF91 Series of cellular IoT modules, offering world-wide cellular band coverage, high security, substantial on-chip memory for low power operation, and embedded processing and software for a variety of use cases.

Built on the nRF9160, Nordic in 2019 launched the multi-sensor cellular IoT prototyping platform 'Thingy:91', to further lower the hurdle for developers to create Proof-of-Concept, demos and initial prototypes in the development phase. The 'Thingy:91' supports LTE-M, NB-IoT and GPS, as well as Bluetooth low energy and NFC. The kit is also packed with a multitude of sensors for motion, impact, temperature, humidity, air quality and pressure, and so on.

Nordic's main priority over the past year has been to secure product certification by major telecom operators. Nordic obtained certification by Verizon in Q3 2019 and has since added two other major international carriers in Deutsche Telekom and Vodafone. This is expected to increase the traction in the development of new products and applications using the nRF91 Series going forward.

At the same time, Nordic has continued to work on improvements to the software stack supporting the nRF91 Series, to further increase the ease-of-use and facilitate the design activity which is expected to pick up over the years to come. Nordic shipped 8,227 cellular development kits in 2019 and is seeing early signs of commercial traction.

OUTLOOK

Following a weak end to 2018 and a disappointing start to 2019, revenue growth has rebounded and in Q4 Nordic recorded all-time high quarterly revenue levels. Nordic enters 2020 with a strong order backlog.

However, the coronavirus outbreak in China has increased uncertainty about our near term revenue outlook. Nordic has received pushouts for some orders for Q1. Taking this into account, we guide for a total revenue of USD 64-71 million for Q1 2020, a wider range than we would normally aspire to.

In the medium term, Nordic continues to expect a normalized annual growth of 20%-30% for Bluetooth low energy and multiprotocol products.

The gross margin also came in better than expected at 51.6% in Q4 2019, and the full year gross margin of 51% exceeded the company's 50% margin target.

The stronger than expected margin in Q4 2019 reflects changes in product mix from the previous quarter, with higher volumes of more advanced high-margin products. This should not be viewed as a permanent shift and we expect a gross margin level of 50% in Q1 2020. Looking further ahead, Nordic reiterates its expectation that a higher relative share of sales to tier- 1 customers is expected to move the gross margin for the short-range business into the 48-50% range in the medium-term.

Nordic will continue its investments in R&D and sales to fuel future growth and to scale the supply chain to meet customer demands and requirements. Capex in Q4 2019 was slightly above guidance at USD 5.3 million. Guidance for capital expenditure in Q1 2020 is USD 4-5 million.

Based on an exciting long-term growth outlook for both the short- and long-range businesses, we have set an ambition to become a USD 1 billion company within the next 5 years, as communicated during our Capital Markets Day in October 2019.

Oslo, February 6, 2020

Jan Frykhammar Board member	**Birger Steen** Chair	Anita Huun **Anita Huun** Board member
Inger Berg Ørstavik Board member	**Svenn-Tore Larsen** Chief Executive Officer	**Endre Holen** Board member
Øyvind Birkenes Board member	**Jon Helge Nistad** Board member, employee	**Annastiina Hintsa** Board member
Asbjørn Sæbø Board member, employee	**Susheel Raj Nuguru** Board member, employee	**Morten Dammen** Board member, employee

CONDENSED FINANCIAL INFORMATION

INCOME STATEMENT

Amount in USD thousand	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Total Revenue		**83 133**	**61 126**	**288 395**	**271 134**
Cost of materials		-40 232	-29 939	-141 290	-136 111
Direct project costs		-	-	-351	-1
Gross profit		**42 901**	**31 187**	**146 753**	**135 021**
Payroll expenses		-21 378	-19 830	-80 281	-70 048
Other operating expenses	3	-9 326	-9 271	-33 665	-34 199
EBITDA		**12 198**	**2 086**	**32 807**	**30 775**
Depreciation	6	-6 846	-4 462	-23 535	-16 727
Operating profit		**5 352**	**-2 376**	**9 272**	**14 047**
Net interest	3	941	1 377	809	1 354
Net foreign exchange gains (losses)		-958	-25	-375	-320
Profit before tax		**5 335**	**-1 024**	**9 706**	**15 081**
Income tax expense		-952	-1 607	-2 379	-6 222
Net profit after tax		**4 383**	**-2 631**	**7 327**	**8 859**
Earnings per share					
Ordinary earnings per share (USD)		0.025	-0.015	0.042	0.051
Fully diluted earnings per share (USD)		0.025	-0.015	0.042	0.049
Weighted average number of shares					
Basic		175 533	176 280	175 313	172 591
Fully Diluted		177 533	176 308	176 394	179 454
Net profit after tax		**4 383**	**-2 631**	**7 327**	**8 859**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gains (losses) on defined benefit plans (before tax)		-83	-21	-83	-21
Income tax effect		18	5	18	5
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Currency translation differences		314	-53	-117	-324
Total Comprehensive Income		**4 632**	**-2 700**	**7 145**	**8 519**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amount in USD thousand	Note	31.12.19	31.12.18
ASSETS			
Non-current assets			
Capitalized development expenses	5/6	33 990	27 686
Software and other intangible assets	5/6	11 408	15 063
Deferred tax assets		2 813	1 335
Fixed assets	3/6	26 625	17 582
Right-of-use asset	3/6	23 934	-
Total non-current assets		**98 770**	**61 667**
Current assets			
Inventory		53 067	42 679
Accounts receivable		64 519	51 784
Other short-term receivables		11 359	7 155
Cash and cash equivalents		90 645	103 876
Total current assets		**219 589**	**205 494**
TOTAL ASSETS		**318 359**	**267 161**

EQUITY			
Share capital		303	303
Treasury shares		-5	-5
Share Premium		113 355	113 355
Other equity		118 552	107 896
Total equity		**232 205**	**221 549**
LIABILITIES			
Non-current liabilities			
Pension liability		310	279
Other long-term loan facility	7	-	-
Non-current lease liabilities	3	19 886	-
Total non-current liabilities		**20 196**	**279**
Current liabilities			
Accounts payable		19 738	10 424
Income taxes payable		3 136	5 043
Public duties		3 761	2 901
Current lease liabilities	3	4 044	-
Other short-term debt		35 279	26 966
Total current liabilities		**65 958**	**45 333**
Total liabilities		**86 155**	**45 612**
TOTAL EQUITY AND LIABILITY		**318 359**	**267 161**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount in USD thousand	Share capital	Treasury shares	Share premium	Other paid in capital	Currency translation reserve	Retained earnings	Total equity
Equity as of 01.01.19	**303**	**-5**	**113 355**	**3 307**	**-190**	**104 779**	**221 549**
Net profit for 2019	-	-	-	-	-	7 327	7 327
Share based compensation	-	-	-	1 407	-	-	1 407
Sale of treasury shares (option exercise)	-	0	-	2 105	-	-	2 106
Other comprehensive income	-	-	-	-	-119	-65	-184
Equity as of 31.12.19	**303**	**-5**	**113 355**	**6 819**	**-309**	**112 042**	**232 205**
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	-12 075
Issue of share capital	20	-	98 919	-	-	-	98 939
Share based compensation	-	1	-	1 213	-	-	1 214
Other comprehensive income	-	-	-	-	-324	-16	-341
Equity as of 31.12.18	**303**	**-5**	**113 355**	**3 307**	**-190**	**104 779**	**221 549**

STATEMENT OF CASH FLOWS

Amount in USD thousand	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Cash flows from operating activities					
Profit before tax		5 335	-1 024	9 706	15 081
Taxes paid for the period		-2 101	-767	- 4 846	-2 759
Depreciation		6 846	4 462	23 535	16 728
Change in inventories, trade receivables and payables		-3 965	21 555	-13 798	-4 708
Share-based compensation		-36	370	1 100	1 231
Movement in pensions		91	-11	31	-30
Other operations related adjustments		4 192	4 257	3 950	4 974
Net cash flows from operating activities		**10 361**	**28 842**	**19 678**	**30 516**
Cash flows used in investing activities					
Capital expenditures (including software)	6	-5 338	-5 447	-20 182	-17 530
Capitalized development expenses	6	-3 097	-3 027	-11 271	-12 993
Net cash flows used in investing activities		**-8 434**	**-8 473**	**-31 454**	**-30 523**
Cash flows from financing activities					
Changes in treasury shares		2 412	-12 075	2 412	-12 075
Capital increase		-	-	-	98 939
Repayment of interest bearing debt		-	-	-	-20 000
Repayment of lease liabilities		-829	-	-3 906	-
Cash settlement of options contract and issue of share capital		-	-	-	-32
Net cash flows from financing activities		**1 583**	**-12 075**	**-1 494**	**66 832**
Effects of exchange rate changes on cash and cash equivalents		410	581	37	357
Net change in cash and cash equivalents		**3 920**	**8 875**	**-13 232**	**67 181**
Cash and cash equivalents beginning of period		86 725	95 002	103 876	36 695
Cash and cash equivalents at end of period		**90 645**	**103 876**	**90 645**	**103 876**

NOTES

NOTE 1: GENERAL

The Board of Directors approved the condensed fourth quarter interim financial statements for the three months ended 31 December 2019 for publication on February 6, 2020.

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 2019 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 2018.

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 2019, 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 2019 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2018.

IFRS 16 was implemented 1.1.2019. See note 3 for a reconciliation of the changes to the statement of the financial position as of 1.1.2019.

NOTE 3: SIGNIFICANT ACCOUNTING PRINCIPLES

Significant accounting principles are described in the Group Financial Statement for 2018. The group accounts for 2018 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 January 1, 2019 and have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

The Group adopted IFRS 16 1.1.2019 using the modified retrospective approach and has not restated comparative amounts for the year prior to first adoption.

The main leases recognized in the balance sheet are the different office leases. The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., copy machines, coffee machines etc.) that are considered of low value.

The present value of future lease payments is recognized as a financial liability. Lease payments are split into principal and interest portions, using the effective interest method.

The right-of-use asset is recognized within fixed assets and is set equal to the financial liability at the date of implementation. The right-of-use asset is depreciated on a straight line basis over the lease term or, if it is shorter, over the useful life of the leased asset.

If the expected lease payments change as a result of index-linked consideration, the liability is remeasured. The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 4.05 % p.a.

Operating lease commitment December 31, 2018 as disclosed in the financial statements	**30 182**
Recognition exemption for:	
Short-term leases	*-250*
Leases for low-value assets	*-380*
Effect from discounting at the incremental borrowing rate as of January 1, 2019	-8 541
Lease liability recognized at January 1, 2019	**21 010**

IFRS 16 EFFECTS ON THE INCOME STATEMENT

Amount in USD thousand	**Q4 2019**	**Full year 2019**
Other Operating expenses	1 303	4 381
EBITDA	**1 303**	**4 381**
Depreciation	-891	-3 853
EBIT	**412**	**528**
Interest expense	-192	-834
Foreign exchange adjustments	-601	328
Profit before tax	**-381**	**22**

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 short range Wireless component revenue by proprietary wireless and Bluetooth protocols.

NOTE 5: INTANGIBLE ASSETS

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

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

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

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

NOTE 6: CAPITALIZATION, DEPRECIATION AND AMORTIZATION

Specification of capital expenditures, balance sheet	**Q4 2019**	**Q4 2018**	**Full year 2019**	**Full year 2018**
Capitalized development expenses (payroll expenses)	2 472	2 451	7 776	9 774
Capitalized acquired development expenses	625	575	3 495	3 219
Capital expenditures (including software)	5 338	5 447	20 182	17 530
Right-of-use assets (non cash)	1 279	-	4 200	-
Currency adjustments	124	-812	-76	-933
Total	**9 838**	**7 661**	**38 200**	**29 590**
Depreciation, amortizations and impairments				
Capitalized development expenses	1 826	1 046	4 967	4 232
Software and other intangible assets	1 446	859	5 519	4 518
Fixed Assets	2 683	2 557	9 196	7 978
Right-of-use assets	891	-	3 853	-
Total	**6 846**	**4 462**	**23 535**	**16 727**

NOTE 7: NET INTEREST-BEARING DEBT

The Group has long-term revolving credit facilities, which enables it to borrow up to USD 40 million and USD 25 million at any time with an interest rate equal to LIBOR + margin. The line of credit of USD 40 million expires end of November 2022, while the other USD 25 million expires end of November 2022. As of December 31, 2019, 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 EUR 10 million bank overdraft facility with its main bank. This overdraft was not utilized at the end of December 2019. The overdraft facility expires end of November 2021.

NOTE 8: STOCK OPTIONS

Nordic has a stock option program for employees and management. Please see the annual report for 2018 for information about the program.

	Full year 2019	**Full year 2018**
Outstanding options beginning of period	**4 194 293**	**3 127 663**
Options granted	1 947 010	1 447 400
Options forfeited	222 384	97 060
Options exercised	448 545	283 710
Options expired	-	-
Outstanding options end of period	**5 470 374**	**4 194 293**
Of which exercisable	2 283 646	1 265 338

With reference to the Annual General Meeting ("AGM") on April 17, 2018, Nordic Semiconductor, on March 15, 2019, granted 1,752,366 share options to employees and primary insiders. On May 5, 2019 members of the Executive Management team were granted a total of 194 644 share options and 55 814 performance shares in the company. The AGM authorized the Parent company to issue up to 2.7 million options in 2019, equivalent to approximately 1.7% 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 granted on March 15, 2019, were granted at a strike price of NOK 39.44 (10% above volume weighted average share price the week prior to the grant date). The options granted on May 5,2019, to the Executive Management team were granted at a strike price of NOK 45.10. The maximum value of options under the program is capped at three times the strike price.

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 2018.

The outbreak of the coronavirus in China increases the uncertainty, given the risk for supply chain disruptions and reduced end-user demand. The company has imposed travel restrictions to Asia, which may affect business performance going forward.

NOTE 10: EVENTS AFTER THE BALANCE SHEET DATE

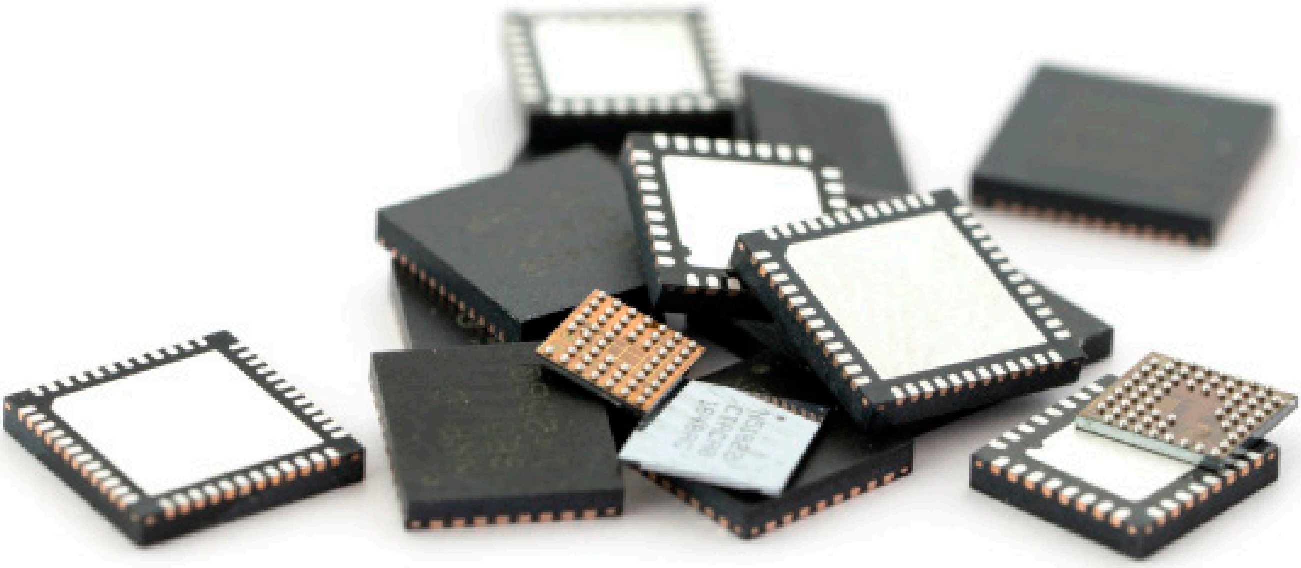
No events have occurred since December 31, 2019 with any significant effect that will impact the evaluation of the submitted accounts.

For further information, please contact:

- Ståle Ytterdal, IR, +47 930 37 430
- Pål Elstad, CFO, +47 991 66 293

Financial Calendar 2020:

- April 21, 2020 - 1st Quarter 2020 & Annual General meeting
- July 14, 2020 - Half-yearly report 2020
- October 20, 2020 - 3rd Quarter 2020
- February 4, 2021 - 4th Quarter 2020



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 2019	Q4 2018	Full year 2019	Full year 2018
Gross profit	42.9	31.2	146.8	135.0
Total revenue	83.1	61.1	288.4	271.1
Gross Margin	**51.6%**	**51.0 %**	**50.9%**	**49.8 %**

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

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

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating profit	5.4	-2.4	9.3	14.0
Depreciation	6.8	4.5	23.5	16.7
EBITDA	**12.2**	**2.1**	**32.8**	**30.8**

- EBITDA Margin. EBITDA divided by Total Revenue.

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
EBITDA	12.2	2.1	32.8	30.8
Total revenue	83.1	61.1	288.4	271.1
EBITDA Margin	**14.7%**	**3.4 %**	**11.4%**	**11.4 %**

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

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Payroll expenses	21.4	19.8	80.3	70.0
Other Opex	9.3	9.3	33.7	34.2
Depreciation	6.8	4.5	23.5	16.7
Total Operating Expenses	**37.5**	**33.6**	**137.5**	**121.0**

- 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. Nordic management believes that this measurement best captures the expenses impacting the cash flow of the Group.

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Total operating expenses	37.5	33.6	137.5	121.0
Depreciation	-6.8	-4.5	-23.5	-16.7
Option expense	-0.5	-0.3	-1.8	-1.2
Capitalized expenses	3.1	3.1	11.3	13.0
Cash Operating Expenses	**33.3**	**31.8**	**123.4**	**116.0**

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

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

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Reported EBITDA	12.2	2.1	32.8	30.8
Long range (cellular IoT) EBITDA loss	7.6	4.9	24.7	16.9
Adjusted EBITDA	**19.8**	**7.0**	**57.6**	**47.7**
Total revenue (excluding cellular IoT revenue)	83.0	59.9	287.3	270.9
Adjusted EBITDA margin	**23.8%**	**11.5%**	**20.0%**	**17.6%**

- Last twelve months operating expenses excluding depreciation divided by last twelve months revenue (LTM). Nordic's business is seasonal and by dividing last twelve months operating expenses excl. depreciation by last twelve months revenue, management is able to track cost level trends in relation to revenue. As a growth business it is key to keep cost level under control while still growing the business, and this ratio keeps track on that.

	Q4 2019	Q4 2018
Total operating expenses LTM	137.5	121.0
Depreciation LTM	-23.5	-16.7
Operating expenses excluding depreciation LTM	**113.9**	**104.2**
Total revenue LTM	288.4	271.1
LTM opex / LTM revenue	**39.5%**	**38.4%**

- 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, and by dividing the measure by last twelve months, seasonal effects are excluded. Nordic management uses this ratio to report on liquidity management to the financial market and internally to track performance.

	Q4 2019	Q4 2018
Current assets	219.6	205.5
Cash and cash equivalents	-90.6	-103.9
Current liabilities	-66.0	-45.3
Current lease liabilities	4.0	-
Income taxes payable	3.1	5.0
Net working capital	**70.2**	**61.3**
Total revenue LTM	288.4	271.1
NWC / LTM revenue	**24.3%**	**22.6%**