

## 4<sup>th</sup> QUARTER 2015 REPORT AND PRELIMINARY 2015 RESULTS



- MUSD 46.5 revenue in the quarter and MUSD 193.1 in 2015
- Bluetooth Smart Sales at MUSD 28.7 in the quarter and MUSD 110.8 in 2015, an impressive 76.3% year over year increase
- The next generation Bluetooth Smart platform nRF52 is progressing as planned with strong design wins and with expected deliveries in Q2-Q3 2016
- Full transfer from defined benefit plan to defined contribution plan resulting in a non-recurring income (de-recognition) of MUSD 7 in Q4 2015
- Past period adjustment on inventory valuation impacting historical gross profits

## Q4 2015 Financial Summary

Amounts in USD million (unaudited)	4th quarter		Change
	2015	2014 Restated*	
Revenue	46,5	45,2	3,0 %
Order inflow	37,8	32,9	15,1 %
Gross Margin %	50,1 %	50,6 %	
Operating Profit (EBIT)	10,8	5,5	95,9 %
Operating Profit % (EBIT %)	23,2 %	12,2 %	
Net profit after tax	6,3	5,9	6,6 %
Free Cash Flow (Net cash flow excluding financing)	2,1	9,7	
Cash and cash equivalents	29,3	34,1	

\*Due to a past period adjustment requirement, Nordic Semiconductor has restated its figures for previous periods to reflect the correct financial statement per quarter. This restatement has resulted in an increased cost of goods sold also in fourth quarter 2014 by MUSD 0.8. Refer to note 5 for a detailed description of the restatement.

## Revenue

Technology	4th quarter				01.01.-31.12			
	2015		2014		2015		2014	
Proprietary wireless	15 534	33,4 %	19 957	44,2 %	76 544	39,6 %	94 442	56,5 %
Bluetooth Smart	28 711	61,7 %	22 912	50,7 %	110 843	57,4 %	62 870	37,6 %
ASIC components	2 151	4,6 %	1 970	4,4 %	5 567	2,9 %	9 126	5,5 %
Consulting services	112	0,2 %	324	0,7 %	114	0,1 %	591	0,4 %
<b>Total</b>	<b>46 508</b>	<b>100,0 %</b>	<b>45 163</b>	<b>100,0 %</b>	<b>193 068</b>	<b>100,0 %</b>	<b>167 029</b>	<b>100,0 %</b>

Total revenue in Q4 2015 was MUSD 46.5, compared with MUSD 45.2 in Q4 2014, representing a growth of 3.0%. Compared to Q3 2015, revenues decreased by MUSD 7.4 or 13.7%. The decrease from Q3 2015 is mainly explained by seasonally weaker sales in Q4 compared to Q3.

Sales of Bluetooth Smart ended at MUSD 28.7, or 61.7% of revenue during Q4 2015, compared with MUSD 22.9, or 50.7% of revenue in Q4 2014. This represents an increase of 25% year over year. Although 25% represents a strong growth rate, the quarterly growth rate is below the annual Bluetooth Smart growth rate of 76.3%. The growth comes despite high sales in Q4 2014 on some large wearable projects and that many customers are now waiting for deliveries on nRF52.

Gross profit was MUSD 23.3, or 50.1% of revenues, compared with restated MUSD 22.9, or 50.6% of revenue during Q4 2014. Gross margin increased compared to Q3 2015 (from 48.5%) a result of improved manufacturing costs partly offset by changes in product mix. Reduction to last year is mainly driven by a change in product mix within Bluetooth Smart.

Total operating expenses including depreciation were MUSD 12.5 in Q4 2015, compared with MUSD 17.4 in Q4 2014. Nordic Semiconductor ASA has effective December 31, 2015 transferred all active employees currently included in a defined

benefit pension plan to a defined contribution plan. This transfer has resulted in a de-recognition of the liabilities connected to this plan and a one-time “pension income” of MUSD 7.0 is therefore recognized during Q4 2015. Refer to note 10 for further description. Total cash operating expenses (excluding depreciation) before options, net capitalized R&D expenses and pension income were MUSD 18.7 in Q4 2015, compared with MUSD 13.7 in Q4 2014. The comparable number in Q3 2015 was MUSD 17.0. The increase from last year is driven by significantly higher number of employees, mainly related to the new operation in Finland. Hiring in Finland is according to the plan communicated earlier. As of December 31, 2015 Nordic has 114 employees in Finland.

The increase from Q3 2015 is mainly explained by more employees in Q4 2015 compared to Q3 2015, higher activity related to product releases and marketing expenses particularly related to the nRF52 as well as the current nRF51 platform. Marketing expenses relates to the nRF52 World Tour which gathered more than 4000 engineers at 30 different events in all our main markets.

The number of employees increased from 430 at the end of Q3 2015 to 454 at the end of Q4 2015, an increase of 5.6%. Compared to Q4 2014, number of employees has increased 66.3% from 273 employees. This increase mainly relates to operations in Finland with 114 employees at the end of Q4 2015. Total costs for the Finland operations were MUSD 4.0 in Q4 2015 compared to MUSD 0.2 in Q4 2014. Expenses will increase during 2016 with more employees and higher R&D spending, including software licenses.

The remaining expense increase relates to increased headcount in both the Norwegian R&D organization and within sales and marketing in order to support the future growth of the company.

Nordic has during the fourth quarter capitalized MUSD 1.5 (compared to MUSD 0.2 in Q4 2014) related to internally developed products. The capitalization can be attributed to the next generation Bluetooth Smart platform nRF52 that during Q4 2015 moved to the final development stages prior to commercial product launch. Nordic shipped the first products during Q4 2015 and we expect to see design wins with the nRF52 during Q2 with commercialization in Q2/Q3. Capitalization in Q4 2015 includes salaries as well as final tape outs of products. Capitalized expenses are expected to be reduced to approximately MUSD 1 per quarter in 2016.

The company's Operating Profit (EBIT) increased to MUSD 10.8, compared with MUSD 5.5 in Q4 2014. Adjusted for the de-recognition of the pension liability, EBIT decreased to MUSD 3.8. This reduction is explained by higher operating expenses, only partly offset by slightly higher revenues and capitalized expenses. Net financial items were a loss of approximately MUSD 0.4 in Q4 2015 and a gain of MUSD 1.3 in Q4 2014. The loss in Q4 2015 can be explained by the weakening of the NOK and recalculation of assets and liabilities related to taxes and pensions.

Profit before tax was MUSD 10.3, compared with MUSD 6.8 in Q4 2014. Income tax expense was MUSD 4.0, or 38.7% of pretax profit. The base tax rate for the group is 27%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the parent company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK). In addition, we have derecognized the deferred tax asset related to the pension liability.

Net profit after tax was MUS\$ 6.3 in Q4 2015, compared with MUS\$ 5.9 in Q4 2014. The company's basic earnings per share were USD 0.039 in Q4 2015, compared with USD 0.037 in Q4 2015.

## 2015 Preliminary Annual Results Financial Summary

Amounts in USD million (unaudited)	<u>01.01-31.12</u>		Change
	2015	2014 Restated*	
Revenue	193,1	167,0	15,6 %
Order inflow	194,4	164,1	18,4 %
Gross Margin %	49,5 %	49,3 %	
Operating Profit (EBIT)	35,0	20,2	72,7 %
Operating Profit % (EBIT %)	18,1 %	12,1 %	
Net profit after tax	24,2	16,1	49,8 %
Free Cash Flow (Net cash flow excluding financing)	-15,8	12,8	
Cash and cash equivalents	29,3	34,1	

\*Due to a past period adjustment requirement, Nordic Semiconductor has restated its figures for previous periods to reflect the correct financial statement per quarter. This restatement has resulted in an increased cost of goods sold in 2014 by MUS\$ 2.4. Refer to note 5 for a detailed description of the restatement.

Nordic Semiconductor reported strong revenue growth across all of its targeted market segments during 2015. Total revenue in 2015 was MUS\$ 193.1, compared with MUS\$ 167.0 in 2014, representing a growth of almost 16%. Sales of Bluetooth Smart increased by 76.3% in 2015 to MUS\$ 110.8 from MUS\$ 62.9 in 2014.

Restated gross profit was MUS\$ 95.7, or 49.5% of revenue, compared with MUS\$ 82.3, or 49.3% of revenue during 2014. Gross margin increased from previous year as a result of a higher share and mix of Bluetooth Smart products.

Total operating expenses including depreciation were MUS\$ 60.7 in 2015, compared with MUS\$ 62.1 in 2014. However, adjusted for de-recognition of pension liabilities and higher capitalized development expenses, operating expenses excluding depreciation increased from MUS\$ 52.3 in 2014 to 67.6 in 2015. The higher spending is explained by higher number of R&D employees and marketing/sales activities offset partly by a weaker NOK/USD currency rate. In 2015 Nordic capitalized MUS\$ 8.3 versus MUS\$ 1.8 in 2014.

The company's Operating Profit (EBIT) increased to MUS\$ 35.0 in 2015, compared with MUS\$ 20.2 in 2014. Adjusted for the de-recognition of the pension liability, EBIT was MUS\$ 28.0 in 2015. The increase is explained by higher revenues and capitalized expenses, only partly offset by higher operating expenses. Net financial items were a gain of approximately MUS\$ 2.0 in 2015 and a gain of MUS\$ 1.9 in 2014. The gain in both 2015 and 2014 can be explained by the weakening of the NOK and recalculation of assets and liabilities related to taxes and pensions.

Profit before tax was MUSD 37.0 in 2015, compared with MUSD 22.1 in 2014. Adjusted for the de-recognition of the pension liability, Profit before tax was MUSD 30.0 in 2015. Income tax expense was MUSD 12.8, or 34.6% of pretax profit. The base tax rate for the group is 27%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the parent company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK). In addition, deferred tax assets are reduced as a result of the de-recognition of the pension liability and a reduction in the base tax rate to 26% (reducing the calculated deferred tax asset).

Net profit after tax was MUSD 24.2 in 2015, compared with MUSD 16.1 in 2014. Adjusted for the de-recognition of the pension liability, Net profit after tax was MUSD 17.2 in 2015. The company's basic earnings per share were USD 0.148 in 2015, compared with USD 0.099 in 2014.

## Market

Revenue Markets Amounts in USD thousand	4th quarter				01.01.-31.12			
	2015		2014		2015		2014	
Consumer Electronics	21 633	46,5 %	19 751	43,7 %	96 503	50,0 %	84 911	50,8 %
Wearables	13 981	30,1 %	18 399	40,7 %	63 279	32,8 %	55 846	33,4 %
Building/Retail	3 474	7,5 %	3 818	8,5 %	14 115	7,3 %	14 143	8,5 %
Healthcare	2 575	5,5 %	670	1,5 %	7 171	3,7 %	1 461	0,9 %
Others	2 582	5,6 %	231	0,5 %	6 319	3,3 %	951	0,6 %
<b>Wireless Components</b>	<b>44 245</b>	<b>95,1 %</b>	<b>42 869</b>	<b>94,9 %</b>	<b>187 387</b>	<b>97,1 %</b>	<b>157 312</b>	<b>94,2 %</b>
ASIC components	2 151	4,6 %	1 970	4,4 %	5 567	2,9 %	9 126	5,5 %
Consulting services	112	0,2 %	324	0,7 %	114	0,1 %	591	0,4 %
<b>Total</b>	<b>46 508</b>	<b>100,0 %</b>	<b>45 162</b>	<b>100,0 %</b>	<b>193 068</b>	<b>100,0 %</b>	<b>167 029</b>	<b>100,0 %</b>

Ultra low power and Bluetooth Smart wireless technology is changing how entire industries work and it is being embedded into quite literally everything: a trend that has been dubbed 'The Internet of Things' ('IoT' for short). Right in the middle of it all, sits Nordic Semiconductor- the global leader in ultra-low power (ULP) proprietary and Bluetooth Smart wireless solutions.

Almost single-handedly, Nordic Semiconductor pioneered the development of ultra-low power wireless during the early 2000's and has been a key contributor in the creation and evolution of the Bluetooth Smart wireless standard. These efforts have culminated into its latest nRF52 series- which redefines what is possible on a Bluetooth Smart System-on-Chip.

## Consumer Electronics

Consumer Electronics consists of PC Accessories, Mobile Phone Accessories and Home Entertainment. This market segment has been dominated by PC Accessories however; we are observing substantial growth for wireless solutions for appliances such as TV's / set-top box remotes, game controllers, toys and charging units. New product releases within Bluetooth Smart toys and home media devices have contributed to drive growth in this segment.

Compared to Q4 2014 this market grew by 9.5% from MUSD 19.8 to MUSD 21.6. The growth is driven by a large number of design wins within home entertainment and mobile phone accessories. This is offset by a weaker PC peripherals market. Compared to last quarter, revenue decreased 15.7% from MUSD 25.7. The decrease is mainly explained by seasonally lower sales.

Consumer Electronics (CE) is traditionally the largest revenue market for Nordic Semiconductor, introducing a broad spectrum of products. In previous years this has primarily represented products in the PC accessories space, but now Nordic is seeing a rising demand of innovative Bluetooth Smart applications such as connected toys and interactive gaming accessories which fall under the umbrella of CE. As the IoT incorporating process continues, CE will remain a strong area for Nordic and as Bluetooth Smart applications takes off CE will be a strong revenue market in the years to come.

Nordic continues to view the market for PC accessories as an important business segment. More importantly, Bluetooth Smart technology also creates new opportunities for Nordic to address the tablet accessory market. As tablets implement Bluetooth Smart Ready technology, these devices are now able to connect with ultra-low power Bluetooth Smart keyboards and other accessories. Bluetooth Smart offers much longer battery lifetime for tablet keyboards than traditional Bluetooth technology, and will enable tablets to be used more effectively for productivity applications in addition to casual use.

The tablet accessory market has just begun to convert from traditional Bluetooth technology to Bluetooth Smart technology and we have observed several successful product launches from our customers.

Wireless solutions are currently being implemented in a broad range of home electronic appliances to enable users to interact with these devices via a smartphone or other remote control unit. Bluetooth Smart is an ideal wireless solution for many of these embedded applications.

The Alliance for Wireless Power consortium (A4WP), now rebranded as “Airfuel Alliance”, has developed a standard for a small charging appliance which can wirelessly recharge batteries on a broad range of electronic devices. This standard relies on Bluetooth Smart technology to wirelessly transfer critical information such as battery type and charge status from the electronic device to the charger. This enables the charger to manage the charge session between the charger and the device. Nordic Semiconductor is an active member of the Airfuel Alliance, along with mobile phone industry giants such as Samsung, LG and HTC.

## **Wearable devices**

Revenue from the Wearable device segment (i.e., portable electronics such as sports monitoring devices and smartwatches) was MUSD 14.0, down 24.0% compared to same quarter last year. Compared to last quarter, revenues decreased by 20.7% from MUSD 17.6. This market saw exceptionally strong sales in 2H 2014 with few new projects realized in Q4 2015. The segment has benefited from growing demand for wearable electronics featuring Bluetooth Smart technology.

Wearables signified the start of Nordic Semiconductor's Bluetooth Smart revolution. This area was the largest revenue market from our Bluetooth Smart product family, when we witnessed the global trend of monitoring personal exercise and enabling the end consumer to an easy way of tracking physical performance and historical improvement, all via Bluetooth Smart technology. For the years to come Nordic is envisioning this revenue market to consists of many different types of wearable products which are targeting different purposes for the end customer in addition to the "classical" physical activity applications.

As smartphones adopt Bluetooth Smart Ready technology, many new Bluetooth Smart wireless accessories are being released to connect with this growing installed base of compatible devices.

## **Healthcare**

Healthcare is an emerging market for Nordic and therefore included as a separate market. Reported revenue relates to design wins, mainly within glucose monitoring and hearing aids. From being a small market in 2014, Healthcare now reported a significant revenue increase during the quarter at MUSD 2.6 in Q4 2015 compared to MUSD 0.7 in Q4 2014. Compared to Q3 2015, revenues increased 9.2%. Healthcare does not show the seasonal decline as Nordic's other markets. This emphasizes Nordic's strategy on diversifying in both markets and customer types, thereby reducing seasonal dependency.

Healthcare represents an emerging market with a lot of potential for Nordic. This is due to the fact that in addition to single individual's physical awareness there are several institutions in the world that are interested in being able to monitor basic physiological functions. Hospitals, General Practitioners, Employers and Insurance companies are a few examples of such institutions that will have direct benefits of such data. Nordic is seeing products such as continuous blood glucose monitors and hearing aid increasing in volume. These applications are still in their infancy, and Nordic are viewing healthcare as an emerging market with lots of potential.

The demand from health conscious consumers is expected to focus more on monitoring serious illnesses and conditions. Portable healthcare devices act as extensions of a smartphone; they gather data and transmit the information wirelessly, thus helping medical professionals to work more efficiently and extend care outside the Hospital/Clinic environment.

## **Building and Retail**

The Building and Retail market consists of connectivity solutions for both home and industrial applications, as well as retail solutions. Currently this market segment is dominated by retail solutions for one RFID customer that has been delivering steady volumes during the last 12-18 months. Beacons and smart homes (connected appliance and door locks) are expected to drive growth in the next 12 months.

Sales to the Building and Retail Market were MUSD 3.5, compared with MUSD 3.8 in Q4 2014. The reduction is mainly explained by reduced sales from one RFID

customer offset partly by other sales. Compared to last quarter, revenue decreased 15.5% from MUS\$ 4.1.

Building and Retail (BR) is the very definition of the IoT. BR targets a massive end-market which spreads from smart locks, smart payment systems, alarm systems, smoke detectors, beacons, location tags and plenty more. For Nordic, BR is still a small market in terms of revenue, but as a potential it is huge. There are several different standards on the market today fighting to be the winning protocol for such products, and Nordic are certain that Bluetooth Smart has proven itself to be the winner, and with the new specs of the Bluetooth 5.0 we are even more confident that Bluetooth Smart will be the primary adopted standards for a large variety of low power IoT devices.

BR includes wireless sensor networks and are sometimes referred to as “machine-to-machine” (or “M-to-M”) technologies, as they often collect and distribute information from objects rather than people. While this market is still in its earliest stages of development, the potential applications are so many that they are impossible to quantify. Bluetooth Smart provides a very attractive standard for building these wireless sensor networks, based on its compatibility with a huge existing installed base of smartphones and other devices. Focusing on this opportunity is part of Nordic’s overall IOT strategy to move from “My Things” to “Things around us”.

## **Others**

Others consist of sales to module manufacturers as well as distribution sales where no final customer is reported. Revenues in these markets were in Q4 2015 MUS\$ 2.6, up from MUS\$ 0.2 in Q4 2014.

## **ASIC Components / Consulting**

ASIC components and consulting revenue was MUS\$ 2.3, compared with MUS\$ 2.3 in the prior year. Nordic Semiconductor has made a strategic decision not to invest further in acquiring new customers within this market, and is currently only fulfilling demand from existing customers.

## Balance Sheet and Cash Flow

As of 31 December 2015, Nordic Semiconductor had total assets of MUSD 158.5, of which MUSD 122.5 were current assets. Non-Current assets were at MUSD 35.9 compared to MUSD 26.0 in Q4 2014. Nordic Semiconductor is focusing on reducing working capital items and has during Q4 2015 both reduced inventories (restated) and accounts receivables. However, due to a corresponding reduction in accounts payables, net working capital is slightly up compared to Q3 2015. Total liabilities were MUSD 46.0, of which MUSD 45.3 were current liabilities. Total liabilities are reduced from MUSD 63.0 in Q3 2015 mainly as a result of the de-recognition of the pension liability and reduced account payables and taxes. Total Shareholders' equity was MUSD 112.4, which represents an equity ratio of 70.9%, up from 62.8% at the end of the previous quarter.

Cash flow from operating activities was MUSD 4.8 in Q4 2015, compared with a cash flow of MUSD 11.1 in Q4 2014. The reduction is explained by reduced operating profit (adjusted for pensions) and taxes paid. Restated inventories increased from MUSD 24.5 in Q4 2014 to MUSD 41.1 in Q4 2015. This inventory buildup is done in preparation for future growth and as a result of the unplanned reduction in proprietary sales in 2H 2015.

Cash flow from investments was an outflow of MUSD 2.7, compared with an outflow of MUSD 1.4 in Q4 2014. Capital expenditures were MUSD 1.4, mainly driven by software related to both ERP systems and R&D. Capitalized development expenses were MUSD 1.5, compared with MUSD 0.2 last year, as the company shifted its R&D efforts to the final stages of the nRF52.

The company has a line of credit agreement with its primary bank where it may borrow up to MUSD 20 at any time with a rate of LIBOR + 1.15%. The credit facility has a 3-year term. MUSD 10 of this facility was utilized during Q4 2015.

The Company purchased 480 000 treasury shares during Q4 2015 for MUSD 2.2. This is part of the share repurchase program approved by the Board on September 1, 2015. The company now owns 1 million treasury shares.

Net change in cash during the period was a positive cash flow of MUSD 0.08 and during Q4 2015 the cash balance increased to MUSD 29.3 from MUSD 29.2 at the end of Q3 2015.

## Organization

As of 31 December 2015, Nordic Semiconductor had 454 employees, compared to 430 employees at 30 September 2015. Of these, 356 employees work within Research and Development representing an increase of 20 employees compared to 30 September 2015.

In the Finland operations a total of 114 employees had started as of December 31, 2015, an increase of 12 employees since 30 September, 2015. The Finland team focuses on Long Range Low Power Wireless, however top wireless talent are also

considered for other technologies. The team in Finland is expected to increase to a maximum 150 by the end of 2016.

## **Business Outlook**

Bluetooth Smart has established itself as a core technology within the IoT market space, a market predicted to grow faster and longer than any other development within the field of technology. The Bluetooth Smart market, in terms of IC shipments, is expected to grow at a 44% CAGR from 2015-2019, reaching +1.2 Billion IC shipments in 2019. Nordic's aim is to secure a dominant share of this market.

A vast number of design wins over the last years have enabled Nordic to build a large client list. This has taken Nordic's business into an accelerating number of new customers in a variety of product categories. Recent design wins with tier 1 customers also confirms its ability to compete for the most prestigious design wins. The Bluetooth Smart standard has continuously evolved and expanded its reach and potency and with the decision to ratify 5.0 this summer, the technology will further accelerate its competitiveness.

Nordic has proved its technology leadership with the introduction of nRF52 on top of its existing technology platform. Nordic shipped the first products during Q4 2015, will deliver volume shipments in Q1 to support new designs that will be delivered to the market as early as in Q2-Q3 2016. During Q4, Nordic embarked on a World Tour presenting nRF52 to more than 4000 engineers representing potentially significant expansion of the customer base.

Bluetooth Smart will continue to be the main revenue driver for the next years but the company is starting to see strong complimentary growth prospects from Nordics operation in Finland where its industry leading technology architecture is being merged with a long range wireless technology by a team of engineers that has built some of the most successful cellular technologies in past professional careers.

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Oslo, February 11<sup>th</sup>, 2016  
Board of Directors

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#### Financial Calendar 2015

Feb 12 <sup>th</sup> , 2016	4 <sup>th</sup> Quarter/Preliminary Annual 2015 Results
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#### Financial Calendar 2016

Apr 19 <sup>th</sup> , 2016	1 <sup>st</sup> Quarter 2016 Results - Annual General Meeting
Jul 13 <sup>th</sup> , 2016	2 <sup>nd</sup> Quarter 2016 Results
Oct 18 <sup>th</sup> , 2016	3 <sup>rd</sup> Quarter 2016 Results
Feb 10 <sup>th</sup> , 2017	4 <sup>th</sup> Quarter/Preliminary Annual 2016 Results

## Condensed Financial Information for the Three Months Ended 31 December 2015

### Consolidated income statement

Amounts in USD thousand (unaudited)	Note	Q4		01.01 - 31.12	
		2015	2014 Restated*	2015	2014 Restated*
<b>Total Revenue</b>		<b>46 508</b>	<b>45 163</b>	<b>193 068</b>	<b>167 029</b>
Cost of materials	5	(23 207)	(22 175)	(97 391)	(84 501)
Direct project costs		(2)	(125)	(22)	(188)
<b>Gross profit</b>		<b>23 299</b>	<b>22 862</b>	<b>95 655</b>	<b>82 341</b>
Payroll expenses	10	(4 271)	(11 032)	(32 840)	(38 653)
Other operating expenses		(6 050)	(4 506)	(19 404)	(16 566)
<b>EBITDA</b>		<b>12 977</b>	<b>7 324</b>	<b>43 411</b>	<b>27 122</b>
Depreciation		(2 209)	(1 828)	(8 437)	(6 873)
<b>Operating Profit (EBIT)</b>		<b>10 768</b>	<b>5 496</b>	<b>34 975</b>	<b>20 248</b>
Net interest		(30)	56	(15)	226
Net foreign exchange gains (losses)		(403)	1 267	2 028	1 663
<b>Profit before tax</b>		<b>10 335</b>	<b>6 819</b>	<b>36 988</b>	<b>22 137</b>
Income tax expense		(3 999)	(873)	(12 797)	(5 988)
<b>Net profit after tax</b>		<b>6 336</b>	<b>5 946</b>	<b>24 191</b>	<b>16 149</b>
<b>Earnings per share</b>					
Basic		0,039	0,037	0,148	0,099
Fully Diluted		0,039	0,037	0,147	0,099

#### Weighted average number of shares (in '000)

Basic	162 722	162 241	163 081	162 379
Fully Diluted	161 797	162 402	164 986	163 146

\*Certain amounts shown here do not correspond to the 2014 financial statements and quarterly reports and reflects adjustments made, refer note 5.

### Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	Q4		01.01 - 31.12	
	2015	2014 Restated*	2015	2014 Restated*
Net profit after tax	6 336	5 946	24 191	16 149
Actuarial gain/loss recognized in equity	1 691	(2 191)	1 691	(2 191)
Difference with translation to USD	90	(9)	202	(15)
<b>Comprehensive income for the period</b>	<b>8 117</b>	<b>3 746</b>	<b>26 083</b>	<b>13 943</b>

\*Certain amounts shown here do not correspond to the 2014 financial statements and quarterly reports and reflects adjustments made, refer note 5.

## Consolidated statement of financial position

Amounts in USD thousand (unaudited)	Note	31.12.15	30.09.2015 Restated*	31.12.2014 Restated*	01.01.2014 Restated*
Capitalized development expenses		12 542	11 949	6 928	7 498
Software and other intangible assets		9 082	9 031	4 485	3 451
Deferred tax assets		1 250	5 363	5 363	3 077
Property assets		1 306	952	773	583
Equipment		11 748	12 175	8 172	7 464
Other long-term assets		12	13	281	759
<b>Non-current assets</b>		<b>35 939</b>	<b>39 484</b>	<b>26 001</b>	<b>22 832</b>
Inventory	5	41 100	45 018	24 510	21 167
Accounts receivable		48 938	52 537	39 288	30 047
Other short term receivables		3 177	3 292	3 257	2 703
Cash and cash equivalents		29 293	29 215	34 080	26 082
<b>Current assets</b>		<b>122 508</b>	<b>130 063</b>	<b>101 136</b>	<b>80 000</b>
<b>TOTAL ASSETS</b>		<b>158 447</b>	<b>169 547</b>	<b>127 137</b>	<b>102 832</b>
<b>Shareholders' equity</b>		<b>112 405</b>	<b>106 520</b>	<b>85 122</b>	<b>71 244</b>
Pension liability	10	707	10 061	11 455	10 090
<b>Non-current liabilities</b>		<b>707</b>	<b>10 061</b>	<b>11 455</b>	<b>10 090</b>
Accounts payable		6 389	15 425	12 929	6 261
Income taxes payable		9 931	11 144	6 690	4 822
Public duties		2 295	1 414	2 263	2 405
Short-term loan facility		10 000	10 000	-	-
Other short-term liabilities		16 720	14 983	8 678	8 011
<b>Current liabilities</b>		<b>45 335</b>	<b>52 966</b>	<b>30 559</b>	<b>21 498</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>158 447</b>	<b>169 547</b>	<b>127 137</b>	<b>102 832</b>

\*Certain amounts shown here do not correspond to the 2014 financial statements and quarterly reports and reflects adjustments made, refer note 5.

## Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	Q4		01.01 - 31.12	
	2015	2014 Restated*	2015	2014 Restated*
<b>Equity at beginning of period</b>	<b>106 520</b>	<b>80 283</b>	<b>85 122</b>	<b>71 244</b>
Net profit for the period	6 336	5 946	24 191	16 149
Purchase of treasury shares	(2 159)	-	(4 562)	(5 170)
Sale of treasury shares on options exercise	0	-	6 064	6 154
Share-based compensation	(73)	1 094	(303)	4 761
Cash settlement of options contract	-	-	-	(5 810)
Actuarial gain/loss recognized in equity	1 691	(2 191)	1 691	(2 191)
Difference with translation to USD	90	(9)	202	(15)
<b>Equity at end of period</b>	<b>112 405</b>	<b>85 122</b>	<b>112 405</b>	<b>85 122</b>

\*Certain amounts shown here do not correspond to the 2014 financial statements and quarterly reports and reflects adjustments made, refer note 5.

## Consolidated cash flow statement

Amounts in USD thousand (unaudited)	4 <sup>th</sup> Quarter		01.01-31.12	
	2015	2014	2015	2014
Profit before tax	10 335	6 819	36 988	22 137
Profit before tax, discontinued operations	-	-	-	-
Taxes paid for the period	(2 515)	1 546	(6 146)	(5 037)
Depreciation	2 209	1 828	8 437	6 873
Change in inventories, trade receivables and payables	(1 519)	(648)	(32 780)	(5 916)
Share-based compensation expense	(62)	1 958	(175)	4 692
Movement in pensions	(3 550)	(2 211)	(4 944)	(3 112)
Other operations related adjustments	(146)	1 802	2 986	1 341
<b>Net cash flows from operating activities</b>	<b>4 754</b>	<b>11 093</b>	<b>4 366</b>	<b>20 979</b>
Capital expenditures (including software)	(1 420)	(1 200)	(11 817)	(6 339)
Proceeds from sales of equipment	-	-	-	-
Capitalized development expenses	(1 257)	(213)	(8 328)	(1 802)
<b>Net cash flows from investing activities</b>	<b>(2 677)</b>	<b>(1 413)</b>	<b>(20 145)</b>	<b>(8 141)</b>
Changes in Treasury stock	(2 159)	-	1 503	984
Cash settlement of options contract	-	-	(830)	(5 810)
Short-term loan facility	0	-	10 000	-
Other financing related adjustments	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>(2 158)</b>	<b>-</b>	<b>10 673</b>	<b>(4 825)</b>
Effect of changes in currency rates	159	(15)	319	(15)
<b>Net change in cash and cash equivalents</b>	<b>77</b>	<b>9 665</b>	<b>(4 788)</b>	<b>7 998</b>
Net change in cash and cash equivalents from discontinued operations				-
Cash and cash equivalents at start of period	29 215	24 415	34 080	26 082
<b>Cash and cash equivalents at end of period</b>	<b>29 293</b>	<b>34 080</b>	<b>29 293</b>	<b>34 080</b>

## **Notes to the Consolidated Interim Financial Statements**

### **Note 1: General**

The condensed fourth quarter interim financial statements for the twelve months ended 31 December 2015 were approved for publication by the Board of Directors on February 11, 2016.

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

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

### **Note 2: Confirmation of the financial framework**

The Group accounts 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 2015 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 2014.

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

### **Note 3: Important accounting principles**

Major accounting principles are described in the Group Financial Statement for 2014. The group accounts for 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Company is currently evaluating the impact of the new standard.

### **Note 4: Use of estimates**

In the interim financial statements for 2015, 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 2015 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2014.

## Note 5: Past period adjustment to inventory

On January 1, 2010 Nordic Semiconductor changed its group functional currency from NOK to USD. In connection with this change, several system changes were made in order to correctly reflect the USD functional currency amounts. Unfortunately, one wrong translation rule was used when the conversion was set up. This error was not identified until the volatility in the NOK/USD and the underlying physical inventory volume increased during 2015. As a consequence, inventory values and the corresponding gross profit have during the individual past quarters been slightly overstated, but with an accumulating impact on the inventory value. In January 2016, a detailed review has been performed on the system setup correcting the conversion rule. The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Amounts in USD thousand	2014						2015				
	Jan 1, 2014	Q1	Q2	Q3	Q4	Dec 31, 2014	Q1	Q2	Q3	Q4	Dec 31, 2015
Inventories (-reduced)	(1 000)	(1 300)	(1 800)	(2 600)	(3 400)	(3 400)	(4 300)	(5 100)	(6 000)		(6 000)
Equity (-reduced)	(1 000)	(1 300)	(1 800)	(2 600)	(3 400)	(3 400)	(4 300)	(5 100)	(6 000)		(6 000)
Cost of goods sold (+increase)		300	500	800	800	2 400	900	800	900		2 600
Gross Profit (-reduced GP)		(300)	(500)	(800)	(800)	(2 400)	(900)	(800)	(900)		(2 600)
Restated Gross Margin		50,4 %	47,1 %	49,2 %	50,6 %	49,3 %	52,4 %	47,9 %	48,5 %	50,1 %	49,5 %
Reported Gross Margin		51,4 %	48,3 %	50,8 %	52,4 %	50,7 %	54,6 %	49,5 %	50,2 %	50,1 %	50,9 %

As the Group's tax is mainly calculated in the NOK legal entity, and the underlying NOK tax reporting financial statements are unchanged, the Group's taxes payable are unchanged. However, the Groups effective tax rate has been slightly affected due to the restatement.

The change did not have any impact on the Group's operating, investing and financing cash flows.

## Note 6: Segment information

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

The Group classifies its revenues into the following revenue markets: Wireless components, ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the product category ("hub") with 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 Smart protocols. Detailed reporting by revenue market can be found on page 2 and page 5 in this document.

### **Note 7: Share options**

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 176 employees. The options are exercisable after one year, and expire after three years. The options were granted at a strike price of NOK 38.43. If the company's share price exceeds a "cap" of NOK 150.00, the company may settle the option grant by compensating the employee the difference between the "cap" and the strike price. Of the share options granted in 2014, 391,467 have expired, and 1,307,575 options were exercised on February 24, 2015, 265,930 were exercised on April 24, 2015 and 35,200 were exercised on August 18, 2015. The remaining 3,843,540 options have vested and can be exercised quarterly until expiration on February 18, 2017.

According to the Black- Scholes option pricing model, the fair value of options granted in 2014 was NOK 6.153 per option. The Black-Scholes valuation of the option program was conducted by an independent advisory company. The options are expensed over the vesting period, in accordance with IFRS.

On December 8, 2015 an Extraordinary General Meeting approved a 2016 option plan for all employees. The plan is limited to 1.7 million shares and it is expected to have a grant date of February 19th, 2016,

### **Note 8: Risk management**

A description of risk factors can be found in Note 20 of Nordic Semiconductor's 2014 annual report.

### **Note 9: Events after the balance sheet date**

No events have occurred since the end of the fourth quarter of 2015 that affects the evaluation of the submitted accounts.

### **Note 10: Change in pension plan**

The Board of Nordic Semiconductor ASA decided in December 2015 to change the pension plan for all employees currently on a defined benefit plan effective January 1, 2016. Up until December 31, 2015 Nordic Semiconductor ASA (Norwegian employees) had both a defined benefit plan and a defined contribution plan. The defined benefit plan was closed for new members effective January 1, 2010 and from this point a new defined contribution plan was established.

In connection with the transfer of plans, the employees will receive a free policy for all earned benefits in the defined benefit plan. As there exist certain obligations related to retirees and employees on sick leave, an actuarial calculation is performed and a liability for these employees is included as of December 31, 2015. According

to IAS 19 all assets and liabilities related to the defined contribution plan should be de-recognized when there exists an irreversible decision regarding termination of the defined contribution plan. The de-recognition should be presented in the profit & loss for the period. In Q4 2015 MUSD 7 is included as reduced personnel expenses related to the de-recognition and MUSD 1.7 has been presented in other comprehensive income.