

2nd QUARTER 2016 REPORT



- Q2 revenue at MUSD 52.7, flat year over year and up 31.6% quarter over quarter
- Bluetooth Smart revenue at MUSD 27.2, derived from a record high number of customers
- Strong proprietary sales with increasing revenue from new designs outside PC Accessories
- Accelerating design win ratio with nRF52, however yield issues still impacts the quarter
- Release of specifications for Bluetooth 5.0, will open new markets for Bluetooth Smart

Q2 2016 Financial Summary

Amounts in USD million (unaudited)	2nd quarter		Change
	2016	2015 Restated*	
Revenue	52,7	52,6	0,2 %
Order Backlog	24,0	41,1	-41,6 %
Gross Margin %	47,2 %	47,9 %	
Operating Profit (EBIT)	4,7	9,8	-52,6 %
Operating Profit % (EBIT %)	8,8 %	18,7 %	
Net profit after tax	4,0	6,7	-40,2 %
Free Cash Flow (Net cash flow excluding financing)	-15,5	-9,4	
Cash and cash equivalents	23,6	25,4	

*Certain amounts do not correspond to the 2015 quarterly reports and reflects past period adjustments, refer note 5.

Revenue

Technology	Q2				01.01.-30.06					
Amounts in USD thousand	2016		2015		2016		2015		Year 2015	
Proprietary wireless	23 695	45,0 %	21 172	40,2 %	43 031	46,4 %	42 496	45,9 %	76 544	39,6 %
Bluetooth Smart	27 235	51,7 %	30 075	57,1 %	45 429	49,0 %	47 978	51,8 %	110 843	57,4 %
ASIC components	1 782	3,4 %	1 384	2,6 %	4 136	4,5 %	2 172	2,3 %	5 567	2,9 %
Consulting services	-	0,0 %	-	0,0 %	179	0,2 %	2	0,0 %	114	0,1 %
Total	52 712	100,0 %	52 631	100,0 %	92 775	100,0 %	92 648	100,0 %	193 068	100,0 %

Total revenue in Q2 2016 was MUS\$ 52.7, compared with MUS\$ 52.6 in Q2 2015. The growth in proprietary sales (+11.9%) was offset by lower Bluetooth Smart revenue (-9.4%). Compared to Q1 2016, revenues increased by MUS\$ 12.6 or 31.6%. The increase from Q1 reflects an accelerating underlying Bluetooth Smart revenue growth in addition to a positive seasonal effect. In Q2 2016 Nordic continued ramp of the nRF52 family. High volume pilot production for several designs was prioritized for supply of nRF52 in the quarter. We expect production to accelerate and with the first end products available in the market in the second half of 2016.

Sales of Bluetooth Smart ended at MUS\$ 27.2, or 51.7% of revenue in Q2 2016, compared with MUS\$ 30.1, or 57.1% of revenue in Q2 2015. Compared to Q1 2016 Bluetooth Smart revenue increased by 49.7% from MUS\$ 18.2. Year over year Bluetooth Smart revenues decreased 9.4%. However, as reported in the Q1 2016 report, Nordic lost a design at one large wearable customer with significant impact on revenues in 2016. In addition, the Q2 and the Q3 2015 report included strong Bluetooth Smart revenue related to one large Gaming design, which has not been continued in 2016. Adjusted for these two designs, underlying Bluetooth Smart revenue to end customers showed strength and reached YoY growth of 50% for Q2 2016.

Sales of Proprietary wireless ended at MUS\$ 23.7 compared with MUS\$ 21.2 in Q2 2015, representing an increase of 11.9%. The growth came as a result of supply to several design wins outside PC Accessories. Additionally, PC Accessories sales were at a more normalized level after a weak second half 2015.

Gross profit was MUS\$ 24.9, or 47.2% of revenues, compared with MUS\$ 25.2, or 47.9% of revenue during Q2 2015. Lower gross margin compared to Q2 2015 is

primarily explained by higher costs related to lower yield as part of the introduction of the nRF52 products. Yields are expected to be normalized during 2H 2016.

Total operating expenses including depreciation, increased 31.4% to MUSD 20.2 in Q2 2016 compared with MUSD 15.4 in Q2 2015. Total cash operating expenses (excluding depreciation) before options, net capitalized R&D expenses and pension income increased 21.5% to MUSD 19.2 in Q2 2016, compared with MUSD 15.8 in Q2 2015. The increase is mainly driven by headcount growth (27.5%) from 389 in Q2 2015 to 496 in Q2 2016. In addition, other operating expenses related to R&D, mainly software, IP and test manufacturing (tape outs) have increased in line with the higher activity. Tape outs are the first pilot products that are delivered to Nordic and partners for further evaluation. Offsetting the underlying cash increase is a positive effect of the weakening of the Norwegian Krone.

In percentage of last twelve months' revenue (LTM), operating expenses have increased from 33.9% in Q2 2015 to 39.9% in Q2 2016. Management is confident that this is an investment in future revenue growth.

Compared to Q1 2016, the 4.2% increase from MUSD 18.5 is explained by higher license and IP related costs and negative currency effect of stronger Norwegian Krone, offset by effects of holidays in June.

Total costs for the Finland operations were MUSD 4.0 in Q2 2016 compared to MUSD 3.4 in Q2 2015, still running below the communicated quarterly run rate of 5 MUSD. As the Finland operation enters into a market launch phase, we expect to see additional expenses related to headcount increase and tape out of silicon wafers.

Nordic has during the second quarter capitalized MUSD 1.5 compared to MUSD 2.6 in Q2 2015 related to internally developed products. The capitalization can be attributed to new versions of the Bluetooth Smart platform nRF52 that during Q2 2016 moved to the final development stages prior to the commercial product launch. Capitalized expenses are expected to be maintained at approximately MUSD 1 per quarter in 2016.

The company's Operating Profit (EBIT) decreased to MUSD 4.7 in Q2 2016, compared with MUSD 9.8 in Q2 2015. This reduction is explained by higher operating expenses and lower capitalized expenses. Net financial items were a gain of approximately MUSD 0.1 in Q2 2016 and a loss of MUSD 0.5 in Q2 2015.

Profit before tax was MUSD 4.8, compared with MUSD 9.3 in Q2 2015. Income tax expense was MUSD 0.8, or 15.7% of pretax profit. The base tax rate for the group is 25%, 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).

Net profit after tax was MUSD 4.0 in Q2 2016, compared with MUSD 6.7 in Q2 2015. The company's basic earnings per share were USD 0.025 in Q2 2016, compared with USD 0.041 in Q2 2015.

First Half 2016 Financial Summary

Total revenue in the first half 2016 was MUSD 92.8, compared with MUSD 92.6 in the first half of 2015. For the first half of 2016, Bluetooth Smart sale was MUSD 45.4 and represented 49.0% of total revenue compared to MUSD 48.0 (51.8%).

Gross profit was MUSD 44.6 or 48.1% of revenue in the first half of 2016, compared with MUSD 46.2, or 49.9% of revenue during the first half year of 2015. The gross profit for first half of 2016 is primarily explained by higher costs related to lower yield as part of the introduction of the nRF52 products and mix between Bluetooth Smart products and customers.

Total operating expenses including depreciation were MUSD 40.3 in the first half year of 2016, compared with MUSD 31.9 in the first half year of 2015. The higher spending is explained by increased number of R&D employees, lower capitalized expenses and a stronger NOK/USD currency rate.

As a result of unchanged revenue and higher operating expenses, the company's Operating Profit (EBIT) decreased to MUSD 4.3 in the first half of 2016, compared with MUSD 14.2 in the first half of 2015.

Net profit after tax was MUSD 3.0 in the first half of 2016, compared with MUSD 9.9 in the first half of 2015.

Market

Revenue Markets	Q2				01.01.-30.06				Year 2015	
Amounts in USD thousand	2016		2015		2016		2015		Year 2015	
Consumer Electronics	26 255	49,8 %	28 954	55,0 %	46 333	49,9 %	49 216	53,1 %	96 503	50,0 %
Wearables	12 110	23,0 %	16 296	31,0 %	19 411	20,9 %	31 656	34,2 %	63 279	32,8 %
Building/Retail	6 128	11,6 %	3 784	7,2 %	11 018	11,9 %	6 531	7,0 %	14 115	7,3 %
Healthcare	2 806	5,3 %	1 623	3,1 %	5 377	5,8 %	2 239	2,4 %	7 171	3,7 %
Others	3 631	6,9 %	590	1,1 %	6 321	6,8 %	832	0,9 %	6 319	3,3 %
Wireless Components	50 930	96,6 %	51 247	97,4 %	88 460	95,3 %	90 474	97,7 %	187 387	97,1 %
ASIC components	1 782	3,4 %	1 384	2,6 %	4 136	4,5 %	2 172	2,3 %	5 567	2,9 %
Consulting services	-	0,0 %	-	0,0 %	179	0,2 %	2	0,0 %	114	0,1 %
Total	52 712	100,0 %	52 631	100,0 %	92 775	100,0 %	92 648	100,0 %	193 068	100,0 %

Nordic Semiconductor pursues a diversification strategy to be less dependent on both individual customers and industries. The future success of this strategy can best be witnessed by a record high 18 600 number of development kits sold in 1H 2016, the design win ratio and new designs registered with the Bluetooth Organization and a record high number of active large customers as of Q2 2016. Strong execution on this strategy is enabled by an industry leading cost feature product offering. The above is combined with a design friendly support system and a sales and marketing activity that caters to both the long tail as well as to targeted customers and verticals.

We see that this diversification strategy has caused a shift from deriving 86% of our revenues from Consumer Electronics and Wearable's in Q2 2015 to 73% in Q2 2016. During the same period, sales to other than our 10 largest Bluetooth Smart customers have increased from 47% in 2015 to 59% in 2016.

Consumer Electronics

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

Compared to Q2 2015, consumer electronics decreased by 9.3% from MUS\$ 29.0 to MUS\$ 26.3 in Q2 2016. The reduction is mainly explained by one large order from a gaming customer in Q2 and Q3 2015.

Compared to last quarter, revenue increased 30.8% from MUS\$ 20.1. The increase is explained by strong sales to new designs in the gaming and toys market as well as seasonal effects.

Nordic continues to view PC accessories as an important market. 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 products launches from our customers.

Nordic Semiconductor sees wireless charging as an important market within Consumer electronics. 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. Nordic reported in Q1 that we expected material revenues from this market in the second half of 2016. During Q2, several PC manufacturers have launched wireless chargers which include Nordic's technology. We have still not seen any leading handset manufacturers launching Airfuel products in the market, but Nordic is in a strong design in position, and will benefit when wireless chargers are more broadly adapted in the market.

Wearable devices

Revenue from Wearable device's market (i.e., portable electronics such as sports monitoring devices and smart watches) was MUS\$ 12.1 in the quarter, down 25.7% from the same quarter last year. Compared to last quarter, revenues increased by 65.9% from MUS\$ 7.3. This market saw exceptionally strong sales in 2H 2014 and 1H 2015 with few new projects realized in 2H 2015 and 1H 2016. The wearables market has benefited from growing demand for wearable electronics featuring Bluetooth

Smart technology. Despite the loss of a key high volume design as reported above, we see high design activity with the nRF52 and expect revenue growth to continue.

Nordic has proven its technology leadership with the introduction of nRF52 on top of its existing technology platform. In late Q2 Nordic released its Wafer Level Chip Scale Package (WL-CSP) variant of its nRF52832 Bluetooth® low energy (formerly known as Bluetooth Smart) System-on-Chip (SoC) that occupies a quarter of the footprint area of the standard-packaged Nordic nRF52832 and targets next-generation, high-performance wearable's and space-constrained IoT applications.

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 6.1, which is an increase of 61.9% from MUSD 3.8 in Q2 2015. This increase is mainly driven by higher sales to RF ID customers and industrial customers.

Compared to last quarter, revenue increased 25.3% from MUSD 4.9. The growth is mainly driven by higher sales to our large RF ID customer.

Building and Retail (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 the potential is large.

Nordic sees smart cards as an important market within BR. On July 11th, 2016 a Nordic customer released an all-in-one payment, cash withdrawal, transport, membership and security smartcard. In the card, the nRF51 chip provides wireless connectivity to both iOS- and Android-compatible Bluetooth smart phones, while the chip's large Flash memory capacity allows the card to store the information from up to 200 conventional cards at a single time, significantly improving on existing smartcards that can typically hold information from fewer cards simultaneously.

Bluetooth wireless technology is set to be significantly enhanced by the next major release of the technology, called Bluetooth 5.0. The new version builds on the success of Bluetooth 4.x (which included Bluetooth low energy as a hallmark element) by adding enhancements, which improve the performance of all applications but particularly those targeting smart home, industrial automation and other Internet of Things (IoT) implementations. The technology, announced by the Bluetooth Special Interest Group (SIG) in Q2 2016 doubles the bandwidth (connection "speed") and quadruples (4x) the range of Bluetooth low energy connections while retaining the ultra-low power consumption (enabling extended operation from small batteries) of the previous version.

In addition, mesh networking will also be added to the Bluetooth wireless standard later this year. Previously the technology was best suited for applications served by

peer-to-peer connections (point-to-point network) or several peripheral devices connected to a central hub such as a smart phone running an app (star network). These are not suitable for smart home, industrial automation or IoT applications, which require the support of mesh networking. Mesh networking allows Bluetooth low energy sensors to communicate directly with each other rather than information being relayed via complex and expensive hubs, multiplying the performance of the network, simplifying installation and building in redundancy. Together with the range and throughput enhancements, adding mesh networking to Bluetooth wireless technology will significantly increase its use cases particularly in the burgeoning automation and IoT sectors.

Nordic Semiconductor's nRF52 Series Bluetooth low energy solutions will be ready to support Bluetooth 5.0 in advance of its release. Firmware and software upgrades will implement the higher transmission speed and mesh networking, while an upgraded version of the nRF52 Series System-on-Chip (SoC) will implement the greater range. A software upgrade will also bring mesh networking to the highly popular nRF51 Series.

Healthcare

Healthcare is an emerging market for Nordic. Reported revenue relates to design wins, mainly within glucose monitoring and hearing aids. Healthcare reported a significant revenue increase during the quarter to MUSD 2.8 in Q2 2016 compared to MUSD 1.6 in Q2 2015. Compared to Q1 2016, revenues were slightly up. Healthcare demand is not seasonal, and revenues in this sector even out the seasonal trends of other sectors to which Nordic is exposed.

Healthcare represents an emerging market with a lot of potential for Nordic. This is due to the fact that in addition to an individual's own physical awareness, institutions such as hospitals, doctors, employers and insurance companies are also interested in the ability to monitor basic physiological functions. For example, continuous blood glucose monitors and hearing aids are increasing in volume orders for Nordic. These and other applications are currently still in their infancy, particularly as they relate to IOT, remote healthcare and big data analytics

Others

Sales to module manufactures as well as distribution sales where no final customer is reported comprise this category. Other revenues were in Q2 2016 MUSD 3.6, up 500% from MUSD 0.6 in Q2 2015.

Sale to module manufacturers is an important market for Nordic. Module manufactures develop compact ultra-low power Bluetooth Smart 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. Currently Nordic's SOC's are integrated into more than 70 different modules from several top module manufactures.

Research and Development

Low Power Cellular IOT (Internet of Things)

Nordic Semiconductor has demonstrated its ability to become the market leader within Bluetooth Smart. Bluetooth Smart is among the preferred communication technologies for short range, low power communication, so called Personal Area Network (PAN). However, a large part of the IoT space will be characterized by Wide Area Network (WAN) and Long Area Network (LAN) communication. Complementing Nordics leading offering and roadmap on short-range wireless (Bluetooth Smart), the expanded product roadmap for long-range wireless is a part of the company's strategy to target new high growth markets with its wireless connectivity and embedded processing technology.

Nordic Semiconductors roadmap for low power cellular IoT includes highly integrated chipsets and advanced software for the upcoming 3GPP Release 13 LTE-M and NB-IoT technologies. Highly optimized for power and size, the upcoming nRF91 Series is designed specifically to address the needs of emerging low power cellular IoT applications. Nordic expects to sample the first nRF91 Series solutions to selected lead customers second half of 2017 with broad availability and production ramp in 2018.

Nordic's development of long-range wireless technologies is located in Finland. A total of 121 employees are based in Finland as of June 30, 2016, an increase of 4 employees since 31 March 2016. The team in Finland is expected to grow to 150 by the end of 2016 partly replacing headcount growth that would otherwise take place at other operations. Synergies and availability of talent causes this growth over and above previously communicated headcount in Finland.

Balance Sheet and Cash Flow

As of 30 June 2016, Nordic Semiconductor had total assets of MUS\$ 159.6, of which MUS\$ 120.6 were current assets. Non-Current assets were at MUS\$ 38.9 compared to MUS\$ 36.4 in Q2 2015. Nordic Semiconductor is focusing on reducing working capital, however during Q2 working capital increased seasonally compared to Q1 2016. Higher accounts receivable as a result of late-quarter sales account for the increased the balance at quarter end. Compared to Q2 2015, net working capital is unchanged, however improved inventory levels have been offset by reduced accounts payable.

Total liabilities were MUS\$ 43.8, of which MUS\$ 43.1 were current liabilities. Total liabilities are slightly reduced from MUS\$ 60.7 in Q2 2015 mainly as a result of reduced pension liabilities. Total Shareholders' equity was MUS\$ 115.7, which represents an equity ratio of 72.5%, up from 71.6% at the end of the previous quarter.

Cash flow from operating activities was an outflow of MUS\$ 10.0 in Q2 2016, compared with a cash out flow of MUS\$ 3.1 in Q2 2015. The reduction is mainly driven

by reduced operating profits and increased accounts receivable due to high sales late in the quarter.

Cash flow from investments was an outflow of MUS\$ 5.6, compared with an outflow of MUS\$ 6.2 in Q2 2015. Capital expenditures were MUS\$ 4.0, mainly driven by software related to IP investments and an upgrade of Nordic's ERP system. Capitalized development expenses were MUS\$ 1.5, compared with MUS\$ 2.6 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 MUS\$ 20 at any time with a rate of LIBOR + 1.15%. MUS\$ 10 of this facility was utilized as of Q2 2016.

Net change in cash during the period was a negative cash flow of MUS\$ 15.3 and during Q2 2016 the cash balance decreased to MUS\$ 23.6 from MUS\$ 38.9 at the end of Q1 2016.

Organization

As of 30 June 2016, Nordic Semiconductor had 496 employees, compared to 477 employees at 31 March 2016. Of these, 385 employees work within Research and Development representing an increase of 14 employees compared to 31 March 2016.

In order to prepare for future growth, Nordic has also increased staff within Sales and Marketing. Sales and Marketing has increased by 40% to 64 employees. The main growth is within the global team of field applications engineers to support a growing number of customers.

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.

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 and industries. Recent design wins with Tier 1 customers where production has started also confirms our ability to compete for the most prestigious design wins.

This broadened customer base, has reduced dependency on a few large accounts and started to provide a visibility that is now at a more reliable level. Based on this Nordic has decided to introduce guiding on revenue and for the second half 2016, revenue is estimated to be in the range of MUS\$ 105 – 120.

The Bluetooth Smart standard continuously evolves and expands its reach and potency and with the upcoming decision to ratify 5.0 later this year, the technology will further accelerate its competitiveness.

Bluetooth Smart will continue to be the main revenue driver for the next years but the company is starting to see strong interest from customers for Nordics activity in Finland where its industry leading technology architecture is being merged with long range wireless technology.

Together with management, we are enthusiastic about Nordic's prospects in this evolving technology landscape.

Oslo, July 12th, 2016
Board of Directors

For further information, please contact:
Svenn-Tore Larsen, CEO, mobile +47 982 85 476
Pål Elstad, CFO, mobile +47 991 66 293

Financial Calendar 2016

Oct 18 th , 2016	3 rd Quarter 2016 Results
Feb 10 th , 2017	4 th Quarter/Preliminary Annual 2016 Results

Condensed Financial Information for the Three Months Ended 30 June 2016

Consolidated income statement

Amounts in USD thousand (unaudited)	Q2		01.01 - 30.06		Year
	2016	2015 Restated*	2016	2015 Restated*	2015
Total Revenue	52 712	52 631	92 775	92 648	193 068
Cost of materials	(27 712)	(27 404)	(48 058)	(46 446)	(97 391)
Direct project costs	(101)	(0)	(130)	(16)	(22)
Gross profit	24 899	25 227	44 588	46 187	95 655
Gross Margin					
Payroll expenses	(11 410)	(8 901)	(23 955)	(19 392)	(32 840)
Other operating expenses	(6 043)	(4 498)	(11 142)	(8 683)	(19 404)
EBITDA	7 446	11 828	9 490	18 111	43 411
				-	
Depreciation	(2 793)	(2 003)	(5 163)	(3 871)	(8 437)
Operating Profit (EBIT)	4 654	9 824	4 327	14 241	34 975
				-	
Net interest	(10)	27	(37)	43	(15)
Net foreign exchange gains (losses)	137	(535)	(481)	585	2 028
Profit before tax	4 780	9 317	3 810	14 869	36 988
				-	
Income tax expense	(752)	(2 575)	(813)	(4 945)	(12 797)
Net profit after tax	4 028	6 741	2 997	9 924	24 191
Earnings per share					
Basic	0,025	0,041	0,018	0,061	0,148
Fully Diluted	0,025	0,041	0,018	0,061	0,147

Weighted average number of shares (in '000)

Basic	162 454	163 441	162 447	163 122	163 081
Fully Diluted	162 811	164 019	162 825	163 485	164 986

*Certain amounts do not correspond to the 2015 quarterly reports and reflects past period adjustments, refer note 5.

Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	Q2		01.01 - 30.06		Year
	2016	2015 Restated*	2016	2015 Restated*	2015
Net profit after tax	4 028	6 741	2 997	9 924	24 191
Actuarial gain/loss recognized in equity	-	-	-	-	1 691
Difference with translation to USD	402	165	347	125	202
Comprehensive income for the period	4 430	6 906	3 344	10 049	26 083

*Certain amounts do not correspond to the 2015 quarterly reports and reflects past period adjustments, refer note 5.

Consolidated statement of financial position

Amounts in USD thousand (unaudited)	30.06.16	31.03.16	31.12.15	30.06.2015 Restated*
Capitalized development expenses	13 740	13 038	12 542	10 260
Software and other intangible assets	11 785	9 160	9 082	8 780
Deferred tax assets	1 314	1 331	1 250	5 363
Property assets	1 357	1 421	1 306	814
Equipment	10 723	10 888	11 748	11 163
Other long-term assets	3	12	12	6
Non-current assets	38 923	35 852	35 939	36 386
Inventory	37 427	40 403	41 100	40 484
Accounts receivable	54 435	35 762	48 938	54 424
Other short term receivables	5 160	4 440	3 177	5 116
Cash and cash equivalents	23 626	38 955	29 293	25 360
Current assets	120 648	119 560	122 508	125 384
TOTAL ASSETS	159 571	155 412	158 447	161 771
Shareholders' equity	115 749	111 319	112 405	101 064
Pension liability	681	838	707	10 851
Non-current liabilities	681	838	707	10 851
Accounts payable	12 076	9 631	6 389	15 388
Income taxes payable	5 236	7 601	9 931	7 727
Public duties	2 130	2 088	2 295	2 547
Short-term loan facility	10 000	10 000	10 000	10 000
Other short-term liabilities	13 697	13 936	16 720	14 192
Current liabilities	43 140	43 255	45 335	49 855
TOTAL EQUITY AND LIABILITIES	159 571	155 412	158 447	161 771

*Certain amounts do not correspond to the 2015 quarterly reports and reflects past period adjustments, refer note 5.

Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	Q2		01.01 - 30.06		Year
	2016	2015 Restated*	2016	2015 Restated*	2015
Equity at beginning of period	111 319	94 881	112 405	85 122	85 122
Net profit for the period	4 028	6 741	2 997	9 924	24 191
Purchase of treasury shares	-	-	-	-	(4 562)
Sale of treasury shares on options exercise	-	-	(0)	6 064	6 064
Share-based compensation	-	(723)	-	(172)	(303)
Cash settlement of options contract	-	-	-	-	-
Actuarial gain/loss recognized in equity	-	-	-	-	1 691
Difference with translation to USD	402	165	347	125	202
Equity at end of period	115 749	101 064	115 749	101 064	112 405

*Certain amounts do not correspond to the 2015 quarterly reports and reflects past period adjustments, refer note 5.

Consolidated cash flow statement

Amounts in USD thousand (unaudited)	Q2		01.01 - 30.06		
	2016	2015	2016	2015	2015
Profit before tax	4 780	9 317	3 810	14 869	36 988
Profit before tax, discontinued operations	-	-	-	-	-
Taxes paid for the period	(2 994)	(1 740)	(5 895)	(3 631)	(6 146)
Depreciation	2 793	2 003	5 163	3 871	8 437
Change in inventories, trade receivables and payables	(13 251)	(15 012)	3 864	(28 651)	(32 780)
Share-based compensation expense	(275)	121	(38)	718	(175)
Movement in pensions	(156)	670	(26)	(604)	(4 944)
Other operations related adjustments	(858)	1 509	(5 146)	1 685	2 986
Net cash flows from operating activities	(9 962)	(3 132)	1 732	(11 743)	4 366
Capital expenditures (including software)	(4 031)	(3 582)	(4 968)	(7 773)	(11 817)
Proceeds from sales of equipment	-	-	-	-	-
Capitalized development expenses	(1 556)	(2 645)	(2 640)	(4 670)	(8 328)
Net cash flows from investing activities	(5 588)	(6 228)	(7 608)	(12 443)	(20 145)
Changes in Treasury stock	(0)	0	(0)	6 065	1 503
Cash settlement of options contract	195	(723)	195	(772)	(830)
Short-term loan facility	-	10 000	-	10 000	10 000
Other financing related adjustments	-	-	-	-	-
Net cash flows from financing activities	195	9 277	195	15 293	10 673
Effect of changes in currency rates	25	164	14	174	319
Net change in cash and cash equivalents	(15 329)	82	(5 667)	(8 720)	(4 788)
Net change in cash and cash equivalents from discontinued operations	-	-	-	-	-
Cash and cash equivalents at start of period	38 955	25 279	29 293	34 080	34 080
Cash and cash equivalents at end of period	23 626	25 360	23 626	25 360	29 293

Notes to the Consolidated Interim Financial Statements

Note 1: General

The condensed second quarter interim financial statements for the three months ended 30 June 2016 were approved for publication by the Board of Directors on July 12, 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 Q2 2016 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 2015.

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 2015. The group accounts for 2015 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 2018, 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 2016, 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 2016 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2015.

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 4 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, 3,755,503 all are vested and will expire in February 2017 if not exercised.

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.

With reference to the Extraordinary General Meeting on December 8th 2015, Nordic Semiconductor has on the 26th February 2016 granted 1,590,000 share options to employees and primary insiders. At the EGM, the Company was given the approval to issue up to 1% of the outstanding share capital in options to all employees.

According to the approval, the option scheme has a long term element as options are vested over a three-year period and expire after five years. The options were granted at a strike price of NOK 47,72 (10% above volume weighted average share price the week following Q4 2015 results). If the company's share price exceeds a cap of NOK 143.16, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

Note 8: Risk management

A description of risk factors can be found in Note 20 of Nordic Semiconductor's 2015 annual report.

Note 9: Events after the balance sheet date

No events have occurred since the end of the second quarter of 2016 with any significant effect that will impact the evaluation of the submitted accounts.

Board and Management confirmation

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2016, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

The Board of Directors and Chief Executive Officer of
Nordic Semiconductor ASA

Oslo, July 12, 2016



Terje Rogne
Chairman




Anne Cecilie Fagerlie
Board member



Craig Ochikubo
Board member



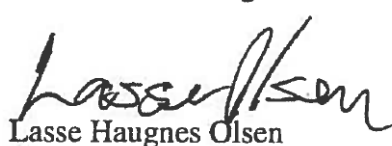
Tore Valderhaug
Board member



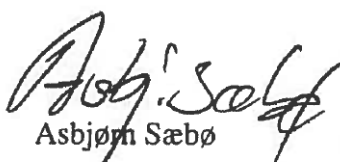
Sverre-Tore Larsen
Chief Executive Officer



Beatriz Malo de Molina
Board member



Lasse Haugnes Olsen
Employee Representative



Asbjørn Sæbø
Employee Representative



Joakim Fern
Employee Representative