3rd QUARTER 2016 REPORT

- Bluetooth Low Energy revenue at MUSD 31.1, up 14.2% compared to Q2 2016.
- Total revenue negatively impacted by MUSD 4 in product delivery delays.
- Underlying growth for BT Low Energy at 45% derived from a record number of customers and strong design win momentum
- Strong proprietary revenue, however Q3 impacted by product delivery delays
- Continuous strong design win ratio with nRF52, but yield issue impacting the gross profit in Q3 and Q4
- Positive momentum for our investment in LTE with several infrastructure and carrier announcements supporting our strategy.

Q3 2016 Financial Summary

Amounts in USD million (unaudited)	3rd quarter 2016	2015 Restated*	Change
Revenue	52,3	53,9	-3,0 %
Order Backlog	22,5	30,3	-25,8 %
Gross Margin %	46,2 %	48,5 %	
Operating Profit (EBIT)	3,9	10,0	-61,0 %
Operating Profit % (EBIT %)	7,4 %	18,5 %	
Net profit after tax	2,6	7,9	-66,8 %
Free Cash Flow (Net cash flow excluding financing)	6,2	6,3	
Cash and cash equivalents	29,3	29,2	

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

Revenue

Technology	Q3			01.01.-30.09			Q2	
Amounts in USD thousand	2016	2015	Change %	2016	2015	Change %	2016	Q3 vs Q2 %
Proprietary wireless	19 806	18 514	7,0 %	62 837	61 010	3,0 %	23 695	-16,4 %
Bluetooth Smart	31 107	34 154	-8,9 %	76 536	82 132	-6,8 %	27 235	14,2 %
ASIC components	1 343	1 244	8,0 %	5 479	3 416	60,4 %	1 782	-24,6 %
Consulting services	34	-	-	213	2	-	-	-
Total	**52 290**	**53 912**	-3,0 %	**145 065**	**146 560**	-1,0 %	**52 712**	**-0,8 %**

Total revenue in Q3 2016 was MUSD 52.3, compared with MUSD 53.9 in Q3 2015. The growth in proprietary sales (+7.0%) was offset by lower Bluetooth Low Energy (BT Low Energy) revenue (-8.9%). Compared to Q2 2016, revenues decreased MUSD 0.4 or 0.8%. Although normally Q3 shows a seasonal increase compared to Q2, as a result of delays in product deliveries in Q3 resulted in MUSD 4 of firm orders postponed to Q4 2016.

Sales of BT Low Energy ended at MUSD 31.1, or 59.5% of revenue in Q3 2016, compared with MUSD 34.2, or 63.4% of revenue in Q3 2015. Compared to Q2 2016 BT Low Energy revenue increased by 14.2% from MUSD 27.2. Year over year BT Low Energy revenues decreased 8.9%. However, as reported in the Q2 2016 report, Nordic lost a design at one large wearable customer with significant impact on revenues in 2016. In addition, the Q2 and Q3 2015 report included strong BT Low Energy revenue related to one large gaming design, which has not been continued in 2016. Adjusted for these two designs, underlying BT Low Energy revenue to end customers showed continuous strength and reached YoY growth of 45% for Q3 2016.

In Q3 2016 Nordic continued ramp of the nRF52 family with revenues of MUSD 6.0. Yield issues related to the ramp of the nRF52 has negatively impacted gross profits during Q3 2016. The issue has now been solved, but the depletion of inventory manufactured during Q3 will negatively impact gross margins also during Q4 2016.

Sales of Proprietary wireless ended at MUSD 19.8 compared with MUSD 18.5 in Q3 2015, representing an increase of 7.0%. The growth came partly as a result of the inventory adjustments that occurred in Q3 2015. New design wins within PC accessories together with strong global PC sales, has resulted in growth within proprietary in 2016 compared to 2015. Compared to Q2 2016, Proprietary revenues decreased by 16.4% from MUSD 23.7. Although normally Q3 is seasonally stronger than Q2, the product deliveries delays described above impacted proprietary revenues in Q3.

Gross profit was MUSD 24.2, or 46.2% of revenues, compared with MUSD 26.2, or 48.5% of revenues during Q3 2015. Lower gross margin compared to Q3 2015 is explained by higher costs related to lower yield as part of the introduction of the nRF52 products.

Total operating expenses including depreciation, increased 25.1% to MUSD 20.3 in Q3 2016 compared with MUSD 16.2 in Q3 2015. This increase is explained by higher underlying operating expenses due to increase in employees, less capitalization and increased amortization due to previously capitalized projects that are taken into use.

Total cash operating expenses (excluding depreciation) before options, net capitalized R&D expenses and pension income increased 8.6% to MUSD 18.5 in Q3 2016, compared with MUSD 17.0 in Q3 2015. Of this increase, MUSD 0.6 or 3.5% is related to the growth in the Finland operations.

The overall increase is mainly driven by headcount growth (21.1%) from 430 in Q3 2015 to 521 in Q3 2016. In addition, other operating expenses related to R&D, 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. Due to the strengthening of the Norwegian Krone the positive currency effect observed in the previous quarters is no longer offsetting the underlying cash expense increase.

In percentage of last twelve months' revenue (LTM), operating expenses have increased from 35.5% in Q3 2015 to 38.6% in Q3 2016.

Compared to Q2 2016, cash operating expenses are slightly down. The reduction is explained by cost control offset by the weakening of the Norwegian Krone.

Total costs for the Finland operations were MUSD 4.0 in Q3 2016 compared to 3.4 MUSD in Q3 2015. As the Finland operation enters into a market launch phase, we expect to see some additional expenses related to headcount increase and tape out of silicon wafers.

Nordic has during the third quarter capitalized MUSD 1.5 compared to MUSD 2.4 in Q3 2015 related to internally developed products. The capitalization can be attributed to new versions of the BT Low Energy platform nRF52 that during Q2 2016 moved to the final development stages prior to commercial launch. Capitalized expenses are expected to be maintained at approximately MUSD 1 per quarter.

The company's Operating Profit (EBIT) decreased to MUSD 3.9 in Q3 2016, compared with MUSD 10.0 in Q3 2015. This reduction is explained by higher development costs and lower capitalized expenses, as well as reduced gross margin due to the nRF52 yield issues. Net financial items were a loss of approximately MUSD 0.2 in Q3 2016 and a gain of MUSD 1.8 in Q3 2015.

Profit before tax was MUSD 3.6, compared with MUSD 11.8 in Q3 2015. Income tax expense was MUSD 1.0, or 27.8% 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 2.6 in Q3 2016, compared with MUSD 7.9 in Q3 2015. The company's basic earnings per share were USD 0.016 in Q3 2016, compared with USD 0.049 in Q3 2015.

Markets

Revenue Markets	Q3			01.01.-30.09			Q2	
Amounts in USD thousand	2016	2015	Change %	2016	2015	Change%	2016	Q3 vs Q2 %
Consumer Electronics	25 269	25 654	-1,5 %	71 602	74 870	-4,4 %	26 255	-3,8 %
Wearables	11 104	17 642	-37,1 %	30 515	49 298	-38,1 %	12 110	-8,3 %
Building/Retail	7 537	4 110	83,4 %	18 555	10 641	74,4 %	6 128	23,0 %
Healthcare	3 486	2 357	47,9 %	8 863	4 596	92,8 %	2 806	24,2 %
Others	3 517	2 905	21,1 %	9 838	3 737	163,3 %	3 631	-3,1 %
Wireless Components	**50 913**	**52 668**	-3,3 %	**139 373**	**143 142**	-2,6 %	**50 930**	**0,0 %**
ASIC components	1 343	1 244	8,0 %	5 479	3 416	60,4 %	1 782	-24,6 %
Consulting services	34	-		213	2		-	-
Total	**52 290**	**53 912**	-3,0 %	**145 065**	**146 560**	-1,0 %	**52 712**	**-0,8 %**

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, a leading indicator for design wins to come. Although Nordic does not report on the number of design wins, Nordic continues to have more than 40% market share of new products registered with the Bluetooth Organization (source: FCC, Bluetooth Organization, DnB Markets). Finally, number of new large customers continues to grow, with a 14% growth to a new record high number achieved in Q3 2016 and a 50% growth over the last twelve months.

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 & 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 trend shift for our BT Low Energy business. In Q3 2015, 80.3% of revenues came from Consumer Electronics and Wearable's and in Q3 2016 the same segment represented 69.5%. During the same period, sales to other than our 10 largest BT Low Energy customers have increased from 50% in Q3 2015 to 64% in Q3 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.

Compared to Q3 2015, consumer electronics decreased by 1.5% from MUSD 25.7 to MUSD 25.3 in Q3 2016. Although Q3 2015 included inventory adjustments within the PC Peripherals market, Q3 2016 included delays in product deliveries. In addition, Q3 2015 included some revenues to the gaming customer described in Q2 2016 presentation.

Compared to last quarter, revenue decreased by 3.8% from MUSD 26.3. The decrease is explained by the delays in product deliveries described above.

Nordic continues to view PC accessories as an important market. More importantly, BT Low Energy technology also creates new opportunities for Nordic to address the tablet accessory market. As tablets implement BT Low Energy Ready technology, these devices are now able to connect with ultra-low power BT keyboards and other accessories. BT Low Energy 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.

Gaming and Toys's continues to be a strong driver of consumer electronics, with several new design wins during the quarter. During Q3 2016 we saw the first large orders within the new and promising Virtual Reality Industry (VR). Nordic has several of the key market players within VR on the customer list.

Wearable devices

Revenue from Wearable device's market (i.e., portable electronics such as sports monitoring devices and smart watches) was MUSD 11.1 in the quarter, down 37.1% from the same quarter last year. Compared to last quarter, revenues decreased by 8.3% from MUSD 12.1. This market saw exceptionally strong sales in 2015 with few new projects realized in 2H 2015 and 1H 2016. In addition, Nordic lost a socket with the largest wearable customer in 2015, significantly impacting Q3 and 2016 wearable revenues.

Nordic has proven its technology leadership with the introduction of nRF52 on top of its existing technology platform. Nordic released late in Q2 its Wafer Level Chip Scale Package (WL-CSP) variant of its nRF52832 Bluetooth® low energy System-on-Chip (SoC). It 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. 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 rebound.

Nordic has for several years held a strong position with small and medium-sized customers in the Chinese wearable market. During Q3 2016 Nordic strengthened its position with a tier 1 design win. This nRF52 design win is our first with a Chinese tier 1 wearable company and is of key strategic value for our future ability to compete in this growing and highly competitive market. Volume potential for this design win is expected to be moderate with deliveries to commence during Q4 2016. However, this is a "door opener for other design wins" and as such, the potential is significant.

Building and Retail

The Building and Retail market consists of connectivity solutions for both home and industrial applications, as well as retail solutions. Up to recently, this market segment has been dominated by retail solutions for one RFID customer. Beacons and smart homes (connected appliance and door locks) has however, started to drive additional growth.

Sales to the Building and Retail Market were MUSD 7.5 in Q3 2016, which is an increase of 83.4% from MUSD 4.1 in Q3 2015. This increase is driven by higher sales to additional RF ID customers, industrial applications and various beacon related applications.

Compared to last quarter, revenue increased 23% from MUSD 6.1. Although RF ID customers sees lower volumes than in Q2 2016, several design wins related to lighting and home automation has gone into production during Q3 2016.

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. Building and Retail is less seasonal and revenue in this market even outs the seasonal trends of other markets to which Nordic is exposed.

Healthcare

Healthcare is an emerging market for Nordic. Reported revenue relates to design wins within glucose monitoring and hearing aids. Healthcare reported a significant revenue increase during the quarter to MUSD 3.5 compared to MUSD 2.4 in Q3 2015. Compared to Q2 2016, revenues increased by 24.2% from MUSD 2.8 Healthcare demand is not seasonal, and revenues in this sector evens 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

This category includes sales to module manufactures as well as distribution sales where no final customer is reported. Other revenues were in Q3 2016 MUSD 3.5, up 21.1% from MUSD 2.9 in Q3 2015.

Sale to module manufacturers is an important market for Nordic. Module manufactures develop compact ultra-low power BT Low Energy 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 BT Low Energy. BT Low Energy is the preferred communication technology 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 (BT Low Energy), 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 131 employees are based in Finland as of September 30, 2016, an increase of 10 employees since June 30, 2016. The team in Finland is expected to grow to 150 by the end of 2016 mainly 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 September 2016, Nordic Semiconductor had total assets of MUSD 164.7, of which MUSD 123.2 were current assets. Non-Current assets were MUSD 41.5 compared to MUSD 39.5 in Q3 2015. Nordic Semiconductor is focusing on reducing working capital and achieved a MUSD 4.3 reduction during the quarter, mainly driven by reduced accounts receivables and inventory. Compared to Q3 2015, net working capital is reduced by MUSD 4,2, mainly due to the same reasons as explained above.

Total liabilities were MUSD 46.8, of which MUSD 36.0 were current liabilities. Total liabilities are reduced from MUSD 63.0 in Q3 2015 mainly as a result of reduced pension liabilities. Total Shareholders' equity was MUSD 117.9, which represents an equity ratio of 71.6%, up from 62.8% in Q3 2015.

Cash flow from operating activities was MUSD 11.2 in Q3 2016, compared with a cash flow of MUSD 11.4 in Q3 2015. Although operating profits have been reduced, this is offset by net working capital improvements.

Cash flow from investments was an outflow of MUSD 5.0 which is at the same level as in Q3 2015. Capital expenditures were MUSD 3.5, driven by investment in new test equipment of MUSD 1.8 in order to improve our test capacity, software related to IP investments and an upgrade of Nordic's ERP system. Capitalized development expenses were MUSD 1.5, compared with MUSD 2.4 last year, as the company shifted its R&D efforts to the final stages of the nRF52.

The company has during Q3 replaced the MUSD 20, one year, line of credit agreement with its primary bank to a MUSD 40, 3 year revolving credit facility (RCF). Under this agreement, it may borrow up to MUSD 40 at any time with a rate of LIBOR + margin. The new agreement has been entered into in order to secure financial headroom for the company under a period of strong growth. MUSD 10 of this facility was utilized as of Q3 2016.

Net change in cash during the period was a cash flow of MUSD 5.7 and during Q3 2016 the cash balance increased to MUSD 29.3 from MUSD 23.6 at the end of Q2 2016.

Organization

As of 30 September 2016, Nordic Semiconductor had 521 employees, compared to 496 employees at 30 June 2016. Of these, 405 employees work within Research and Development representing an increase of 20 employees compared to 30 June 2016.

In order to take advantage of accelerating growth opportunities, Nordic has also increased staff within Sales and Marketing. The number of employees within Sales and Marketing has increased by 34% compared in Q3 2015 to 67 employees. The main growth is within the global team of field applications engineers to support a growing number of customers.

Business Outlook

BT Low Energy 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.

Q4 has historically been a seasonally weaker quarter than Q3. However, as a result of Nordics market and customer diversification strategy, as well as the delays in certain product deliveries during Q3, we expect Q4 2016 to be higher and in the range MUSD 54-57.

Although the yield issue with nRF52 has been rectified, depletion of Q3 produced inventory will continue to negatively impact gross margins in Q4. Q4 gross margins are expected to be in the 46-48% range.

Nordic expects to regain growth in its Bluetooth Low Energy business in 2017. Guidance for 1H 2017 will be provided on the Q4 2016 results presentation on February 10th, 2017.

Oslo, October 17th, 2016
Board of Directors

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Financial Calendar 2017

Feb 10th, 2017	4th Quarter/Preliminary Annual 2016 Results
April 24th. 2017	1st Quarter 2017
July 13th, 2017	2nd Quarter 2017
October 17th, 2017	3rd Quarter 2017
February 15th, 2018	4th Quarter 2018

2017 Annual General Meeting will be held on April 24th, 2017

Condensed Financial Information for the Three Months Ended 30 September 2016

Consolidated income statement

Amounts in USD thousand (unaudited)	Q3 2016	Q3 2015 Restated*	01.01 - 30.09 2016	01.01 - 30.09 2015 Restated*	Year 2015
Total Revenue	**52 290**	**53 912**	**145 064**	**146 560**	**193 068**
Cost of materials	(28 102)	(27 738)	(76 160)	(74 184)	(97 391)
Direct project costs	(24)	(4)	(154)	(20)	(22)
Gross profit	**24 163**	**26 170**	**68 751**	**72 356**	**95 655**
Gross Margin					
Payroll expenses	(12 159)	(9 176)	(36 114)	(28 569)	(32 840)
Other operating expenses	(5 068)	(4 671)	(16 210)	(13 353)	(19 404)
EBITDA	**6 936**	**12 323**	**16 427**	**30 434**	**43 411**
				-	
Depreciation	(3 050)	(2 356)	(8 215)	(6 227)	(8 437)
Operating Profit (EBIT)	**3 887**	**9 966**	**8 212**	**24 207**	**34 975**
				-	
Net interest	42	(28)	6	15	(15)
Net foreign exchange gains (losses)	(284)	1 845	(765)	2 431	2 028
Profit before tax	**3 645**	**11 784**	**7 453**	**26 652**	**36 988**
				-	
Income tax expense	(1 015)	(3 853)	(1 826)	(8 798)	(12 797)
Net profit after tax	**2 630**	**7 930**	**5 626**	**17 854**	**24 191**
Earnings per share					
Basic	0,016	0,049	0,035	0,109	0,148
Fully Diluted	0,016	0,049	0,035	0,109	0,147
Weighted average number of shares (in '000)					
Basic	162 481	163 360	162 458	163 201	163 081
Fully Diluted	162 441	162 992	162 697	163 914	164 385

*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)	Q3 2016	Q3 2015 Restated*	01.01 - 30.09 2016	01.01 - 30.09 2015 Restated*	Year 2015
Net profit after tax	2 630	7 930	5 626	17 854	24 191
Actuarial gain/loss recognized in equity	-	-	-	-	1 691
Difference with translation to USD	(928)	(13)	(628)	112	202
Comprehensive income for the period	**1 703**	**7 917**	**4 998**	**17 966**	**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)	30.09.16	30.06.16	31.12.15	30.09.2015 Restated*
Capitalized development expenses	14 197	13 740	12 542	11 949
Software and other intangible assets	12 086	11 784	9 082	9 031
Deferred tax assets	1 367	1 314	1 250	5 363
Property assets	1 228	1 308	1 306	952
Equipment	12 604	10 723	11 748	12 175
Other long-term assets	3	3	12	13
Non-current assets	41 484	38 873	35 939	39 484
Inventory	36 593	37 427	41 100	45 018
Accounts receivable	52 923	54 435	48 938	52 537
Other short term receivables	4 430	5 160	3 177	3 292
Cash and cash equivalents	29 272	23 626	29 293	29 215
Current assets	123 218	120 648	122 508	130 063
TOTAL ASSETS	164 702	159 521	158 447	169 547
Shareholders' equity	117 902	115 701	112 405	106 520
	-	-	-	-
Pension liability	764	681	707	10 061
Other long-term liabilities	10 000	-	-	-
Non-current liabilities	10 764	681	707	10 061
Accounts payable	13 178	12 076	6 389	15 425
Income taxes payable	6 484	5 236	9 931	11 144
Public duties	1 623	2 130	2 295	1 414
Short-term loan facility	-	10 000	10 000	10 000
Other short-term liabilities	14 750	13 697	16 720	14 983
Current liabilities	36 036	43 140	45 335	52 966
TOTAL EQUITY AND LIABILITIES	164 702	159 521	158 447	169 547

*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)	Q3 2016	Q3 2015 Restated*	01.01 - 30.09 2016	01.01 - 30.09 2015 Restated*	Year 2015
Equity at beginning of period	**115 701**	**101 064**	**112 405**	**85 122**	**85 122**
Net profit for the period	2 630	7 930	5 626	17 854	24 191
Purchase of treasury shares	0	(2 403)	0	(2 403)	(4 562)
Sale of treasury shares on options exercise	-	-	(0)	6 064	6 064
Share-based compensation	304	(58)	304	(230)	(303)
Cash settlement of options contract	195	-	195	-	
Actuarial gain/loss recognized in equity	-	-	-	-	1 691
Difference with translation to USD	(928)	(13)	(629)	112	202
Equity at end of period	**117 902**	**106 520**	**117 902**	**106 520**	**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)	**Q3 2016**	**Q3 2015**	**01.01 - 30.09 2016**	**01.01 - 30.09 2015**	**2015**
Profit before tax	3 664	11 784	7 474	26 652	36 988
Profit before tax, discontinued operations	-	-	-	-	-
Taxes paid for the period	-	-	(5 895)	(3 631)	(6 146)
Depreciation	3 051	2 356	8 214	6 227	8 437
Change in inventories, trade receivables	-	-	-	-	-
and payables	3 448	(2 610)	7 312	(31 261)	(32 780)
Share-based compensation expense	103	(832)	65	(114)	(175)
Movement in pensions	83	(790)	57	(1 394)	(4 944)
Other operations related adjustments	848	1 447	(4 298)	3 132	2 986
Net cash flows from operating activities	**11 198**	**11 355**	**12 928**	**(388)**	**4 366**
			-	-	
Capital expenditures (including software)	(3 524)	(2 624)	(8 492)	(10 397)	(11 817)
Proceeds from sales of equipment	-	-	-	-	-
Capitalized development expenses	(1 461)	(2 401)	(4 101)	(7 071)	(8 328)
Net cash flows from investing activities	**(4 985)**	**(5 025)**	**(12 593)**	**(17 468)**	**(20 145)**
			-	-	
Changes in Treasury stock	0	(2 403)	(0)	3 662	1 503
Cash settlement of options contract	-	(58)	195	(830)	(830)
Short-term loan facility	-	(0)	-	10 000	10 000
Other financing related adjustments	-	-	-	-	-
Net cash flows from financing activities	**0**	**(2 461)**	**195**	**12 831**	**10 673**
			-	-	
Effect of changes in currency rates	(514)	(13)	(550)	160	319
Net change in cash and cash equivalents	**5 699**	**3 855**	**(20)**	**(4 865)**	**(4 788)**
Net change in cash and cash equivalents from discontinued operations					
Cash and cash equivalents at start of period	23 573	25 360	29 293	34 080	34 080
Cash and cash equivalents at end of period	**29 272**	**29 215**	**29 272**	**29 215**	**29 293**

Notes to the Consolidated Interim Financial Statements

Note 1: General

The condensed third quarter interim financial statements for the three months ended 30 September 2016 were approved for publication by the Board of Directors on October 17, 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 BT Low Energy 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 Q3 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 was performed on the system setup correcting the conversion rule. The error was corrected by restating each of the affected financial statement line items for the prior periods, as follows:

		2014					2015				
Amounts in USD thousand	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 BT Low Energy 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, 3,705,702 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 all employees. 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 third quarter of 2016 with any significant effect that will impact the evaluation of the submitted accounts.