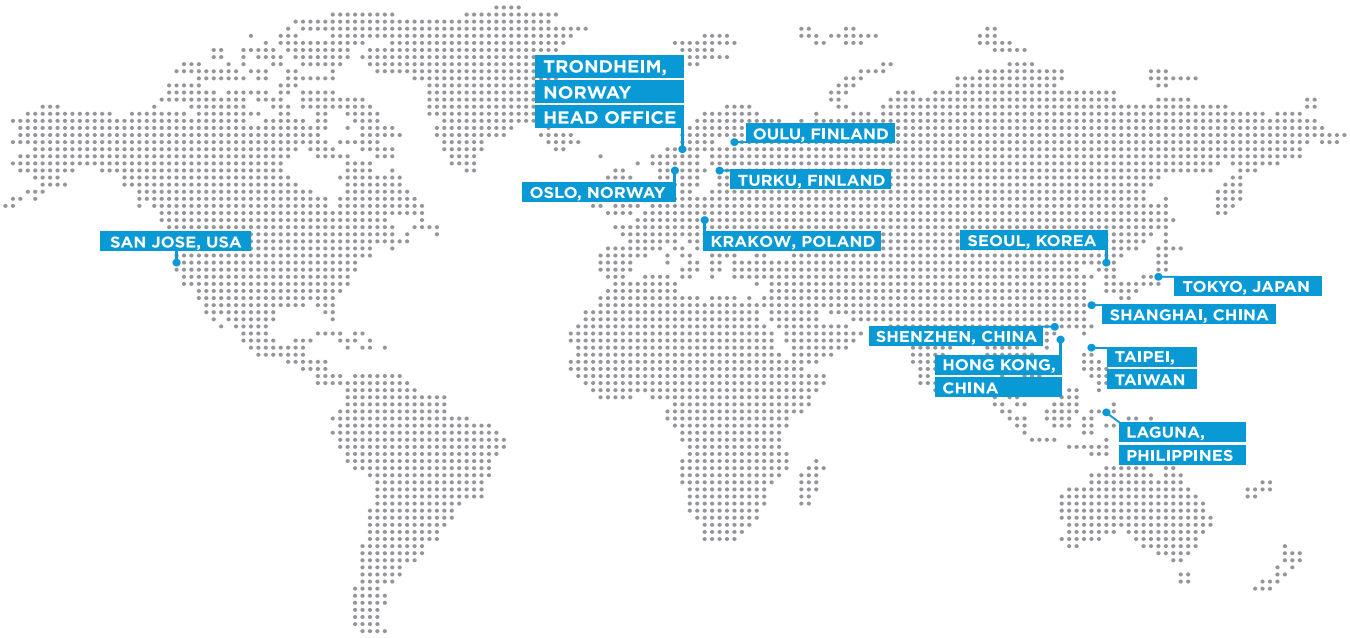
NORDIC SEMICONDUCTOR

ANNUAL REPORT

2016



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THIS IS NORDIC SEMICONDUCTOR

The world leader in Bluetooth low energy and a cellular IoT leader in the making

The next "big thing" is a trillion small things wirelessly connected to form the Internet of Things.

A key enabler technology of the Internet of Things (or 'IoT' for short) is *Bluetooth*® low energy (formerly marketed as Bluetooth Smart): The fastest growing wireless technology of all time and on-trend to break all previous adoption rate records. Bluetooth low energy leverages the ubiquity, computing power, and ease-of-use of modern smartphones and apps, and the on-going growth of the Internet generally.

But the IoT will require more than just Bluetooth low energy to operate. To enable reliable, any 'thing' anywhere global wireless connectivity to the cloud and connected services, the IoT will require a range of other complimentary wireless technologies.

At short to medium range distances these include Wi-Fi and IEEE 802.15.4 (used by such wireless technologies as ZigBee and Thread). This is why Nordic has added IEEE 802.15.4 support to its latest nRF52840 multi-protocol System-on-Chip (SoC)

At long-range the IoT will need to leverage the ubiquity and geographical reach of the world's cellular (3G, 4G, 4G LTE, 5G) networks. Just as cellular provided the IT infrastructure that made billions of modern smartphones and apps technologically and commercially feasible for end users, it will now do the same for the IoT to form what is being called 'cellular IoT'.

And sitting right in the middle of this IoT revolution, is Nordic Semiconductor.

Nordic Semiconductor pioneered the development of ultra-low power wireless (a category defined by the ability to operate from small batteries for long periods, and includes Bluetooth low energy) during the early 2000s. Nordic has been a key contributor in the creation and evolution of Bluetooth low energy as a wireless standard within every version of Bluetooth, since Bluetooth v4.0 and all the way up to the latest Bluetooth 5. These efforts culminated in Nordic's latest nRF52 Series that redefine what's possible on a Bluetooth low energy single chip.

In addition, during 2016, Nordic Semiconductor announced development of a low power LTE technology for cellular IoT. This development leverages Nordic Semiconductor's more than 10 years of leadership in ultra-low power wireless that includes Bluetooth low energy, and Nordic's 2014 recruitment of a highly-talented and experienced group of cellular R&D engineers in Finland.

Learn more at www.nordicsemi.com

LETTER FROM THE CEO

Nordic Semiconductor (Nordic) experienced a year with low sales growth compared to strong growth in 2015 and operational results that were below our own expectations. This was mainly the result of the loss during 2016 of two large designs (one in wearables, one in gaming). However, the lack of growth in revenue was mitigated during the year by growth in sales to both new and existing customers, particularly in Bluetooth low energy. Indeed, sales momentum as measured by the number of active customers increased significantly in 2016, as did Nordic's exposure to a broader set of customers and industries. Though our financial performance leaves a lot to be desired this year, we are confident that exposure to a broader set of customers and industries strengthens our strategic platform.

While Nordic's revenues of MUSD 197.7 in 2016 represented only a 2% increase compared to 2015, underlying sales growth in Bluetooth low energy revenue was 52% compared to 2015. This performance was supported by sales from new designs outside of the traditionally dominant wearables market. Other positive indicators include a record 36,147 Nordic development kit shipments during 2016, which is up 8% from a previous record of 33,553 shipments in 2015. A high proportion were for Nordic's latest nRF52 Series product offerings, validating the perceived technological and commercial value of these chips to customers around the globe.

During 2016 Nordic unveiled its product roadmap for low power cellular IoT. Designed specifically to address the needs of the emerging low power cellular IoT market, the upcoming Nordic Semiconductor nRF91 Series will include highly integrated chipsets and software for the forthcoming 3GPP Release 13 LTE-M and NB-IoT cellular technologies.

Low power cellular IoT is positioning itself to be widely adopted in numerous markets and applications including, for example, smart utility metering, asset and people (e.g. child) tracking, fleet management, buildings security and safety, remote maintenance, smart vending machines, retail, healthcare and medical monitoring, real-time traffic monitoring, wearables, in-door and out-door GPS navigation, smart home technology and industrial as well as agricultural automation.

On December 8th, Nordic was named 2016's 'Most Respected Public Semiconductor Company' in the segment $100 to $500 million in annual sales by the members of the Global Semiconductor Alliance (GSA).

In addition, Nordic Semiconductor's nRF52832 Bluetooth low energy SoC was declared a winner of the China Electronic Market (CEM) Editor's Choice Award 2016 in the "Most Competitive Interface Products in China" category

This major award in China coincided with Nordic opening new sales and technical support offices in mainland China. The new offices in Shanghai and Shenzhen will provide fast, on-site support to Nordic's growing Chinese customer base and China's high-tech wireless design and production sectors.

Svenn-Tore Larsen
Chief Executive Officer

> *Receiving the GSA award affirms Nordic's position in this innovative market*

Towards the end of 2016 Nordic launched its latest nRF52840 single-chip Bluetooth low energy SoC that raised the bar for Nordic's high-end nRF52 Series SoC lineup in terms of both performance and feature improvements. In doing so, this Bluetooth 5 ready SoC redefined the scope for smart home, IoT, and wearables by delivering 4x range, 2x bandwidth, and enhanced security with an on-chip ARM® CryptoCell cryptographic accelerator.

Nordic also announced that its nRF52840 and nRF52832 SoCs and supporting software were all Bluetooth 5-ready within a week of Bluetooth 5 being officially launched by the Bluetooth SIG.

Other new products launched during 2016 included:

- The most advanced, high-performance single chip Bluetooth low energy SoC in a tiny package size: the nRF52832 Wafer Level Chip Scale Package (WL-CSP). This targets next-generation wearables and space-constrained IoT applications.
- A new ultra-thin Bluetooth low energy solution for space-constrained smartcards (e.g. payment or subscription) and wearable applications in the form of a Thin Wafer-Level Chip Scale Package (Thin WL-CSP) variant of Nordic's nRF51822 Bluetooth low energy SoC.
- A smart remote control reference design that marries unparalleled voice input performance with ultra-low power consumption. The 'nRFready Smart Remote 3 for nRF52 Series' is a complete state-of-the-art hardware and software single chip Bluetooth low energy reference design featuring voice input speech recognition control, digital mic option and NFC touch-to-pair ability.

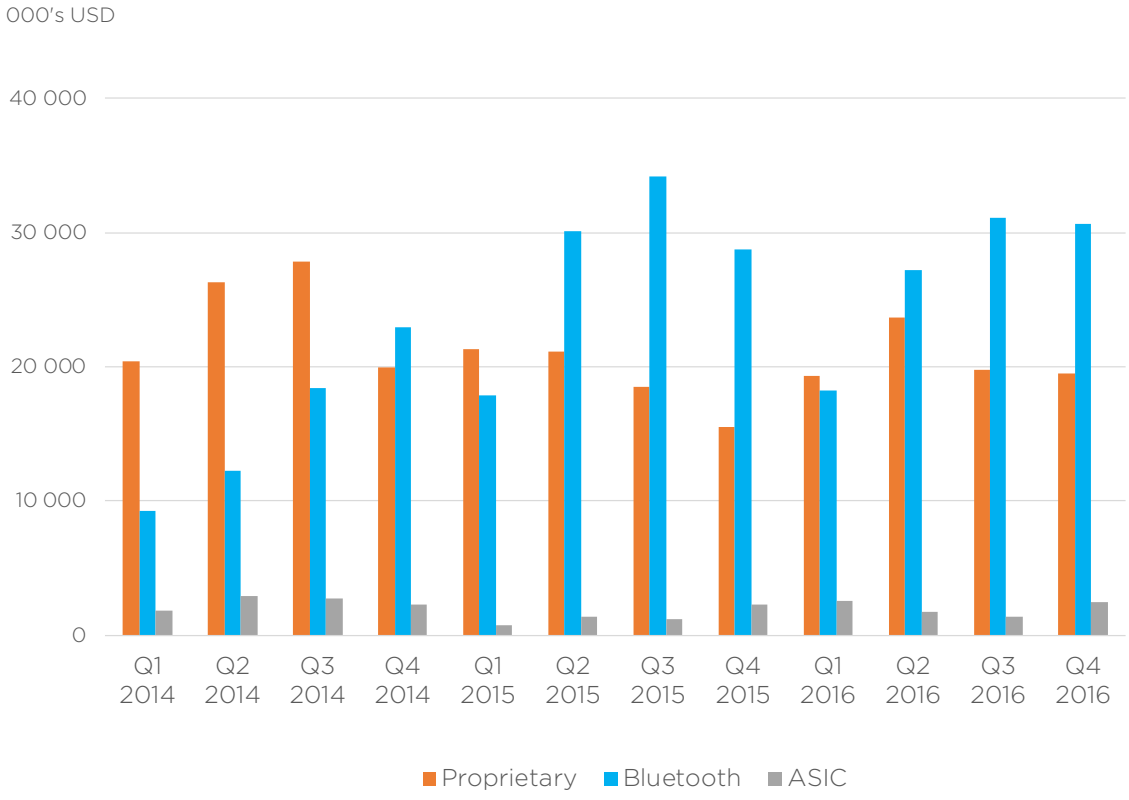
Device security is increasingly becoming one of the main concerns surrounding the Internet of Things. Nordic is focused on this important issue, and has added an on-chip ARM CryptoCell cryptographic accelerator to its latest nRF52840 SoC. During 2016, the company also added secure and signed over-the-air firmware updates to its latest software development kits. This allows firmware updates over-the-air to be accompanied by a secure signature which ensures that the update comes from a verified and trusted source. Nordic will continue to innovate in order to maintain the highest standards of IoT security.

On the education front, the British BBC delivered a million micro:bits free to UK school children. At the heart of the BBC micro:bit is a single Nordic nRF51822 Bluetooth low energy SoC. Nordic Semiconductor chips allow the children's own code to both wirelessly communicate with other micro:bits, and to sync or be updated from smartphones, tablets, and computers via Bluetooth. Nordic is proud to enable the next generation of innovators at their earliest stages, and the success of this program is a testament to the versatility of the company's technology.

Despite all our success in market-building and diversification, we recognize that 2016 was a disappointment in relation to revenue growth and financial results. Nevertheless, significant progress has been made in executing on Nordic Semiconductor's corporate mission, to be the leader within low power wireless connectivity. We recognize that beyond technological and commercial leadership, one of the main reasons for our success to date has been the development of a thriving, highly motivated workforce. This is reflected in a low staff turnover and the long-standing commitment of our senior managers, many of whom have been promoted from within the company ranks. The company's staff is also highly diverse being drawn from 41 countries. We believe that our human capital is unparalleled in its skill and its commitment to our corporate goals.

Nordic Semiconductor confidently expects to continue to lead the world in ultra-low power wireless solutions, including Bluetooth low energy. We look forward to replicating this market leadership into the cellular IoT space.

Our team has demonstrated the vision and competence to design solutions on the leading edge of our industry. With the talent and drive of our organization and the market opportunity ahead, I am confident that we are still just at the beginning of an exciting and innovative journey.



REPORT FROM THE BOARD OF DIRECTORS

2016 was a year of low sales growth and continued organizational investments, resulting in operational results below expectations. Increased customer and product diversification combined with continued significant growth expectations in the Bluetooth Low Energy market, are expected to result in sales growth and improved profitability in 2017. Investments into the important cellular IoT sector, secure Nordic Semiconductor's place in rapidly evolving global macro-trends.

Nordic Semiconductor's ("Nordic" or "the Company") revenue increased by 2.4% from MUSD 193.1 in 2015 to MUSD 197.7 in 2016. As a result of lower gross margins and higher operating expenses, EBIT totaled MUSD 9.7, down from adjusted EBIT MUSD 28.0 in 2015. The 2016 results were below our expectations. For definition of Alternative Performance Measures (APM, see page 58

The Company has during 2016 continued on its market-strategy, both in relation to customer-, and segment-diversification. In relation to customers, the company saw a strong growth in number of active customers throughout the year. Nordic is currently positioned to generate revenue from a much broader range of market segments, including verticals within established markets and emerging markets. More importantly, Nordic is well positioned within the "long tail" of products within these industries, defined as all potential new areas where the Company's ultra-low power technology can be deployed.

From being a supplier mainly focusing on the US and European end-used markets, Nordic has during 2016 successfully entered the increasingly important Asian markets, including the Chinese domestic market. Several strategic Tier 1 design wins communicated during 2016 are a testament to this positive development.

At the same time, Nordic continues to invest significantly in the Bluetooth low energy business. During 2016, Nordic commercially launched the nRF52832 as well as released the Bluetooth 5 compatible nRF52840. Both products will be important contributors to Nordic's market leadership within Bluetooth low energy.

Nordic's mission is to be a world-leading supplier of low-power connectivity. This includes both short-range and long-range capabilities, which we believe makes Nordic unique in the industry. During 2016, Nordic unveiled its product roadmap for low power cellular IoT, designed specifically to address the needs of the emerging low power cellular IoT market. On December 8th 2016 was Nordic awarded the "Most Respected Public Semiconductor Company" by the Global Semiconductor Alliance, a testimony to the strategic development by the Company

2016 also brought significant investments in product development. At the same time, the Company has significantly strengthened its sales and marketing effort, both within key account and technical teams. In close cooperation with distribution partners, these investments form a strong foundation for future growth.

Company Overview

Nordic Semiconductor is a "fabless" semiconductor company, which designs, sells and delivers integrated circuits and related intellectual property for use in short-, and soon to come, also in long-range wireless applications. The Company specializes in ultra-low power wireless solutions, based on its proprietary 2.4 GHz RF and Bluetooth low energy technologies. Nordic Semiconductor is a pioneer and market leader in ultra-low power wireless technology, with close to 300 million units sold last year. Nordic is also developing its long-range low-power cellular chipset, thereby providing customers with a broad portfolio of low-power connectivity solutions.

Nordic Semiconductor's components are manufactured by world-class subcontractors and sold through electronics distributors to manufacturers of branded electronics across a wide range of product categories. These categories include Consumer Electronics, Wearables, Building and Retail, Healthcare, and Other Applications.

The Company is headquartered in Trondheim, Norway, and has offices in Norway, USA, China, Korea, Japan, Taiwan, Poland, Finland and the Philippines.

Financial Summary

Income Statement

Total revenue in 2016 was MUSD 197.7, compared with MUSD 193.1 in 2015, representing a growth of 2.4%. Revenue from Bluetooth decreased by 3.3% in 2016 to MUSD 107.2 from MUSD 110.8 in 2015. Although Bluetooth revenue showed a year over year decrease, underlying growth excluding the loss of one design for a wearables customer and one large gaming project was 52%. The Company is continuously increasing its number of customers to reduce its dependency on singel customers. Revenues from the top 10 Bluetooth low energy customers in Q4 2016 represented 40% of total revenues, versus 47% in the prior year period.

Proprietary wireless revenue increased 7.6% from MUSD 76.5 in 2015 to MUSD 82.4 in 2016. This growth is driven by strong revenue from PC accessories market and new design wins within this category.

Gross profit was MUSD 93.0, or 47.1% of revenue, compared with MUSD 95.7, or 49.5% of revenue during 2015. Gross margin decreased in 2016 mainly because of yield issues in connection with the ramp-up of the nRF52 family product line.

Total operating expenses including depreciation and amortization were MUSD 83.3 in 2016, compared with MUSD 60.7 in 2015. However, adjusted for de-recognition of pension liabilities and higher capitalized development expenses, operating expenses excluding depreciation and amortization increased from MUSD 67.6 in 2015 to MUSD 76.9 in 2016. The higher spending is explained by higher R&D headcount and increased marketing/sales activities partly offset by a weaker NOK/USD currency rate. In 2016, Nordic capitalized MUSD 5.3 versus MUSD 8.3 in 2015.

Development of new wireless components is essential to the Company's continued competitiveness in a rapidly evolving market. At the end of 2015, R&D personnel represented 77% of the Group's employees (78% in 2015). During 2016, total R&D spending including capitalized items amounted to 23.5% of revenues compared with 20.1% in 2015. The number of employees related to the cellular investment increased from 114 in 2015 to 132 in 2016, and operating expenses from these activities increased from MUSD 13 in 2015 to MUSD 16,2 in 2016.

The Company's operating profit (EBIT) decreased to MUSD 9.7 in 2016 from adjusted operating profit of MUSD 28.0 in 2015. Lower gross margins and higher operating expenses explain the decrease. Net financial items were a loss of MUSD 1.0 in 2016 and a gain of MUSD 2.0 in 2015. Profit before tax was MUSD 8.8 in 2016, compared with adjusted profit before tax of MUSD 30.0 in 2015. Income tax expense was MUSD 2.3, or 26.6% of profit before tax.

Net profit after tax was MUSD 6.4 in 2016, compared with adjusted net profit MUSD 19.0 in 2015. The Company's basic earnings per share were USD 0.040 in 2016.

Cash Flow and Balance Sheet

Net Cash flow from operations was MUSD 0.1 in 2016, compared to a cash flow of MUSD 4.4 in 2015. The decrease in operating cash flow is explained by reduced operating profits, increased use of working capital due to fulfillment of purchase commitments for nRF52 wafers and higher taxes paid. Cash outflow from investments were MUSD 15.1 (MUSD 20.1), explained by both lower capex and lower capitalization of R&D expenses related to the nRF52 series. Cash flows from financing activities were MUSD 7.5 (MUSD 10.7), mainly related to a MUSD 10 utilization of the revolving credit facility partly offset by purchase of treasury shares for MUSD 2.5.

Nordic Semiconductor's cash balance decreased by MUSD 8.3 during the year to MUSD 21.1 by December 31, 2016. The interest bearing debt at the end of the year was MUSD 20.

Accounting Principles

The financial statements for 2016 have been prepared and presented in accordance with International Financial Reporting Standards and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this annual report.

Financial Risk

Demand for Nordic Semiconductor's products is tied to the greater semiconductor and electronics markets and is sensitive to fluctuations in global economic conditions. Long term, the market is expected to grow significantly as wireless solutions are embedded into a growing range of new products. Shorter term, global market conditions may however have certain impacts on the industry and corresponding growth. As demand increases, new competitors are likely to enter the market.

Nordic Semiconductor's success depends on its ability to anticipate customer needs and address these with competitive technical solutions and outstanding customer support. Furthermore, the Company's outsourcing of manufacturing and direct distribution requires close collaboration with third-party subcontractors and distributors.

Nordic Semiconductor's liquidity risk is limited. By the end of the year the cash balance was MUSD 21.1. The Company has an open revolving credit facility of MUSD 40 with MUSD 20 available for short-term additional borrowing needs. As the Company holds little interest-bearing debt, the exposure to risk associated with interest rate fluctuations is limited.

The Company is exposed to foreign exchange risk in its ordinary business, which can impact profit margins. Nordic Semiconductor's operating expenses are primarily in Norwegian kroner and its sales and direct production costs are nearly entirely in US dollars. The Company does not use financial instruments to hedge this risk.

Finally, the Company is exposed to credit risk, although this has historically not resulted in significant losses. Nordic Semiconductor sells its components to leading international distributors of electronics components, primarily based in Asia. The Company's receivables are not credit insured, but credit monitoring routines are in place for setting up credit lines, providing security (payment guarantees) and demanding advance payments when required. Nordic Semiconductor reported no loss on accounts receivables during 2016.

Personnel and Organization

At the end of 2016, Nordic Semiconductor had 532 (compared to 454 in 2015) employees of whom 225 (185) were employed outside of Norway. A well-functioning cooperation between management and the employee representatives contributes to addressing any challenges faced by the Company.

There were 68 (49) female employees at the end of 2016, corresponding to 13% (11%) of total number of employees. The Group had 304 full-time employees in Norway, including 46 female employees. There were 222 full-time employees in Finland, China, Hong Kong, South Korea, Japan, the Philippines, Taiwan, Switzerland, Poland and the USA, including 23 females. The average salary for female employees was 79% (73% in 2015) of the average salary for male employees excluding executive management. Gender differences in salary levels are driven by both the location and function of the employees, with a larger proportion of female employees in administrative functions and based in the Philippines, where the average salary level is below the average Company level. A comparison of the R&D functions in Norway shows an average salary for females at 96% of the average for a male employee, given differences in seniority.

Gender equality is a fundamental principle of the Company, and efforts are being made to ensure that there is no gender imbalance when recruiting for positions within Nordic Semiconductor. Executive management consists of seven men, and in the Board of Directors there are two female

shareholders elected members.

Absence due to illness was 1.9% in 2016, compared with 2.1% in 2015. No occupational illnesses or injuries were reported in 2016.

Environmental Statement

Nordic Semiconductor does not own or operate manufacturing facilities. Manufacturing is done through third parties that amongst others comply with the ISO 14001 environmental standard. Consequently, there is little pollution associated with the Company's operations. Nordic Semiconductor seeks to limit resource consumption, prevent unnecessary environmental pollution and manage waste in an environment-friendly and resource-efficient manner, and has established routines to monitor these conditions under its ISO9001,ISO14001 and OHSAS18001 certified management system.

Nordic Semiconductor complies with all current applicable laws and regulations, and all products comply fully with the REACH and RoHS hazardous substance directives. This enables the Company to market itself as a "green" supplier, which also is an advantage towards major customers who have their own stringent environmental standards.

Corporate Social Responsibility

Nordic Semiconductor has established standards for Corporate Social Responsibility (CSR), including policies for supporting human rights, the rights of workers, the environmental and anticorruption practices in its business strategy and daily operations. A description of the Company's CSR policies, results and execution plans is published on the Company's website, in accordance with the Norwegian Accounting Act §3-3a

Corporate Governance

Nordic Semiconductor's guidelines and practice for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 30 October 2014 as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and Securities Trading Act.

The guidelines are included separately in the annual report

Going Concern

In accordance with Norwegian accounting regulations, the Board of Directors confirms that the prerequisites of a going concern have been met in the presentation of the annual financial statements.

Allocation of Net Profit

Nordic Semiconductor ASA, the parent Company of the Group, reported a net profit for the year of MUSD 5.7 during 2016. The net profit is proposed transferred to other equity.

The Board believes that the Company is well-positioned for future growth opportunities. In order to pursue its long-term growth strategy in a highly cyclical business environment, the Board wants to preserve a high proportion of equity and liquidity.

Nordic Semiconductor aims to distribute an annual dividend, assuming that the requirements of its growth strategy are addressed. In accordance with the Company's dividend policy and taking into consideration the cash position and funding requirements to pursue Nordic Semiconductor's growth strategy in the coming years, the Board will not propose any dividend distribution for 2016 at its Annual General Meeting in April

Outlook

Bluetooth low energy is established as a core technology within the Internet of Things (IoT) market space, a market predicted to grow faster and further than any other development within technology. The Bluetooth low energy market, in terms of Integrated Circuit (IC) shipments, according to IHS Research it is expected to grow at 30-40% CAGR from 2017-2020. Nordic's aim is to secure a dominant share of this market.

Nordic's proprietary business will continue to contribute significantly to Nordics financial results, although we expect that more designs will be transferred to the Company's Bluetooth low energy solutions over time.

Nordic has proven its technology leadership with the introduction of the nRF52 Series on top of its existing technology platform. The Company expects to maintain its leading market position in Bluetooth low energy into the future, including its higher value state-of-the-art nRF52 Series Systems-on-Chips (SoCs) and lower cost variants. Nordic Semiconductor will continue to target the most cost-optimized, high-volume applications.

Bluetooth low energy will continue to be the main revenue driver for the next years. At the same time, the Company expects to see complementary growth prospects from its investments in low power cellular technology, where its industry-leading technology architecture is being merged with wireless technology by a team of engineers who have built some of the world's most successful cellular technologies in past professional careers. Nordic expects to start to roll out its cellular IoT solutions during 2017 with sampling to lead customers during 2H 2017, and broad availability following in late 2018.

Income statement (as of 31 December)

GROUP				PARENT	
2016	2015	Amount in USD 1000	Note	2016	2015
197 698	**193 068**	**Total Revenue**	**3**	**197 944**	**193 324**
-104 046	-97 391	Cost of materials	4	-104 046	-97 391
-608	-22	Direct project costs		-608	-22
93 044	**95 655**	**Gross profit**		**93 290**	**95 911**
-49 185	-32 840	Payroll expenses	9/10/12/18	-32 458	-20 379
-22 677	-19 404	Other operating expenses	5/13/21	-42 208	-33 601
-11 473	-8 437	Depreciation	11/12	-9 946	-7 711
9 708	**34 975**	**Operating profit**		**8 677**	**34 219**
257	130	Financial income	6/22	257	130
-295	-145	Financial expenses	6/22	-295	-145
-911	2 028	Net foreign exchange gains (losses)	6/22	-911	2 030
8 758	**36 988**	**Profit before tax**		**7 727**	**36 234**
-2 334	-12 797	Income tax expense	7	-2 015	-12 625
6 424	**24 191**	**Net profit after tax**		**5 713**	**23 609**
		Attributable to			
6 424	24 191	Equity holders of the parent			
		Earnings per share			
0,04	0,15	Ordinary earnings per share (USD)	8	0,04	0,15
0,04	0,15	Fully diluted earnings per share (USD)	8	0,04	0,15

2016	2015	Statement of comprehensive income		2016	2015
6 424	**24 191**	**Net profit after tax**		**5 713**	**23 609**
		Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
-28	1 691	Actuarial gains (losses) on defined benefit plans (before tax)	18	-28	1 691
7	-423	Income tax effect	7	7	-457
		Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
-455	854	Currency translation differences			
114	-231	Income tax effect			
6 062	**26 083**	**Total Comprehensive Income**		**5 692**	**24 843**

Statement of financial position (as of 31 December)

GROUP				PARENT	
2016	2015	Amount in USD 1000	Note	2016	2015
		ASSETS			
		Non-current assets			
14 395	12 542	Capitalized development expenses	12	14 395	12 542
12 054	9 082	Software and other intangible assets	12	12 060	9 088
1 973	1 250	Deferred tax assets	7	1 946	1 250
13 367	13 054	Fixed assets	11/22	10 048	10 102
		Shares in subsidiaries	1/13	10	10
2	12	Other long term assets	11	2	12
41 792	**35 939**	**Total non-current assets**		**38 462**	**33 004**
		Current assets			
52 044	41 100	Inventory	4/22	52 044	41 100
54 772	48 938	Accounts receivable	14/22	54 772	48 938
4 941	3 177	Other short-term receivables	15	10 681	12 954
21 135	29 293	Cash and cash equivalents	16/22	20 432	27 749
132 892	**122 508**	**Total current assets**		**137 929**	**130 742**
174 684	**158 447**	**TOTAL ASSETS**		**176 391**	**163 746**
		EQUITY			
283	283	Share capital	17	283	283
-2	-1	Treasury shares	17	-2	-1
14 436	14 253	Share Premium	17	14 436	14 253
968	406	Other paid in capital		-366	-807
100 589	97 467	Retained earnings		100 324	97 257
116 270	**112 405**	**TOTAL EQUITY**		**114 676**	**110 986**
		LIABILITIES			
		Non-current assets			
293	707	Pension liability	18	293	358
20 000	0	Other long-term loan facility	22	20 000	0
20 293	**707**	**Total non-current liabilities**		**20 293**	**358**
		Current liabilities			
15 295	6 389	Accounts payable	20/22	14 887	6 297
2 786	9 931	Income taxes payable	7	2 609	9 905
2 260	2 295	Public duties	20	1 990	2 027
0	10 000	Short term loan facility	22	0	10 000
17 780	16 720	Other short-term debt	15/20	21 937	24 173
38 121	**45 335**	**Total current liabilities**		**41 423**	**52 402**
58 414	**46 042**	**TOTAL LIABILITIES**		61 715	52 760
174 684	**158 447**	**TOTAL EQUITY AND LIABILITY**		**176 391**	**163 746**

Oslo, 15 March 2017

Terje Rogne
Chairman

Anne-Cecilie Fagerlie
Board member

Craig Ochikubo
Board member

Beatriz Malo de Molina
Board member

Tore Valderhaug
Board member

Lasse Haugnes Olsen
Board member, employee

Joakim Ferm
Board member, employee

Asbjørn Sæbø
Board member, employee

Svenn-Tore Larsen
Chief Executive Officer

Nordic Semiconductor Group

Consolidated statement of changes in equity
for the year ended 31 December

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 01.01.2015	**283**	**-2**	**14 253**	**709**	**69 879**	**85 122**
Net profit for the period					24 191	24 191
Purchase of treasury shares		-1			-4 561	-4 562
Sale of treasury shares, option exercise		2			6 062	6 064
Share based compensation				-303		-303
Other comprehensive income					575	575
Equity as of 31.12.2015	**283**	**-1**	**14 253**	**406**	**97 465**	**112 405**
Net profit for the period					6 424	6 424
Purchase of treasury shares		-1			-2 660	-2 661
Sale of treasury shares, option exercise				-37		-37
Share based compensation				599		599
Issue of share capital			183			183
Other comprehensive income					-664	-664
Equity as of 31.12.2016	**283**	**-2**	**14 436**	**968**	**100 589**	**116 270**

Nordic Semiconductor Parent

Statement of changes in equity
for the year ended 31 December

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 01.01.2015	**283**	**-2**	**14 253**	**535**	**69 569**	**84 639**
Net profit for the period					23 609	23 609
Purchase of treasury shares		-1			-2 157	-2 158
Sale of treasury shares, option exercise		2			6 063	6 063
Share based compensation				-512		-512
Cash settlement of options contract				-830		-830
Other comprehensive income					174	174
Equity as of 31.12.2015	**283**	**-1**	**14 253**	**-807**	**97 257**	**110 986**
Net profit for the period					5 713	5 713
Purchase of treasury shares		-1			-2 660	-2 661
Option exercise				-37		-37
Share based compensation				478		478
Issue of share capital			183			183
Other comprehensive income					14	14
Equity as of 31.12.2016	**283**	**-2**	**14 436**	**-366**	**100 324**	**114 676**

Statement of cash flows for the year ended 31 December

GROUP				PARENT	
2016	2015	Amount in USD 1000	Note	2016	2015
		Cash flows from operating activities			
8 758	36 988	Profit before tax		7 727	36 234
-10 198	-6 146	Taxes paid for the period	7	-10 198	-6 146
11 473	8 437	Depreciation	11/12	9 944	7 711
-7 871	-32 780	Change in inventories, trade receivables and payables	4/14/20/22	-8 280	-32 872
599	-175	Share-based compensation		478	384
-414	-4 944	Movement in pensions		-414	-5 293
-2 039	2 986	Other operations related adjustments		-2 657	1 181
307	**4 366**	**Net cash flows from operating activities**		**-3 400**	**432**
		Cash flows used in investing activities			
-9 824	-11 817	Capital expenditures (including software)	11/12	-6 392	-8 798
-5 304	-8 328	Capitalized development expenses	12	-5 304	-8 328
-15 128	**-20 145**	**Net cash flows used in investing activities**		**-11 696**	**-17 126**
		Cash flows from financing activities			
0	6 065	Sale of treasury stock	17	0	6 065
-2 660	-4 562	Purchase of treasury stock	17	-2 660	-4 562
146	-830	Cash settlemet of options contract and issue of share capital		146	-830
10 000	10 000	Interest bearing debt		10 000	10 000
7 486	**10 673**	**Net cash flows from financing activities**		**7 486**	**10 258**
-457	319	Effects of exchange rate changes on cash and cash equivalents		659	-310
-8 158	**-4 788**	**Net change in cash and cash equivalents**		**-7 317**	**-6 331**
29 293	34 080	Cash and cash equivalents as of 1.1.		27 749	33 527
21 135	**29 293**	**Cash and cash equivalents as of 31.12.**	**16/22**	**20 432**	**27 749**
1 183	1 088	Restricted cash included in the cash and cash equivalents as of 31.12.		1 183	1 088

Note 1: General

Nordic Semiconductor ASA is a public limited company whose shares are listed on the Oslo Stock Exchange. The Group's head office is located at Otto Nielsens vei 12, 7052 Trondheim, Norway. The Group includes the parent company Nordic Semiconductor ASA and three wholly-owned subsidiaries, Nordic Semiconductor Inc., Nordic Semiconductor Poland Sp. z o.o. and Nordic Semiconductor Finland OY.

Nordic Semiconductor 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 low energy.

The financial accounts were approved for publication by the Board of Directors on March 15, 2017, and will be presented for approval at the Annual General Meeting on April 24, 2017.

Note 2: Accounting Principles

2.1 Basis for preparation

The financial accounts for Nordic Semiconductor ASA "the Parent Company" and its wholly-owned and controlled subsidiaries, together called "the Group", have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). relevant interpretations, and the Norwegian Accounting Act.

As the Parent company has USD as its functional currency, the financial accounts are presented in USD, rounded off to the nearest thousand, if nothing else is noted. As a result of rounding differences, it is possible that amounts and percentages do not add up to the total.

Basis of consolidation:
Subsidiaries are entities controlled by the Group. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date control is obtained until the date that control ceases.

All subsidiaries are owned 100 percent and there are no non-controlling interests.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated

2.2 Significant accounting judgements, estimates and assumptions

The consolidated financial statements have been prepared on a historical cost basis.

The preparation of financial statement in accordance with IFRS requires that management use judgement, estimates and assumptions that influence the amount reported in the financial statements and notes. Management bases its estimates and judgement on previous experience and on various other factors deemed to be reasonable and sensible given the specific circumstances. These judgements form the basis for evaluating the accounting value of assets and obligations. The main areas of uncertainty for assessments and estimates on the balance sheet date, which represent a risk for creating significant changes to the value of assets and liabilities recorded in the accounts for the following financial year, are discussed below.

Revenue recognition
Revenue recognition principles are described in note 2.11.

Nordic Semiconductor predominantly sells to electronic distributors under a distribution agreement. The distributors will hold a given level of Nordic inventory that is subsequently shipped to an end customer. Nordic uses a "sell in" model in connection with revenue recognition to distribution customers. Under a "sell in" model, management needs to make judgements and estimates the amount that can affect the reported amounts of revenues and expenses. The main judgments are described below.

When a distributor sells components to specified customer accounts, the distributor will receive an additional discount after the sale is made, commonly known as a "Ship and Debit" discount. An estimate for this discount is provided in the accounts, reducing the revenue and increasing current liabilities. The ship&debit provision is primarily determined by assessing historical discounts to each distributor, the distributors' inventory level as of 31 December 2016 and assumed sales mix.

If the distributor's pricing to specific end customer accounts changes according to a previous agreement with Nordic Semiconductor, the distributor will receive a price protection credit based on the difference between the old and new price.

In certain cases, distributors have the right to exchange inventory with Nordic Semiconductor with the same value in new products. Stock rotation provisions are made for this if necessary.

Development cost
Development costs are capitalized in accordance with the principles in Note 2.9. In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefit, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. During 2016, MUSD 1.853 was capitalized, mainly related to the finalization of the nRF52. The carrying amount of capitalized development costs as of December 31, 2016 and 2015 was USD 14.395.000 and USD 12.542.000 respectively.

Changes in estimates
Estimates are continually reassessed based on changes in the underlying assumptions. Changes in accounting estimates are recognized in the period in which such changes occur. If such changes also apply to future periods, the effect is distributed between current and future periods.

2.3 Changes in accounting principles

Certain new standards, amendment to standards, and annual improvements to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have been applied in preparing these consolidated financial statements. None of these have a significant effect on the consolidated financial statements of the Group.

2.4 Foreign currency

The Group presents its financial statements in USD which also is the functional currency of the parent company. Transactions in currency other than USD, are converted at the exchange rate at the date of the transaction. Any exchange gains or losses arising as a result of changes in the exchange rate between the time of the transaction and the time of payment are recognized in the income statement

2.5 Cash and cash equivalents

Cash includes cash balances and bank deposits. Cash equivalents are short-term liquid investments which do not involve significant risk factors with original maturity of three months or less.

2.6 Accounts receivable

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment. An impairment of a account receivable is recognized when there is objective evidence that the Group will not be able to collect all amounts. Balances are written off when collection efforts have been exhausted and the probability of recovery is unlikely. Accrual made for future ship and debit claims from distributors are presented in other short-term liabilities.

2.7 Inventory

Inventory, components and components under production are valued at the lower of cost and net realizable value after deduction for obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the FIFO method. Work in progress includes variable cost and non-variable cost which can be allocated to items based on normal capacity. Obsolete inventory is written down completely.

2.8 Non-current assets

Non-current assets are stated at the lowest of cost net of accumulated depreciation and net realizable value. When an asset is sold or discontinued, the gain or loss from the transaction is recognized in the income statement.

The company's property asset is an apartment stated at cost. No depreciation is made since the residual value of the apartment exceeds the cost.

Cost of non-current assets includes fees/taxes and direct costs associated with commissioning the non-current asset for use. Repair and maintenance costs are expensed when incurred. If repair and maintenance increase the value of the non-current asset, the cost will be added to the asset on the balance sheet

Depreciation is calculated on a straight-line basis over the following periods of time:

Office and lab equipment	3-5 years
Computer equipment	3-4 years
Installations in buildings	5 years

The assets' residual value, useful lives and methods of depreciation are reviewed on an ongoing basis and adjusted prospectively, if necessary.

Financial leases

The Group does not have any significant financial leases.

Operational leases

Leases where the most significant risk rests with the lessor are classified as operational leases. Lease payments are classified as operating costs and are expensed over the contract period.

2.9 Research and development

Research costs are expensed as incurred. Costs associated with development are capitalized if the following criteria are met in full:

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

Costs expensed in prior accounting periods will not be capitalized.

Capitalized development costs are subject to amortization on a straight-line basis over the expected period of benefits, normally 3-5 years. Depreciation begins when the product is transferred from development to production. Uncertainty exists with respect to the expected period of benefits, as this depends on the future technological development in the market.

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

2.10 Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed each balance sheet date and the level reflects the best estimate of the obligation. When the time value is insignificant, the amount of

the provision will be equal to the expenditure required to settle the obligation. When the time effect is significant, the amount of the provision will be equal to the present value of future expenditures to settle the obligation.

2.11 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from sales of components is recognized at the time of delivery to the distributor. The time of delivery is usually the time when the goods are transferred to the transport carrier. Certain provisions have been made for credits to distributors based on the estimates described in note 2.2. In addition, Nordic has accrued for volume related rebates.

Revenue from services is recognized as the services are rendered/delivered. The service consists of working hours, and invoicing of other costs, such as work done by subcontractors. Interest earned is recognized as it is generated

2.12 Employee benefits

Defined benefit pension plans

The Group offered a defined benefit pension plan to its employees who were hired before December 31, 2007. The group has also established a similar plan for employees in the Philippines. Pension plan assets are valued at their fair value.

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, 2008 and from this point a new defined contribution plan was established.

In connection with the transfer of plans, the employees received a "Paid up benefit" 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, 2016.

Defined contribution pension. Employees hired after January 1, 2008 have a defined contribution pension plan described in Note 18

Share based payments

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013. This Program was continued for 2014. However, for 2015 the option element of the program was forfeited so all employees returned to a performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year. The stock option program was reintroduced in 2016.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 18. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vestingperiod). See Note 19

Development cost

Development costs are capitalized in accordance with the principles in Note 2.9. In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, discount rates and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefit, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. During 2016, MUSD 1.853 was capitalized, mainly related to the finalization of the nRF52. The carrying amount of capitalized development costs as of December 31, 2016 and 2015 was USD 14.395.000 and USD 12.542.000 respectively.

2.13 Government grants

Grants received are tax refunds and are classified as operating grants. Operating grants are accounted for at the same time as the costs they are intended to cover. Tax refunds are accounted for as a cost reduction. See Note 7

2.14 Income taxes

Income tax expenses consist of taxes due and changes to the deferred tax. Deferred tax and tax assets are calculated based on all differences between the financial accounts and the value for tax purposes of assets and liabilities.

Deferred tax assets are recognized to the extent that it is probable that the individual company will have sufficient taxable income in later periods to utilize the tax asset. Similarly, the company will reduce recognition of the deferred tax benefit to the extent the company no longer deems it probable that it will be able to utilize such tax benefits.

Deferred tax liabilities are accounted for at the nominal value and classified as long-term obligations in the balance sheet.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. The Parent Company pays its tax obligation in NOK and the fluctuations between the NOK and the USD impact the financial items. The Group's legal entities that do not have their tax base in USD are exposed to changes in the USD/tax base-currency rates. Effects within the current year are classified as tax expense.

2.15 Segments

The Group has only one operating segment. The group does not report or monitor profitability on a lower level, but breaks down its revenue into the following end product areas: Consumer Electronics, Wearables, Healthcare, Building and Retail, Others, ASIC components and Consulting Services. The Group also breaks down its revenues in the geographical market areas in which its products are sold. See Note 3.

2.16 Events after the balance sheet date

Information available after the balance sheet date and applicable to conditions existing at the balance sheet date is included in the preparation of the financial statements. Events after the balance sheet date that do not affect the Group's financial position as of the balance sheet date, but that will affect the Group's financial position in the future, are disclosed if they are significant. See Note 23

2.17 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

2.18 Equity

Treasury shares

When treasury shares are purchased, the purchase price, including directly attributable costs are recognized as changes in equity. Treasury shares are presented as a reduction of equity. Gains or losses on transactions in treasury shares are not recognized in the income statement.

2.19 Approved standards and interpretations not yet in effect

New standards, amendments to standards, and interpretations have been published, but are not effective at December 31, 2016 and have not been applied in preparing these financial statements. The most relevant of these are: IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted; however, Nordic does not plan an early adoption. Nordic expects to apply IFRS 15 fully retrospectively, but have not reached its final conclusion.

Nordic has performed a preliminary assessment of the new standard's effects on a representative selection of existing revenue contracts and does not expect the impact of the new standard to be significant with respect to how and when revenue is recognized.

Amendments to IAS 12, issued January 2016 and effective January 2017, clarifies the circumstances under which a deferred tax asset can be recognized on an unrealized loss. The amendments also address a broader area of accounting for deferred tax assets in general, including a definition of future taxable profit used for the recognition test. The group is assessing the impact of these new amendments, however, the Group currently expects no material impact to amounts currently recognized in these financial statements and plans to adopt the new standard as of the effective date.

IFRS 16, issued in January 2016, establishes a balance sheet lease accounting model that will increase transparency and comparability beginning in 2019. The group is assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Note 3: Revenues

All figures in USD 1000.

The Group has only one segment which is the semiconductor business. The Group classifies its revenues based on the end product applications in which its products are used.

Revenue classified by end product applications:
The Group focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: Consumer Electronics, Wearables, Building and Retail, Healthcare and Others. In 2016, wireless components accounted for 95.9% of sales versus 97.1% in 2015. In addition to standard components, the Group sells customer-specific ASIC components (Application Specific Integrated Circuits) and related Consulting Services.

GROUP			PARENT	
2016	2015		2016	2015
		Revenue		
96 976	96 503	Consumer Electronics	96 976	96 503
40 738	63 279	Wearables	40 738	63 279
26 921	14 115	Building/Retail	26 921	14 115
11 620	7 171	Healthcare	11 620	7 171
13 268	6 319	Others	13 267	6 319
189 523	**187 387**	**Wireless components**	**189 523**	**187 387**
6 990	5 567	ASIC components	6 990	5 567
1 185	114	Consulting services	1 431	370
197 698	**193 068**	**Total revenues**	**197 944**	**193 324**

Revenue classified by customers' location:
The Group also classifies its revenues on a geographical basis according to its customers' location.

GROUP			PARENT	
2016	2015		2016	2015
19 671	11 198	Europe	19 834	11 361
19 869	16 411	Americas	19 951	16 503
158 159	165 459	Asia/Pacific	158 160	165 459
197 698	**193 068**	**Total revenues**	**197 944**	**193 324**

The Group sells its components to distributors, which then sell components onward to electronics manufacturers which build end products and sell them to customers across the world. Three distributors represented more than 10% of the Group's total revenues in 2016 (in total 50%). These three distributors represented 26%, 13% and 11% of the Group's total revenues respectively. In comparison, 3 distributors represented more than 10% of the Group's total revenues in 2015 (in total 60%), with 24%, 23%, and 13% of revenues respectively. These distributors are based in Asia. Sales to distributors varies based on the number and size of end customers. For example, the reduction for the second largest distributor in 2015 versus 2016 is explained by the loss of one large wearable customer.

Note 4: Cost of materials / inventory

All figures in USD 1000.

GROUP			PARENT	
2016	2015		2016	2015
114 990	113 982	Cost of goods, gross	114 990	113 982
-10 944	-16 591	Changes in inventory	-10 944	-16 591
104 046	**97 391**	**Cost of goods, net**	**104 046**	**97 391**
27 931	17 815	Raw material	27 931	17 815
10 138	2 859	Work in Progress	10 138	2 859
13 976	20 425	Finished Goods	13 976	20 425
52 044	**41 100**	**Total inventory (net)**	**52 044**	**41 100**
1 006	830	Amount written down	1 006	830

As Nordic Semiconductor is a fabless manufacturerer, all inventories, including raw materials and finished goods are located at sub-contractors.

Note 5: Other operating expenses

All figures in USD 1000.

GROUP			PARENT	
2016	2015		2016	2015
6 365	5 807	Service and maintenance	6 205	5 243
4 047	3 452	Other consultancy fees	3 117	3 046
3 585	2 791	Office rental expenses	2 734	2 244
926	738	Office equipment	797	673
2 744	2 082	Material and components	2 530	2 012
-936	-1 712	Capitalized development expenses	-936	-1 712
2 263	2 594	Travel and meeting expenses	1 657	1 915
3 683	3 652	Other operating expenses	3 494	3 520
0	0	Other operating expenses intercompany	22 610	16 660
22 677	**19 404**	**Total other operating expenses**	**42 208**	**33 601**

Auditor remuneration, excl of VAT

Fees to the auditor are included in consultancy fees above.

GROUP			PARENT	
2016	2015		2016	2015
96	49	Statutory audit servces	80	49
13	26	Tax advisory services	10	26
60	95	Other audit related services	60	95
169	**170**	**Total**	**150**	**170**

Note 6: Net financial items

All figures in USD 1000.

GROUP			PARENT	
2016	2015		2016	2015
118	82	Interest income	118	82
139	27	Other financial income	139	27
-	21	Changes in money market fund, reported in the income statement	-	21
257	**130**	**Financial income**	**257**	**130**
295	145	Financial Expence	295	145
911	2 028	Foreign exchange loss (net)	911	2 030
1 206	**2 173**	**Financial expenses**	**1 206**	**2 175**

Note 7: Tax

All figures in USD 1000.

GROUP			PARENT	
2016	2015	Tax expense consists of	2016	2015
-3 023	-10 992	Tax payable	-2 677	-10 820
772	-1 696	Change in deferred tax / tax benefit	745	-1 696
-83	-109	Changes in tax rate	-83	-109
-2 334	**-12 797**	**Tax expense**	-2 015	-12 625

2016	2015	Reconciliation of taxes payable in balance sheet and income statement	2016	2015
-2 786	-9 931	Taxes payable for year, in the balance sheet	-2 609	-9 905
-237	-1 061	Currency effect from translation to USD	-68	-915
-3 023	**-10 992**	**Taxes payable in income statement**	**-2 677**	**-10 820**

GROUP			PARENT	
2016	2015	Reconciliation of nominal and actual tax expense	2016	2015
8 759	36 988	Profit before tax	7 727	36 234
-2 138	**-9 987**	**Tax at nominal rate 25 % (27% 2015)**	**-1 932**	**-9 783**
94	**-114**	**Tax effect permanent differences**	**94**	**-114**
-83	-109	Effect of change in tax rate	-83	-109
-5	457	Actuarial gains	-5	457
-202	-3 153	Currency effect from translation to USD	-89	-3 076
-2 334	**-12 797**	**Tax expense**	**-2 015**	**-12 625**

GROUP			PARENT	
2016	2015		2016	2015
8 758	**36 988**	**Earnings before tax**	**7 727**	**36 234**
-418	-307	Government grants	-418	-307
1	- 1 580	Settlement options	1	- 1726
15	19	Interest on tax	15	19
292	34	Non-deductible other expenses	40	34
-21	1 691	Actuarial gain/loss pension	-21	1 691
3 220	-9 603	Change in temporary differences	3 036	-10 491
205	13 469	Currency effect of translation to USD	256	13 586
12 052	**40 711**	**Basis for payable tax**	**10 708**	**40 074**
-3 023	**-10 992**	**Payable tax on earnings 25 % (27% 2015)**	**-2 677**	**-10 820**

GROUP

Temporary differences:	Balance Sheet 2016	Balance Sheet 2015	Income Statement 2016	Income Statement 2015	Other Comp. income 2016	Other Comp. income 2015
Deferred tax benefit						
Inventory	377	992	-615	529		
Fixed assets	5 081	1 663	3 553	-335		
Accounts receivable						
Options (share based payments)	3 042	3 041	1	-1 720		
Pension obligation	293	391	-119	-12 726	28	-1 691
Deferred tax benefit – gross	**8 793**	**6 087**	**2 800**	**-14 252**	**28**	**-1 691**
Deferred tax obligation						
Intangible assets						
Gain and loss account	-481	-626	145	-368		
Accounts receivable						
Deferred tax obligation – gross	**-481**	**-626**	**145**	**-368**		
Currency effect of translation to USD	-1 054	-461	254	7 960		
Total temporary differences	**8 220**	**5 000**	**3 192**	**-6 942**	**28**	**-1 691**
Net deferred tax obligation/benefit	1 973	1 250				
Change in deferred tax obligation/benefit			689	-1 805	7	-423

PARENT

Temporary differences:	Balance Sheet 2016	Balance Sheet 2015	Income Statement 2016	Income Statement 2015	Other Comp. income 2016	Other Comp. income 2015
Deferred tax benefit						
Inventory	377	992	-615	529		
Fixed assets	5 081	1 663	3 418	-335		
Accounts receivable						
Options(share based payments)	3 042	3 041	1	-1 720		
Pension obligation	293	391	-119	-12 726	28	-1 691
Deferred tax benefit – gross	**8 793**	**6 087**	**2 685**	**-14 252**	**28**	**-1 691**
Deferred tax obligation						
Intangible assets						
Gain and loss account	-481	-626	145	-368		
Accounts receivable						
Deferred tax obligation – gross	**-481**	**-626**	**-145**	**-368**		
Currency effect of translation to USD	-1 166	-461	256	7 960		
Total temporary differences	**8 108**	**5 000**	**3 008**	**-6 942**	**28**	**-1 691**
Net deferred tax obligation/benefit	1 946	1 250				
Change in deferred tax obligation/benefit			662	-1 805	7	-423

GROUP 2016	GROUP 2015	Reconciliation of net deferred tax liability:	PARENT 2016	PARENT 2015
1 250	5 363	Opening balance as of 1.1	1 250	5 363
689	-1 805	Tax expense/income recognised in profit and loss	662	-1 805
7	-423	Tax expense/income recognised in other comprehensive income	7	-423
27	-1 885	Currency effect from translation to USD	27	-1 885
1 973	**1 250**	**Net deferred tax obligation/benefit 31.12**	**1 946**	**1 250**

GROUP 2016	GROUP 2015	Net deferred tax recogniced in OCI as of 31.12:	PARENT 2016	PARENT 2015
7	-457	Net gain/(loss) on actuarial gains and losses	7	-457
-2	34	Effect of changes in tax rates	-2	34
5	**-423**	**Total tax other comprehencive income**	**5**	**-423**

Note 8: Shares outstanding

	2016	2015
Basis for calculation of basic earnings per share		
Earnings for the year (USD '000)	6 424	24 191
Weighted average number of outstanding shares ('000)	162 385	163 081
Earnings per share (USD)	**0.04**	**0.15**
Basis for calculation of fully diluted earnings per share		
Earnings for the year (USD '000)	6 424	24 191
Weighted average number of outstanding shares ('000)	163 317	164 385
Earnings per share (USD)	**0.04**	**0.15**
Reconciliation of average number of ordinary shares ('000)		
Weighted average number of outstanding shares	163 317	164 986
Weighted average number of treasury shares	932	1 905
Weighted average number of outstanding shares, corrected for treasury shares	**162 385**	**163 081**

The number of shares was as follows:

Date		Number of shares issued	Shares outstanding
2016-01-01	Balance at beginning of period	163 440 600	162 440 600
2016-12-31	Balance at end of period	163 481 600	161 384 893

Note 9: Payroll expenses

All figures in USD 1000.

GROUP			PARENT	
2016	2015	**Combined expenses for salary and other compensation are distributed as follows:**	2016	2015
37 902	31 853	Salary and vacation pay	25 752	22 679
7 985	7 545	Other compensation	5 452	5 696
3 822	3 680	Payroll tax	3 709	3 592
-31	-5 700	Defined benefit pension	-31	-5 700
3 874	2 019	Defined contribution pension	1 942	669
-4 367	-6 557	Capitalized development expenses (hourly costs)	-4 367	-6 557
49 185	**32 840**	**Total**	**32 458**	**20 379**
501	397	Weighted average number of permanent employees	341	280

GROUP			PARENT	
2016	2015	**Company's employees as of December 31, are distributed as follows:**	2016	2015
308	268	Norway	308	268
19	14	China	19	14
3	3	South Korea	3	3
21	13	USA	1	1
10	7	Taiwan	10	7
3	3	Japan	3	3
15	15	Philippines	15	15
1	1	Switzerland	1	1
20	16	Poland	0	0
132	114	Finland	0	0
532	**454**	**Total**	**360**	**312**

Note 10: Compensation to Group management and Board

All figures in USD 1000

Total compensation expensed for Board members	2016	2015
Terje Rogne, Chairman of the Board	58	56
Anne Cecilie Fagerlie, Board member	38	37
Arnhild Schia, Board member	11	34
Karsten Rönner, Board member	0	10
Tore Valderhaug, Board Member	39	38
Craig Ochikubo, Board Member	55	41
Beatriz Malo de Molina, Board Member	24	0
Lasse Olsen, employee representative *(Board remuneration only)*	7	5
Markus Bakka Hjertø, former employee representative *(Board remuneration only)*	0	2
Asbjørn Sæbø, employee representative *(Board remuneration only)*	5	0
Anne Strand, former employee representative *(Board remuneration only)*	2	7
Joakim Ferm, employee representative *(Board remuneration only)*	7	7

Total compensation expensed during the year for the CEO and other executives:

2016	Salary	Bonus	Options*	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	351	9	76	5	16	**457**
Pål Elstad, CFO	204	9	51	1	15	**280**
Svein Egil Nielsen, CTO	190	9	51	1	16	**267**
Geir Langeland, Sales & Marketing Director	197	9	51	1	15	**273**
Ebbe Rømcke, Quality Director	141	9	25	1	15	**192**
Ole Fredrik Morken, Supply Chain Director	245	9	51	1	15	**321**
Thomas Embla Bonnerud, Director of Strategy and IR	133	4	9	1	14	162
Total	**1 461**	**58**	**313**	**13**	**107**	**1 951**

2015	Salary	Bonus	Options*	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	364	0	53	2	30	**449**
Pål Elstad, CFO	204	0	0	1	9	**214**
Svein Egil Nielsen, CTO	199	0	32	1	9	**241**
Geir Langeland, Sales & Marketing Director	197	0	32	1	20	**251**
Ebbe Rømcke, Quality Director	138	0	19	1	32	**190**
Ole Fredrik Morken, Supply Chain Director	209	0	12	1	9	**230**
Total	**1 311**	**0**	**148**	**7**	**109**	**1 575**

**Salary expenses are in NOK. Exchange rate for 2015 was 8,06 and for 2016 it was 8,40*

**Option cost is the expense of fair value of options based on Black Scholes calculation.*

Compensation agreement - CEO

The Company has no other obligations to the CEO in the event of resignation over and above the normal resignation time of six (6) months, except that the resignation period increases to twelve (12) months in the event that the Company is acquired or merged with another company.

Policy for executive compensation

The Board has appointed a remuneration committee under management of a board member. The remuneration committee monitors decisions regarding remuneration and other terms for the executive management. The CEO's total compensation, and any adjustments thereto, is first reviewed by the remuneration committee and then approved by the Board. The Board considers CEO compensation each year. The compensation of the other members of the executive management, including adjustments of these, are agreed between the CEO and the respective manager.

The Board proposes the following Declaration of the Principles for Compensation of the CEO and other members of the Executive Management according to the Norwegian Public Limited Liability Companies Act § 6-16a:

The main principle in the Company's policy for remuneration and compensation is that the members of the executive management team shall be offered competitive terms, so as to achieve the desired competence and incentives in the Company's executive management team. The Company has established an annual performance bonus program for the executive management team, in which the manager must remain within his position (not resigned) until the start of the following year in order to be eligible. The bonuses may be awarded as a direct cash payment or as share options in the Company. Performance-based compensation will be subject to an absolute limit and fulfilment of performance criteria, both decided by the Board at its discretion.

The Board wishes to continue the scheme of awarding stock options to all full time employees in 2018 in accordance with the principles of the option program for 2016. These principles are described in the minutes of the extraordinary general meeting on 8 December 2015. The Board proposes allocating up to 1.7 million options in 2018, equivalent to approximately 1% of the total number of issued shares. The Company offers pensions plans to all employees, managers included. In addition, the Company provides managers with other limited benefits in kind such as a company telephone. The guidelines for determination of salary and other compensation for leading employees as outlined for the Annual General Meeting in 2016 have been complied.

The Company has granted executives and employee Board members the following options according to the terms

	Options granted 2014	Options not exercised 2016
Svenn-Tore Larsen, CEO	*575 000 stock options*	*575 000 stock options*
Geir Langeland, Sales Director	*350 000 stock options*	*350 000 stock options*
Svein Egil Nielsen, CTO	*350 000 stock options*	*250 000 stock options*
Ebbe Rømcke, Quality Director	*200 000 stock options*	*100 000 stock options*
Ole Fredrik Morken, Supply Chain Director	*125 000 stock options*	*65 000 stock options*
Thomas Embla Bonnerud, Director of Strategy and IR	*75 000 stock options*	*75 000 stock options*
Lasse Haugnes Olsen, Employee Board member	*20 000 stock options*	
Joakim Ferm, Employee Board member	*20 000 stock options*	*20 000 stock options*
Asbjørn Sæbø,Employee Board member	*21 476 stock options*	*14 000 stock options*

**All 2014 share options expired on February 19, 2017 and as such none of the options listed above were exercised.*

	Options granted 2016
Svenn-Tore Larsen, CEO	*65 575 stock options*
Pål Elstad, CFO	*43 804 stock options*
Geir Langeland, Sales Director	*43 804 stock options*
Svein Egil Nielsen, CTO	*43 804 stock options*
Ebbe Rømcke, Quality Director	*21 771 stock options*
Ole Fredrik Morken, Supply Chain Director	*43 804 stock options*
Thomas Embla Bonnerud, Director of Strategy and IR	*8 000 stock options*
Lasse Haugnes Olsen, Employee Board member	*3 500 stock options*
Joakim Ferm, Employee Board member	*3 500 stock options*
Asbjørn Sæbø, Employee Board member	*5 600 stock options*

Note 11: Fixed assets

All figures in USD 1000.

GROUP

2016	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	5 048	26 840	1 731	333	33 951
Additions	1 591	2 518	345		4 453
Acquisition cost as of 31.12	**6 638**	**29 358**	**2 075**	**333**	**38 404**
Accumulated depreciation					
Opening balance	3 274	16 866	758		20 898
Depreciation expenses	670	3 136	333		4 140
Accumulated depreciation as of 31.12	**3 944**	**20 002**	**1 091**	**0**	**25 037**
Net carrying value as of 31.12	**2 694**	**9 355**	**984**	**333**	**13 367**

2015	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	3 973	20 566	1 013	333	25 885
Additions	1 075	6 274	718		8 067
Acquisition cost as of 31.12	**5 048**	**26 840**	**1 731**	**333**	**33 952**
Accumulated depreciation					
Opening balance	2 664	13 729	573		16 966
Depreciation expenses	610	3 137	184		3 932
Accumulated depreciation as of 31.12	**3 274**	**16 866**	**758**	**0**	**20 898**
Net carrying value as of 31.12	**1 774**	**9 974**	**973**	**333**	**13 054**

PARENT

2016	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	4 729	24079	1 731	333	30 872
Additions	680	3 246	168		4 094
Acquisition cost as of 31.12	**5 408**	**27 325**	**1 899**	**333**	**34 966**
Accumulated depreciation					
Opening balance	3 203	16 810	758		20 770
Depreciation expenses	716	3 103	328		4 147
Accumulated depreciation as of 31.12	**3 919**	**19 913**	**1 086**	**0**	**24 918**
Net carrying value as of 31.12	**1 490**	**7 412**	**813**	**333**	**10 048**

2015	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	3 858	20 593	1 013	333	25 797
Additions	871	3 486	718		5 075
Acquisition cost as of 31.12	**4 729**	**24 079**	**1 731**	**333**	**30 872**
Accumulated depreciation					
Opening balance	2 626	13 700	573		16 900
Depreciation expenses	577	3 109	184		3 871
Accumulated depreciation as of 31.12	**3 203**	**16 810**	**758**	**0**	**20 770**
Net carrying value as of 31.12	**1 526**	**7 270**	**973**	**333**	**10 102**

GROUP AND PARENT

Estimated useful life	3 – 5 years	3 - 4 years	5 years	Not
Depreciation method	Straight-line	Straight-line	Straight-line	depreciated
Annual lease of non-recognized capital assets	0	32	0	0

Total depreciation expenses consist of depreciation of fixed assets and depreciation of intangible assets (note 13).

Non-depreciable real property assets:
The Parent company has an apartment in Trondheim for use by employees in the Oslo office while in Trondheim. The apartment is assessed at acquisition cost. The residual value is expected to be at least equal to the book value.

Scrapped capital assets
All capital assets that are ready to be scrapped have been fully depreciated and have no residual book value.

Capital assets temporarily out of operation
The Group has no capital assets that are temporary out of operation.

Leased equipment
The Group does not have any leased equipment.

Write-offs
There are no indicators that assets need to be written off.

Change in depreciation periods
There has been no basis for changing depreciation periods on fixed assets.

Note 12: Intangible assets

All figures in USD 1000.

GROUP AND PARENT

2016	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	16 436	27 835	44 271
Additions	5 318	5 304	10 622
Accumulated cost as of 31.12	**21 754**	**33 139**	**54 893**
Accumulated depreciation			
Opening balance	7 354	15 294	22 647
Depreciation expenses	2 345	3 451	5 796
Total accumulated depreciation as of 31.12	**9 699**	**18 744**	**28 444**
Net carrying amount	**12 054**	**14 394**	**26 449**

GROUP	Non-capitalized R&D expenses:	PARENT
23 843	Personnel expenses	19 206
18 395	Other operating expenses	14 110
42 238	**Total cost recognized in income statement**	**33 316**
47 542	**Total expenses for R&D**	**38 634**

2015	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	10 713	19 507	30 220
Additions	5 722	8 328	14 050
Accumulated cost as of 31.12	**16 436**	**27 835**	**44 271**
Accumulated depreciation			
Opening balance	6 228	12 579	18 807
Depreciation expenses	1 126	2 715	3 841
Total accumulated depreciation as of 31.12	**7 354**	**15 294**	**22 647**
Net carrying amount	**9 082**	**12 542**	**21 623**

GROUP	Non-capitalized R&D expenses:	PARENT
24 755	Personnel expenses	14 556
8 483	Other operating expenses	6 689
33 239	**Total cost recognized in income statement**	**21 246**
41 567	**Total expenses for R&D**	**29 574**

Total depreciation expenses consist of depreciation of intangible assets and depreciation of fixed assets (note 11).

Economic lifetime	10 years	1 - 5 years
Depreciation plan	Straight-line	Straight-line

Expensed research and development activities relate to new technologies and new services and products.

Note 13: Subsidiaries

The folowing subsidiaries have been included in the financial statements

Subsidiaries consolidated in the group accounts company		Location	Share Ownership	Voting Rights
Nordic Semiconductor Inc	2006	USA	100%	100%
Nordic Semiconductor Poland S.P z o.o.	2013	Poland	100%	100%
Nordic Semiconductor Finland OY	2014	Finland	100%	100%

Subsidiaries as of 31 December 2016	Ownership	Share of votes	Net profit 2016	Equity 31. Dec 2016
Nordic Semiconductor Inc, USA	100%	100%	195	872
Nordic Semiconductor Poland S.p Z o.o.	100%	100%	51	133
Nordic Semiconductor Finland OY	100%	100%	835	1334

All intellectual property (IP) is owned by Nordic Semiconductor ASA. All subsidiaries operate as contract research and development centers and invoice Nordic Semiconductor ASA at arms length pricing.

Nordic Semiconductor Inc, is manly a sales company, but in 2016 a small R&D department was also started. All sales conducted is on behalf of the parent company.

Nordic Semiconductor Poland S.p Z o.o. Is an extention of the software development team in the parent company.

Nordic Semiconductor Finland OY, is a development company. This R&D team works closely alongside the rest of the R&D teams in the group.

Note 14: Accounts Receivable

All figures in USD 1000.

GROUP			PARENT	
2016	2015		2016	2015
54 772	48 938	Gross receivables	54 772	48 938
0	0	Provision for doubtful accounts	0	0
54 772	**48 938**	**Accounts Receivable, net**	**54 772**	**48 938**

Note 15: Intercompany balances

PARENT

Receivables	2016	2015
Loan to group Companies	6 094	1 766
Current receivables towards group	16	37
Total	**6 110**	**1 803**

Payables	2016	2015
Trade creditors towards group companies	6 695	-374
Total	**6 695**	**-374**

Note 16: Cash and cash equivalents

All figures in USD 1000.

GROUP			PARENT	
2016	2015	Cash and cash equivalents as of the balance sheet date were as follows:	2016	2015
19 952	28 205	Cash holdings	19 249	26 661
1 183	1 088	Tax deduction account (restricted funds)	1 183	1 088
21 135	**29 293**	**Cash and cash equivalents in statement of financial position**	**20 432**	**27 749**

Note 17: Share capital and shareholder information

All figures in USD 1000.

Share capital

The share capital in Nordic Semiconductor as of December 31, 2016 consists of one share class with a total of 163,481,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,634,816. Each share grants the same rights in the company, and in the event of any increase in capital, existing shareholders have pre-emptive rights for any new shares.

During the year the following changes have been made in the number of shares, share capital and share premium:

GROUP	Number of shares		Share capital		Treasury shares		Share premium	
	2016	2015	2016	2015	2016	2015	2016	2015
Ordinary shares, issued and paid								
Holdings as of 1.1	163 440 600	163 440 600	283	283	-1	-2	14 253	14 253
Issue of share capital	41 000						183	
Purchase of treasury shares					-1	-1		
Sale of treasury shares						2		
Holdings as of 31.12	**163 481 600**	**163 440 600**	**283**	**283**	**-2**	**-1**	**14 436**	**14 253**

Dividend

No dividend was paid during 2016.

Authority to issue shares

The Board of the Parent company, based on a resolution from the annual general meeting on April 19, 2016, has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a par value of NOK 163,000. The shareholders' pre-emptive right may be waived according to the Norwegian Private Limited Companies Act §10-4. This authority is valid until the company's annual general meeting in 2017, and by June 30, 2017 the latest. The resolution covers both cash and non-cash contributions and the issue of shares in connection with a merger.

Treasury shares

The Company owned 1,685,819 treasury shares on December 31, 2016. At January 1, 2016, the Company owned 1,000,000 treasury shares. Based on a resolution of the annual general meeting of April 19, 2016, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 163,000 through one or more transactions. This authority is limited to 9.97% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2017, and by June 30, 2017 the latest. Under this approval, the company purchased during Q3 and Q4 2016 a total of 685,819 shares.

Stock Option Grant

On February 18, 2014, the Board approved a grant of 5,843,712 share options to employees. The options vest after one year if the employee is in an unresigned position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 38.43. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. 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. As of December 31, 2016, the remaining 3,730,702 options have vested and can be exercised prior to expiration on February 18, 2017.

With reference to the Extraordinary General Meeting on December 8 2015, Nordic Semiconductor granted on February 26, 2016, 1,590,000 share options to employees and primary insiders. On 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 exercisable 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.

Shareholder overview
The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2016:

Shareholder	Shares	Percentage
FOLKETRYGDFONDET	21 049 847	12,88 %
ACCELERATOR LTD	17 482 950	10,69 %
PASSESTA AS	4 860 000	2,97 %
VERDIPAPIRFONDET DNB NORGE (IV)	4 604 374	2,82 %
KLP AKSJENORGE	4 462 058	2,73 %
ALDEN AS	4 450 602	2,72 %
DNB LIVSFORSIKRING ASA	3 123 692	1,91 %
TORSTEIN TVENGE	3 000 000	1,84 %
DANSKE INVEST NORSKE INSTIT. II.	2 917 100	1,78 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 884 849	1,76 %
KOMMUNAL LANDSPENSJONSKASSE	2 808 039	1,72 %
MP PENSJON PK	2 517 434	1,54 %
VERDIPAPIRFONDET PARETO INVESTMENT	2 399 000	1,47 %
SPENCER TRADING INC	2 100 000	1,28 %
SONGA AS	2 000 000	1,22 %
FOUGNER INVEST AS	1 914 992	1,17 %
TTC INVEST AS	1 750 000	1,07 %
NORDIC SEMICONDUCTOR ASA	1 685 819	1,03 %
SCAN CHEMICALS AS	1 625 000	0,99 %
INAK 3 AS	1 600 000	0,98 %
Total for the 20 largest shareholders	**89 235 756**	**54,58 %**
Other shareholders	74 245 844	45,42 %
Total shares outstanding	**163 481 600**	**100,00 %**

Shares held by the Board of directors and Executive management were as follows as of December 31, 2016.

Name	Shares
Board of directors	
Terje Rogne	1 250 000
Anne Cecilie Fagerlie	0
Craig Ochikubo	0
Beatriz Malo de Molina	0
Tore Valderhaug	5 769
Joakim Ferm	0
Lasse Haugnes Olsen	0
Asbjørn Sæbø	10 000
Management	
Svenn-Tore Larsen*	1 890 400
Pål Elstad	3 846
Geir Langeland	177 700
Svein Egil Nielsen	15 000
Thomas Embla Bonnerud	3 420
Ebbe Rømcke	68 900
Ole Fredrik Morken	160 000
Total	**3 585 035**

**Svenn-Tore Larsen holds shares personally and through a limited liability company*

Note 18: Pensions and other long-term employee benefits

The pension liability for the group consists of liabilities in Norway and The Philippines

The company has set up a pension plan for the Philippine office as of January 2014. The retirement plan is unfunded and of the defined benefit type which provides a retirement benefit calculated based on number of years of credited service. At the end of 2016 the pension liability was USD 84 000.

For the Company in Finland pensions are financed by contributions from the insured employees and employers. The Norwegian company in the Group is required to have mandatory employment pension for employees in Norway, according to the Mandatory Employment Pension Act.

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, 2008 and from this point a new defined contribution plan was established. The two different types of pensions are described below:

Defined Pension Plan:

	2016	2015
Current service cost	0	1 067
Interest expense	34	390
Expected return on plan assets	-28	-194
Change liability	0	-14 801
Change assets	0	8 128
Administration fee	1	13
Total pension expense excl. social security tax	**7**	**-5 397**
Social security tax	1	-761
Total pension expense incl. social security tax	**8**	**-6 158**

Net pension obligation for the year was calculated as follows:

	2016	2015
Pension obligations	1 014	1 226
Plan assets	828	968
Estimated net pension obligations	**186**	**258**
Social security tax	23	36
Total actual net obligation incl. social security tax	**209**	**295**

Total pension liability for the Group	2016	2015
Employees in Norway	209	295
Employees in Philippines	84	63
Employees in Finland	0	349
Total	293	707

Defined contribution pension plan:
All employees in Norway have a defined contribution pension plan from 01.01.2016. The main benefit is a contribution of 7% of salary up to 7.1 basis points (G) and 18% of salary between 7.1 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 40 years of full employment. In 2016, the cost of the defined contribution pension was USD 1 942 000, and the plan had 317 members.

GROUP	Total pension cost	PARENT
293	Defined Benefit plan	293
3 874	Defined Conrtibution plan	1 942

Note 19: Stock options

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 177 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.

On February 26, 2016, Nordic Semiconductor granted 1,590,000 share options to 320 employees.

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.

A summary of share option transactions during 2016 and 2015 is below.

	2016	2015
Outstanding options 1.1	**3 844 970**	**5 432 245**
Options granted	1 579 712	0
Options forfeited	57 501	0
Options exercised	79 467	1 587 275
Options expired	0	0
Outstanding options 31.12	**5 287 714**	**3 844 970**
Of which exercisable	3 730 702	3 844 970

The fair value of the options is set on the grant date and expensed over the vesting period. USD 477.956 was expensed during 2016 and USD 551.129 in 2015.

The fair value of options granted in 2016 was NOK 11.35 per option. The value has been estimated using the Black & Scholes model, subject to the following assumptions:

Share price on the grant date
The share price is set to the value weighted average price of shares traded on the grant date, which was USD NOK 43.40 on the date of grant in 2016.

Strike price
The strike price is the share price on the grant date +10%.

Cap price
The cap price on the options granted is NOK 143.16. At this price, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. When calculating the value of the stock option, the value of the cap is calculated through the Black Scholes model, and deducted from the uncapped value of the option to the employee.

Volatility
It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equaled 43.84% on the date of grant in 2016.

Average option term
The options are expected to have an average term of 4 years (between the minimum vesting period of one year and the maximum exercise period of five years).

Dividend
The company does not forecast a dividend payout in the Black-Scholes model.

Risk-free interest rate. The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2016, i.e. 0.78 %.

Note 20: Current liabilities

All figures in USD 1000.

GROUP			PARENT	
2016	2015		2016	2015
15 295	6 389	Accounts payable	14 887	6 297
2 786	9 931	Taxes payable	2 609	9 905
2 260	2 295	Social security tax	1 990	2 027
4 169	3 130	Holiday pay	3 035	2 413
0	10 000	Short-term loan facility	0	10 000
9 125	6 508	Provision of Ship and debit	9 125	6 508
4 486	7 081	Accrued expenses	9 777	14 963
38 121	**45 335**	**Total Current liabilities**	**41 423**	**52 402**

Note 21: Leases

All figures in USD 1000.

Operating leases:
The company has several operating leases for machinery and office space.

The lease expenses consist of the following:

GROUP			PARENT	
2016	2015		2016	2015
2 591	2 066	Office lease	1 880	1 621
42	25	Lease of machinery	19	13
2 633	**2 091**	**Total lease expense**	**1 899**	**1 634**

As of December 31, 2016, the Group leased offices in Trondheim, Oslo, Hong Kong, Shenzhen, Shanghai, Seoul, Tokyo, Manila and Taiwan. The lease amounts are fixed with index regulation based on Statistics Norway's consumer price index.

Future minimum payments for non-cancellable leases are as follows:

GROUP		PARENT
2 569	Within 1 year	1 855
10 085	1 to 5 years	9 457
10 487	After 5 years	10 487
23 142	**Total non-cancellable leases**	**21 799**

Note 22: Financial instruments

All figures in USD 1000.

Capital structure

Nordic Semiconductor's strategy relating to its capital structure is to maintain sufficient cash and cash equivalents to meet the Group's requirements for ongoing operations and for new investments. Management believes that it is especially important for a relatively small company to retain a strong credit rating and significant liquidity as the Group competes in a global market against larger companies.

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, the company may purchase its own shares on the market, pay dividends to shareholders, pay back capital to shareholders or issue new shares. No changes were made in procedures or processes in the course of 2016.

Nordic Semiconductor manages its capital structure based on an equity ratio. This relationship is calculated as total equity divided by total assets. In this phase of the company's development, the goal is to keep the equity ratio above 50%.

GROUP			PARENT	
2016	2015		2016	2015
116 270	112 405	Total equity	114 676	110 986
174 684	158 447	Total assets	176 391	163 746
67%	**71%**	**Equity share**	**65%**	**68%**

The Company has a credit agreement with a bank, which enables it to borrow up to MUSD 40 at any time with an interest rate equal to LIBOR + 1 %. The line of credit agreement expires in September 2019 As of December 31, 2016, the company has drawn MUSD 20 on the line of credit. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories MUSD 52, accounts receivable USD 55, and operating equipment MUSD 12. The remainder of the company's financing is made through short-term, non-interest-bearing debt. This financing typically consists of debt to suppliers, the public sector, employees or others.

The company has enterd into a Tenancy Guarantee with Danske Bank as unconditional guarantor for 40 MNOK (USD4,5) The warranty is given to secure payment of upto 24 months of rent for the new office in Trondheim.

Classification of financial assets and liabilities 2016:

GROUP	Amortized cost		Total
	Receivables and loans	Other financial obligations	
Cash and cash equivalents	21 135		**21 135**
Receivables and other short-term receivables	59 713		**59 713**
Long-term receivables	2		**2**
Total financial assets	**80 850**		**80 850**
Accounts payable and other short-term debt		38 121	**38 121**
Other long term liabilities	20 000		
Total financial liabilities	**20 000**	**38 121**	**68 121**

PARENT	Amortized cost		Total
	Receivables and loans	Other financial obligations	
Cash and cash equivalents	20 432		**29 293**
Receivables and other short-term receivables	65 453		**48 938**
Long-term receivables	2		**12**
Total financial assets	**85 887**		**78 243**
Accounts payable and other short-term debt		41 423	**41 423**
Other long term liabilities	20 000		
Total financial liabilities	**20 000**	**41 423**	**61 423**

Classification of financial assets and liabilities 2016:

GROUP	Amortized cost		Total
	Receivables and loans	Other financial obligations	
Cash and cash equivalents	29 293		29 293
Receivables and other short-term receivables	48 938		48 938
Long-term receivables	12		12
Total financial assets	**78 243**		**78 243**
Accounts payable and other short-term debt	10 000	35 335	35 335
Total financial liabilities	**10 000**	**35 335**	**45 335**

PARENT	Amortized cost		Total
	Receivables and loans	Other financial obligations	
Cash and cash equivalents	27 749		27 749
Receivables and other short-term receivables	61 892		61 892
Long-term receivables	12		12
Total financial assets	**89 653**		**89 653**
Accounts payable and other short-term debt	10 000	42 402	52 402
Total financial liabilities	**10 000**	**42 402**	**52 402**

Cash equivalents at fair value are assets held as short-term deposits in interest-bearing funds invested within high-quality issuers, with floating earnings and no set maturity date (Valuation category 1, prices in active markets for identical assets or liabilities).

Financial risk
As Nordic Semiconductor manages an international operation, the company is subject to financial risk, primarily credit risk and foreign currency risk. Procedures for control of financial risk have been adopted by the Board and are carried out by its finance department.

(i) Credit risk
The company's sale of components takes place through its distribution partners within defined geographic regions. The number of invoice recipients is thereby significantly lower than the end customer base, which increases the credit risk on customer receivables. In order to manage credit risk, the company has established guidelines to ensure that each customer's outstanding receivables do not exceed established credit limits.

Age distribution of customer receivables was:

GROUP			PARENT	
2016	2015	Gross total	2016	2015
50 162	38 490	Not due	50 162	38 490
3 632	10 107	Past due 0-30 days	3 632	10 107
258	302	Past due 31-120 days	258	302
720	39	Over 120 days	720	39
54 772	**48 938**	**Total**	**54 772**	**48 938**

Based on its experience, it is not deemed necessary for the company to make a provision for accounts receivable. (92% of receivables are within terms).

The book value of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk on the balance sheet date was:

GROUP			PARENT	
2016	2015		2016	2015
59 714	52 115	Accounts receivable and other short-term receivables	65 453	61 892
21 135	29 293	Cash and cash equivalents	20 432	27 749
80 849	**81 408**	**Total**	**85 885**	**89 641**

(ii) Liquidity risk

Overall, the Company seeks to minimize risk when investing its cash balance. Investments can only be made in securities which have been approved by the Board.

The Company has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Company has the following due dates with regard to contracts for financial obligations as of December 31, 2016:

GROUP	Entered amount	Contractual cash flow	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	5-10 years
Supplier and other short-term debt	38 121	38 121	15 295	5 046	17 780			
Other contractual obligations	0	23 142	642	642	1 285	5 520	7 135	10 487
Loan facility	20 000						20 000	

PARENT	Entered amount	Contractual cash flow	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	5-10 years
Supplier and other short-term debt	41 423	41 423	14 887	4 599	21 937			
Other contractual obligations	0	21 799	464	464	927	4 372	6 941	10 487
Loan facility	20 000						20 000	

**Other contractual obligations is mainly office facility rent in Oslo and Trondheim*

(iii) Interest rate risk

The Company's liquidity requirements and risk assessment determine its investment strategy and interest rate exposure. The Company's policy is to maintain a short-term investment horizon for its surplus cash. The investment portfolio should not have an average duration longer than six (6) months.

The Group has a line of credit agreement with its bank, which allows it to borrow up to MUSD 40 at an interest rate of LIBOR + 1%. The line of credit agreement expires in September 2019.

If interest rates increase 1 basis point, the negative effect on profit before tax given current utilization of the RCF is USD 200 per year.

(iv) Foreign currency risk

The company is subject to foreign currency risk as it has its development and commercial activities in different countries. Nearly all revenues and cost of goods are in USD, while approximately 85% of the company's operating expenses excluding depreciation are in NOK. The company does not hedge its exposure to foreign currency risk.

The table below shows sales in the most significant currencies:

GROUP

	2016			2015		
	Local currency	USD (1000)	Share of total revenues in %	Local currency	USD (1000)	Share of total revenues in %
USD	196 167	196 167	99.2%	191 044	191 044	98.9%
EUR	73	82	0.8%	1 817	1 999	1.1%
Total		**197 697**	**100.0%**		**193 068**	**100.0%**

PARENT

	2016			2015		
	Local currency	USD (1000)	Share of total revenues in %	Local currency	USD (1000)	Share of total revenues in %
USD	196 351	196 351	99.2%	191 202	191 202	98.9%
EUR	1 437	1 593	0.8%	1 929	2 122	1.1%
Total		**197 944**	**100.0%**		**167 196**	**100.0%**

Below is a sensitivity analysis of changes in the NOK exchange rate on balance sheet items, and their impact on Profit before tax:

	Profit before tax
NOK exchange rate +/- 10%	+/- 2 950

(v) Determination of fair value
As of December 31, 2016 the company had no financial assets or financial liabilities where there is considered to be a difference between book value and fair value.

Below is an overview of the Company's financial instruments:

GROUP

	2016		2015	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Cash and bank deposits	21 135	21 135	29 293	29 293
Accounts receivable	54 772	54 772	48 938	48 938
Financial liabilities				
Other long-term liabilities	20 000	20 000		
Accounts payable	15 295	15 295	6 389	6 389

PARENT

	2016		2015	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Cash and bank deposits	20 432	20 432	27 749	27 749
Accounts receivable	54 772	54 772	48 938	48 938
Financial liabilities				
Other long-term liabilities	20 000	20 000		
Accounts payable	14 887	14 887	6 297	6 297

Note 23: Events after the balance sheet date

With reference to the Annual General Meeting on April 19, 2016, Nordic Semiconductor has on February 22, 2017, granted 1,625,412 share options to employees and primary insiders. On the AGM the Company was given the approval to issue up to 1.7 million options in 2017, equivalent to approximately 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 exercisable over a three-year period and expire after five years. The options were granted at a strike price of NOK 35,77 (10% above volume weighted average share price the week following Q4 2016 results). If the company's share price exceeds a cap of NOK 107.31, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

Otherwise, no events have occurred since the end of the fiscal year which are expected to materially affect the financial statements.

Note 24: Related party transactions

Nordic Semiconductor Group is listed on Oslo Stock exchange. The Groups parent company is Nordic Semiconductor ASA. The group has no material transactions with related parties.

Declaration to the Annual Report

Responsibility Statement

- The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, the financial statements for 2016 have been prepared in accordance with current accounting standards and give a true and fair view of the company and the group's assets, liabilities, financial position and results of the operations.

- We also confirm the report by the Board of Directors provides a fair overview of the company and its development, financial results and position, and describes the company's key risks and uncertainties.

Oslo, 15 March 2017

Terje Rogne
Chairman

Anne-Cecilie Fagerlie
Board member

Craig Ochikubo
Board member

Beatriz Malo de Molina
Board member

Tore Valderhaug
Board member

Lasse Haugnes Olsen
Board member, employee

Joakim Ferm
Board member, employee

Asbjørn Sæbø
Board member, employee

Svenn-Tore Larsen
Chief Executive Officer

STANDARDS OF CORPORATE GOVERNANCE

The Board of Directors and management of Nordic Semiconductor aim to execute their respective tasks in accordance with the highest standards for corporate governance.

Nordic Semiconductor's standards for corporate governance provide a critical foundation for the company's management. These principles must be viewed in conjunction with the company's efforts to constantly promote a sound corporate culture throughout the organization. The company's core values of respect, trust, accountability and equal treatment are central to the Board's and management's efforts to build confidence in the company, both internally and externally. Nordic Semiconductor is a UN Global Compact (UNGC) signatory and is committed to the Ten Principles as set forth by the UNGC in the areas of Human Rights, Labor, Environment and Anti-corruption. Nordic Semiconductor has adopted the Electronics Industry Citizenship Coalition (EICC) Code of Conduct, which specifically focuses on topics relevant for the electronics industry, and promotes this to ensure sustainable business operations and supply chain. Additional information on this work can be read in the annual Corporate Social Responsibility report, as published on Nordic Semiconductor's website.

Nordic Semiconductor's principles for corporate governance are based on Norwegian law, regulations by the Oslo Stock Exchange and the Norwegian Code of Practice for corporate governance published on October 30, 2014. The company's policy on corporate governance are published each year in the annual report, and described in detail below.

Activities

Nordic Semiconductor's Articles of Association states, "The object for which the company is established is the development and sale of electronic components, integrated circuits, design tools and related solutions."

Nordic Semiconductor designs, sells and delivers integrated circuits and related intellectual property for use in short and long-range wireless applications. The company specializes in ultra-low power components, based on its proprietary 2.4 GHz RF and Bluetooth low energy. All manufacturing and direct distribution of components are outsourced to specialist subcontractors. The company is headquartered in Trondheim and Oslo, Norway, and has offices in Finland, USA, Poland, Hong Kong, China, Korea, Japan, Taiwan and the Philippines.

Equity and dividends

The company's growth philosophy, as well as the cyclicality of its business, means that the company will undertake to maintain a high equity ratio and considerable liquidity.

The company aims primarily to provide shareholders with returns in the form of appreciation of the shares and has a long term goal to pay dividends based on surplus cash generated by the company. This assumes that the company's needs for financial strength relative to operational requirements and new investments are addressed. The company's dividend policy is reviewed each year by the Board of Directors. The Annual General Meeting can mandate the Board the authorization to pay dividends based on the latest approved Annual Report. The justification for this authorization needs to be explained and should reflect the company's dividend policy.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held April 19. 2016, has been authorized to buy back up to 16,300,000 own shares for a total par value of NOK 163,000.00 in one or more transactions. The authorization is limited to 10 percent of the company's share capital, and the price per share which the company may pay for shares acquired in this manner shall not be less than the par value nor greater than NOK 200. This power of attorney will remain in effect until the company's ordinary annual general meeting in 2017.

In accordance with the decision passed at the general meeting held April 19. 2016, the Board of Directors has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a total par value of NOK 163,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including strengthening the company's shareholder's equity, to execute share capital increases with one or more strategic partners, or to complete a merger or acquisition using shares or cash. This power of attorney will remain in effect until the company's annual general meeting in 2017, and can be implemented through a private placement, rights issue or public offering.

Nordic Semiconductor has one class of shares, where each share has one vote at the company's shareholders' meeting. Nordic Semiconductor strictly adheres to the principle of equal treatment of all shareholders. The company's transactions in its own shares are conducted in accordance with good stock exchange practice in Norway.

If the Board wishes to quickly raise capital, the Board has been authorized to direct a share capital increase to selected investors chosen by the Board, up to the limits quantified above. In this event, the company will notify the stock exchange of its reasons for implementing a directed share placement. Existing shareholders' preemptive subscription rights under §10-4 in the Norwegian Companies Act can be waived under these circumstances.

Such capital increases shall be executed at or near the current stock price listed on the Oslo Stock Exchange. This authorization remains valid until the company's ordinary annual general meeting in 2017.

The company is generally cautious in regards to transactions with shareholders, members of the Board of Directors, senior employees or related parties to the above. To ensure that the best code of conduct applies, the company requires notification and review of any process or transaction in which both the company and a senior employee or member of the Board of Directors may have interests.

Nordic Semiconductor will seek to comply to the principles of equal treatment of related parties and possible transactions with related parties that are laid down in the Norwegian Code of Practice for Corporate Governance.

Freely negotiable shares
Nordic Semiconductor's shares are freely tradable and there are no restrictions on the sale and purchase of the company's shares beyond those pursuant to Norwegian law.

Annual General Meeting
The Annual General Meeting is the company's highest body and the shareholders exert their authority in the company through the Annual General Meeting. Nordic Semiconductor encourages all shareholders to participate and exercise their rights at the Annual General Meeting.

Nordic Semiconductor has an ambition to hold the Annual General Meeting in accordance with the Norwegian Code of Practice for Corporate Governance. The notice of the Annual General Meeting, including relevant information shall be announced and distributed at least 21 days in advance of the Annual General Meeting, and the final date for notification of attendance is three working days prior to the Annual General Meeting.

Shareholders who are unable to attend may vote by proxy. Members of the Board of Directors and the auditor attend the Annual General Meeting. The Annual General Meeting is chaired by a person independent of the company's Board of Directors and management.

Pursuant to the Articles of Association the following issues shall be discussed and decided at the Annual General Meeting

- Approval of the profit and loss account and balance sheet, including the allocation of annual profits and payment of dividends
- Appointment of members of the Board of Directors and nomination committee
- Determination of remuneration for Board members and the Auditor's fee
- Remuneration of executive management. The remuneration of executive management should be a separate appendix to the agenda for the annual general meeting and separate votes should be held on these aspects.
- Any other matters mentioned in the meeting notice

Nomination Committee
Nordic Semiconductor has a Nomination Committee which is elected with a defined mandate during the Annual General Meeting. The Nomination Committee's duties are to represent the interests of the shareholders in general, and to propose qualified candidates for the Annual General Meeting's election of the Board of Directors as well as to propose the remuneration to the Board of Directors. The Nomination Committee will provide reasons for its recommendation in the notice for the AGM, including information on the candidates' competence, capacity and independence. The nomination committee holds regular meetings with major shareholders as well as management and the induvidual shareholder elected Board member. In addition, all shareholders can submit suggestions to the nomination committee through a link on Nordic's webpage.

The Nomination Committee consists of three members who are shareholders or who represent the shareholders. The company's executive personnel are not represented on the Nomination Committee. The deadline for submitting proposals to the Nomination Committee is one month before the Annual General Meeting

The members of the Nomination Committee are:

- John Harald Henriksen
- Bjørnar Olsen
- Thomas Raaschou

The composition and independence of the Board of Directors
The Board of Directors and the Chairman of the Board of Directors are elected by the shareholders at the Annual General Meeting on the basis of proposals from the Election Committee.

Both the Chairman and the shareholder-elected members of the Board of Directors are elected for a term of up to two years. A more detailed description of the background, qualifications, and term of service of each member of the Board of Directors and the number of Nordic Semiconductor shares they own are provided in the annual report. Members of the Board are encouraged to hold shares in the company.

The composition of the Board of Directors meets the requirements of the Norwegian Code of Practice for Corporate Governance with respect to members' independence of the executive management and with respect to important business relationships. The independence of the members of the Board of Directors is also evident in the fact that there are few instances of disqualification in connection with matters dealt with at Board meetings. Representatives of the executive personnel are not members of the Board of Directors.

The work of the Board of Directors
The conduct of the Board of Directors is in accordance with the Board instructions of Nordic Semiconductor ASA. In accordance with the said instructions, the Board is responsible, to the degree necessary, for approving business strategies and budgets for the company. The Board is also responsible for ensuring that the company has a competent management with clear internal distribution of responsibility and work.

Each year, the Board of Directors adopts a specific meeting and activity plan for the following year. This plan covers strategic planning, monitoring of the business, and other relevant business issues. The Board's activ-

ity plan for 2017 stipulates eight meetings, two of which are scheduled for all day meetings to discuss and explore strategy and technology-specific issues.

The Board of Directors carries out an evaluation of its activities each year and on this basis discusses improvements in the organization and implementation of its work.

The Board has established a Compensation Committee to discuss and decide the remuneration principles for the CEO and executive management.

In 2014, the Board established an Audit Committee. The Audit Committee consists of two members of the Board both of which are independent of Group Management. The Committee has collectively the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and both member has the required qualifications within accounting or auditing.

The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings. It has no decision-making authority.

The Audit Committee held 6 meetings in 2016 and has been in regular contact with the Company's auditor regarding audits of the statutory accounts and it also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

Risk Management and internal control
The Board and management are committed to ensuring that the company maintains sound and effective internal controls to safeguard the value of the enterprise, as well as its principles of ethical conduct and corporate social responsibility. Nordic Semiconductor's risk management system is fundamental to the achievement of its financial goals.

The company's primary internal control routines related to financial reporting are as follows:

The finance team prepares a monthly financial report which is distributed to and reviewed by CEO and the Board of Directors. In preparing the monthly financial report, the accounting team conducts reconciliations of all major balance sheet items, which are independently reviewed by a second member of the team. Balance sheet items subject to accounting estimates are regularly analyzed to ensure that all assumptions relating to the accounting estimate remain valid. As part of the monthly financial report, the financial results are compared with the company's budget and prior forecast to analyze variances and ensure that they are not the result of incorrect reporting.

Each year, the external auditor performs tests of the company's internal control routines. The quarterly and annual financial reports are also subject to review and approval by the Board. In addition, the Board of Directors performs biannual reviews of the company's business strategy focusing on market development, technology updates, competitive positioning and risk factors.

The Board presents an in depth description and analysis of the company's financial status in the Report of the Board of Directors in the company's annual report. The report also describes the main drivers and risks related to the operation of the business.

Remuneration to the Board of Directors
All remuneration to the Board of Directors is disclosed in Note 10 of the Nordic Semiconductor Group annual accounts.

Members of the Board of Directors receives remuneration for work related to Board committees. The remuneration to Board members is not performance based, and the company does not provide share options to Board members.

Remuneration of the Executive Management
The Board of Directors discusses and approves the terms and conditions for the CEO once a year and monitors the general terms and conditions for other senior employees of the group.

The main principle in the Company's policy for remuneration and compensation is that the leading employees shall be offered competitive terms, so as to achieve the desired competence and incentives in the Company's executive management team. Salary and other benefits for executive management will in the current year be established in accordance with the above-mentioned main principle.

The Company has established an annual performance bonus for the executive management team, in which the manager must remain within his position until the start of the following year in order to be eligible. The bonuses are awarded through a direct cash payment. Performance-based compensation will be subject to an absolute limit and fulfillment of performance criteria, both decided by the Board at its discretion.

Information and Communications
Nordic Semiconductor strives to communicate actively and openly with the market. Nordic Semiconductor's accounting procedures are highly transparent and its financial statements are prepared and presented in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors monitors the company's reporting.

Nordic Semiconductor's financial reporting calendar for 2017 has been announced to the Oslo Stock Exchange and can be found on the company's website. The company's annual and quarterly reports contain extensive information about the various aspects of the company's activities. The company's quarterly presentations are transmitted directly on the internet and may be found on Nordic Semiconductor's websites together with the quarterly and annual reports. A comprehensive and detailed presentation of other information, reports and documents may also be found on Nordic Semiconductor's websites. The company always ensures that all shareholders are treated equally as regards access to financial information.

Nordic Semiconductor's Chief Financial Officer is responsible for contact with shareholders apart from the General Meeting. The Chief Financial Officer reports regularly to the Board about the company's investor relations activities.

Takeovers
The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's activities or shares. In the event of a takeover bid, as discussed in item 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will seek to comply with the recommendations therein as well as complying with relevant legislation and regulations.

If the Company is acquired, the CEO's resignation period extends to 12 months, and any remaining retention bonus to the CEO will be paid in its entirety following the closing of the acquisition, as described in Note 10 of the Group financial statements. There are otherwise no material obligations expected by the company as a result of an acquisition, aside from normal legal and advisory fees.

Auditor
EY has been elected by the Annual General Meeting to act as auditor to confirm to the Annual General Meeting that Nordic Semiconductor's annual accounts have been prepared and presented in accordance with current laws and regulations. Fees paid to the auditor are approved at the Annual General Meeting.

In the fall, the external auditor presents to the Audit Committee an evaluation of risk, internal control and the quality of reporting at Nordic Semiconductor, and the audit plan for the current year. The external auditor also takes part in the Board's discussions on the annual financial statements. On both occasions, the Board of Directors ensures that the Board and the external auditor are able to discuss relevant matters at a meeting at which the executive management is not present.

The auditor shall be independent of the company. As a consequence, Nordic Semiconductor does not engage the elected auditor for tasks other than the financial audit required by law. Nevertheless, the auditor is used for tasks that are naturally related to the audit, such as technical assistance with tax returns, annual accounts, understanding of accounting and tax rules and confirmation of financial information in various contexts.

AUDITOR OPINION LETTER

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nordic Semiconductor ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nordic Semiconductor ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2016, the income statement, the statement of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Nordic Semiconductor ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition – ship and debit provision

Revenue from sale of components is recognized at the time of delivery to the distributors, which is usually the time when the components are transferred to the transport carrier. When a distributor sells components to specified customers, the distributor will receive a discount after the sale is made, commonly known as ship and debit discount. The related provision is primarily determined by assessing historical discounts to each distributor, the distributors' inventory levels as of 31 December 2016 and assumed sales mix. Due to the estimates involved in measuring the ship and debit provision, we determine such ship and debit provision to be a key audit matter.

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The Group recorded a ship and debit provision of USD 9.1 million as of 31 December 2016. As part of our audit procedures, we assessed the Group's revenue recognition policy, including revenue recognition for ship and debit sales. Further, we obtained an understanding of management's process for estimating the ship and debit provision as of 31 December 2016 and read a sample of distributor sales agreements. We compared the estimated ship and debit provision as of 31 December 2016 to historical discount levels and held discussions with management to evaluate their estimated distributor discounts on an individual distributor basis. We considered the accuracy of management's prior year estimates by comparing actual discounts in 2016 related the prior year ship and debit provision, and evaluated the level of consistency in the provision methodology from previous years. We also tested the mathematical accuracy of the provision calculation.

Refer to Note 2.2, Note 2.11 and Note 20 in respect of the Group's revenue recognition policy, including significant judgments, estimates and assumptions, and the recorded ship and debit provision as of 31 December 2016.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and CEO (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

Building a better working world

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Building a better working world

Oslo, 15 March 2017
ERNST & YOUNG AS

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

SALES & MARKETING

One of the defining features of Nordic Semiconductor's global sales organization is how well it successfully builds long-term relationships with Nordic's customers and distribution partners.

From start-ups to global blue chip giants, customers come to not only respect Nordic, but to also enjoy working with the company, trust the company, and feel they can rely on the company to support them if they run into technical difficulties.

> *Nordic's technical support proved outstanding and the company's technical engineers were always very responsive.* DAVID TUNNELL, NXT-ID

This ultimately develops a loyalty and closeness of relationship between Nordic and its customers that is extremely rare within the global semiconductor industry, and supports a wide and diverse customer base.

This positions Nordic extremely well to take advantage of the "long-tail" nature of emerging Internet of Things (IoT) industries that are likely to be initially categorized by many small to medium-sized customers, instead of a small number of giants.

> *This is our first time working with Nordic and we have been extremely impressed with the support the company has provided* NEERAJ LAL, PURILLUME

The 'Nordic quality' of customer relationship is built and maintained via careful recruitment and a very flat, tight-knit sales team organizational structure.

This includes holding regular – local and global – sales seminars and meetings where the entire Nordic sales team is encouraged to come together, report on progress, and compare their latest customer learnings and insights. This ensures every member of the sales team stays in regular contact with each other and senior management. In this way Nordic feels it maintains its "finger on the pulse" of what its customers are doing.

Beyond that, each member of the sales team is fully empowered to work in whatever way they find is most effective for them.

This culture produces both highly motivated, informed, and happy employees as well as customers, and is at the heart of Nordic's strong sales results and growth rate over the years.

Structurally, Nordic Semiconductor's sales organization is headquartered in Oslo, Norway, with regional sales offices in the U.S, China, Hong Kong, Japan, Korea, and Taiwan.

In operation, this organization is run by a single global sales & marketing director (Geir Langeland); three regional sales directors (Ståle "Steel" Ytterdal in Asia; J. Darren O'Donnell in the Americas; and Magnus Pedersen in Europe);

Geir Langeland
Sales and Marketing Director

with local technical regional sales managers (RSMs); local field applications engineers (FAEs); and distribution partners located worldwide.

> *The support we received from Nordic's local distributor, and the Nordic Developer Zone, really helped us in development.* SHEN AO, BEIJING TONG YU DAO

Nordic's largest high-volume customers are also assigned dedicated RSMs. These will spend a significant proportion of their time focusing on that customer, all the latest developments within the customer's products and key markets, and on keeping that customer fully up-dated on the latest relevant product developments within Nordic. Indeed, all of Nordic's largest customers have some influence over which features and tools are included in next-generation Nordic product Series.

Nordic has also just successfully completed yet another Nordic Tech Tour (this year – and for the very first time – in Australia and New Zealand) where it takes its top internal engineers on the road around the world to meet customers new and old, introduce the latest developments in Nordic's ultra-low power "ULP" wireless technology, and train customers hands-on in how to use it. This has proved a powerfully effective promotional sales tool in Asia, the Americas, and Europe.

Nordic outsources responsibility for all direct component distribution to its distribution partners, including all warehousing, end-customer invoicing, and logistics within each global region.

The company also invests heavily in targeting its website towards engineering and developer customers, while generating significant of publicity within the world's leading relevant press publications. During 2016, Nordic published on its website over 90 unique news stories and each quarter produced a 24-page customer technology magazine, ULP Wireless Q available in print, electronic PDF, iPad, Android, and iPhone versions.

All this helps build the right perception of Nordic as a company at the critical first evaluation stage (see next section). This is particularly important for new customers that may be unfamiliar with the company: an increasingly common scenario in emerging IoT markets and the brand-new market segments for ULP wireless technology that this is creating.

The sales process generally runs through a number of well-defined phases before a component can begin to be shipped.

1. Evaluation
Nordic Semiconductor's components are typically compared with those of up to three or four competing suppliers. This can run from a simple web-based search and comparison of technical specifications; through the customer meeting a Nordic RSM or FAE; and all the way up to the customer running its own in-depth, in-house trials.

Nordic performs well in all these scenarios.

2. Prototyping
The next stage in the sales process will be where a customer makes a first product prototype with components from Nordic Semiconductor, often based on a Nordic chip-based 'drop-in' module or an evaluation kit. In both instances the majority of RF engineering and qualification has already been done to minimize development time.

3. Pre-production
A small series product run is produced to test the end product from a marketing perspective and/or with key customers.

4. Regulatory approval
All end products must be approved in accordance with national and/or regional regulation for sales of electronics and RF products.

5. Volume production
This is achieved after the steps above have been completed and after the project has passed the internal product release criteria of a customer.

The above introductory sales and development phase usually takes 12-18 months, from the start of the evaluation phase until the shipping of the finished product.

Once a product is released with a Nordic Semiconductor wireless solution, customers are generally interested in building a platform for future releases of related products. This approach is advantageous to the customer as it speeds up time-to-market and lowers the development cost of subsequent products.

Nordic Semiconductor expects demand for its wireless solutions to grow dramatically in the coming years, as the IoT market continues to expand and as wireless connectivity becomes a standard feature in many new products, new product categories, and new vertical markets (such as disposable medical). The company believes that its Bluetooth low energy wireless technology – and its latest Bluetooth 5 offerings that extend the range of Bluetooth low energy by up to 4x to offer "whole house" coverage for the first time while offering best-in-class security features – will be a core building block behind an on-going wave of new wireless products. These products will all be capable of being controlled, monitored, and configured wirelessly. In particular, the company expects the following growth opportunities to emerge across all its major target business segments:

FIRST-TO- MARKET : BLUETOOTH 5
Nordic Semiconductor was the first company in the world to launch a Bluetooth 5 ready SoC, development kit, and software solution in 2016. This allowed its customers to immediately start taking advantage of the 4x extended range and 2x bandwidth offered by Bluetooth 5 and help them be first-to-market with their own product applications.

PC & tablet accessories
PC accessories have traditionally been Nordic's largest business segment. The company estimates that only a minority of PC buyers purchase a wireless mouse/keyboard with a new PC (including aftermarket purchases), leaving a large unaddressed market for such wireless accessories among PC users.

In addition to PC accessories, Bluetooth low energy wireless technology also creates new opportunities for Nordic to address the tablet wireless accessory market. Tablets are beginning to encroach on the traditional portable / laptop PC markets, and sales of tablet-targeted wireless keyboards (that typically double up as a tablet screen protector or cover) are rising rapidly. By employing Bluetooth low energy ULP wireless technology, maximum product compatibility and battery life is assured, plus the ability to support very low profile and light-weight designs because Bluetooth low energy accessories can run off small coin cell ('watch') batteries for many months or years. One prime example is tablet pens, whose wireless connectivity is commonly enabled by Bluetooth low energy.

Mobile & wearable devices
Mobile and wearables is a rapidly-growing ultra-low power wireless market and includes sensors for sports & fitness, health & medical monitoring, smart clothes, smart jewelry and fashion, hearing aids, wearables for payments, smartphone accessories, and smart watches.

The Smartphone is an ideal device to connect with mobile and wearable wireless accessories due to its huge market volumes, portability, compatibility with wireless standards, large user-friendly touch-screen interface, and ease of downloading new apps for interacting with a wireless accessory of choice.

That said a new generation of mobile devices and wearables is under development that employ the latest version of Bluetooth low energy wireless technology and will be able to connect to the Internet and cloud services directly without need of a smartphone. This is a major new and exciting market for ultra-low power wireless technology that Nordic already offers targeted product solutions for, including IPv6 over Bluetooth low energy.

The healthcare industry is a particularly good example. Here Bluetooth low energy technology will enable cost-effective monitoring of a growing elderly population (e.g. fall-detection) as well as patients with chronic illness whose condition needs to be carefully managed. Prime examples include high blood pressure, diabetes, and heart ailments that can be continuously monitored through a body-worn wireless health sensor, and when connected to a cloud server can also transfer medical data to healthcare providers.

Smart home & consumer electronics devices
This category includes wireless solutions for smart home and home automation appliances (including Apple HomeKit and Google Nest), wireless charging solutions, plus more familiar smart TVs and set-top boxes, gaming controllers, and wireless/smart toys.

Wireless solutions are currently being implemented in a broad range of smart home and consumer electronics appliances to enable appliances throughout the home to wirelessly connect with users via a smartphone or another wireless remote control unit, as well as each other. Bluetooth low energy is an ideal wireless solution for many of these embedded applications.

Wireless battery charging is also a potential growth industry and one that could employ Bluetooth low energy wireless technology to wirelessly transfer key information such as battery type and charge status from the electronic device to the charger. This enables the wireless charger to manage the charge session between the charger and the device.

Industrial & consumer IoT sensor networks
This category, which is the leading edge of the forthcoming IoT revolution and remained one of Nordic's fastest growing sales segments during 2016, includes: building sensors for energy management; industrial automation; automotive infotainment; asset tracking; maps and location services; access and security control; beacon-based promotional campaigns and enhanced multimedia experiences for theme parks and stadiums; and customer information, behavioral pattern analysis, and public services in transport.

In addition, wireless sensor networks can provide information about a device or item of machinery's internal operating conditions and external environment to ensure that problems are quickly identified and maintenance routines optimized.

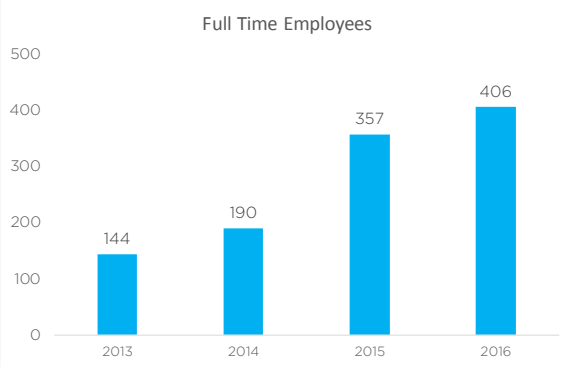
Bluetooth low energy provides a very attractive standard for building wireless IoT sensor networks, based on its compatibility with a huge existing installed base of smartphones, computers, and other devices that can be used to configure and monitor such networks with ease.

EDUCATION: THE BBC micro:bit GOES GLOBAL
With the U.K.'s deployment complete, the newly-formed micro:bit Educational Foundation is working on rolling out the Nordic Semiconductor-based device to the whole-of-the-word. Iceland, Singapore, China, the Netherlands, and Norway are already adopting their own micro:bit schemes.

PRODUCT DEVELOPMENT

Nordic Semiconductor's Research and Development (R&D) department comprises of highly-qualified teams of engineers developing world-leading technology for wireless connectivity applications. The company's focus is ultra-low power (ULP) solutions based on proprietary 2.4 GHz, ANT, and Bluetooth low energy wireless technologies, plus Low Power LTE.

The number of people working within the Nordic R&D organization grew during 2016 from 357 to 406. The organization also added a new "IoT Labs" R&D office based in the U.S. at Portland, Oregon.



Since opening Nordic's low power LTE R&D offices in Finland two years ago, we are seeing further successful integration, inter-office collaboration and cross-fertilization of experience, and synergies between our product lines,

A key success factor has been Nordic's ability to scale its existing infrastructure in such key R&D areas as:

- Internal design processes and quality systems
- Technology and design blocks from other Nordic R&D and new product development projects
- Shared CAD tools, including a common data center
- Shared resources for design verification
- Established and proven existing foundry and test suppliers such as TSMC, ASE, and AMKOR

With the increase in size of the R&D organization Nordic continues to increase its R&D output. In 2016 the R&D department delivered a record number of new ICs, software solutions (protocol stacks, SDKs (software development kits), programming tools, and application examples. It also delivered more world-leading customer technical support to more customers than ever before.

The Nordic R&D department organizes its products and services organized into four main categories:

- IC Development
- Software Development
- Application Development
- Support

Svein-Egil Nielsen
Chief Technology Officer

> *We recruit only the best engineers, ensuring a vibrant innovative environment.*

IC Development:
2016 began with the Nordic nRF52832 System-on-Chip (SoC), launched in June 2015, going into full volume production. This was the culmination of a very large, multi-year development project to develop the world's leading Bluetooth low energy SoC. It was also Nordic Semiconductor's first new device in the TSMC 55nm ULP process. Earlier generations of ICs from Nordic have been in older 0.18µm processes. Moving our new products into 55nm is a significant technology milestone for the company.

In the six months between its launch and the nRF52832 going into volume production, many customers began developing new product designs based upon it. This strong interest allied with Nordic's ability to support customers early with development kits and software, led to a production volume ramp-up quicker than at any time in the company's history. This success left Nordic with the challenge of producing high volume, high quality products, in a brand new process node to a high yield, a challenge the R&D department has focused a considerable amount of resource towards achieving.

With the Nordic nRF52832 SoC moving into volume production, we put the development of Nordic's latest nRF52840 SoC into a high gear. We aimed to provide our customers, yet again, with the best Bluetooth low energy single-chip SoC device on the market. A device with even more features than the nRF52832 and with full support for the latest Bluetooth 5 specification. We proudly launched the nRF52840 at the beginning of December to coincide with the official launch of Bluetooth 5 from the Bluetooth SIG. Launching a new chip at Nordic Semiconductor involves much more than drafting a press release: it also means (unlike most of our competitors) launching all the tools a developer will need to start immediately developing a new product based on that SoC.

This typically includes having all required SDKs and software programming tools available in volume (including the necessary Bluetooth software stacks), and making technical training available for customers. As with the launch of nRF52832, we believe our successful launch of the nRF52840 will enable Nordic to quickly ramp-up volumes when this device is ready for production towards the end of 2017.

The nRF52840 SoC, and subsequent devices in the Nordic nRF52 Series, will enable Nordic to capitalize on the large R&D investments made into new process technologies, architecture, and RF design that went into the original nRF52832 SoC.

Further, by streamlining our chip development teams with added staff during 2016, Nordic is now able to concurrently develop multiple product families. This means that while the company extends its nRF52 Series range of SoCs, we are already hard-at-work (and progressing rapidly with) developing our next-generation nRF53 Series of devices.

During 2016 there has also been a lot of progress in the development of Nordic's Low Power LTE products. The efforts to develop our Low Power LTE chip-set is done by a cross-office team, from Finland and Norway, where the Finnish team provides key cellular wireless technology experience and the Norwegian team adds their ultra-low power wireless expertise. We believe that pairing these two core skills will enable us to develop truly unique devices.

During 2016, Nordic completed its second RF prototype chip and a full SoC prototype tape-out which we expect back early 2017. Nordic is also building strong industry partnerships with key LTE technology providers, infrastructure vendors, and telecom operators. The company has also completed an extensive laboratory setup built for optimized pre-silicon RF modelling and power measurement using automated protocol testing and RF shielded chambers.

Software Development

Software development is a crucially important part of Nordic Semiconductor's on-going commercial success and a core capability in R&D. The software group regularly delivers updated SoftDevices (protocol stacks for Bluetooth low energy and ANT) to our customers, enabling them to take advantage of the latest features and specifications. In addition to the SoftDevices, we provide our customers with robust SDKs, complete with sample code (enabling our customers to go to market quicker) and development tools to enable rapid development.

We released a number of production, alpha, and beta SoftDevices last year. The majority of these were general releases for Nordic's entire customer base, but some releases were targeted at specific customers with very special needs. With our flexible software architecture and ability to do OTA (Over-The-Air) wireless firmware updates, we offer customers the ability to update and add functionality to their products as well as fix any bugs and problems. The reason this is important is that flexible and upgradeable solutions allow designers to reach the market more quickly by giving them the confidence that any problems that arise later, such as interoperability issues, can be addressed when the product is in the field avoiding a costly product recall or warranty repair process.

A significant effort is now ongoing into building our LTE-M and NB-IoT protocol stacks for our Low Power LTE products. These are large, extensive systems but we are making strong progress reflected by a current codebase of more than 1.5 million lines of code.

Approximately every quarter we have a major refresh of our nRF SDK. This involves adding support for new profiles and making updates that incorporate both internal and customer feedback. We also release specialized SDKs, such as the one we provide for Apple HomeKit. This SDK provides developers with a unique solution for HomeKit products that meets all requirements on size, power consumption, and performance.

Application Development

The application group creates development kits, reference designs, demo designs, and apps for all three major mobile operating systems: iOS, Android, and Windows Mobile. A couple of highlights from the long list of solutions in 2016 include:

- Adding significant improvements to our nRF Remote Control Reference Design, adding unique functions to our platform enabled by the Nordic's latest nRF52 Series of SoC chips.

- The Power Profiler Kit which is an easy-to-use tool for the measurement and optimization of power consumption. This kit allows customers to easily verify that Nordic's SoCs are indeed best-in-class in terms of power consumption versus competitor offerings. This is a very hard, and often unreliable exercise to do by comparing data sheets.

Support
Nordic Semiconductor prides itself on providing world-leading technical support to all its customers via a large team of highly skilled, trained, and motivated technical support engineers. Every customer, whether startup, SME, or blue chip is treated as equally as possible by Nordic Semiconductor. We guarantee rapid response and well-prepared solutions (i.e. tested by us to make sure they work).

The majority of Nordic technical support has traditionally been handled by our technical support ticket system; but the Nordic Developer Zone is increasing in both traffic (and therefore) importance and as a fast-track way for customers to solve many common issues themselves. In 2016, we reached 15,000 questions/posts on the forum, which is now represents a formidable searchable archive of knowledge in its own right.

Standardization
Beyond the development work with which our staff is engaged, we also contribute to standardization work. Nordic has for many years been an active contributor to the Bluetooth specification through its engagement in the Bluetooth Special Interest Group's (SIG) working group and committees. We have been particularly active in the development of Bluetooth core technology providing our insight into ultra-low power wireless technology and customer needs. We are involved in many other standards bodies, developing and influencing specifications. For example, we are active in the Rezence wireless charging standard developed by A4WP, NFC Forum and 3GPP.

Organizational Culture
Nordic's R&D organization thrives on being an environment where everyone's contribution matters, everyone has a voice, and everyone is involved. We are a lean organization that strives to sustainably meet even the toughest on-going challenges through close collaboration. Employees are empowered to make decisions even at lower levels of the organization to enable rapid decision making. We recruit only the best engineers, ensuring a vibrant innovative environment, and we do not compromise on our high standards.

Nordic Semiconductor's R&D department employs a customer-focused approach and is committed to providing off-the-shelf solutions to thousands of customers, while at the same time retaining the flexibility to be able to develop targeted solutions for key application segments and customers with more specialized needs. With our flexible IC and software architecture, robust solutions, willingness to support customers, and "whatever it takes, can-do" attitude, we provide the ultimate peace-of-mind for any engineer, and indeed, company, employing Nordic's world-leading ultra-low power wireless connectivity chips and solutions.

SUPPLY CHAIN

Fabless
Nordic Semiconductor outsources the capital intensive processing of silicon wafers as well as packaging and test, to highly specialized subcontractors, mainly located in South-East Asia.

Subcontractors are selected based on a combined assessment of a range of qualities, hereunder

- Costs
- Manufacturing Capacity
- Financial robustness and long term business perspective
- Technology leadership and roadmap alignment to Nordic Semiconductor's requirement.

Deep relations to key suppliers built over many years gives access to capacity and ability to adapt to seasonal variations.

The company's subcontractors are all qualified to relevant quality- and operations standards of the industry, including ISO 9001 and TS 16949.

Strategy
The development of leading edge semiconductor devices requires sophisticated and complex interaction between the design company and the manufacturing service provider. The cornerstones of the Nordic Semiconductor's supply chain strategy can be outlined as follows:

- Forge long term relationships with a compact, strategic set of suppliers
- Continuously pursue improvement in efficiency and cost as well as quality, through data-driven decision making
- Create value through pushing the opportunities and boundaries of technology
- Empower suppliers and employees for effective decision making
- Gain supplier confidence and access to technology and capacity through predictable forecasting and purchasing patterns

Operations
The Nordic Semiconductor's manufacturing cycle starts with demand projections made by the Sales organization, and ends with the delivery of finished products to the warehouse, where Sales and the distribution channel take charge again. Thus, in short, the task of the Supply Chain department is to produce products according to demand, at cost, at quality, and in time.

Management of operations takes place out of offices in Taiwan and the Philippines, respectively staffed with seven and fifteen persons. In addition, two key liaison personnel for product development as well as planning are located in Oslo.

The Supply Chain group seeks to develop relations and communications channels to its vendors at multiple levels. Audits are conducted at regular intervals, and quarterly business reviews are undertaken with critical suppliers, often with involvement at CEO level.

Ole Fredrik Morken
Supply Chain Director

> *We seek to develop relations and communications channels to vendors at multiple levels.*

In addition to Supply Chain management, the group also maintains responsibility for development of the hardware and software related to automated test of the company's devices.

Consigned Testers
Nordic Semiconductor considers capacity to test its devices to be a critical success factor, and consequently has decided to own most of the automated test equipment employed in its operations. The actual operation of the testers takes place on a consigned basis at the company's subcontractor facilities. The company is fully committed to making necessary investments in automated semiconductor test equipment

Sourcing Risk Management
For products representing a significant portion of the company's revenue, Nordic Semiconductor strives to run manufacturing through at least two sources that ideally are geographically and politically dispersed

Multiple sourcing is implemented both for wafer manufacturing and back-end operations and serves not only as a means to ensure uninterrupted supply but also allows direct gage of performance among suppliers.

One notable supply disruption was recorded for 2016, wherein a technical concern related to a new product prevented meeting the original expectations to volume ramp.

INVESTOR RELATIONS

The main objectives of the shareholder policy of Nordic Semiconductor are the following:

- The shareholders of the Company will over time achieve a competitive return relative to the underlying risk of the Company's operations. The return for shareholders will be a combination of appreciation and dividend.
- The company aims primarily to provide shareholders with returns in the form of appreciation of the shares and has a long term goal to pay dividends based on surplus cash
- In order to follow its growth philosophy and make substantial investments in research and development, the Company will endeavour to maintain a high proportion of equity and significant liquidity.
- The Company will create circumstances to increase the liquidity of Nordic Semiconductor's shares, not least through an open, transparent and reliable information policy.

Financial Reporting and Investor Relations
Nordic Semiconductor will publish financial reports for 2017 as follows:

Interim Report Q1 2017	April 24, 2017
Interim Report Q2 2017	July 13, 2017
Interim Report Q3 2017	October 17, 2017
Interim Report Q4 2017	February 15, 2018

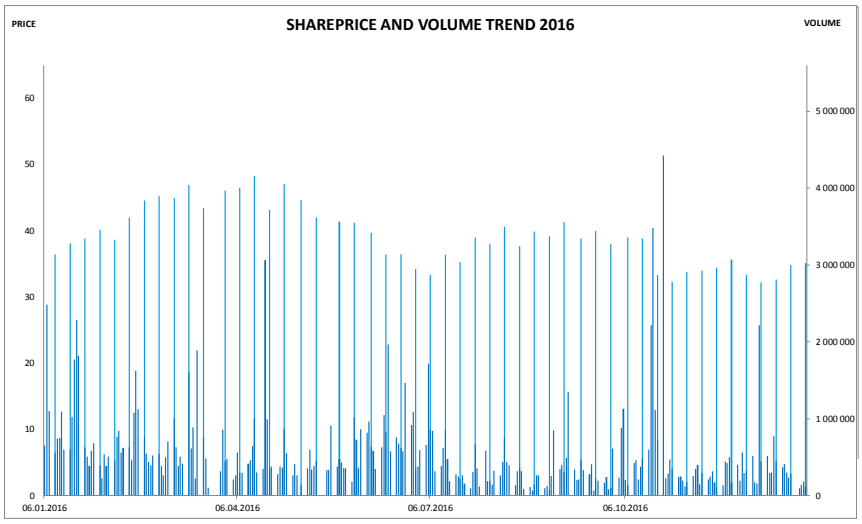
The Annual General Meeting of Shareholders of the Company is planned to be held following the Q1 financial presentation in Oslo, at 9:00 am, on Monday April 24, 2017.

Pål Elstad
Chief Financial Officer

> *As Nordic's reach escalates and the shareholder base expands - open communication across channels is recognised as being vital for maximising shareholder value.*

Presentations will be held for shareholders, brokers, analysts and the press in connection with the publication of the annual and interim reports. The Company prioritizes open communication with investors and financial markets.

The intention is to increase knowledge about Nordic Semiconductor ASA through openness and adequate information, thereby encouraging interest in the Company and ensuring that the price of the Company's shares will reflect the fair value of the Company.



The Company will provide up-to-date information about events of significance for the determination of the fair value of the Company through announcements on the Oslo Stock Exchange, press releases and information on Nordic Semiconductor's website www.nordicsemi.com. The annual and quarterly reports of the Company will be available on the Company's website: www.nordicsemi.com, as well as through the Oslo Stock Exchange.

Share Capital

The registered share capital in Nordic Semiconductor as of December 31, 2016 consists of one share class with a total of 163,481,600 shares with a face value of NOK 0.01, so that the total share capital is NOK 1,634,816. Each share grants the same rights in the company. The Company's shares are registered in the Norwegian Central Securities Depository (VPS) under VPS No. ISIN NO 000 3055501. The evolution of the share capital is as shown in the table below.

Changes	Date	Change in	Par value (NOK)	Changes in share capital (NOK)	New share capital (NOK)	Share issued
number of shares	Par value (NOK)	Changes in share capital (NOK)	New share capital (NOK)	Share issued	1 000 000	1 000 000
Status	Jan 1996	-	1.00	-	1 000 000	1 000 000
New share issue	Mar 1996	175 000	1.00	175 000	1 175 000	1 175 000
New share issue	Feb 1997	117 000	1.00	117 000	1 292 000	1 292 000
Share split (1:4)	Apr 1997	3 876 000	0.25	-	1 292 000	5 168 000
Conversion	Sep 1997	141 119	0.25	35 280	1 327 280	5 309 119
Conversion	Sep 1998	127 461	0.25	31 865	1 359 145	5 436 580
Conversion	Jun 1999	30 791	0.25	7 698	1 366 843	5 467 371
Conversion	Apr 2000	32 957	0.25	8 239	1 375 082	5 500 328
Option exercise	Jun 2000	16 666	0.25	4 167	1 379 249	5 516 994
New share issue	Oct 2000	550 000	0.25	137 500	1 516 749	6 066 994
Conversion	Apr 2001	28 127	0.25	7 032	1 523 780	6 095 121
Option exercise	Jun 2001	6 834	0.25	1 709	1 525 489	6 101 955
Option exercise	Jun 2002	4 270	0.05	1 068	1 526 556	6 106 225
Share split (1:5)	Apr 2004	24 424 900	0.05	-	1 526 556	30 531 125
Option exercise	May 2004	601 938	0.05	30 097	1 556 653	31 133 063
Option exercise	Jul 2004	600 000	0.05	30 000	1 586 653	31 733 063
Option exercise	Apr 2005	200 000	0.05	10 000	1 596 653	31 933 063
Option exercise	Apr 2005	400 000	0.05	20 000	1 616 653	32 333 063
Option exercise	May 2005	756 837	0.05	37 842	1 654 495	33 089 900
Option exercise	Feb 2006	2 044 220	0.05	102 211	1 756 706	35 134 120
Cancellation of shares	Sep 2009	(1 386 800)	0.05	(69 340)	1 687 366	33 747 320
Share split (1:5)	Jun 2010	134 989 280	0.01	-	1 687 366	168 736 600
Cancellation of shares	Oct 2012	(5 296 000)	0.01	(52 960)	1 634 406	163 440 600
New share issue	May 2016	41 000	0.01	410	1 634 816	163 481 600

Shareholder Structure

As of December 31, 2016, Nordic Semiconductor had 3,610 shareholders. The company had 262 foreign shareholders, which owned a total of 24,6% of the Company's shares, in comparison to December 31, 2015 were foreign shareholders owned a total of 30,8% of the company`s shares. Nordic Semiconductor also owned 1,03% of its own shares remaining after repurchases during 2016. Based on the number of shares, the composition of shareholders is as follows:

Top 20 shareholders	Holding per 31.12.2016	Percent	Holding per 31.12.2015	Percent
FOLKETRYGDFONDET	21 049 847	12,88 %	19 257 007	11,78 %
ACCELERATOR LTD	17 482 950	10,69 %	17 482 950	10,70 %
PASSESTA AS	4 860 000	2,97 %	5 663 680	3,47 %
VERDIPAPIRFONDET DNB NORGE (IV)	4 604 374	2,82 %	2 734 335	1,67 %
KLP AKSJENORGE	4 462 058	2,73 %	3 921 466	2,40 %
ALDEN AS	4 450 602	2,72 %	4 594 599	2,81 %
DNB LIVSFORSIKRING ASA	3 123 692	1,91 %	1 000 124	0,61 %
TORSTEIN TVENGE	3 000 000	1,84 %	2 500 000	1,53 %
DANSKE INVEST NORSKE INSTIT. II.	2 917 100	1,78 %	1 278 300	0,78 %
VERDIPAPIRFONDET DNB NORGE SELEKTI	2 884 849	1,76 %	856 099	0,52 %
KOMMUNAL LANDSPENSJONSKASSE	2 808 039	1,72 %	2 424 920	1,48 %
MP PENSJON PK	2 517 434	1,54 %	2 517 434	1,54 %
VERDIPAPIRFONDET PARETO INVESTMENT	2 399 000	1,47 %	715 000	0,44 %
SPENCER TRADING INC	2 100 000	1,28 %	2 100 000	1,28 %
SONGA AS	2 000 000	1,22 %	2 000 000	1,22 %
FOUGNER INVEST AS	1 914 992	1,17 %	1 020 000	0,62 %
TTC INVEST AS	1 750 000	1,07 %	1 750 000	1,07 %
NORDIC SEMICONDUCTOR ASA	1 685 819	1,03 %	1 000 000	0,61 %
SCAN CHEMICALS AS	1 625 000	0,99 %	1 740 000	1,06 %
INAK 3 AS	1 600 000	0,98 %	1 600 000	0,98 %
Total for the 20 largest shareholders	**89 235 756**	**54,58 %**	**76 155 914**	**46,60 %**
Other shareholders	74 245 844	45,42 %	87 284 686	53,40 %
Total shares outstanding	163 481 600	100,00 %	163 440 600	100,00 %

** Reflects total shareholding of the 20 largest shareholders as of 31.12.16 and 31.12.15. Several of the largest shareholders as of 31.12.15 do not appear on the list of the 20 largest shareholders as of 31.12.16.*

BOARD OF DIRECTORS

Terje Rogne (1960) Chairman of the Board

Shareholder elected

Terje Rogne is currently Chairman of Nokas AS and a Board member of Apptix ASA. From 1994 until 2004, Rogne was Chief Financial Officer of Tandberg ASA. Afterward, he then served as the Head of Operations and Investor Relations for Tandberg until 2008. Before his career in Tandberg, Rogne was Finance Director in Kværner AS. He has an MBA from the University of San Diego and a Bachelor of Business degree from the Oslo School of Business Administration. Holdings in the company: 1 250 000 shares.

Craig Ochikubo (1963) Board member

Shareholder elected

Craig Ochikubo has a Master of Science degree in Electrical Engineering from the University of Southern California in Los Angeles and has more than 30 years experience in the wireless semiconductor and electronics industries at both start-up and Fortune 500 companies including, Broadcom Corporation, Innovent Systems, RF-Link Technology, Cadence, and TRW. He has led global engineering and business teams in Europe, Asia, and North America and successfully drove long-term business at top-tier consumer electronics companies. He spent 14 years at Broadcom where he held senior executive positions running their global wireless personal area networking business unit, and LTE cellular development teams.

Tore Valderhaug (1960) Board member

Shareholder elected

Tore Valderhaug is a Norwegian State Authorized Public Accountant with ten years of audit experience mainly from Arthur Andersen & Co. He has held positions as finance director and CFO in several publicly listed companies, including Cermaq ASA, EDB Business Partner, ASK Proxima/InFocus, Ocean Rig and Unitor. Mr. Valderhaug has also worked within corporate finance and private equity firms. Tore Valderhaug is currently working as a consultant and is also a board member of the publicly listed company XXL ASA and Q-Free ASA as well as the non-listed inApril AS. Holdings in the company: 5 769 shares.

Joakim Ferm (1981) Board member

Employee representative

Joakim Ferm has a Master of Science degree in Electrical engineering from Chalmers, Gothenburg. Joakim has been employed at Nordic Semiconductor in Trondheim since 2008, he is a Senior Project Manager with experience from application design and digital design. Holdings in the company: 22 500 share options.

Anne-Cecilie Fagerlie (1958) Board member

Shareholder elected

Anne-Cecilie Fagerlie is Vice President Global Infrastructure Services at CGI. She has a Master degree in Computer Science from NTH (now NTNU). Afterward, she began working at Arthur Andersen/ Andersen Consulting/Accenture where she became partner in 1993. In 2002, Fagerlie joined Aker Kværner as Senior Vice President of Group IT. From 2006 to 2012 she was General Manager of Nordics in Avanade, an international consultancy owned by Accenture and Microsoft. Recently she was Executive Vice President in Evry.

Beatriz Malo de Molina (1972) Board member

Shareholder elected

Beatriz Malo de Molina holds a Bachelor of Science degree in Languages and International Business from Georgetown University and a Master of Philosophy degree from the University of Oslo. Professional experience includes: Head of Mergers & Acquisitions at Orkla ASA, Investment Director at Kistefos AS, Associate Principal at McKinsey & Company, and Executive Director in the Investment Banking Division of Goldman Sachs & Co. where she spent 10 years focused on corporate finance, M&A, and equity capital markets. She began her career in New York in 1994, and has since worked in Mexico City, Frankfurt, London. Beatriz is also a member of the board of Investinor and of Energy Nest.

Asbjørn Sæbø (1968) Board member

Employee representative

Asbjørn Sæbø has a Ph.D. degree in Telecommunications from NTNU in Trondheim. He has been with Nordic since 2006, working with development of firmware for Bluetooth Low Energy in various roles. Currently, as a project leader, he is responsible for the Bluetooth Low Energy protocol stack firmware. Previously, he has worked as a development engineer in a startup company on active noise control and as a Post.Doc. at the Centre for Quantifiable Quality of Service in Communication Systems (a Centre of Excellence at NTNU). Holdings in the company: 10 000 shares and 19 600 share options.

Lasse Haugnes Olsen (1978) Board member

Employee representative

Lasse Haugnes Olsen has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. He has been employed at Nordic Semiconductor since 2006, where he has gained experience in application development, software design and project management. He is currently working as a Senior System Architect in Nordic Semiconductor. Holdings in the company 3 500 share options.

EXECUTIVE MANAGEMENT

Svenn-Tore Larsen (1959) Chief Executive Officer

Svenn-Tore Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor. Larsen was member of the Board of Nordic Semiconductor from 2000–2002. Holdings in the company: 1 890 400 shares and 575 000 share options.

Pål Elstad (1971) Chief Financial Officer

Pål Elstad has held several senior financial positions, most recently as investor relations responsible for REC Silicon ASA and Head of Finance for REC Solar in Singapore. In addition, he has extensive manufacturing and supply-chain experience from General Electric Healthcare. Mr. Elstad holds a Bachelor of Economics degree from the Norwegian Business School (BI) and is a State Authorized Public Accountant (CPA). Holdings in the company: 3 846 shares and 0 share options.

Geir Langeland (1970) Sales and Marketing Director

Geir Langeland has a B.eng Honours degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He was appointed Product Manager Standard Components at Nordic Semiconductor in October 1999, before being appointed to Director Sales and Marketing September 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/ Applications Engineer in Memec Norway, a leading global electronic components distribution company. Holdings in the company: 177 700 shares and 350 000 share options.

Svein-Egil Nielsen (1969) Chief Technology Officer

Svein-Egil Nielsen holds MBA from the Haas School of Business at the University of California, Berkeley and Bachelor of Engineering honors degree in Computer and Electronics Systems from University of Stathclyde. He joined nordic in 2001 as Director of Sales and Marketing. He also held a position as R&D director from 2005 to 2006 and Director of Emerging Technoligies and Strategic Partnerships from 2010 to 2012. Additionally, he served Innovation Norway as their Director of San Francisco and Houston offices where he was in charge of promoting Norwegian technology from 2007 to 2010. Prior to Nordic, he worked for Boston Consulting Group as a consultant. Holdings in the company: 15 000 shares and 250 000 share options.

Ebbe Rømcke (1964) Quality Director

Ebbe Rømcke has a M.Sc. degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). He was appointed Quality Director of Nordic Semiconductor in 2002. Prior to this Mr. Rømcke worked eight years in the company as Digital Designer, Project Manager and Group Manager. He has also experience from Digital Design and Project Management in Normarc AS (now Indra Navia), a leading manufacturer of aviation systems. Holdings in the company: 68 900 shares and 100 000 share options.

Ole Fredrik Morken (1970) Supply Chain Director

Ole Fredrik Morken joined the company as an Analog IC designer in 1994 and has since held numerous positions related to Project- and Supply Chain Management, including a brief employment for SensoNor ASA in 1999. He was appointed Supply Chain Director in 2010 and is currently based in Taipei. Mr. Morken holds a Master's degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). Holdings in the company: 160 000 shares and 65 000 share options.

Thomas Embla Bonnerud (1977)
Director of Strategy and Investor Relations

Thomas Bonnerud has an M.Sc. degree in Electrical Engineering from the Norwegian University of Science and Technology (NTNU). He joined the company in 2001 as a High-Speed Data Converter Design Engineer, and has since held various positions within Product Management. He is currently responsible for Nordic's overall product roadmap. Holdings in the company: 3 420 shares and 83 000 share options.

Alternative Performance Measures (APM)

An Alternative Performance Measure (APM) is a measure of historical or future financial performance, financial position, or cash flows other than a financial measure defined or specified in the applicable financial reporting framework.

The Company has identified the following APMs used in reporting:

- Order Backlog. Total confirmed orders placed as of period end for deliveries in following periods. Adjusted for rebates and other revenue recognition estimates.
- Gross Margin. Gross Profit divided by Total Revenue.
- Free cash flow. Sum of net cash flow from operating expenses and net cash flow from investing activities.
- EBIT. Earnings before interest and tax. Equivalent to Operating profit in IFRS 1.
- Underlying Bluetooth Growth. Underlying growth in 2016 represents revenue reported from the distribution channel (Point of sales) YoY adjusted for two socket losses in 2015.
- Total Operating Expenses.Sum of payroll expenses, other operating expenses, depreciation and amortization.
- Cash Operating expenses. Total payroll and other operating expenses adjusted for non-cash related items including option expenses, capitalization of development expenses and income related to de-recognition of pension liability.
- 2015 Adjusted EBIT, Profit Before Tax and Net profit after tax. For 2015 in order to get comparable figures, Nordic has adjusted for the non-recurring income of MUSD 7 (net profit adjusted by 26% tax effect) related to the de-recognition of a pension liability performed in Q4 2015.

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