



1st QUARTER 2017 REPORT



- Record high first quarter revenue at MUSD 47.3, a 18.2% growth from Q1 2016
- Bluetooth revenues back to growth at MUSD 24.3, a 33.8% growth from Q1 2016
- EBIT at MUSD -0.1 and EBITDA at MUSD 3.0 in Q1 2017
- Positive Cash flow of MUSD 6.7 in Q1 2017 compared to MUSD 9.7 in Q1 2016
- Significant milestones made in Cellular reducing overall investment risk

Q1 2017 Financial Summary

Amounts in USD million (unaudited)	<u>1th quarter</u>		Change
	2017	2016	
Revenue	47,3	40,1	18,2 %
Order Backlog	45,9	19,6	134,6 %
Gross Margin %	46,7 %	49,1 %	-4,9 %
Operating Profit (EBIT)	-0,1	-0,3	
Operating Profit % (EBIT %)	-0,2 %	-0,8 %	
Net profit after tax	-0,3	-1,0	
Free Cash Flow (Net cash flow excluding financing)	6,8	9,7	-29,9 %
Cash and cash equivalents	27,9	39,0	-28,4 %

Revenue

Technology	<u>Q1</u>			<u>Q4</u>	
	2017	2016	Change %	2016	Q1 vs Q4
Amounts in USD thousand					
Proprietary wireless	21 619	19 336	11,8 %	19 521	10,7 %
Bluetooth	24 345	18 194	33,8 %	30 629	-20,5 %
ASIC components	1 323	2 354	-43,8 %	1 511	-12,4 %
Consulting services	49	178	-72,5 %	973	-95,0 %
Total	47 336	40 062	18,2 %	52 634	-10,1 %

Total revenue in Q1 2017 was MUS\$ 47.3, compared with MUS\$ 40.1 in Q1 2016. The growth is driven by both Bluetooth low energy (Bluetooth) and proprietary wireless technologies. Compared to Q4 2016 revenues are down seasonally 10.1%. The seasonal reduction from Q4 2016 was somewhat larger than expected due to the previously announced shift in revenues from Q3 to Q4 2016.

Revenue from Bluetooth ended at MUS\$ 24.3 representing a growth of 33.8% from MUS\$ 18.2 in Q1 2016. In Q1 2017, Bluetooth represented 51.4% of revenue compared to 45.4% of revenue in Q1 2016. Compared to Q4 2016 Bluetooth revenue decreased 20.5% from MUS\$ 30.6 due to seasonality. The Bluetooth growth is in line with the guided 30-40% growth that was provided in the Q4 2016 report.

Revenue from proprietary wireless ended at MUS\$ 21.6 compared with MUS\$ 19.3 in Q1 2016, representing an increase of 11.8%. The growth came from strong sales to the PC peripheral market.

In Q1 2017, gross profit was MUS\$ 22.1, or 46.7% of revenues, compared with MUS\$ 19.7, or 49.1% of revenues during Q1 2016. Gross margins are in the lower end of our long-term target. However, in Q1 2017 we see an improvement compared to previous periods as a result of yield improvements and customer diversification.

Total operating expenses including depreciation and amortization, was MUS\$ 22.2 in Q1 2017 compared with MUS\$ 20.0 in Q1 2016, representing an increase of 10.9%. This increase is explained by a higher number of employees and increased amortization due to previously capitalized projects that are taken into use.

Total cash operating expenses (excluding depreciation and amortization) before options, net capitalized R&D expenses increased 14.1% to MUS\$ 21.1 in Q1 2017,

compared with MUSD 18.5 in Q1 2016. The growth is explained by increased R&D within Bluetooth and increased selling and general expenses.

The main driver for increased cash operating expenses is the headcount growth (15.1%) from 477 in Q1 2016 to 549 in Q1 2017. In addition, other operating expenses related to R&D, software, IP and test manufacturing (tape-outs) have increased proportionally with the higher activity level. Tape-outs are the first pilot products that are delivered to Nordic and partners for further evaluation. Offsetting higher underlying operating expenses is a positive effect of the weakening of the Norwegian Krone against the USD.

Total costs for the Cellular investment in Finland were MUSD 4.5 in Q1 2017 compared to 3.5 MUSD in Q1 2016. As the project enters into a market launch phase, we expect some additional expenses related to headcount increase and tape-out of silicon wafers, although still within the guided MUSD 5 per quarter range.

During Q1 2017, Nordic capitalized MUSD 2.2 compared with MUSD 1.1 in Q1 2016 related to internally developed products. The capitalization can be attributed to new versions of the Bluetooth platform nRF52 that moved to the final development stages prior to commercialization in 2017. The Cellular project is currently entering a commercialization stage and project capitalization may increase going forward depending on when the project reaches certain pre-defined project phases.

The Company's operating loss (EBIT) improved to MUSD -0.1 in Q1 2017, compared with MUSD -0.3 in Q1 2016. Higher revenues and capitalization are offset by lower gross margins and higher expenses. Net financial items were a loss of MUSD 0.2 in Q1 2017 and a loss of MUSD 0.6 in Q1 2016.

Loss before tax was MUSD 0.2, compared with loss before tax of MUSD 1.0 in Q1 2016. Income tax expense was MUSD 0.1. The base tax rate for the group is 24%. Net loss after tax was MUSD 0.3 in Q1 2017, compared with net loss of MUSD 1.0 in Q1 2016.

Markets

Revenue Markets	Q1			Q4	
Amounts in USD thousand	2017	2016	Change %	2016	Q1 vs Q4
Consumer Electronics	22 885	20 078	14,0 %	25 374	-9,8 %
Wearables	8 362	7 301	14,5 %	10 223	-18,2 %
Building/Retail	8 580	4 890	75,5 %	8 366	2,6 %
Healthcare	2 162	2 571	-15,9 %	2 757	-21,6 %
Others	3 975	2 690	47,8 %	3 430	15,9 %
Wireless Components	45 964	37 530	22,5 %	50 150	-8,3 %
ASIC components	1 323	2 354	-43,8 %	1 511	-12,4 %
Consulting services	49	178	-72,5 %	973	-95,0 %
Total	47 336	40 062	18,2 %	52 634	-10,1 %

Nordic Semiconductor pursues a diversification strategy to be less dependent on both individual customers and industries. The future success of this strategy can best be witnessed by close to 18 000 development kits sold in 2H 2016, a leading indicator for design wins to come. Of these kits, a total of 9 000 related to the nRF52 family.

Although Nordic does not report on the number of design wins, Nordic continues to have more than 40% market share of new products registered with the Bluetooth Organization (source: FCC, Bluetooth Organization, DnB Markets).

Strong execution on this strategy is enabled by an industry leading cost/feature product offering. The above is combined with a design friendly support ecosystem and sales & marketing activities that cater to both the long tail and to targeted customers and verticals.

We see that this diversification strategy continues the trend shift for our Bluetooth business. In Q1 2016, 73.0% of revenues came from the Consumer Electronics and Wearable markets and in Q1 2017 the same markets represented 68.0%. During the same period, sales outside of our 10 largest Bluetooth customers have increased from 60% in Q1 2016 to 66.0% in Q1 2017.

Consumer Electronics

The Consumer Electronics market consists of PC Accessories, Mobile Phone Accessories and Home Entertainment devices. This market segment has historically been dominated by PC Accessories. However, we are observing substantial growth in wireless solutions for appliances such as TVs / set-top box remotes, game controllers and toys.

Compared with Q1 2016, revenue attributed to the Consumer Electronics market increased by 14.0% from MUSD 20.1 to MUSD 22.9 in Q1 2017. The increase is explained by strong sales to the PC accessories market.

Compared to Q4 2016, revenue decreased by 9.8%. Normally Q1 is seasonally weaker than Q4, however the delays in Q3 2016 product deliveries affected Q4 2016 revenues positively and thereby the reduction in Q1 is larger than normally expected.

Nordic continues to view PC Accessories as an important market. More importantly, Bluetooth technology creates additional opportunities for Nordic to address the tablet accessory market. As tablets implement Bluetooth Ready technology, these devices are now able to connect with ultra-low power Bluetooth keyboards and other accessories. Bluetooth low energy offers much longer battery lifetime for tablet keyboards compared to traditional Bluetooth technology, and will enable tablets to be used more effectively.

Gaming and toys will continue to be a strong driver of the Consumer Electronics market, with several new design wins received during the quarter. In addition, we are seeing strong traction within our reference design for smart remote controls.

Wearable devices

Revenue attributed to the Wearable market (i.e., portable electronics such as sports monitoring devices and smart watches) was MUSD 8.4 in the quarter, up 14.5% from the same quarter last year. Compared to last quarter, revenues decreased seasonally by 18.2% from MUSD 10.2. In Q1 2017, the wearable market is back to growth year over year after a 2016 that was negatively affected by a loss of a socket with the largest customer within this market in 2015.

Nordic has proven its technology leadership with the introduction of the nRF52 family on top of its existing technology platform. The Wafer Level Chip Scale Package (WL-CSP) variant of its nRF52832 Bluetooth® System-on-Chip (SoC) occupies a quarter of the footprint area of the standard-packaged Nordic nRF52832 and targets next-generation, high-performance wearables and space-constrained IoT applications. The aforementioned loss of a key high volume design had an immediate strong negative revenue impact that was gradually offset in 2016. We see this trend to continue with high design activity around the nRF52.

Building and Retail

Building and Retail is showing strong revenue momentum and has during Q1 2017 become Nordic's second largest market after consumer electronics.

Revenue attributed to the Building and Retail market were MUSD 8.6 in Q1 2017, an increase of 75.5% from MUSD 4.9 in Q1 2016. This increase is driven by higher sales to additional RFID customers, payment/tracking solutions for smart cities, industrial applications and various beacon related applications.

Compared to last quarter, revenue increased 2.6% from MUSD 8.4.

The Building and Retail market consists of connectivity solutions for home and industrial applications, as well as retail solutions.

It targets a massive end-market with solutions for smart locks, smart payment systems, alarm systems, smoke detectors, beacons, location tags and plenty more. Building and Retail is less seasonal and revenue in this market evens out the seasonal trends of other markets to which Nordic is exposed.

Healthcare

Healthcare is an emerging market for Nordic. Reported revenue relates to design wins within glucose monitoring and hearing aids. Healthcare reported a 15.9% revenue decrease during the quarter to MUSD 2.2 compared to MUSD 2.6 in Q1 2016. Compared to Q4 2016, revenues decreased by 21.6% from MUSD 2.8. As reported in previous quarters, Nordic has several design wins within the Healthcare market. However, volumes on these designs are not yet sufficient to offset lifecycle changes in current designs.

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

Others

This category includes sales to module manufactures as well as distribution sales where no final customer is reported. Revenues from this vertical were in Q1 2017 MUSD 4.0, up 47.8% from MUSD 2.7 in Q1 2016. Compared to Q4 2016 revenue increased 15.9% from MUSD 3.4.

Sale to module manufacturers is an important market for Nordic. Module manufactures develop compact ultra-low power Bluetooth modules for space-constrained applications employing coin cell batteries. The modules reduce development time by providing a complete wireless solution and are tailored for OEMs who wish to develop their own application software. Currently Nordic's SoC's are integrated into more than 123 different modules from several top module manufactures, of which 44 are based on the nRF52.

Research and Development

Bluetooth Low Energy

Towards the end of 2016 Nordic launched its latest Nordic nRF52840 single-chip Bluetooth low energy System on Chip (SoC). This launch raised the bar for Nordic's high-end nRF52 series SoC lineup in terms of both performance and feature improvements.

As a follow up to the release of the latest nRF52 SoC, Nordic launched during Q1 2017 a Software Development Kit (SDK) for Thread. With support for Thread, the nRF52840 will be capable of delivering connectivity for two of the most popular low power technologies expected to be used in smart homes in the years ahead. This will strengthen our competitive position and increase Nordic's addressable market.

The Thread protocol has significant backing from amongst other Google/Nest. We consider this protocol to be an ideal complement to Bluetooth.

Low Power Cellular IOT (Internet of Things)

Nordic Semiconductor has demonstrated its ability to become the market leader within Bluetooth low energy technology. Bluetooth low energy is the preferred communication technology for short range, low power communication. Complementing Nordic's leading offering and roadmap on short-range wireless, the expanded product roadmap for long-range wireless is a part of the company's strategy to target new high growth markets with its wireless connectivity and embedded processing technology.

Nordic Semiconductor's roadmap for low power cellular IoT, includes highly integrated chipsets and advanced software for the upcoming 3GPP Release 13 LTE-M and NB-IoT technologies. Highly optimized for power and size, the upcoming nRF91 Series is designed specifically to address the needs of emerging low power cellular IoT applications.

During Q1 2017, Nordic received working samples of a fully integrated chipset. Based on these samples, we are on schedule with overall functional and performance testing of the chipset. In addition, we are on track to sample to lead customers in 2H 2017. In 2H 2017, we have also made arrangements to commence interoperability testing with infrastructure partners on base stations and to start certification testing with carrier partners on networks. Based on the developments in Q1 2017 the risk related to our cellular IoT investment is considered to be significantly reduced.

Balance Sheet and Cash Flow

As of 31 March 2017, Nordic Semiconductor had total assets of MUSD 168.2, of which MUSD 123.3 were current assets. Non-Current assets were MUSD 44.9. During Q1 2017, net working capital decreased by MUSD 11.7 because of decreased accounts receivable and decreased inventories, only partly offset by lower accounts payables. The reduction of inventories comes because of a depletion of the nRF52 wafers that had been purchased during Q4 2016 under a purchase commitment.

Total liabilities were MUSD 52.1, of which MUSD 31.8 were current liabilities. Total liabilities decreased from MUSD 58.4 in Q4 2016 mainly as a result lower accounts payables after the settlement of the nRF52 wafers purchased in Q4 2016 under the purchase commitment. Total Shareholders' equity was MUSD 116.1, which represents an equity ratio of 69.0%, down from 71.6% in Q1 2016.

Cash flow from operating activities was MUSD 13.0 in Q1 2017, compared with a cash flow of MUSD 11.4 in Q1 2016. Strong operating cash flow in the quarter is explained by a seasonal reduction of working capital.

Cash flow from investments was an outflow of MUSD 6.2, which compared to MUSD 1.7 in Q1 2016. Capital expenditures were MUSD 4.0, driven by investment in IP for next generation IC's of MUSD 2.2 and purchases of Lab equipment for the operations in Finland. Capitalized development expenses were MUSD 2.2, compared with MUSD 1.1 last year.

Nordic's strategy is to keep a tight cash management and to optimize our cash generating ability. Short-term working capital requirements may be financed by

utilizing the Revolving Credit Facility (RCF). Under the RCF agreement, the company may borrow up to MUS\$ 40 at any time with a rate of LIBOR + margin. At March 31, 2017, the company had utilized MUS\$ 20 of the RCF.

To further strengthen the financial headroom to accommodate growth, the Company has in Q1 2017 entered into a EUR 10 million bank overdraft facility with its main bank.

Cash during Q1 2017 increased with MUS\$ 6.7 to MUS\$ 27.9 by the end of March 31, 2017 from MUS\$ 21.0 at the end of 2016.

Organization

As of 31 March 2017, Nordic Semiconductor had 549 employees, compared to 532 employees at 31 December 2016. Of these, 418 employees work within Research and Development representing an increase of seven employees compared to 31 December 2016.

In order to take advantage of accelerating growth opportunities, Nordic has also increased staff within Sales and Marketing. The number of employees within Sales and Marketing has increased to 77 employees from 61 in Q1 2016. The main growth is within the global team of field applications engineers to support a growing number of customers.

Business Outlook

A vast number of design wins over the last years have enabled Nordic to increase its customer list. In addition, a strong product line-up has made Nordic able to compete and win designs in a large variety of product categories and verticals.

We expect Bluetooth to be the growth driver for 2017. The 1H 2017 outlook range provided is based on a 30% growth in Bluetooth for the lower end and 40% for the upper end.

The strong momentum during the latter part of 2016 continues in the first part of 2017. In addition to an improved market, the increased order back-log contribute to a solid coverage for our guided range of MUS\$ 100 – 107 in 1H 2017.

We expect gross margins to be in the range of 46% – 47% for 1H 2017, in line with the previous half year but below our long-term target of 50%.

Oslo, April 23, 2017
Board of Directors

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Financial Calendar 2017

July 13 th , 2017	2nd Quarter 2017
October 17 th , 2017	3rd Quarter 2017
February 15 th , 2018	4th Quarter 2017

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

Condensed Financial Information for the Three Months Ended 31 March 2017

Consolidated income statement

Amounts in USD thousand (unaudited)	<u>Q1</u>		Year
	2017	2016	2016 (Audited)
Total Revenue	47 336	40 062	197 698
Cost of materials	(25 195)	(20 346)	(104 046)
Direct project costs	(21)	(28)	(608)
Gross profit	22 120	19 688	93 044
Payroll expenses	(13 416)	(12 545)	(49 185)
Other operating expenses	(5 695)	(5 099)	(22 677)
EBITDA	3 009	2 044	21 181
Depreciation	(3 081)	(2 371)	(11 473)
Operating Profit (EBIT)	(72)	(327)	9 708
Net interest	(127)	(26)	(39)
Net foreign exchange gains (losses)	(40)	(618)	(911)
Profit before tax	(239)	(971)	8 758
Income tax expense	(90)	(61)	(2 334)
Net profit after tax	(329)	(1 032)	6 424
Earnings per share			
Basic	(0,002)	(0,006)	0,040
Fully Diluted	(0,002)	(0,006)	0,039
Weighted average number of shares (in '000)			
Basic	161 755	162 440	162 465
Fully Diluted	161 754	162 839	162 994

Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	<u>Q1</u>		Year
	2017	2016	2016 Audited
Net profit after tax	(329)	(1 032)	6 424
Actuarial gain/loss recognized in equity	-	-	(21)
Difference with translation to USD	(35)	(18)	(109)
Comprehensive income for the period	(364)	(1 050)	6 294

Consolidated statement of financial position

Amounts in USD thousand (unaudited)	Audited		
	31.03.17	31.12.2016	31.03.16
Capitalized development expenses	15 593	14 395	13 038
Software and other intangible assets	14 251	12 054	9 198
Deferred tax assets	1 983	1 973	1 331
Property assets	1 235	1 317	1 422
Equipment	11 878	12 050	10 888
Other long-term assets	2	2	12
Non-current assets	44 942	41 792	35 890
Inventory	47 972	52 044	40 403
Accounts receivable	42 004	54 772	35 762
Other short term receivables	5 397	4 941	4 440
Cash and cash equivalents	27 878	21 135	38 955
Current assets	123 251	132 892	119 560
TOTAL ASSETS	168 194	174 684	155 450
Shareholders' equity	116 131	116 270	111 355
Pension liability	267	293	838
Long term Interest bearing liabilities	20 000	20 000	-
Non-current liabilities	20 267	20 293	838
Accounts payable	10 183	15 295	9 631
Income taxes payable	1 771	2 786	7 601
Public duties	1 875	2 260	2 088
Short-term loan facility	-	-	10 000
Other short-term liabilities	17 966	17 780	13 936
Current liabilities	31 796	38 121	43 257
TOTAL EQUITY AND LIABILITIES	168 194	174 684	155 450

Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	<u>Q1</u>		<u>Year</u>
	2017	2016	2016 Audited
Equity at beginning of period	116 270	112 405	112 405
Net profit for the period	(329)	(1 032)	6 424
Purchase of treasury shares	-	-	(2 673)
Sale of treasury shares on options exercise	-	(0)	(233)
Share-based compensation	225	-	476
Actuarial gain/loss recognized in equity	-	-	(21)
Difference with translation to USD	(35)	(18)	(109)
Equity at end of period	116 131	111 355	116 270

Consolidated cash flow statement

Amounts in USD thousand (unaudited)	<u>Q1</u>		<u>Audited</u>
	2017	2016	2016
Profit before tax	(239)	(1 257)	8 781
Taxes paid for the period	(1 121)	(2 901)	(10 198)
Depreciation	3 081	2 334	11 470
Change in inventories, trade receivables and payables	-	-	-
Share-based compensation expense	225	237	436
Movement in pensions	(25)	130	(435)
Other operations related adjustments	(642)	(4 288)	(2 039)
Net cash flows from operating activities	13 005	11 368	143
Capital expenditures (including software)	(4 025)	(614)	(9 824)
Proceeds from sales of equipment	-	-	-
Capitalized development expenses	(2 203)	(1 084)	(5 304)
Net cash flows from investing activities	(6 228)	(1 697)	(15 128)
Changes in Treasury stock	(0)	(0)	(2 673)
Cash settlement of options contract	-	-	(38)
Interest bearing debt	-	-	10 000
Net cash flows from financing activities	(0)	(0)	7 289
Effect of changes in currency rates	(34)	(10)	(561)
Net change in cash and cash equivalents	6 744	9 660	(8 257)
Net change in cash and cash equivalents from discontinued operations	-	-	-
Cash and cash equivalents at start of period	21 035	29 293	29 293
Cash and cash equivalents at end of period	27 879	38 953	21 035

Notes to the Consolidated Interim Financial Statements

Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 31 March 2017 for publication on April 23, 2017.

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

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

Note 2: Confirmation of the financial framework

The Group financial statements for Nordic Semiconductor ASA and its wholly owned subsidiaries, together called "The Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for Q4 2016 do not include all the information required for the full year financial statements and shall be read in conjunction with the Group Annual Accounts for 2016.

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

Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2016. The group accounts for 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

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.

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.

Note 4: Use of estimates

In the interim financial statements for 2017, judgments, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2016 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2016.

Note 5: Segment information

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

The Group classifies its revenues into the following revenue markets: Wireless components, ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the product category ("hub") to which its components communicate. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail and Others.

The Group also reports its Wireless component revenue by technology, including proprietary wireless and Bluetooth protocols.

Note 6: Related Parties

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 176 employees. The options are exercisable after one year, and expire after three years. Of the share options granted in 2014, all remaining 3,730,702 options expired on February 19, 2017.

With reference to the Annual General Meeting on April 19, 2016 ("AGM"), Nordic Semiconductor has on February 22, 2017, granted 1,625,412 share options to employees and primary insiders.

On the AGM the Company was authorized 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.

Note 8: Risk management

A description of risk factors can be found in Note 22 of Nordic Semiconductor's 2016 annual report.

Note 9: Events after the balance sheet date

No events have occurred since March 31, 2017 with any significant effect that will impact the evaluation of the submitted accounts.

Definitions

Alternative performance measures

Nordic's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Nordic's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies

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.

EBITDA

Earnings before interest, tax, depreciation and amortization.

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.