

# Q1

## Report 2019



**NORDIC**<sup>®</sup>  
SEMICONDUCTOR

# Content

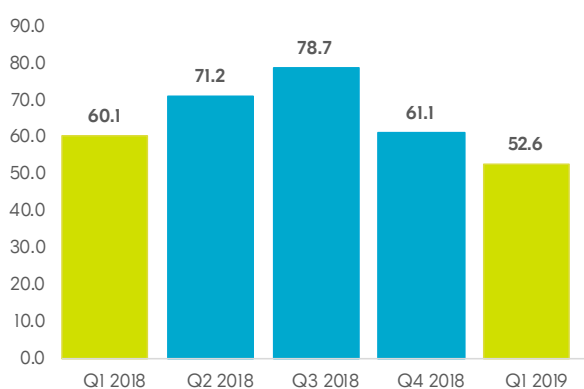
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# Q1 HIGHLIGHTS

- Continued strong market position in Bluetooth® Low Energy
- Continued strong cost focus results in solid gross margins above 50%
- Nordic Bluetooth design certifications increased by 33% in Q1 2019 vs Q1 2018, supporting a certification market share of 37%
- Successful certification progress in all targeted markets for cellular IoT
- Record high backlog driven by new design wins with Tier 1 customers worldwide
- Semiconductor industry still impacted by channel inventory adjustments

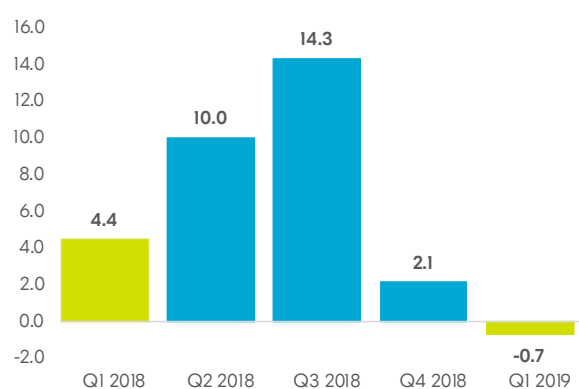
## Revenue

USD Millions

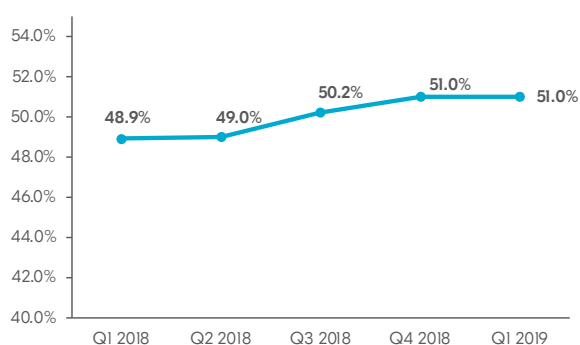


## EBITDA

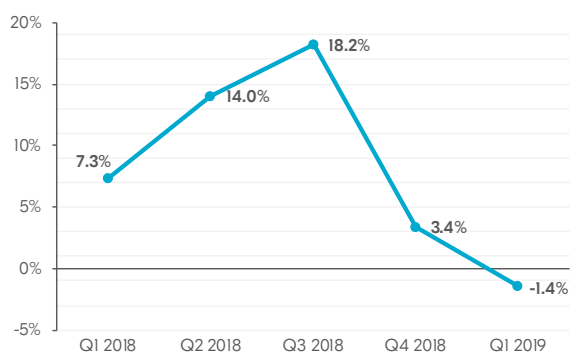
USD Millions



## Gross Margin



## EBITDA Margin



# KEY FIGURES

## Q1 2019 financial summary

Amount in USD million	Q1 2019	Q1 2018	Change
Revenue	52.6	60.1	-12.6 %
Gross profit	26.8	29.4	-8.8 %
Gross Margin %	51.0 %	48.9 %	2.1 p.p.
EBITDA	-0.7	4.4	na
EBITDA %	-1.4 %	7.3 %	-8.7 p.p.
Operating Profit (EBIT)	-6.1	0.8	na
Operating Profit % (EBIT)	-11.6 %	1.4 %	-13.0 p.p.
Net profit after tax	-6.6	0.0	na
Cash and cash equivalents	97.8	32.2	203.7 %
Order Backlog	89.0	81.0	9.9 %
LTM opex excluding depreciation/ LTM revenue	40.5%	37.8%	2.7 p.p.
Net working capital / LTM revenue	21.9 %	26.5 %	-4.6 p.p.
Equity ratio	76.3 %	66.3 %	10.0 p.p.
Number of employees	698	615	13.5 %

## Revenue by technology

Amount in USD thousand	Q1 2019	Q1 2018	Change
Proprietary wireless	12 480	19 949	-37.4 %
Bluetooth	37 341	38 366	-2.7 %
Cellular IoT	139	0	na
ASIC Components	2 431	1 789	35.9 %
Consulting services	177	21	742.9 %
<b>Total</b>	<b>52 568</b>	<b>60 125</b>	<b>-12.6 %</b>

## IFRS 16 effects on the income statement

Amount in USD thousand	Q1 2019
Other Operating expenses	1 004
<b>EBITDA</b>	<b>1 004</b>
Depreciation	-944
<b>EBIT</b>	<b>60</b>
Interest expense	-211
Disagio	-203
<b>Profit before tax</b>	<b>-354</b>



# FINANCIAL REVIEW

## Income statement

**Nordic Semiconductor's (Nordic or the Group) total revenue was MUS\$ 52.6 in Q1 2019, compared with MUS\$ 60.1 in Q1 2018. Overall year-over-year decrease was 12.6% with 2.7% and 37.4% lower revenue in Bluetooth and proprietary respectively.**

Revenue from Bluetooth ended at MUS\$ 37.3, down from MUS\$ 38.4 in Q1 2018. Bluetooth revenue constitutes 71.0% of total revenue in the quarter, compared with 63.8% in Q1 2018. As previously communicated, Bluetooth revenue has been negatively impacted by trade tensions between USA and China and thereby reducing the demand from China, one of the most important markets for Nordic. The trade tensions have impacted the entire value chain, from wafer foundries to end customers.

Nordic has seen an increased number of end-product certifications in the quarter, with a total of 136 new certifications. This is the highest number since Q3 2017 and represents a year-over-year growth of 33%. The total market number of certifications ended at a record of 368, up 37% year-over-year. Nordic's share of new designs is fluctuating around 40%. The Group is continuously working on securing new design wins and diversifying the customer base. The Group experienced a strong pull for the higher-end nRF52 Series products also this quarter, increasing the average selling price of the Bluetooth products.

Revenue from proprietary ended at MUS\$ 12.5 compared with MUS\$ 19.9 in Q1 2018, representing a 37.4% decrease. The comparison with proprietary revenue during Q1 2019 is uneven as proprietary demand in Q1 2018 was strong and there were accelerated shipments out of China in Q4 2018 prior to expected tariffs to be implemented in Q1 2019. As reported during Q4 2018, the stronger than expected proprietary revenue in 2018 can be attributed to prolonged lifecycle for several key products and new design wins. We expect this positive development to continue.

Nordic recognized MUS\$ 0.1 in cellular IoT revenue in Q1 2019. During Q1 2019 Nordic recognized the first shipments of finished products while the company shipped a limited volume of development kits in Q4 2018.

Driven by increased orders from new tier one customers, the order backlog ended at a record high level of MUS\$ 89.0, representing a 9.9% increase, compared with MUS\$ 81.0 in Q1 2018 and a seasonal increase from MUS\$ 70.0 at the end of Q4 2018. Although the backlog seasonally is strong when entering a second quarter, the current backlog is well spread over the next quarters.

The Group's gross margin increased from 48.9% in Q1 2018 to 51.0% this quarter. In Q1 2019, gross profit was MUS\$ 26.8, compared with MUS\$ 29.4, in Q1 2018. The reduction in gross profit is the result of revenue decrease only partly offset by margin expansion. A continued favorable customer and product mix has contributed to the gross margin improvement. Compared to Q4 2018, gross margin is flat.

Effective January 1, 2019 the Group has implemented IFRS 16 Lease accounting. The accounting effect of this change reduces operating expenses by MUS\$ 1.0, increases depreciation by MUS\$ 0.9 and interest expenses by MUS\$ 0.3. The following numbers for Q1 2019 includes the effects of these changes, however no adjustments are made to historical figures. See note 3 and page 4 for a reconciliation and additional details on the IFRS 16 adjustments.

Total operating expenses, including depreciation and amortization, increased 15.3% to MUS\$ 32.9 from MUS\$ 28.6 in Q1 2018. Compared to Q4 2018, total operating expenses including depreciation and amortization have decreased by 1.9% from MUS\$ 33.6.

During Q1 2019, Nordic capitalized a total of MUS\$ 2.5 in development expenses, of which MUS\$ 1.8 relates to payroll expenses. The corresponding total capitalization amount in Q1 2018 was MUS\$ 3.3 and MUS\$ 3.0 in Q4 2018. Of the total capitalization in Q1 2019, MUS\$ 1.7 is related to the cellular IoT investment. Nordic started capitalizing expenses related to this project when lead customer sampling started in Q1 2018. The balance relates to new versions of the short-range offering.

Expenses related to equity compensation was MUS\$ 0.4 in Q1 2019, unchanged from both Q1 2018 and Q4 2018. Adjusted for capitalization of development expenses and equity-based compensation, total cash operating expenses increased 6.6% to MUS\$ 29.7 in Q1 2019 from MUS\$ 27.9 in Q1 2018. This is explained by a 13.5% increase in the number of employees, from 615 at the end of Q1 2018 to 698 at the end of Q1 2019. The increase is mainly within sales and customer related projects. The cost level is also impacted by continued high expenses related to commercialization of new products, including the high-end nRF52 Series product line and the cellular IoT products.

Total cash operating expenses for the cellular investment were MUS\$ 6.9 in Q1 2019, compared with MUS\$ 6.2 in Q1 2018. The increase is mainly related to higher personnel expenses. The cellular cash operating expenses decreased 9.2% from MUS\$ 7.6 in Q4 2018 mainly as a result of higher tape out costs compared to Q1 2019.

Depreciation and amortization were MUS\$ 5.4 in Q1 2019, compared with MUS\$ 3.6 in Q1 2018. Included is MUS\$ 1.0 in amortization of internally developed R&D, unchanged from Q1 2018 and MUS\$ 0.9 related to IFRS 16.

Earnings before interest, tax, depreciation and amortization (EBITDA) were MUS\$ -0.7 in Q1 2019 compared with MUS\$ 4.4 in Q1 2018. The decline is a result of lower revenue and higher operating expenses partly offset by improved gross margin. For the short range business, EBITDA was MUS\$ 4.5 in Q1 2019, compared with MUS\$ 9.9 in Q1 2018. Net profit was MUS\$ -6.6 in Q1 2019, down MUS\$ 6.6 from MUS\$ 0.0 in Q1 2018.

## Markets

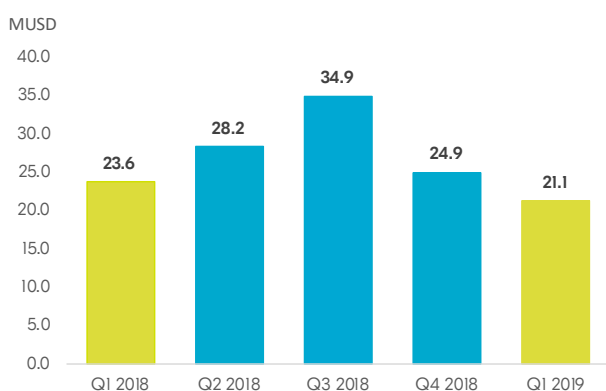
Revenue in USD thousand	Q1 2019	Q1 2018	Y-o-Y change	Q4 2018	Q-o-Q change
Consumer Electronics	21 123	23 628	-10.6 %	24 938	-15.3 %
Wearables	7 641	10 203	-25.1 %	9 360	-18.4 %
Building/Retail	8 041	12 219	-34.2 %	9 966	-19.3 %
Healthcare	4 263	4 693	-9.2 %	5 475	-22.1 %
Others	8 753	7 572	15.6 %	7 916	10.6 %
<b>Short range wireless components</b>	<b>49 821</b>	<b>58 315</b>	<b>-14.6 %</b>	<b>57 655</b>	<b>-13.6 %</b>
Long range (cellular IoT)	139	0	na	232	-40.1 %
ASIC components	2,431	1 789	35.9 %	2 789	-12.8 %
Consulting services	177	21	742.9 %	450	-60.7 %
<b>Total</b>	<b>52 568</b>	<b>60 125</b>	<b>-12.6 %</b>	<b>61 126</b>	<b>-14.0 %</b>

The Group classifies its revenues into the following technologies: Short range wireless components, long range (cellular IoT), ASIC components and Consulting services. Within short range wireless components, the Group reports its revenues based on the end product markets. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others. Upon developing a meaningful revenue level within Cellular IoT, Nordic will start reporting cellular revenue by end-product market.

are stable, the replacement of accessories and the introduction of new types of accessories opens new opportunities for Nordic, both for proprietary solutions, but more important by the extensive range of Bluetooth products. Nordic's product range is well positioned to address this market.

In addition to PC accessories, Nordic is currently working on various new consumer electronics market opportunities, including tier 1 customers.

### Consumer Electronics



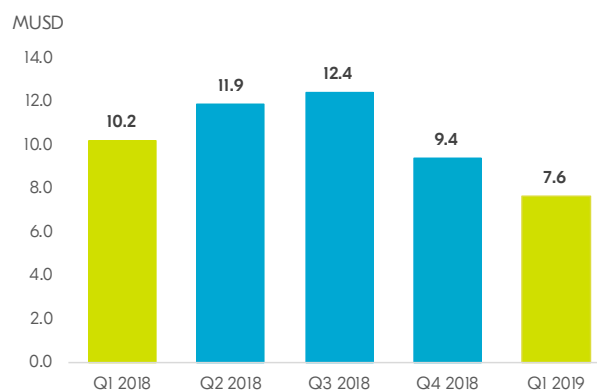
Revenue - Consumer Electronics

The Consumer Electronics market consists of PC Accessories, Mobile Phone Accessories and Home Entertainment devices.

Revenue within Consumer Electronics decreased by 10.6% to MUSD 21.1 in Q1 2019 from MUSD 23.6 in the corresponding period last year and decreased by 15.3% from MUSD 24.9 in Q4 2018. The decrease in Q1 2019 is mainly driven by the lower proprietary sales in the quarter.

Revenues from accessories are a key part of consumer electronics. Although overall sales of PCs and tablets

### Wearables



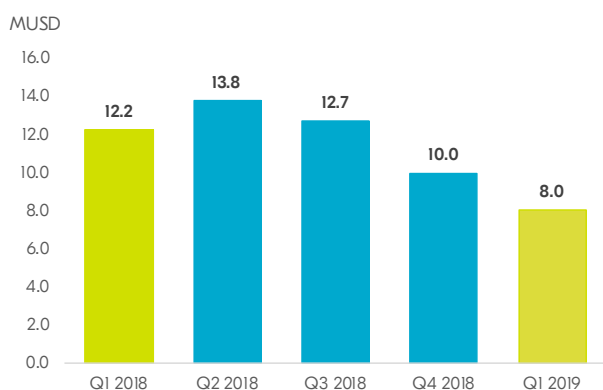
Revenue - Wearables

The Wearables market includes smart watches, activity trackers, sport and fitness bands and smart clothing.

Revenue from Wearables decreased by 25.1% to MUSD 7.6 in Q1 2019 from MUSD 10.2 in the corresponding period last year. Revenue decreased 18.4% from MUSD 9.4 in Q4 2018. With the nRF52 Series Nordic has increased its design win traction within this market. Q1 is seasonally a weaker quarter compared with Q4. In addition, Wearables is the market most affected by the trade tensions between China and the USA, as this market is dominated by Chinese Original Design Manufacturers.

Nordic has proven its technology leadership with the introduction of the nRF52 Series flagship product range of our 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. With the introduction of the nRF52840, Nordic has further strengthened its product offering for high end wearables.

### Building and Retail



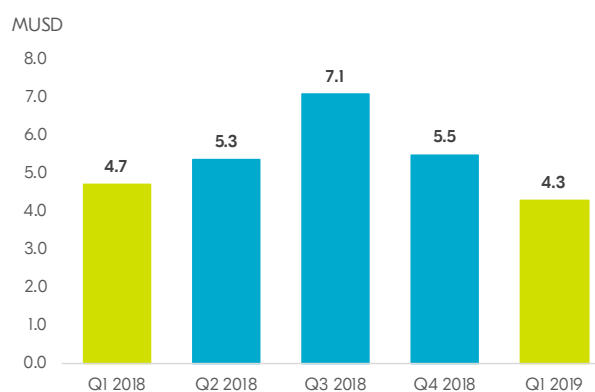
Revenue - Building/Retail

The Building and Retail market consists of a broad variety of products used within home automation (smart homes), industrial applications and retail solutions.

Revenue within the Building and Retail market decreased by 34.2% to MUSD 8.0 in Q1 2019 from MUSD 12.2 in the corresponding period last year. Revenue decreased 19.3% from MUSD 10.0 in Q4 2018.

Home Automation is seen as one of the next key growth drivers for Bluetooth. Nordic has seen strong traction in design wins within for example lighting, alarm systems, smoke detectors, temperature controls and smart locks. With the introduction of the nRF52840 multiprotocol SoC, Nordic now has a Thread certified solution that enables simultaneous Thread and Bluetooth 5 connectivity for the first time. This will significantly improve the deployment of connected items in private homes. To further strengthen the product offering within Building and Retail, Nordic has introduced a protocol stack for Zigbee, the third important short range protocol for smart homes.

### Healthcare



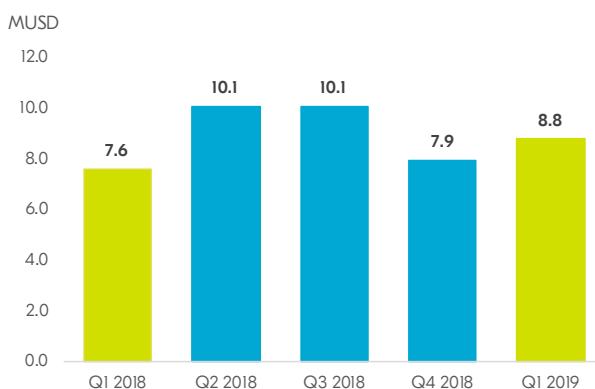
Revenue - Healthcare

The Healthcare market consists of all products that are certified to be used within medical care. End products range from hearing aids, glucose monitoring and drug delivery systems.

Revenue within the Healthcare market decreased by 9.2% to MUSD 4.3 in Q1 2019 from MUSD 4.7 in the corresponding period last year. Revenue decreased 22.1% from MUSD 5.5 in Q4 2018.

A majority of the products within Healthcare are still in their infancy, particularly as they relate to IoT, remote healthcare and big data analytics. These products are now being commercialized and Nordic expects continued growth within this market. For example, continuous blood glucose monitors and hearing aids are increasing in volume orders for Nordic, as hospitals, doctors, employers and insurance companies are interested in monitoring the basic physiological functions of individuals, in addition to the individual's own physical awareness.

### Others



Revenue - Others

The "Others" category consists of sales to module manufacturers as well as distribution sales where no final customer is reported.

Revenue within Others increased 15.6% to MUS\$ 8.8 in Q1 2019, from MUS\$ 7.6 in the corresponding period last year. Revenue increased 10.6% from MUS\$ 7.9 in Q4 2018. The year-over-year growth is a result of continuous new module designs and sales efforts from Nordics module partners.

Sales to module manufacturers is an important market for Nordic. Module manufacturers 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. Furthermore, this activity allows Nordic to scale its sales activity faster and expand its customer reach.

## Financial Position

As of 31 March 2019, the Group had total assets of MUS\$ 281.7, of which MUS\$ 196.9 were current assets. Non-Current assets were MUS\$ 84.9. This included MUS\$ 21 of right-of-use assets following the implementation of IFRS 16 as of January 1, 2019. Capitalized development expenses increased net by MUS\$ 8.0, from MUS\$ 21.2 in Q1 2018 to MUS\$ 29.2 in Q1 2019.

Compared with Q1 2018, net working capital has decreased by MUS\$ 8.3 to MUS\$ 57.6 (MUS\$ 65.9 in Q1 2018). Similarly, net working capital in percentage of last twelve month (LTM) revenue has decreased 4.6 percentage points to 21.9% (26.5% in Q1 2018).

Total liabilities were MUS\$ 66.8, up from MUS\$ 63.8 in Q1 2018. Total liabilities included MUS\$ 21.2 of lease liabilities following the implementation of IFRS 16 as of January 1, 2019.

MUS\$ 48.5 were current liabilities, compared with MUS\$ 43.5 at the end of Q1 2018. Of the current liabilities,

MUS\$ 11.4 comes from accrual for ship and debit related to sale to distributors, compared with MUS\$ 8.1 in Q1 2018.

Total Shareholders' equity was MUS\$ 214.9 at the end of March 2019, up from MUS\$ 125.4 at end of March 2018. The Group had an equity ratio of 76.3% at March 31, 2019, up from 66.3% March 31, 2018.

Cash inflow from operating activities was MUS\$ 1.6 in Q1 2019, compared with a cash inflow of MUS\$ 0.8 in Q1 2018. Q1 cash flow from operating activities is positively impacted by improved working capital.

Cash flow from investments was an outflow of MUS\$ 6.8, compared with a cash outflow of MUS\$ 5.1 in Q1 2018. Capital expenditures were MUS\$ 4.2, driven by building of failure analysis lab and test equipment. Capitalized development expenses were MUS\$ 2.5, compared with MUS\$ 3.3 in corresponding quarter last year.

Due to implementation of IFRS 16, a part of the lease payment is now classified as repayment of lease liabilities. The remainder, the interest expense, is included in the cash flow from operating activities.

Under current Rolling Credit Facilities (RCF agreements, Nordic may borrow a total of MUS\$ 65 at any time with a rate of LIBOR + margin. At March 31, 2019 the Group had not utilized the RCF.

The Group's cash position was MUS\$ 97.8 at the end of March 2019, down from MUS\$ 103.9 at the end of December 2018. Available cash at 31 March 2019 including credit facilities was MUS\$ 174.0 compared with MUS\$ 180.3 at the end of 2018. The cash is mainly kept in the Group's functional currency USD in order to reduce the impact of any currency fluctuations.



# BUSINESS OVERVIEW

Nordic Semiconductor has been a long-standing pioneer in the semiconductor space for IoT. It all started with market leadership in the PC accessory market with a proprietary 2.4GHz technology. Winning the largest and most demanding customers in the space allowed Nordic quickly to become the dominant force with a 70-80% market share. The PC accessory market continues to be important market for Nordic, especially in connection with the transition to replacing the proprietary technology with Bluetooth Low Energy.

As early as in 2008 Nordic took a leadership role to bring this proprietary short range low energy communication solution into a standard that the entire industry could adhere to. This later became known as Bluetooth Smart supported by Bluetooth Special Interest Group (SIG). Nordic has maintained its leadership position within this technology and around 40% of all new designs have in the last year been with Nordic technology. Utilizing a flexible platform and software tools, the portfolio of standardized short range low energy communication technology has been further complemented with Thread and Zigbee.

Having a flexible solution enables Nordic to capture new growth opportunities. As an example, Nordic has seen a strong interest from professional lighting solution providers during the past quarters. Buildings are getting smarter, especially utilizing smart lighting for adding functionalities. These include beacons for adding customer interactions and utilizing Bluetooth 5.1 for indoor position and asset tracking.

In 2014, Nordic committed to an aggressive investment program to develop a new line of cellular IoT low power solutions. On December 12, 2018, we completed a successful public launch of the nRF9160, our first product

in the nRF91® Series of cellular IoT modules. The nRF9160 is a complete System-in-Package (SiP) taking the lead in integration and simple use for fast customer deployment. As with the nRF52 Series, the nRF91 Series features added functionality in order to maximize the value per design. Including world-wide cellular band coverage so that one design can be deployed in all markets. In addition, Nordic has added substantial on-chip memory for low power operation, including sufficient memory for the highest level of security, embedded processing and software for most use cases. This enables mass scale adoption by integrating and certifying functionality needed in most applications.

The nRF9160 is currently certified to be used in most target markets for Nordics' customer through GCC and FCC certifications. Nordic's top priority during 2019 is to engage with the major carriers in selected key markets to further strengthen the partnership. We are currently working closely with 10 major operators lined up for network specific approval programs as well as with customers to secure design wins and get products to the market.

As of March 31, 2019, Nordic Semiconductor had 698 employees, compared with 685 and 615 employees at the end of Q4 2018 and Q1 2018, respectively. A total of 526 employees worked within Research and Development at the end of Q1 2019, representing an increase of 60 employees compared with corresponding period in 2018.

In order to take advantage of accelerating growth opportunities, we have also increased staff within Sales and Marketing to 110 employees as of March 31, 2019 from 91 at the end of March 2018.

# BUSINESS OUTLOOK

Uncertainty related to trade tensions resulted in temporarily reduced growth rates in Q1 2019. This uncertainty in the market is expected to continue in Q2 2019. However, based on current backlog related to new customers and designs, guidance for Q2 2019 revenue is MUSD 69-74.

Continuous pull for higher ASP products and cost improvements result in Nordic maintaining its gross margin of around 50% for Q2 2019.

Nordic continues its investments to fuel future growth and scaling of supply chain to meet customer demand and requirements. Capex in Q1 2019 was below guidance as a result of deferral of some investments to Q2. Guidance for Q2 2019 Capex of MUSD 5-6.

We continue to expect medium-term normalized annual growth rates of 20-30% for our Bluetooth business and between 0 and -10% for our proprietary business, as communicated in the Q4 2018 report. For cellular IoT, we expect growth patterns to be broadly in line with historic Bluetooth growth.

Oslo, April 23, 2019



**Birger Steen**  
Chair



**Tore Valderhaug**  
Deputy Chair



**Craig Ochikubo**  
Board member



**Inger Berg Ørstavik**  
Board member



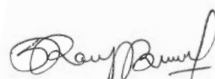
**Svenn-Tore Larsen**  
Chief Executive Officer



**Anne Marit Panengstuen**  
Board member



**Asbjørn Sæbo**  
Board member, employee



**Susheel Raj Nuguru**  
Board member, employee



**Jon Helge Nistad**  
Board member, employee

## Financial Calendar 2019:

- July 11, 2019 - 2nd Quarter 2019
- October 22, 2019 - 3rd Quarter 2019
- February 7, 2020 - 4th Quarter 2019

## For further information, please contact:

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# CONDENSED FINANCIAL INFORMATION

## Income statement

Amount in USD 1000	Note	Q1 2019	Q1 2018	Full year 2018
<b>Total Revenue</b>		52 568	60 125	271 134
Cost of materials		-25 463	-30 739	-136 111
Direct project costs		-294	-	-1
<b>Gross profit</b>		26 812	29 387	135 021
Payroll expenses		-20 009	-17 703	-70 048
Other operating expenses	3	-7 541	-7 271	-34 199
<b>EBITDA</b>		-738	4 412	30 775
Depreciation	6	-5 369	-3 586	-16 727
<b>Operating profit</b>		- 6 108	826	14 047
Net interest	3	-165	-40	1 354
Net foreign exchange gains (losses)		-303	-689	-320
<b>Profit before tax</b>		-6 576	97	15 081
Income tax expense		-52	-117	-6 222
<b>Net profit after tax</b>		-6 628	-19	8 859
<b>Earnings per share</b>				
Ordinary earnings per share (USD)		-0.038	-0.000	0.051
Fully diluted earnings per share (USD)		-0.038	-0.000	0.049
<b>Weighted average number of shares</b>				
Basic		175 237	161 796	172 591
Fully Diluted		175 237	162 279	179 454
<b>Net profit after tax</b>		-6 628	-19	8 859
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gains (losses) on defined benefit plans (before tax)				-21
Income tax effect				5
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>				
Currency translation differences		-367	198	-324
<b>Total Comprehensive Income</b>		-6 995	179	8 519

## Consolidated statement of financial position

Amount in USD 1000	Note	31.3.19	31.12.18	31.3.18
<b>ASSETS</b>				
<b>Non-current assets</b>				
Capitalized development expenses	5/6	29 172	27 686	21 187
Software and other intangible assets	5/6	14 200	15 063	15 394
Deferred tax assets		1 344	1 335	1 596
Fixed assets	3/6	40 144	17 582	11 818
<b>Total non-current assets</b>		<b>84 860</b>	<b>61 667</b>	<b>49 995</b>
<b>Current assets</b>				
Inventory		42 810	42 679	46 043
Accounts receivable		48 415	51 784	53 940
Other short-term receivables		7 856	7 155	7 106
Cash and cash equivalents		97 787	103 876	32 193
<b>Total current assets</b>		<b>196 868</b>	<b>205 494</b>	<b>139 282</b>
<b>TOTAL ASSETS</b>		<b>281 728</b>	<b>267 161</b>	<b>189 278</b>

**EQUITY**

Share capital		303	303	283
Treasury shares		-5	-5	-2
Share Premium		113 355	113 355	14 436
Other equity		101 277	107 896	110 729
<b>Total equity</b>		<b>214 931</b>	<b>221 549</b>	<b>125 446</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Pension liability		262	279	323
Other long-term loan facility	7	-	-	20 000
Non-current lease liabilities	3	18 012	-	-
<b>Total non-current liabilities</b>		<b>18 274</b>	<b>279</b>	<b>20 323</b>
<b>Current liabilities</b>				
Accounts payable		10 975	10 424	13 075
Income taxes payable		3 837	5 043	3 069
Public duties		3 319	2 901	2 774
Current lease liabilities	3	3 208	-	-
Other short-term debt		27 184	26 966	20 955
<b>Total current liabilities</b>		<b>48 524</b>	<b>45 333</b>	<b>39 873</b>
<b>Total liabilities</b>		<b>66 797</b>	<b>45 612</b>	<b>63 831</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>281 728</b>	<b>267 161</b>	<b>189 278</b>

## Consolidated statement of changes in equity

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Currency translation reserve	Retained earnings	Total equity
<b>Equity as of 01.01.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>3 307</b>	<b>-190</b>	<b>104 780</b>	<b>221 549</b>
Net profit for the period	-	-	-	-	-	-6 628	- 6 628
Share based compensation	-	-	-	376	-	-	376
Other comprehensive income	-	-	-	-	-367	-	-367
<b>Equity as of 31.3.19</b>	<b>303</b>	<b>-5</b>	<b>113 355</b>	<b>3 683</b>	<b>-557</b>	<b>98 152</b>	<b>214 931</b>
<b>Equity as of 01.01.18</b>	<b>283</b>	<b>-2</b>	<b>14 436</b>	<b>2 094</b>	<b>134</b>	<b>108 008</b>	<b>124 953</b>
Net profit for the period	-	-	-	-	-	-19	-19
Purchase of treasury shares	-	-1	-	-	-	-40	-41
Sale of treasury shares (Option exercise)	-	1	-	-	-	-	1
Share based compensation	-	-	-	354	-	-	35
Other comprehensive income	-	-	-	-	198	-	198
<b>Equity as of 31.3.18</b>	<b>283</b>	<b>-2</b>	<b>14 436</b>	<b>2 448</b>	<b>332</b>	<b>107 949</b>	<b>125 446</b>

## Statement of cash flows

Amount in USD 1000	Note	Q1 2019	Q1 2018	Full year 2018
<b>Cash flows from operating activities</b>				
Profit before tax		-6 576	97	15 081
Taxes paid for the period		-1 302	-956	-2 759
Depreciation		5 369	3 586	16 728
Change in inventories, trade receivables and payables		3 801	-3 697	-4 708
Share-based compensation		374	469	1 231
Movement in pensions		-	30	-30
Other operations related adjustments		-42	1 233	4 974
<b>Net cash flows from operating activities</b>		<b>1 624</b>	<b>762</b>	<b>30 516</b>
<b>Cash flows used in investing activities</b>				
Capital expenditures (including software)	6	-4 242	-1 867	-17 530
Capitalized development expenses	6	-2 533	-3 278	-12 993
<b>Net cash flows used in investing activities</b>		<b>-6 774</b>	<b>-5 145</b>	<b>-30 523</b>
<b>Cash flows from financing activities</b>				
Changes in treasury shares		-	-	-12 075
Capital increase		-	-	98 939
Repayment of interest bearing debt		-	-	-20 000
Repayment of lease liabilities		-784	-	-
Cash settlement of options contract and issue of share capital		-	-32	-32
<b>Net cash flows from financing activities</b>		<b>-784</b>	<b>-32</b>	<b>66 832</b>
Effects of exchange rate changes on cash and cash equivalents		-155	-87	357
<b>Net change in cash and cash equivalents</b>		<b>-6 090</b>	<b>-4 502</b>	<b>67 181</b>
Cash and cash equivalents beginning of period		103 876	36 695	36 695
<b>Cash and cash equivalents at end of period</b>		<b>97 787</b>	<b>32 193</b>	<b>103 876</b>



# NOTES

## Note 1: General

The Board of Directors approved the condensed first quarter interim financial statements for the three months ended 31 March 2019 for publication on April 23, 2019.

Nordic develops and sells integrated circuits and related solutions for short-range wireless communication. The Group specializes in ultra-low power (ULP) components, based on its proprietary 2.4GHz RF and Bluetooth technology. Nordic is also developing its long-range low-power cellular chip-set, providing customers with a broad portfolio of low-power connectivity solutions across the spectrum of distances from near-field to long-range.

Nordic Semiconductor ASA is listed on the Oslo Stock Exchange under the ticker NOD, and is a public limited liability company registered in Norway. The parent 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 Q1 2019 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 2018.

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.

In the interim financial statements for 2019, 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 2019 and the major sources of uncertainty in the statements are similar to those found in the Financial Statements for 2018.

IFRS 16 was implemented 1.1.2019. See note 3 for a reconciliation of the changes to the statement of the financial position as of 1.1.2019.

## Note 3: Significant accounting principles

Significant accounting principles are described in the Group Financial Statement for 2018. The group accounts for 2018 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.

New standards, amendments to standards, and interpretations have been published, but are not effective at December 31, 2019 and have not been applied in preparing these condensed financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

The Group adopted IFRS 16 1.1.2019 using the modified retrospective approach and has not restated comparative amounts for the year prior to first adoption.

The main leases recognized in the balance sheet are the different office leases. The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., copy machines, coffee machines etc.) that are considered of low value.

The present value of future lease payments is recognized as a financial liability. Lease payments are split into principal and interest portions, using the effective interest method.

The right-of-use asset is recognized within fixed assets and is set equal to the financial liability at the date of implementation. The right-of-use asset is depreciated on a straight line basis over the lease term or, if it is shorter, over the useful life of the leased asset.

If the expected lease payments change as a result of index-linked consideration, the liability is remeasured. The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 4.05 % p.a.

<b>Operating lease commitment December 31, 2018 as disclosed in the financial statements</b>	<b>25 964</b>
Recognition exemption for:	
<i>Short-term leases</i>	-236
<i>Leases for low-value assets</i>	-434
Effect from discounting at the incremental borrowing rate as of January 1, 2019	-3 303
<b>Lease liability recognized at January 1, 2019</b>	<b>21 843</b>

#### Note 4: 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 technologies: Short range wireless components, long range (cellular IoT), ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the markets to which its components communicate. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail, and Others.

The Group also reports its short range Wireless component revenue by proprietary wireless and Bluetooth protocols.

#### Note 5: Intangible assets

The Group recognizes intangible assets in the balance sheet if it is likely that the expected future economic benefits attributable to the asset will accrue to the Group and the assets acquisition cost can be measured reliably.

**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.

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.

#### Note 6: Capitalization, depreciation and amortization

<b>Specification of capital expenditures, balance sheet</b>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>Full year 2018</b>
Capitalized development expenses (payroll expenses)	1 819	2 182	9 774
Capitalized acquired development expenses	714	1 096	3 219
Capital expenditures (including software)	4 242	1 867	17 530
Currency adjustments	-79	148	-933
<b>Total</b>	<b>4 163</b>	<b>5 293</b>	<b>29 590</b>
<b>Depreciation, amortizations and impairments</b>			
Capitalized development expenses	1 047	1 016	4 232
Software and other intangible assets	1 384	693	4 518
Fixed Assets	1 995	1 877	7 979
Right-of-use asset	944	-	-
<b>Total</b>	<b>5 369</b>	<b>3 586</b>	<b>16 729</b>

**Note 7: Net interest-bearing debt**

The Group has long-term revolving credit facilities, which enables it to borrow up to MUSD 40 and MUSD 25 at any time with an interest rate equal to LIBOR + margin. The line of credit of MUSD 40 expires end of November 2020, while the other MUSD 25 expires end of November 2022. As of March 31, 2019, the Group had not drawn on any credit facilities. The security for the credit lines are provided by inventory, receivables and operating equipment.

**The following financial covenants are included:**

Equity ratio shall not be lower than 40 %.

In addition to the two RCFs, the Group has a MEUR 10 bank overdraft facility with its main bank. This overdraft was not utilized at the end of March 2019.

With reference to the Annual General Meeting ("AGM") on April 17, 2018, Nordic Semiconductor has on March 15, 2019, granted 1,752,366 share options to employees and primary insiders. On the AGM the Parent company was given the approval to issue up to 2.7 million options in 2019, equivalent to approximately 1.7% 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 39.44 (10% above volume weighted average share price the week prior to the grant date). The maximum value of options under the program is capped at three times the strike price.

**Note 8: Stock options**

Nordic has a stock option program for employees and management. Please see the annual report for 2018 for information about the program.

	Q1 2019	Q1 2018	2018
<b>Outstanding options beginning of period</b>	<b>4 194 293</b>	<b>3 127 663</b>	<b>3 127 663</b>
Options granted	1 752 366	1 447 400	1 447 400
Options forfeited	15 451	3 500	97 060
Options exercised	-	58 610	283 710
Options expired	-	-	-
<b>Outstanding options end of period</b>	<b>5 931 208</b>	<b>4 512 953</b>	<b>4 194 293</b>
Of which exercisable	2 742 259	1 488 282	1 265 338

**Note 9: Financial risk**

Nordic is exposed to several risks, including currency risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how the Group manages these risks, please see the annual report for 2018.

**Note 10: Events after the balance sheet date**

No events have occurred since March 31, 2019 with any significant effect that will impact the evaluation of the submitted accounts.

# ALTERNATIVE PERFORMANCE MEASURES

The financial information is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. Additionally, it is management's intent to provide alternative performance measures (APM) that are regularly reviewed by management to enhance the understanding of the Group's performance.

The Group has identified the following APMs used in reporting (amount in USD million):

- **Gross Margin.** Gross Profit divided by Total Revenue. Gross margin is presented as it is the main financial KPI to measure the Group's operational performance.

	Q1 2019	Q1 2018	Full year 2018
Gross profit	26.8	29.4	135.0
Total revenue	52.6	60.1	271.1
<b>Gross Margin</b>	<b>51.0 %</b>	<b>48.9 %</b>	<b>49.8 %</b>

EBITDA terms are presented as they are commonly used by investors and financial analysts.

- **EBITDA.** Earnings before interest, taxes, depreciation and amortization.

	Q1 2019	Q1 2018	Full year 2018
Operating profit	-6.1	0.8	14.0
Depreciation	5.4	3.6	16.7
<b>EBITDA</b>	<b>-0.7</b>	<b>4.4</b>	<b>30.8</b>

- **EBITDA Margin.** EBITDA divided by Total Revenue.

	Q1 2019	Q1 2018	Full year 2018
EBITDA	-0.7	4.4	30.8
Total revenue	52.6	60.1	271.1
<b>EBITDA Margin</b>	<b>-1.4 %</b>	<b>7.3 %</b>	<b>11.4 %</b>

- **Total Operating Expenses.** Sum of payroll expenses, other operating expenses, depreciation and amortization.

	Q1 2019	Q1 2018	Full year 2018
Payroll expenses	20.0	17.7	70.0
Other Opex	7.5	7.3	34.2
Depreciation	5.4	3.6	16.7
<b>Total Operating Expenses</b>	<b>32.9</b>	<b>28.6</b>	<b>121.0</b>

- **Cash Operating Expenses.** Total payroll and other operating expenses adjusted for non-cash related items including option expenses, receivable write-off and capitalization of development expenses. Nordic management believes that this measurement best captures the expenses impacting the cash flow of the Group.

	Q1 2019	Q1 2018	Full year 2018
Total operating expenses	32.9	28.6	121.0
Depreciation	-5.4	-3.6	-16.7
Option expense	-0.4	-0.4	-1.2
Capitalized expenses	2.5	3.3	13.0
<b>Cash Operating Expenses</b>	<b>29.7</b>	<b>27.9</b>	<b>116.0</b>

- **Order Backlog.** Customer orders placed by the end of the quarter for delivery in next and following quarters. This APM is used to understand the guiding for the next quarter.
- **Adjusted EBITDA margin.** EBITDA excluding cellular IoT, divided by Total Revenue excluding cellular IoT revenue. This APM shows Nordic's profitability excluding products in an investment phase with limited revenue.

	Q1 2019	Q1 2018	Full year 2018
Reported EBITDA	-0.7	4.4	30.8
Long range (cellular IoT) EBITDA loss	5.2	4.7	16.9
<b>Adjusted EBITDA</b>	<b>4.4</b>	<b>9.1</b>	<b>47.7</b>
Total revenue (excluding cellular IoT revenue)	52.4	60.1	270.9
<b>Adjusted EBITDA margin</b>	<b>8.4%</b>	<b>15.1%</b>	<b>17.6%</b>

- **Last twelve months operating expenses excluding depreciation** divided by last twelve months revenue. Nordic's business is seasonal and by dividing last twelve months operating expenses excl. depreciation by last twelve months revenue, management is able to track cost level trends in relation to revenue. As a growth business it is key to keep cost level under control while still growing the business, and this ratio keeps track on that.

	Q1 2019	Q1 2018
Total operating expenses	125.3	107.4
Depreciation	-18.5	-13.4
<b>Operating expenses excluding depreciation</b>	<b>106.8</b>	<b>94.0</b>
Total revenue	263.6	248.8
<b>LTM opex / LTM revenue</b>	<b>40.5%</b>	<b>37.8%</b>

- **Net working capital** divided by last twelve months revenue. Net working capital is a measure of both a company's efficiency and its short-term financial health, and by dividing the measure by last twelve months, seasonal effects are excluded. Nordic management uses this ratio to report on liquidity management to the financial market and internally to track performance.

	Q1 2019	Q1 2018
Current assets	196.9	139.3
Cash and cash equivalents	-97.8	-32.2
Current liabilities	-48.5	-43.5
Current lease liabilities	3.2	-
Income taxes payable	3.8	2.3
<b>Net working capital</b>	<b>57.6</b>	<b>65.9</b>
Total revenue	263.6	248.8
<b>NWC / LTM revenue</b>	<b>21.9%</b>	<b>26.5%</b>