

Q2

& first half report
2019



NORDIC[®]
SEMICONDUCTOR

Content

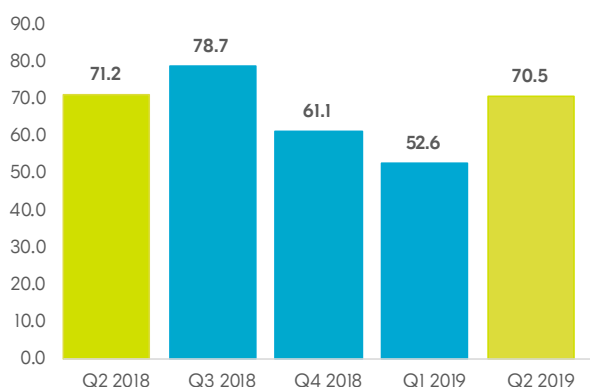
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Q2 HIGHLIGHTS

- Increased Tier 1 contribution in revenue and backlog
- Strong gross margin as a result of investments in supply chain
- Nordic Bluetooth design certifications increased by 21% from 125 in Q2 2018 to 151 in Q2 2019, with Nordic market share of 43%
- June production release of cellular product and software
- Major design wins reported during the quarter
- Managed channel inventory to adapt to market uncertainty
- Record high backlog driven by new design wins with Tier 1 customers globally

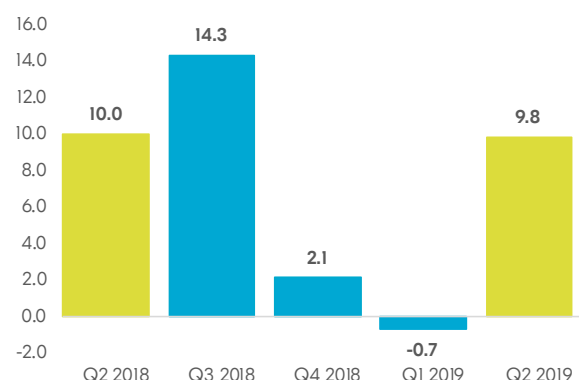
Revenue

USD Millions

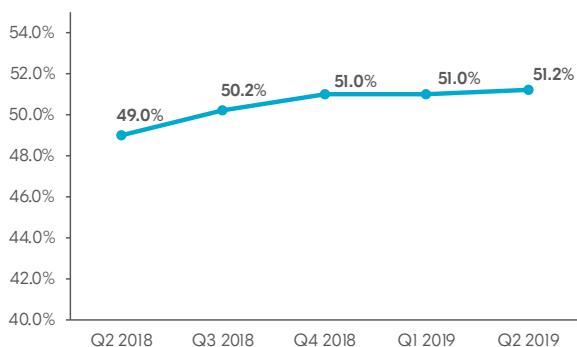


EBITDA

USD Millions



Gross Margin



EBITDA Margin



KEY FIGURES

Q2 2019 AND FIRST HALF FINANCIAL SUMMARY

| Amount in USD million | Q2 2019 | Q2 2018 | Change | HI 2019 | HI 2018 | Change |
|----------------------------------------------|---------|---------|-----------|---------|---------|-----------|
| Revenue | 70.5 | 71.2 | -0.9% | 123.1 | 131.3 | -6.2% |
| Gross profit | 36.1 | 34.9 | 3.6% | 62.9 | 64.3 | -2.1% |
| Gross Margin % | 51.2% | 49.0% | 2.2 p.p. | 51.1% | 49.0% | 2.1 p.p. |
| EBITDA | 9.8 | 10.0 | -1.8% | 9.1 | 14.4 | -37.1% |
| EBITDA % | 13.9% | 14.0% | -0.1 p.p. | 7.4% | 11.0% | -3.6 p.p. |
| Operating Profit (EBIT) | 4.3 | 5.7 | -23.9% | -1.8 | 6.5 | na |
| Operating Profit % (EBIT) | 6.1% | 8.0% | -1.9 p.p. | -1.4% | 5.0% | na |
| Net profit after tax | 3.8 | 4.3 | -12.0% | -2.8 | 4.3 | na |
| Cash and cash equivalents | 87.9 | 107.0 | -17.8% | 87.9 | 107.0 | -17.8% |
| Order Backlog | 112.0 | 80.1 | 39.8% | | | |
| LTM opex excluding depreciation/ LTM revenue | 41.2% | 38.1% | 4.1 p.p. | | | |
| Net working capital / LTM revenue | 25.6% | 26.7% | -1.1 p.p. | | | |
| Equity ratio | 76.2% | 84.5% | -8.3 p.p. | | | |
| Number of employees | 717 | 629 | 14.0% | | | |

REVENUE BY TECHNOLOGY

| Amount in USD thousand | Q2 2019 | Q2 2018 | Change | HI 2019 | HI 2018 | Change |
|------------------------|---------------|---------------|--------------|----------------|----------------|--------------|
| Proprietary wireless | 12 624 | 16 960 | -25.6% | 25 104 | 36 909 | -32.0% |
| Bluetooth | 56 042 | 52 324 | 7.1% | 93 383 | 90 690 | 3.0% |
| Cellular IoT | 196 | - | na | 335 | - | na |
| ASIC Components | 1 627 | 1 852 | -12.2% | 4 058 | 3 641 | 11.4% |
| Consulting services | 39 | 22 | 75.3% | 216 | 43 | 400.6% |
| Total | 70 526 | 71 158 | -0.9% | 123 094 | 131 283 | -6.2% |

IFRS 16 EFFECTS ON THE INCOME STATEMENT

| Amount in USD thousand | Q2 2019 | HI 2019 |
|------------------------------|--------------|--------------|
| Other Operating expenses | 1 071 | 2 075 |
| EBITDA | 1 071 | 2 075 |
| Depreciation | -991 | -1 935 |
| EBIT | 80 | 140 |
| Interest expense | -208 | -419 |
| Foreign exchange adjustments | -181 | -384 |
| Profit before tax | -309 | -663 |

FINANCIAL REVIEW

INCOME STATEMENT

Nordic Semiconductor's (Nordic or the Group) total revenue was MUS\$ 70.5 in Q2 2019, compared with MUS\$ 71.2 in Q2 2018. Overall year-over-year decrease was 0.9%. Bluetooth revenue increased by 7.1%, while proprietary revenue decreased by 25.6% year-over-year.

Revenue from Bluetooth ended at MUS\$ 56.0, up from MUS\$ 52.3 in Q2 2018 and MUS\$ 37.3 in Q1 2019. Bluetooth revenue constitutes 79.5% of total revenue in the quarter, compared with 73.5% in Q2 2018. Significant revenue contribution from new Tier 1 customers led to sequential and year-over-year growth in Bluetooth, but the market has still been negatively impacted by uncertainty.

Nordic had a record number of end-product certifications in the quarter, with a total of 151 new product certifications. This represents a year-over-year growth of 21% and a quarter-over-quarter growth of 11%. Nordic's share of design wins in the quarter was 43%, it has been fluctuating around 40% over the past five years. Securing new design wins and diversifying the customer base are main focus areas for Nordic. Some design wins in the past year are a result of years of hard work done by the sales force in combination with R&D resources towards the end-customers. 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\$ 12.6 down from MUS\$ 17.0 in Q2 2018 and up from MUS\$ 12.5 in Q1 2019. Year-over-year decrease was 25.6%. The further decline compared to last year is explained by channel inventory adjustments and weaker than expected non-PC peripherals applications, partly explained by a transition to Bluetooth.

Nordic recognized MUS\$ 0.2 in cellular IoT revenue in Q2 2019. The nRF9160 system-in-package, Nordic's cellular product, has entered production ramp phase and revenue is expected to pick up towards the end of 2019.

For the first time, Nordic is showing a three-digit backlog, exiting Q2 with a backlog of MUS\$ 112, which is well spread over the next quarters. Similarly to Q1, new Tier 1 customers are contributing to the growth. The year-over-year increase of the backlog was 39.8%.

The Group's gross margin increased from 49.0% in Q2 2018 to 51.2% this quarter. As a result of this, gross profit increased despite having lower revenue. In Q2 2019, gross profit was MUS\$ 36.1, compared with MUS\$ 34.9 in Q2 2018. Continued cost improvement as a result of investments in supply chain has contributed to the gross margin improvement. Overall gross margin will decrease when Cellular revenue commences. Compared to Q1 2019, gross margin increased 0.2 percentage points.

Effective January 1, 2019 the Group implemented IFRS 16 Lease accounting. The accounting effect of this change reduces operating expenses by MUS\$ 1.1 this quarter, increases depreciation by MUS\$ 1.0 and interest expenses by MUS\$ 0.2. The reported numbers for 2019 includes the IFRS 16 adjustment, no adjustments have been made to 2018 numbers.

Total operating expenses, including depreciation and amortization, increased 8.9% to MUS\$ 31.8 from MUS\$ 29.2 in Q2 2018. Compared to Q1 2019, total operating expenses including depreciation and amortization have decreased by 3.4% from MUS\$ 32.9.

Nordic capitalized a total of MUS\$ 3.8 in development expenses during Q2 2019, of which MUS\$ 2.0 relates to payroll expenses. The corresponding total capitalization amount in Q2 2018 was MUS\$ 3.6 and MUS\$ 2.5 in Q1 2019. Of the total capitalization in Q2 2019, MUS\$ 2.0 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 Q2 2019, unchanged from Q1 2019 and MUS\$ 0.2 higher than Q2 2018. Adjusted for capitalization of development expenses and equity-based compensation, total cash operating expenses increased 4.9% to MUS\$ 29.7 in Q2 2019 from MUS\$ 28.4 in Q2 2018. This is explained by a 14.0% increase in the number of employees, from 629 at the end of Q2 2018 to 717 at the end of Q2 2019. Cash operating expenses are flat compared to Q1 2019. 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\$ 7.5 in Q2 2019, compared with MUS\$ 6.8 in Q2 2018. The increase is mainly related to higher personnel expenses and tape out costs.

Depreciation and amortization were MUS\$ 5.5 in Q2 2019, compared with MUS\$ 4.3 in Q2 2018. Included is MUS\$ 1.0 in amortization of internally developed R&D, unchanged from Q1 2019 and MUS\$ 1.0 related to IFRS 16. Total depreciation and amortization is on the same level as Q1 2019.

Earnings before interest, tax, depreciation and amortization (EBITDA) were MUS\$ 9.8 in Q2 2019 compared with MUS\$ 10.0 in Q2 2018. The decline is mainly explained by higher personnel expenses as a result of more employees, offset by increased gross profit and lower reported other operating expenses, due to implementation of IFRS 16.

For the short-range business, EBITDA was MUS\$ 15.3 in Q2 2019, compared with MUS\$ 13.4 in Q2 2018, representing an increase of 14.4%. Net profit for Nordic was MUS\$ 3.8 in Q2 2019, down MUS\$ 0.5 from MUS\$ 4.3 in Q2 2018.

FIRST HALF

Total revenue in the first half of 2019 was MUS\$ 123.1, compared with MUS\$ 131.3 in the first half of 2018, representing a 6.2% decline. The revenue has been negatively impacted by the trade tensions and channel inventory adjustments as reported in the Q1 2019 report.

Bluetooth revenue was MUS\$ 93.4 in the first half of 2019 representing a 3.0% growth compared to MUS\$ 90.7 in the first half of 2018. The Bluetooth growth for the first half year has been affected by the decline observed during Q1 2019, whilst Bluetooth revenue is back to growth in Q2 2019.

Proprietary revenue was MUS\$ 25.1 in the first half of 2019, a decline of 32.0% compared to MUS\$ 36.9 in first half of 2018. Proprietary saw an increase in the second half of 2018, due to shipments out of China prior to the communicated increase in tariffs from January 1, which is the main reason for the decrease in the first half of 2019.

Gross profit was MUS\$ 62.9 or 51.1% of revenue in the first half of 2019, compared with MUS\$ 64.3, or 49.0% of revenue during the first half year of 2018. The gross profit decrease for first half of 2019 is primarily explained by lower revenue, partly offset by higher gross margin, related to supply chain improvements as well as a more favorable customer and product mix.

Total operating expenses including depreciation were MUS\$ 64.7 in the first half year of 2019, compared with MUS\$ 57.8 in the first half year of 2018. The increase is mainly related to more employees and increased cellular expenses.

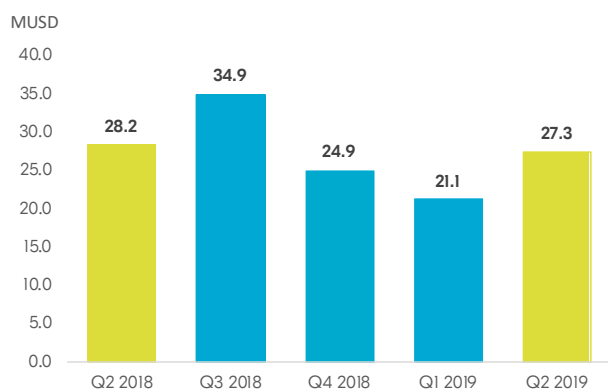
Earnings before interest, tax, depreciation and amortization (EBITDA) were MUS\$ 9.1 in first half of 2019 compared to MUS\$ 14.4 in first half of 2018. Net profit after tax was MUS\$ -2.8 in the first half of 2019, compared with MUS\$ 4.3 in the first half of 2018.

MARKETS

| Revenue in USD thousand | Q2 2019 | Q2 2018 | Change | H1 2019 | H1 2018 | Change |
|----------------------------------------|---------------|---------------|--------------|----------------|----------------|--------------|
| Consumer Electronics | 27 282 | 28 249 | -3.4% | 48 405 | 51 877 | -6.7% |
| Wearables | 12 739 | 11 870 | 7.3% | 20 380 | 22 074 | -7.7% |
| Building/Retail | 12 926 | 13 754 | -6.0% | 20 967 | 25 973 | -19.3% |
| Healthcare | 5 428 | 5 349 | 1.5% | 9 691 | 10 042 | -3.5% |
| Others | 10 291 | 10 062 | 2.3% | 19 044 | 17 633 | 8.0% |
| Short range wireless components | 68 665 | 69 284 | -0.9% | 118 486 | 127 599 | -7.1% |
| Long range (cellular IoT) | 196 | - | na | 335 | - | na |
| ASIC components | 1 627 | 1 852 | -12.2% | 4 058 | 3 641 | 11.4% |
| Consulting services | 39 | 22 | 75.3% | 216 | 43 | 400.6% |
| Total | 70 526 | 71 158 | -0.9% | 123 094 | 131 283 | -6.2% |

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.

Consumer Electronics



Revenue - Consumer Electronics

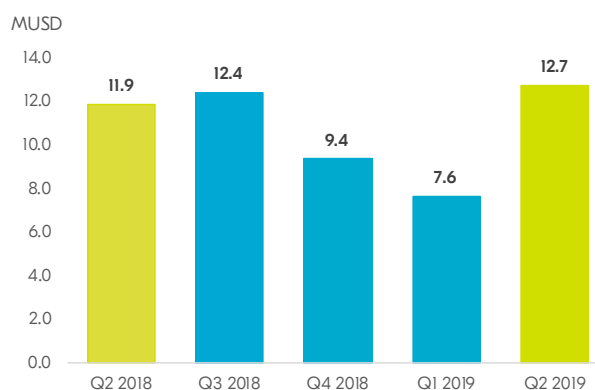
The Consumer Electronics market consists of PC Accessories, Mobile Phone Accessories and Home Entertainment devices.

Revenue within Consumer Electronics decreased by 3.4% to MUSD 27.3 in Q1 2019 from MUSD 28.2 in the corresponding period last year and increased by 29.2% from MUSD 21.1 in Q1 2019. The decrease in revenue compared to last year is mainly explained by the low proprietary revenue during the quarter. Compared to last quarter, the strong increase is explained by seasonality and several of the new projects that are reported within consumer electronics.

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

Wearables



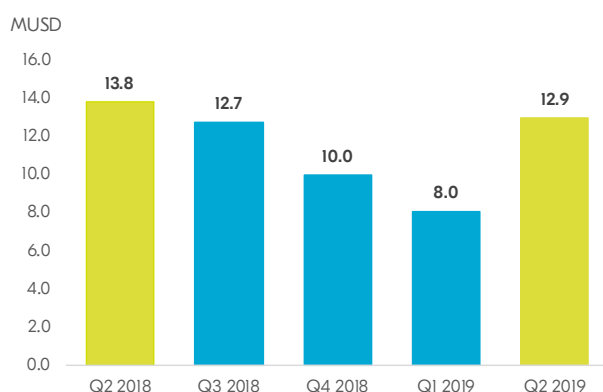
Revenue - Wearables

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

Revenue from Wearables increased by 7.3% to MUSD 12.7 in Q2 2019 from MUSD 11.9 in the corresponding period last year. Revenue increased a strong 66.7% from MUSD 7.6 in Q1 2019. With the nRF52 Series Nordic has increased its design win traction within this market. The strong improvement in Q2 compared to Q1 is explained by seasonal variances as well as a strong pickup in the Chinese Original Design Manufacturers market that was particularly impacted by the hard challenges during Q1 and where improvements have been observed during Q2.

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



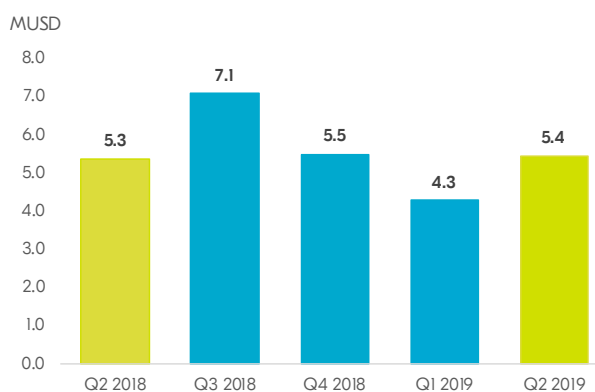
Revenue - Building/Retail

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 6.0% to MUSD 12.9 in Q2 2019 from MUSD 13.8 in the corresponding period last year. Revenue increased 60.7% from MUSD 8.0 in Q1 2019.

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. Other important applications include shelf labelling and asset tracking devices.

Healthcare



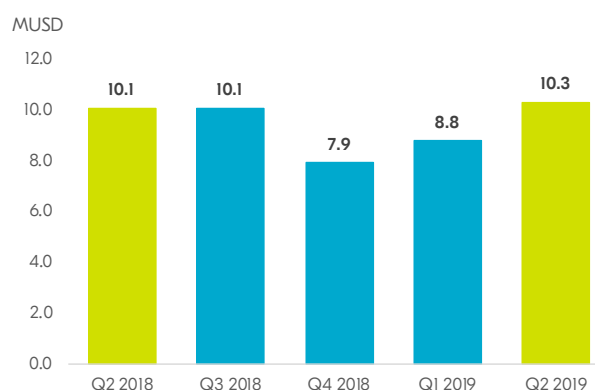
Revenue - Healthcare

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 increased by 1.5% to MUSD 5.4 in Q2 2019 from MUSD 5.3 in the corresponding period last year. Revenue increased 27.3% from MUSD 4.3 in Q1 2019.

Most 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 2.3% to MUSD 10.3 in Q2 2019, from MUSD 10.1 in the corresponding period last year. Revenue increased 17.6% from MUSD 8.8 in Q1 2019. The year-over-year growth is a result of continuous new module designs and sales efforts from Nordic's 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 30 June 2019, the Group had total assets of MUSD 287.7, of which MUSD 199.4 were current assets. Non-current assets were MUSD 88.3. This included MUSD 20.9 of right-of-use assets following the implementation of IFRS 16 as of January 1, 2019. Capitalized development expenses increased net by MUSD 8.3, from MUSD 23.7 in Q2 2018 to MUSD 31.9 in Q2 2019.

Compared with Q2 2018, net working capital has decreased by MUSD 2.5 to MUSD 67.4 (MUSD 65.9 in Q2 2018). Similarly, net working capital in percentage of last twelve month (LTM) revenue has decreased 1.1 percentage points to 25.6% (26.7% in Q2 2018).

Total liabilities were MUSD 68.6, up from MUSD 42.0 in Q2 2018. Total liabilities included MUSD 21.6 of lease liabilities following the implementation of IFRS 16 as of January 1, 2019.

MUSD 50.5 were current liabilities, compared with MUSD 41.7 at the end of Q2 2018. Of the current liabilities, MUSD 11.0 comes from accrual for ship and debit related to sale to distributors, compared with MUSD 9.1 in Q2 2018.

Total Shareholders' equity was MUSD 219.1 at the end of June 2019, down from MUSD 228.3 at end of June 2018. The Group had an equity ratio of 76.2% at June 30, 2019, down from 84.5% June 30, 2018.

Cash outflow from operating activities was MUSD 1.0 in Q2 2019, compared with a cash inflow of MUSD 4.9 in Q2 2018. Q2 cash flow from operating activities is negatively impacted by higher working capital compared to the first quarter.

Cash flow from investments was an outflow of MUSD 7.9, compared with a cash outflow of MUSD 8.7 in Q2 2018. Capital expenditures were MUSD 4.1, driven by building of failure analysis lab and test equipment. Capitalized development expenses were MUSD 3.8, compared with MUSD 3.6 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 MUSD 65 at any time with a rate of LIBOR + margin. At June 30, 2019 the Group had not utilized the RCFs.

The Group's cash position was MUSD 87.9 at the end of June 2019, down from MUSD 107.0 and 97.8 at the end of June 2018 and March 2019 respectively. Available cash at 30 June 2019 including credit facilities was MUSD 164.3. The cash is mainly kept in the Group's functional currency USD in order to reduce the impact of currency fluctuations.

RISK AND UNCERTAINTY FACTORS

The Group is exposed to risk and uncertainty factors, that may affect some or all of its activities. As part of the Group's operating system, an extensive set of policies and procedures are in place to handle these factors. Key policies are approved by the Board of Directors annually. For further information, see 2018 Annual report.

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 market leader with a 70-80% market share. The PC accessory market continues to be an important market for Nordic, especially in the transition to Bluetooth Low Energy from Nordic's proprietary technology.

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 leading position within this technology and around 40% of all new designs in the last year have used Nordic's 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.

In 2014, Nordic committed to an 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. During Q2 Nordic has finalized the product and has, as reported in the Q1 presentation, successfully delivered production hardware for both LTE and NB-IoT, in addition to all requisite software for GPS and Software Development Kits.

The nRF9160 is currently certified to be used in most target markets for Nordics' customers through GCF/PTCRB certification, CE/ FCC and local teleregulatory approvals. Nordic's top priority during 2019 has been to engage with the major carriers in selected key markets to further strengthen the partnership. There has been significant progress on this area during the first half of the year. With a complete hardware, available software and main certifications soon in place, we have built the foundation for a strong design activity during the coming quarters.

As of June 30, 2019, Nordic Semiconductor had 717 employees, compared with 698 and 629 employees at the end of Q1 2019 and Q2 2018, respectively. A total of 536 employees worked within Research and Development at the end of Q2 2019, representing an increase of 63 employees compared with the corresponding period in 2018.

In order to take advantage of accelerating growth opportunities, we have also increased staff within Sales and Marketing to 103 employees as of June 30, 2019 from 94 at the end of June 2018.

BUSINESS OUTLOOK

Uncertainty resulted in temporarily reduced growth rates in Q2 2019, although a significant improvement was seen in the 7.1% growth in Bluetooth. This uncertainty in the market is expected to continue in Q3 2019. Based on the current backlog, guidance for Q3 2019 revenue is MUSD 78-83.

Continuous pull for higher ASP products and cost improvements result in Nordic maintaining its gross margin of around 50% for Q3 2019.

Nordic continues its investments to fuel future growth and scaling of supply chain to meet customer demand and requirements. Capex in Q2 2019 was below guidance as a result of deferral of some investments to Q3. Guidance for Q3 2019 Capex of MUSD 4-5.

We continue to expect medium-term normalized annual growth rates of 20-30% for our Bluetooth business. For proprietary we expect another quarter of more than single digit percentage decline due to a tough comparable in Q3 2018. For cellular IoT, we expect revenue to pick up during H2 2019 given the positive events related to the product during Q2 2019.

Oslo, July 10, 2019



Jan Frykhammar
Board member



Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Sverre Tore Larsen
Chief Executive Officer



Endre Holen
Board member



Øyvind Birkenes
Board member



Jon Helge Nistad
Board member, employee



Annastiina Hintsu
Board member



Asbjørn Sæbo
Board member, employee



Susheel Raj Nuguru
Board member, employee



Morten Dammen
Board member, employee

Financial Calendar 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 | Q2 2019 | Q2 2018 | H1 2019 | H1 2018 | Full year 2018 |
|-----------------------------------------------------------------------------------------------------|------|---------------|---------------|----------------|----------------|----------------|
| Total Revenue | | 70 526 | 71 158 | 123 095 | 131 283 | 271 134 |
| Cost of materials | | -34 334 | -36 264 | -59 796 | -67 003 | -136 111 |
| Direct project costs | | -57 | -1 | -351 | -1 | -1 |
| Gross profit | | 36 136 | 34 893 | 62 947 | 64 279 | 135 021 |
| Payroll expenses | | -18 360 | -16 173 | -38 369 | -33 877 | -70 048 |
| Other operating expenses | 3 | -7 973 | -8 733 | -15 514 | -16 004 | -34 199 |
| EBITDA | | 9 802 | 9 987 | 9 064 | 14 399 | 30 775 |
| Depreciation | 6 | -5 474 | -4 296 | -10 843 | -7 822 | -16 727 |
| Operating profit | | 4 328 | 5 690 | -1 779 | 6 516 | 14 047 |
| Net interest | 3 | -197 | -15 | -363 | -55 | 1 354 |
| Net foreign exchange gains (losses) | | -276 | 434 | -579 | -255 | -320 |
| Profit before tax | | 3 855 | 6 109 | -2 721 | 6 206 | 15 081 |
| Income tax expense | | -52 | -1 785 | -103 | -1 902 | -6 222 |
| Net profit after tax | | 3 804 | 4 323 | -2 825 | 4 304 | 8 859 |
| Earnings per share | | | | | | |
| Ordinary earnings per share (USD) | | 0.022 | 0.025 | -0.016 | 0.026 | 0.051 |
| Fully diluted earnings per share (USD) | | 0.022 | 0.024 | -0.016 | 0.025 | 0.049 |
| Weighted average number of shares | | | | | | |
| Basic | | 175 239 | 173 976 | 175 238 | 167 885 | 172 591 |
| Fully Diluted | | 175 386 | 179 102 | 175 312 | 170 690 | 179 454 |
| Net profit after tax | | 3 804 | 4 323 | -2 825 | 4 304 | 8 859 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | | | | |
| Actuarial gains (losses) on defined benefit plans (before tax) | | | | | | -21 |
| Income tax effect | | | | | | 5 |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | | | | |
| Currency translation differences | | -60 | -393 | -427 | -195 | -324 |
| Total Comprehensive Income | | 3 744 | 3 929 | 3 252 | 4 108 | 8 519 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Amount in USD 1000 | Note | 30.06.19 | 31.12.18 | 30.06.18 |
|--------------------------------------|------|----------------|----------------|----------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Capitalized development expenses | 5/6 | 31 931 | 27 686 | 23 671 |
| Software and other intangible assets | 5/6 | 13 270 | 15 063 | 15 097 |
| Deferred tax assets | | 1 357 | 1 335 | 1 519 |
| Fixed assets | 3/6 | 41 774 | 17 582 | 13 809 |
| Total non-current assets | | 88 332 | 61 667 | 54 097 |
| Current assets | | | | |
| Inventory | | 44 148 | 42 679 | 46 333 |
| Accounts receivable | | 58 378 | 51 784 | 55 523 |
| Other short-term receivables | | 8 917 | 7 155 | 7 377 |
| Cash and cash equivalents | | 87 916 | 103 876 | 107 009 |
| Total current assets | | 199 359 | 205 494 | 216 242 |
| TOTAL ASSETS | | 287 691 | 267 161 | 270 339 |

EQUITY

| | | | | |
|--------------------------------------|---|----------------|----------------|----------------|
| Share capital | | 303 | 303 | 303 |
| Treasury shares | | -5 | -5 | -2 |
| Share Premium | | 113 355 | 113 355 | 113 355 |
| Other equity | | 105 441 | 107 896 | 114 696 |
| Total equity | | 219 094 | 221 549 | 228 352 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Pension liability | | 264 | 279 | 308 |
| Other long-term loan facility | 7 | - | - | - |
| Non-current lease liabilities | 3 | 17 870 | - | - |
| Total non-current liabilities | | 18 134 | 279 | 308 |
| Current liabilities | | | | |
| Accounts payable | | 15 540 | 10 424 | 16 744 |
| Income taxes payable | | 2 693 | 5 043 | 2 309 |
| Public duties | | 2 772 | 2 901 | 2 748 |
| Current lease liabilities | 3 | 3 732 | - | - |
| Other short-term debt | | 25 725 | 26 966 | 19 878 |
| Total current liabilities | | 50 463 | 45 333 | 41 679 |
| Total liabilities | | 68 598 | 45 612 | 41 987 |
| TOTAL EQUITY AND LIABILITY | | 287 691 | 267 161 | 270 339 |

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 |
|----------------------------|---------------|-----------------|---------------|-----------------------|------------------------------|-------------------|--------------|
| Equity as of 01.01.19 | 303 | -5 | 113 355 | 3 307 | -190 | 104 778 | 221 548 |
| Net profit HI 2019 | | - | - | - | - | -2 825 | -2 825 |
| Share based compensation | | - | - | 776 | - | 22 | 798 |
| Other comprehensive income | | - | - | - | -427 | - | -427 |
| Equity as of 30.6.19 | 303 | -5 | 113 355 | 4 083 | -617 | 101 975 | 219 094 |

| | | | | | | | |
|-----------------------------|-----|----|---------|-------|------|---------|---------|
| Equity as of 01.01.18 | 283 | -2 | 14 436 | 2 094 | 134 | 108 008 | 124 953 |
| Net profit HI 2018 | - | - | - | - | - | 4 304 | 4 304 |
| Purchase of treasury shares | - | -1 | - | - | - | -40 | -41 |
| Issue of share capital | 20 | - | 98 919 | | - | - | 98 939 |
| Share based compensation | | 1 | | 391 | | | 392 |
| Other comprehensive income | - | - | - | - | -195 | - | -195 |
| Equity as of 30.6.18 | 303 | -2 | 113 355 | 2 485 | -61 | 112 272 | 228 352 |

STATEMENT OF CASH FLOWS

| Amount in USD 1000 | Note | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|----------------------------------------------------------------|------|---------|---------|---------|---------|----------------|
| Cash flows from operating activities | | | | | | |
| Profit before tax | | 3 855 | 6 109 | -2 721 | 6 206 | 15 081 |
| Taxes paid for the period | | -1 156 | -1 036 | -2 458 | -1 992 | -2 759 |
| Depreciation | | 5 474 | 4 296 | 10 843 | 7 882 | 16 728 |
| Change in inventories, trade receivables and payables | | -6 741 | -2 083 | -2 940 | -5 780 | -4 708 |
| Share-based compensation | | 411 | 150 | 785 | 619 | 1 231 |
| Movement in pensions | | - | -15 | - | 15 | -30 |
| Other operations related adjustments | | -2 817 | -2 525 | -2 859 | -1 292 | 4 974 |
| Net cash flows from operating activities | | -974 | 4 896 | 650 | 5 659 | 30 516 |
| Cash flows used in investing activities | | | | | | |
| Capital expenditures (including software) | 6 | -4 066 | -5 099 | -8 308 | -6 966 | -17 530 |
| Capitalized development expenses | 6 | -3 813 | -3 635 | -6 345 | -6 913 | -12 993 |
| Net cash flows used in investing activities | | -7 879 | -8 734 | -14 654 | -13 878 | -30 523 |
| Cash flows from financing activities | | | | | | |
| Changes in treasury shares | | | - | | | -12 075 |
| Capital increase | | | 98 939 | | 98 939 | 98 939 |
| Repayment of interest bearing debt | | | -20 000 | | -20 000 | -20 000 |
| Repayment of lease liabilities | | -872 | - | -1 656 | - | - |
| Cash settlement of options contract and issue of share capital | | | - | | -32 | -32 |
| Net cash flows from financing activities | | -872 | 78 939 | -1 656 | 78 907 | 66 832 |
| Effects of exchange rate changes on cash and cash equivalents | | -146 | -286 | -301 | -373 | 357 |
| Net change in cash and cash equivalents | | -9 871 | 74 816 | -15 961 | 70 314 | 67 181 |
| Cash and cash equivalents beginning of period | | 97 787 | 32 193 | 103 876 | 36 695 | 36 695 |
| Cash and cash equivalents at end of period | | 87 916 | 107 009 | 87 916 | 107 009 | 103 876 |

NOTES

NOTE 1: GENERAL

The Board of Directors approved the condensed second quarter interim financial statements for the three months ended 30 June 2019 and six first months of 2019 for publication on July 10, 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 Q2 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 January 1, 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.

| | |
|----------------------------------------------------------------------------------------------|---------------|
| Operating lease commitment December 31, 2018 as disclosed in the financial statements | 25 964 |
| 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 |
| Lease liability recognized at January 1, 2019 | 21 843 |

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.

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 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.

NOTE 6: CAPITALIZATION, DEPRECIATION AND AMORTIZATION

| Specification of capital expenditures, balance sheet | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|-------------------------------------------------------------|----------------|----------------|----------------|----------------|-----------------------|
| Capitalized development expenses (payroll expenses) | 2 029 | 2 871 | 3 848 | 5 053 | 9 774 |
| Capitalized acquired development expenses | 1 778 | 764 | 2 492 | 1 860 | 3 219 |
| Capital expenditures (including software) | 4 066 | 5 099 | 8 308 | 6 966 | 17 530 |
| Currency adjustments | 48 | -262 | -31 | -114 | -933 |
| Total | 7 921 | 8 472 | 14 617 | 13 765 | 29 590 |
| Depreciation, amortizations and impairments | | | | | |
| Capitalized development expenses | 1 047 | 1 150 | 2 094 | 2 167 | 4 232 |
| Software and other intangible assets | 1 287 | 1 359 | 2 671 | 2 052 | 4 518 |
| Fixed Assets | 2 149 | 1 787 | 4 144 | 3 664 | 7 979 |
| Right-of-use asset | 991 | - | 1 935 | - | - |
| Total | 5 474 | 4 296 | 10 843 | 7 882 | 16 729 |

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 2021, while the other MUSD 25 expires end of November 2022. As of June 30, 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 June 2019. The overdraft facility expires end of November 2021.

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.

| | 2019 | HI 2018 | 2018 |
|------------------------------------------------|------------------|------------------|------------------|
| Outstanding options beginning of period | 4 194 293 | 3 127 663 | 3 127 663 |
| Options granted | 1 947 010 | 1 447 400 | 1 447 400 |
| Options forfeited | 46 684 | 3 500 | 97 060 |
| Options exercised | 24 699 | 58 610 | 283 710 |
| Options expired | - | - | - |
| Outstanding options end of period | 6 069 920 | 4 512 953 | 4 194 293 |
| Of which exercisable | 2 742 259 | 1 488 282 | 1 265 338 |

With reference to the Annual General Meeting ("AGM") on April 17, 2018, Nordic Semiconductor, on March 15, 2019, granted 1,752,366 share options to employees and primary insiders. On May 5, 2019 members of the Executive Management team were granted a total of 194 644 share options and 55 814 performance shares in the company. 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 granted on March 15, 2019, 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 options granted on May 5, 2019, to the Executive Management team were granted at a strike price of NOK 45.10. The maximum value of options under the program is capped at three times the strike price.

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 June 30, 2019 with any significant effect that will impact the evaluation of the submitted accounts.

BOARD AND MANAGEMENT CONFIRMATION

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2019, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

**The Board of Directors and Chief Executive Officer of
Nordic Semiconductor ASA**
Oslo, 10 July 2019



Jan Frykhammar
Board member



Birger Steen
Chair



Anita Huun
Board member



Inger Berg Ørstavik
Board member



Sverre Torsen
Chief Executive Officer



Endre Holen
Board member



Øyvind Birkenes
Board member



Jon Helge Nistad
Board member, employee



Annastiina Hintsu
Board member



Asbjørn Sæbø
Board member, employee



Susheel Raj Nuguru
Board member, employee



Morten Dammen
Board member, employee

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

- **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.

| | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|---------------------|--------------|--------------|---------------|---------------|----------------|
| Gross profit | 36.1 | 34.9 | 62.9 | 64.3 | 135.0 |
| Total revenue | 70.5 | 71.2 | 123.1 | 131.3 | 271.1 |
| Gross Margin | 51.2% | 49.0% | 51.1 % | 49.0 % | 49.8 % |

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

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

| | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|------------------|------------|-------------|------------|-------------|----------------|
| Operating profit | 4.3 | 5.7 | -1.8 | 6.5 | 14.0 |
| Depreciation | 5.5 | 4.3 | 10.8 | 7.9 | 16.7 |
| EBITDA | 9.8 | 10.0 | 9.1 | 14.4 | 30.8 |

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

| | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|----------------------|--------------|--------------|-------------|--------------|----------------|
| EBITDA | 9.8 | 10.0 | 9.1 | 14.4 | 30.8 |
| Total revenue | 70.5 | 71.2 | 123.1 | 131.3 | 271.1 |
| EBITDA Margin | 13.9% | 14.0% | 7.4% | 11.0% | 11.4 % |

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

| | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|---------------------------------|-------------|-------------|-------------|-------------|----------------|
| Payroll expenses | 18.4 | 16.2 | 38.4 | 33.9 | 70.0 |
| Other Opex | 8.0 | 8.7 | 15.5 | 16.0 | 34.2 |
| Depreciation | 5.5 | 4.3 | 10.8 | 7.9 | 16.7 |
| Total Operating Expenses | 31.8 | 29.2 | 64.7 | 57.8 | 121.0 |

- **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.

| | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|--------------------------------|-------------|-------------|-------------|-------------|----------------|
| Total operating expenses | 31.8 | 29.2 | 64.7 | 57.8 | 121.0 |
| Depreciation | -5.5 | -4.3 | -10.8 | -7.9 | -16.7 |
| Option expense | -0.4 | -0.2 | -0.8 | -0.6 | -1.2 |
| Capitalized expenses | 3.8 | 3.6 | 6.3 | 6.9 | 13.0 |
| Cash Operating Expenses | 29.7 | 28.4 | 59.5 | 56.2 | 116.0 |

- **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.

| | Q2 2019 | Q2 2018 | HI 2019 | HI 2018 | Full year 2018 |
|------------------------------------------------|--------------|--------------|--------------|--------------|----------------|
| Reported EBITDA | 9.8 | 10.0 | 9.1 | 14.4 | 30.8 |
| Long range (cellular IoT) EBITDA loss | 5.5 | 3.4 | 10.7 | 8.1 | 16.9 |
| Adjusted EBITDA | 15.3 | 13.4 | 19.7 | 22.5 | 47.7 |
| Total revenue (excluding cellular IoT revenue) | 70.3 | 71.2 | 122.8 | 131.3 | 270.9 |
| Adjusted EBITDA margin | 21.8% | 18.8% | 16.1% | 17.1% | 17.6% |

- **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.

| | Q2 2019 | Q2 2018 |
|--------------------------------------------------|--------------|--------------|
| Total operating expenses | 127.9 | 114.0 |
| Depreciation | -19.7 | -14.5 |
| Operating expenses excluding depreciation | 108.2 | 99.5 |
| Total revenue | 262.9 | 261.3 |
| LTM opex / LTM revenue | 41.2% | 38.1% |

- **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.

| | Q2 2019 | Q2 2018 |
|----------------------------|--------------|--------------|
| Current assets | 199.4 | 216.2 |
| Cash and cash equivalents | -87.9 | -107.0 |
| Current liabilities | -50.5 | -41.7 |
| Current lease liabilities | 3.7 | - |
| Income taxes payable | 2.7 | 2.3 |
| Net working capital | 67.4 | 69.9 |
| Total revenue | 262.9 | 261.3 |
| NWC / LTM revenue | 25.6% | 26.7% |