Annual Report 2019

NORDIC®
SEMICONDUCTOR

Content

Executive Management 2019: Pål Elstad, Marianne Frydelund, Svenn-Tore Larsen, Svein-Egil Nielsen, Ole Fredrik Morken, Geir Langeland, Katarina Finneng, Kjetil Holstad and Ebbe Rømcke (Absent: Ståle Ytterdal)

THIS IS NORDIC

Nordic Semiconductor (Nordic or the Group) is a leading provider of ICs for wireless connectivity and IoT solutions. Nordic is a market leader in short-range wireless and ready to take on the large emerging market opportunity within cellular IoT. Headquartered in Norway, Nordic is a technology success story with operations and presence across the globe.

Bluetooth® Low Energy (Bluetooth LE) and cellular IoT will be key enabling connectivity technologies for Internet of Things (IoT) solutions, which holds the potential to improve people's lives, optimize the use of resources and create large economic value at the same time. IoT will become a major contributor to a sustainable global economic development, within areas such as healthcare, industry, innovation, infrastructure, smart cities and clean energy.

Nordic pioneered the development of ultra-low power wireless connectivity solutions during the early 2000s, and later became a key contributor for the creation and evolution of Bluetooth LE as a wireless standard. Over the past years the company has further developed its ICs to include support for IEEE standards such as Zigbee and Thread across its nRF52 Series and its new generation nRF53 Series. Nordic's multiprotocol portfolio ensures that the company is well positioned to benefit from projects seeking to improve compatibility across the different standards.

Nordic believes the market for its Bluetooth and multiprotocol products will grow by 20-30% annually in the medium-term, with potentially disruptive market opportunities in areas such as smart home, logistics and asset tracking, drug delivery & drug monitoring, and smart lighting.

IoT will require more than short-range connectivity., which is why Nordic launched the nRF91 Series towards the end of 2018. The nRF91 Series is Nordic's first family of low power devices for cellular IoT. Nordic's solution has integrated LTE-M, NB-IoT, GPS, RF Front-End and power management into a very small System in Package (SiP), under the highest security standards and with significantly higher energy-efficiency than any comparable products on the market.

The cellular IoT market is still in the early stages of the commercialization phase, with Nordic measuring its progress in the number of development kit shipments and customer pilot projects. The company sees projects ongoing across a wide range of industries and applications. Nordic`s ambition for cellular IoT is that it will over time grow to generate revenue on par with the company's short-range business.

MESSAGE FROM THE CEO

Nordic ended 2019 on a high note after a weak start to the year for the semiconductor industry. In the first half, product demand was negatively affected by trade tensions and inventory reductions throughout the value chain. Demand from broad-market customers gradually picked up during the second half, when Nordic also saw its long-term investments into customer relationships with tier-1 clients beginning to yield results. We ended 2019 with an excellent platform on which to build in 2020 and beyond.

Nordic reported revenue of USD 288 million and an overall revenue growth of 6% in 2019, and the gross margin of 50.9% exceeded our 50% target. At the same time, we saw the order backlog increasing to USD 107 million at the end of 2019, which was an increase of more than 50% from the end of 2018.

> The Bluetooth segment now accounts for more than three-quarters of our total revenue.

The Bluetooth Low Energy portfolio remains our main growth engine with a revenue increase of 19% last year, whereas revenue from the proprietary portfolio declined by 22%. The Bluetooth segment now accounts for more than three-quarters of our total revenue.

We believe Bluetooth LE and multiprotocol products with Thread and Zigbee will see annual growth of 20-30% in the medium term, with upside potential in disruptive verticals such as smart homes, smart lighting, drug delivery and disease monitoring, and logistics and asset tracking.

Cellular IoT is still in the early stages of commercialization and generated only moderate revenue in 2019. In our view, the outlook for the long-range business remains very solid. We aim to gradually build up the cellular IoT business to a similar size as the short-range business over the next five years.

Our overall aspiration for the Group is to build Nordic into a USD 1 billion company within five years. To achieve this goal, we have taken a lead on connectivity in the IoT space.

I am very pleased to see us maintain or even strengthen our leadership position in the Bluetooth LE market in 2019. In terms of new designs, data provided by the Federal Communications (FCC) Commission and collected by DNB Markets show that 41% of the Bluetooth LE end products that were certified during 2019 had Nordic inside. This puts us as the clear market leader in the broad market.

Svenn-Tore Larsen, Chief Executive Officer

Over the past five years, the FCC has certified more than 2,100 different Bluetooth LE products built on Nordic technology. This broad customer engagement makes us an attractive partner for the large global platform companies, that are fighting for dominance in the home automation or smart home market.

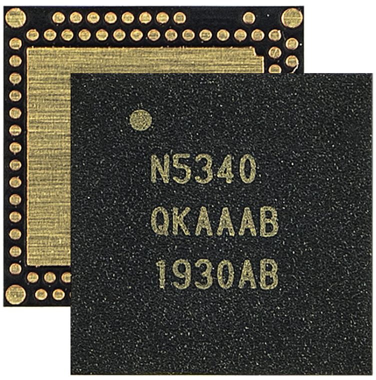
We have been working for years to build strong customer relationships with these major players, as well as with the market leaders in the verticals in which we operate. We have invested considerable resources into sales, R&D and quality control and assurance towards these customers, and it is very rewarding to see the initial results of these efforts beginning to show through in our order book and revenue figures.

Taking the lead on connectivity also requires that we continue to push the frontiers with new products and solutions. The nRF52 Series is a winning product family that has served us well and will continue to grow and develop over the coming years.

The broad-market adoption of the nRF52 Series offers unique market insights, which has allowed us to tactically expand the product offering through the introduction of lower-end and higher-end versions. This scalability has enabled us to increase realized average selling price over the past few years in a market characterized by declining prices.

In 2019, the previously launched nRF52810, nRF52832 and nRF82840 SoCs were complemented by the lower-end nRF52811 - a multiprotocol SoC with direction finding capabilities - and the mid-range nRF52833 multiprotocol SoC that supports temperatures of up to 105°C.

Late in the year we launched the first product in the next generation nRF53 Series, with the dual-core nRF5340 SoC. This is the world's first wireless SoC with separate network and application processors. Supporting Bluetooth Low Energy, Thread, ZigBee and NFC as well as Bluetooth mesh, this is a production generation that moves the market forward in terms of significantly lower power consumption, increased performance, and strengthened security.



Nordic's nRF5340 dual-core flagship SoC

Within cellular IoT, we introduced the Nordic Thingy:91 module in 2019. This is a prototyping tool that lowers the barrier for customers to run proof-of-concept trials for the wide array of future IoT applications we expect to emerge across both consumer and industrial markets in the years to come.

The Nordic Thingy:91 builds on our nRF9160 SiP, which leads the field in size and power consumption, and so far, remains the only product on the market with embedded low-power application MCU and software development kit.

Over the past year, we have made great progress with regulatory and telecom carrier certification processes and continue working with the aim to offer worldwide coverage.

Through our technology advancements in both short-range and cellular IoT Nordic continues to excite developers. We were very glad to see development kit shipments increase by 34% to more than 86,000 in 2019, and that the share of cellular IoT kits was close to 10% and increasing.

Our online technical support community, Nordic DevZone, also continues to thrive, attracting visits from some 80 000 developers during 2019 entering more than 20 000 questions. Through our Tech Tour seminar program, we also met more than 4 000 developers face-to-face during the year. We want to be "the engineers' best friend", and our strong ties to and collaboration with the developer community represent integral and invaluable parts of our truly customer-centric company culture and DNA.

At Nordic, we have a history of investing early and patiently to stay at the forefront of potential high-growth market opportunities. This has been evident over the past few years as we have continued to allocate significant resources to grow the short-range business at the same time as we have made large investments into the development of cellular IoT technologies and products.

Nordic Semiconductor's success is based on the work of a highly specialized, skilled and diverse workforce, and our very competent organization continued to grow in 2019. The overall headcount increased by 12% to 767 people, with the R&D workforce increasing by 9% to 563 people and the sales and marketing staff by 13% to 113 people.

Their level of competence and ideas is crucial to drive the business forward and make us succeed with existing and new initiatives. With 46 different nationalities represented, Nordic is uniquely positioned to foster an inclusive and diverse company culture.

Nordic has built its short-range portfolio on low energy connectivity solutions and is now receiving market acknowledgement and industry awards for our disruptive lead on power consumption for our cellular IoT products. We hold the potential to contribute to significant energy savings enabled by cellular connectivity, for applications ranging from environmental monitoring and disaster prediction, to agriculture and industrial monitoring, and smart home logistics. Focus on sustainability will be ever more important for Nordic going forward.

Social and environmental aspects are increasingly becoming a part of our corporate strategy, and our progress can be review in our separate ESG Report. I am particularly proud of our new program for support and contribution to the UN Sustainable Development Goals (SDGs).

A global and truly permeating Internet of Things represents a massive long-term market opportunity, and we will continue to invest heavily in both the short- range and long-range parts of our business in the years to come. We remain confident that this is the right way to maximize the long-term value of our market opportunities.

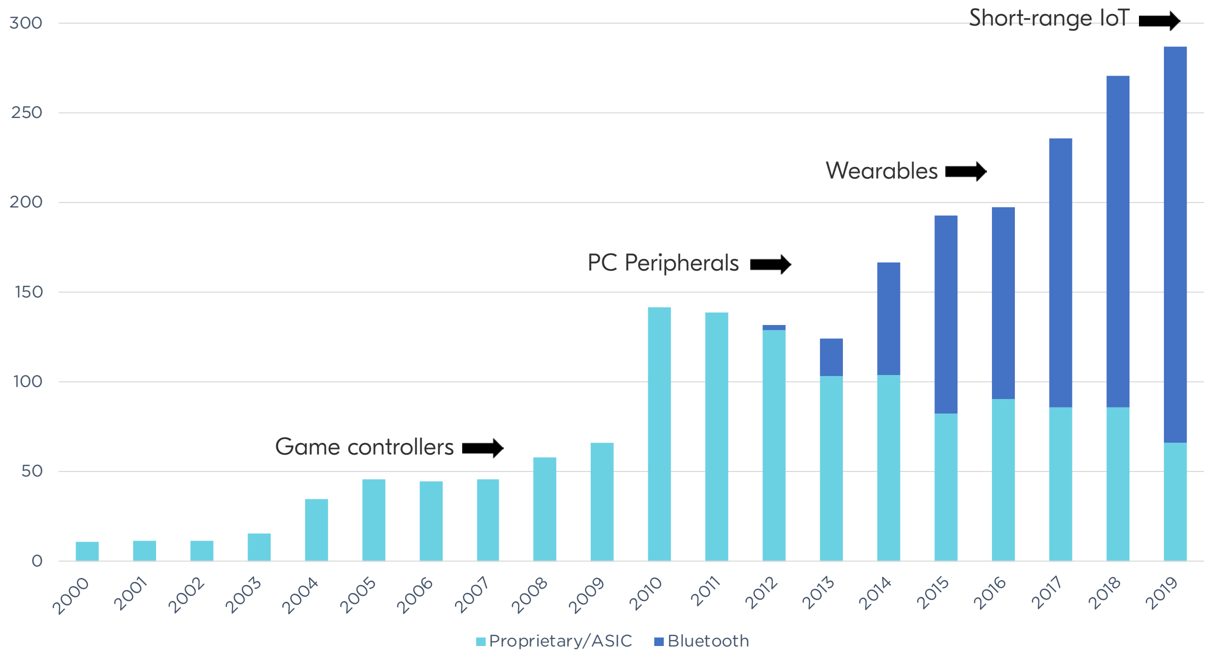
Realization of these business opportunities and a high operational leverage will gradually generate margin improvements on the way towards our long-term EBITDA-margin target of 20%.

Summing up, our fundament strengthened further through 2019, and we have made inroads into customer segments that have enabled us to build a larger and higher-quality order book than ever before. This is an excellent platform from which to build in 2020 and beyond.

During February and March 2020, it has become clear that the measures to stop the ongoing spread of the coronavirus (SARS-CoV-2) will have significant effects on global economic activity in 2020.

While this reduces the near-term visibility also for us, we have an excellent platform to keep building towards our long-term targets.

Revenue excluding cellular IoT (USD million)



REPORT FROM THE BOARD OF DIRECTORS

Nordic saw overall revenue growth of 6% to USD 288 million in 2019, with a year-on-year decline in the first half of the year followed by an increasingly strong rebound in the second half. Bluetooth revenue increased 19% year-on-year, reflecting both continued good momentum in the broad market and higher sales and order inflow from tier-1 customers.

Group Overview

Nordic Semiconductor is a fabless semiconductor company specializing in wireless technology that powers the Internet of Things (IoT). The company's award winning Bluetooth® LE solutions have made it the market leader, and are complemented by ANT+, Bluetooth mesh, Thread, and Zigbee products. Nordic's latest technologies, NB-IoT and LTE-M leverages cellular infrastructure to extend the IoT.

The company has been a longstanding pioneer in wireless connectivity, from proprietary 2.4GHz technology for PC accessories via pure Bluetooth LE products, to todays' short-range multiprotocol products and long range cellular IoT solutions.

Over the past decade, the company has built an undisputed leading position in the Bluetooth LE market, and around 40% of the new designs coming to the market use Nordic's connectivity solution.

Nordic's components are manufactured by world class subcontractors and are distributed through an extensive network of global and regional partners to manufacturers of branded electronics. End-user verticals include consumer electronics and wearables, building and retail, healthcare, and an increasing number of other verticals and applications.

Nordic Semiconductor was founded in 1983 as an integrated circuits manufacturer. The Company is headquartered in Trondheim (Norway) with offices in Oslo (Norway), San Diego (USA), Beijing, Shanghai, Shenzhen and Hong Kong (China), Taipei (Taiwan), Manila (the Philippines), Yokohama (Japan), Seoul (South Korea), Düsseldorf (Germany), Eindhoven (the Netherlands) and London (UK). R&D activities are carried out in Portland (USA), Krakow (Poland), Oulo, Espoo and Turku (Finland) and in Trondheim (Norway).

At the end of 2019, Nordic Semiconductors had 767 employees, of which 563 work within R&D and 113 in sales and marketing.

Strategy and long term target

Nordic's mission is to be a world-leading supplier of low-power connectivity solutions in both the short-range and long-range markets, based on proprietary 2.4 GHz RF technology, Bluetooth Low Energy technology, and cellular IoT technology.

Nordic is a pioneer in ultra-low power wireless technologies, building its development on six strategic pillars;

- **Lead on connectivity** — low power, high performance, feature-rich, reliable and robust
- **Excite developers** — ease-of-use, value-add integration and solutions
- **Customer engagement** — combined broad market and tier-1 customer engagement model
- **Scalability** — scalability across technologies, markets and customers
- **Investing early** — investing early in- and growing with- high growth markets
- **High financial ambitions** — strong long-term profitable growth and value generation

Based on these fundamental strategic elements, the company has developed a market leading position in the short-range connectivity space, with a broad portfolio of integrated circuits, systems and solutions. The company delivered approximately 370 million units in 2019, to a wide variety of applications and a broad customer base ranging from single developers to high-volume tier-1 customers. Nordic also delivered around 87,000 developer kits in 2019, and Nordic's very active and growing developer community 'DevZone' now counts more than 80,000 user profiles.

Nordic holds a particularly strong position in the growing Bluetooth LE market, and Bluetooth solutions accounted for 79% of Group revenue in 2019. The company's proprietary 2.4 GHz RF products accounted for 20% of Group revenue, mainly from sales into the mobile/PC peripherals markets, with the remaining 2% generated from cellular IoT, ASIC components, and consulting services.

The cellular IoT product portfolio is in the early stages of commercialization after five years of development, with Nordic ready to deploy almost two decades of sales and distribution experience from the short-range business into the commercialization process. The market opportunity within cellular IoT remains strong and we see increased activity from both carriers, operators and end customers.

The company aspires to build a USD 1 billion revenue base within five years, through an expected 20-30% annual growth for Bluetooth and multi-protocol products, and a gradual build-up of the cellular IoT business to a similar size as the short-range business.

Operational review

Nordic continued to strengthen its product portfolio in 2019. The highly successful nRF52 Series was further broadened with the introduction of the lower-end nRF52811 System-on-Chip (SoC) and the mid-range nRF52833. Both are multiprotocol SoCs for Bluetooth LE, Thread and Zigbee, meeting specific customer demands such as direction finding and high temperature tolerance, at the right price points.

Late in the year, the company launched the first product in its new nRF53 generation, pushing the boundaries further in terms of low power consumption, performance, and security. The nRF5340 is the world's first dual processor multiprotocol System-on-Chip (SoC). Towards the end of the year, the company also launched its first front end module for range extension with the nRF2150.

On the customer side, Nordic continued to attract new broad market clients but also began to see results of years of work to establish customer relationships with new tier-1 customers such as the global platform companies. The introduction of more tier-1 customers is demonstrated by the strong order backlog, which increased from USD 70.0 million at the end of 2018 to USD 106.6 million at the end of 2019.

In the cellular IoT area, Nordic launched the Thingy:91, a multi sensor prototyping tool for customers to easily run proof of concept trials for cellular applications. The product builds on the nRF91 Series LTE-M/NB-IoT low-power cellular IoT solution that was launched late in 2018.

The company is progressing with the cellular carrier certification processes and has now obtained certification from leading telecom carriers such as Verizon, Deutsche Telecom and Vodafone, in addition to the general GCF certification.

Review of the annual accounts

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the accounts have been prepared on a going concern basis and that the going concern assumption applies. Nordic prepares consolidated annual accounts in accordance with IFRS (International Financial Reporting Standards) as approved by the EU, relevant interpretations, and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this Annual Report.

Note that the Group has identified gross margin, EBITDA, EBITDA margin, adjusted EBITDA margin, total operating expenses, cash operating expenses, and order backlog as Alternative Performance Measures in addition to the financial information as prepared in accordance with IFRS as adopted by the EU. Please see page 79 for further details.

Income Statement

The Group classifies its revenues into the following technologies: Short-range wireless components, including Bluetooth Low Energy based and proprietary products, long range (cellular IoT), ASIC components and Consulting services.

Revenue by technology:

USDm	2019	2018	Change%
Proprietary wireless	59.9	77.3	-22%
Bluetooth	221.2	158.2	19%
Cellular IoT	1.0	0.2	351%
ASIC Components	6.0	8.0	-24%
Consulting services	0.2	0.5	-57%
Total	**288.4**	**271.1**	**6%**

Total revenue increased by 6.4% to USD 288.4 million in 2019, up from USD 271.1 million in 2018.

Revenue from Bluetooth LE increased by 19% to USD 221.2 million. Bluetooth sales were negatively affected by trade uncertainties and distributor inventory adjustments in the last part of 2018 and the first part of 2019. In the second half of 2019 the market returned to growth. The year-on-year growth pattern thus changed considerably during the year, from a year-on-year decline of 13% in the first quarter and 1% in the second quarter, to year-on-year growth of 4% in the third quarter and 36% in the fourth quarter.

Going forward the Company expects medium-term annual growth of 20%-30% for Bluetooth LE and multi-protocol solutions including Thread and ZigBee.

Revenue from Proprietary wireless products declined by 22% to USD 59.9 million in 2019, down from USD 77.3 million in 2018. The decline is partly explained by customer migration from proprietary solutions to Bluetooth LE. However, the decline was stronger than anticipated, due to inventory reductions in the sales channels.

Split by end-product markets, revenue from the short-range wireless components are divided into Consumer Electronics, Wearables, Building & Retail, Healthcare, and Others.

Wireless components revenue by end-product application, excluding cellular IoT:

USDm	2019	2018	Change %
Consumer electronics	119.4	111.7	7%
Wearables	50.4	43.8	15%
Building/retail	51.6	48.6	6%
Healthcare	19.7	22.6	-13%
Other	40.0	35.6	12%
Total	**281.1**	**262.4**	**7%**

Consumer electronics overall showed 7% growth in 2019. Most of the company's proprietary products fall into this category, and growth for Bluetooth LE products was considerably higher.

Wearables revenue grew 15% and Building/Retail 7% in 2019, with very high year-on-year growth levels toward the end of the year.

The Healthcare segment declined by 13% in 2019. This portfolio is still quite narrow and dependent on a small number of customers. One of the company's main Healthcare clients is currently between product generations, and volumes are expected to pick up in the second half of 2020.

The 'Other' segment increased 12%, mainly reflecting increased revenue from 88 different modules produced by our module partners.

Cellular IoT is still in an early stage of commercialization, and the company focuses on KPIs such as the volume of cellular development kit shipments and the number of customer projects rather than revenues.

Combined shipments of the nRF9160 cellular development kit and the cellular prototyping tool Nordic Thingy:91 amounted to approximately 8,300 units in 2019. Shipments in the second half of the year accounted for two thirds of this, and for more than 10% of total development kit shipments in the second half of 2019. Total cellular development kit shipments since launch has now passed 10,000,

Sales of ASIC products declined by 24% in 2019. The Company has not designed new ASICs since 2014 and future revenue hence depend on demand from existing customers and applications. ASIC sales and consulting services combined accounted for 2% of Group revenue in 2019.

Gross profit

USDm	2019	2018	Change%
Gross Profit	146.8	135.0	9%
Gross Margin	50.9%	49.8%	1.1%p.p.

Nordic Semiconductor had targeted a gross margin of 50% and exceeded this level in 2019. Gross profit amounted to USD 146.8 million, which was an increase of 9% from the previous year. The gross margin hence increased to 50.9% from 49.8% in 2018.

The gross margin was stable around the full-year level in the first half of the year, before dropping below 50% in the third quarter and rebounding in the final quarter of the year. The dip in the third quarter mainly reflected increasing volume calls from tier-1 customers under agreements that on average carry a lower gross margin. In the fourth quarter this was more than balanced by a favorable product mix, with a higher share of more advanced chips such as the nRF52840.

Going forward the company expects to see changes in product mix continuing to generate fluctuations between quarters, and that higher tier-1 volumes will translate into a reduction in gross margin for the short-range business to 48%-50% in the medium-term.

The long-range module-based business model is expected to have lower gross margins in the range of 35%-40%, with the effect on the total gross margin for the Group depending on the pace of the volume ramp.

Operating expenses

USDm	2019	2018	Change %
Payroll expenses	80.3	70.0	15%
Other OPEX	33.7	34.2	-2%
OPEX excl. D&A	**113.9**	**104.2**	**9%**
Depr. & Amort.	23.5	16.7	41%
Total	**137.5**	**121.0**	**14%**

Operating expenses amounted to USD 113.9 million in 2019, excluding depreciation and amortization. This was an increase of 9% from USD 104.2 million in 2018.

The higher expenses mainly reflect a 12% increase in the number of employees from 685 to 767 during the year, which in turn reflects increased R&D activity and strengthened sales efforts for both Bluetooth and cellular IoT.

Measured by function, expensed R&D accounted for USD 73.5 million of operating expenses, compared to USD 64.1 million in 2018.

R&D is expected to continue to increase in absolute terms for both the short-range and long-range businesses. The R&D intensity, however, is expected to decline from a peak level in 2019, measured as a percentage of revenue.

Sales, general and administration (SG&A) expenses increased to USD 40.5 million from USD 40.2 million in 2018. SG&A is also expected to continue the increase in absolute terms, as the Company builds up its long-range organization. However, increased operational leverage is expected to reduce the cost as a percentage of revenue going forward.

Total cash operating expenses amounted to USD 123.4 million, when adjusting for non-cash items, capitalized development expenses, equity-based compensation, and depreciation and amortization. This was an increase from USD 116.0 million in 2018. Cellular IoT accounted for USD 30.4 million of total cash operating expenses in 2019, compared to USD 26.8 million in 2018.

Nordic capitalized USD 11.3 million in 2019, down from USD 13.0 million in 2018. Option expense for equity based compensation was USD 1.8 million, compared to USD 1.2 million in 2018. Please see the section on Alternative Performance Measures for more details.

Effective January 1, 2019 the Group implemented accounting according to IFRS 16- Leases. This reduced operating expenses before depreciation and amortization by USD 4.4 million for the full year and increased depreciation and amortization by USD 3.8 million. The effect on profit before tax was USD 22,000. Reported numbers for 2019 are in accordance with IFRS 16 but no adjustments have been made to the 2018 numbers. Please see note 1 for a detailed overview of the 2019 effects.

EBITDA and Operating profit

USDm	2019	2018	Change %
EBITDA	32.8	30.8	6%
EBITDA-margin	11.4%	11.4%	0%
Adjusted EBITDA	57.6	47.7	19%
Adj. EBITDA-margin	20.0%	17.6%	2.4%-p
Operating profit	9.3	14.0	-35%
EBIT-margin	3.2%	5.2%	-2.0%-p

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to USD 32.8 million, an increase from USD 30.8 million in 2018. The corresponding EBITDA-margin was flat at 11%.

Adjusted for negative EBITDA of USD 24.7 million in the long-range (cellular IoT) business, the EBITDA was USD 57.6 million and the margin 20%. This compared to an adjusted EBITDA of USD 47.7 million and a margin of 18% in 2018.

The Company has a long-term EBITDA margin ambition of 20% for the Group.

Depreciation and amortization amounted to USD 23.5 million in 2019, compared to USD 16.7 million in 2018. The introduction of IFRS 16 Leasing accounting increased depreciation and amortization by USD 3.8 million compared to 2018. Please see note 21 for further details.

Operating profit (EBIT) hence amounted to USD 9.3 million, compared to USD 14.0 million in 2018.

Net financial items

USDm	2019	2018
Net interest	0.8	1.4
Net foreign exchange	-0.4	-0.3
Net financial items	**0.4**	**1.0**

Net interest declined slightly from 2018 to 2019, mainly due to a lower average cash balance.

Profits and taxes

USDm	2019	2018
Profit before tax	9.7	15.1
Income tax expense	-2.4	-6.2
Net profit after tax	**7.3**	**8.9**

The Group recognized tax charges of USD 2.4 million, corresponding to an average tax rate of 25%. This compares to USD 6.2 million and an average tax rate of 41% in 2018.

The tax return is prepared in NOK, with currency effects on taxable profit the main explanation for the deviations from the nominal tax rate of 23%.

Tax payable amounted to USD 3.9 million, compared to USD 6.1 million in 2018, with the balance reflecting changes in deferred tax and tax benefit.

Financial position

Balance sheet

Nordic has total assets of USD 318.4 million at the end of 2019, of which USD 219.6 million in current assets and USD 98.8 million non-current assets.

These assets were financed by total equity of USD 232.2 million at the end of 2019, non-current liabilities of USD 20.2 million and current liabilities of USD 66.0 million.

Current assets stood at USD 219.6 million at the end of 2019, compared to USD 205.5 million at the end of 2018. This included cash and cash equivalents of USD 90.6 million at the end of the year, down from USD 103.9 million at the end of 2018.

Inventory increased to USD 53.1 million from USD 42.7 million at the end of 2018 and accounts receivables to USD 64.5 million from USD 51.8 million at the end of 2018.

Overall, net working capital amounted to USD 70.2 million, compared to USD 61.3 million at the end of 2018. Measured as a percentage of full year revenue, net working capital increased to 24.3% from 22.6% at the end of 2018. This reflects a significantly higher activity and sales level towards the end of 2019 than in 2018, and a significantly higher year-end order backlog requiring a higher inventory.

Non-current assets amounted to USD 98.8 million at the end of 2019, compared to USD 61.7 million at the end of 2018. The increase is mainly explained by the inclusion of USD 23.9 million of right-of-use assets as a result of the implementation of IFRS 16 -Leases with effect from January 1, 2019.

Fixed assets increased to USD 26.6 million from USD 17.6 million, which mainly reflects the finalization of the new lab facilities in Trondheim. Software and other intangible assets declined to USD 11.4 million from 15.1 million, reflecting amortization in the period.

Capitalized development expenses increased to USD 34.0 million from USD 27.7 million at the end of 2018. Total shareholders' equity amounted to USD 232.2 million at the end of 2019, up from USD 221.5 million at the end of 2018. The Group equity ratio was hence 72.9%, compared to 82.9% at the end of 2018. The decline is mainly explained by the higher asset base as a result of IFRS 16 - Leases.

Total liabilities amounted to USD 86.2 million, compared to USD 45.6 million at the end of 2018. The increase is mainly driven by the implementation of IFRS 16.

Non-current liabilities increased to USD 20.2 million from USD 0.3 million, of which USD 19.9 million reflect the non-current portion of lease liabilities after the implementation of IFRS 16, and the remainder pension liabilities.

Current liabilities increased to USD 66.0 million from USD 45.3 million, of which current lease liabilities accounted for USD 4.0 million. The remainder of the increase is explained by an increase in accounts payable to USD 19.7 million from USD 10.4 million at the end of 2018, which in turn reflects the increased activity and sales level.

Cash flow and funding

USDm	2019	2018
Net cash flow from:		
Operating activities	19.7	30.5
Investing activities	-31.5	-30.5
Financing activities	-1.5	66 8
Currency adj.	0	0.4
Net change in cash and cash equivalents	-12.2	67.2
Cash and cash equivalents 1.1	103.9	36.7
Cash and cash equivalents 31.12	90.6	103.9

Cash flow from operating activities was USD 19.7 million in 2019, compared with USD 30.5 million in 2018. The somewhat reduced cash conversion is explained by working capital developments in the respective periods, with significantly higher activity towards the end of year than in 2018.

Cash flow used for investing activities was USD 31.5 million in 2019, compared to USD 30.5 million in 2018. Capital expenditure increased to USD 20.2 million from USD 17.5 million, including software, whereas capitalized development expenses declined to USD 11.3 million from USD 13.0 million.

Cash flow from financing activities was a negative USD 1.5 million, reflecting that USD 3.9 million repayment of lease obligations was partly counterbalanced by USD 2.4 million cash inflow from sales of treasury stock. In 2018 the company saw a cash inflow of USD 66.8 million, mainly reflecting the effect of a share issue, repayment of debt and purchase of treasury shares.

Including the effect of exchange rates, net change in cash and cash equivalents was a cash outflow of USD 13.2 million in 2019, compared to a cash inflow of USD 67.2 million in 2018.

Cash and cash equivalents hence declined to USD 90.6 million at the end of 2019, from USD 103.9 million at the end of 2018. The cash is mainly held in the Group's functional currency USD, in order to minimize the impact of currency fluctuations.

In addition to cash at hand, Nordic has undrawn revolving credit facilities (RCFs) of USD 40 million and USD 25 million, and an unutilized EUR 10 million overdraft facility with the company's main bank. Including these credit lines, available cash amounted to approximately USD 167 million at the end of 2019, compared to approximately USD 169 million at the end of 2018. Both RCFs expire in November 2022, the USD 40 million facility was refinanced in December 2019. The only financial covenant on the RCFs is for the company to maintain an equity ratio above 40%, which compares to the actual equity ratio of 73% at the end of 2019.

Tight cash management is a key priority for the Group, as a strong financial position is required to realize the Company's strategic priorities and growth opportunities. The Board of Directors' assesses the liquidity position as adequate given the company current activity level, investment plans, and business outlook.

Allocation of net profit for parent company

The parent company Nordic Semiconductor ASA has a net profit after tax of USD 4.3 million in 2019, compared to USD 6.4 million in 2018.

The entire net profit is attributable to the equity holders of the parent. Net profit after tax corresponds with ordinary and fully diluted earnings per share of USD 0.042 for 2019. This compares to ordinary earnings per share of USD 0.051 and fully diluted earnings per share of USD 0.049 in 2018.

Nordic pursues an ambitious long-term growth strategy which requires significant investments in R&D and sales and marketing. The Board of Directors recommends that Nordic maintains a solid balance sheet with a high equity ratio and a cash reserve that enables the company to continue driving its technology and product roadmap.

The Board of Directors will hence propose to the Annual General Meeting that the net profit of the parent company is transferred to 'Other equity', and that no dividend is distributed for 2019.

Risk Management

The Board of Directors oversee the risk management process and carries out biannual reviews of the Group's most important areas of exposure and internal controls. In addition, the Board receives regular updates and risk assessments in board meetings. Nordic complies fully with the Norwegian Code of Practice for Corporate Governance.

Risk Factors

Based on the information currently known to us, we believe that the following information identifies the most significant risks affecting our business. Any of the factors described below, or any other risk factor discussed elsewhere in this report, could have negative impact on our results or on our outlook.

Four major groups of risks are identified within the Group: Strategic, Operational, Financial and Legal & Compliance. Some of the risks are outside of Nordic's control, including industry and specific cyclical risks.

Strategic risk

Demand for semiconductors and electronic products is sensitive to global economic conditions and international trade flows. While the underlying, long-term market trends point towards increasing demand for Nordic's products, the operations are exposed to a variety of factors with real or perceived impact on the economy.

Geopolitical risk and trade tensions

Challenging global economic conditions and political unrest and uncertainty can result in reduced demand for our products. Geopolitical risks and trade frictions, for example the ongoing trade war between China and the US, could negatively impact global operations. This includes selection of sourcing of products, as the geographic location might be subject to tariffs or increased costs, which may not be recoverable. In turn this may lead to reduced demand for our customers' end products.

During 2019, Nordic saw increased trade tensions having a negative impact on the industry, particularly in the first half of the year. Demand temporarily declined, which resulted in increased risk for obsolete inventories and excess manufacturing capacity.

Mitigation actions

Nordic actively monitors the geopolitical situation and is taking actions to reduce the impact on the business, for example by supporting our customers in optimizing their value chain.

Coronavirus

The spreading of the coronavirus has increased the uncertainty in our business outlook. The outbreak, with origin in China, disrupted industry supply channels in China. Although this has normalized in China, the spreading of the virus outside of China, has lead authorities in a number of countries to enforce strong measures that are likely to affect global economic activity for a period of time. This may impact demand for end-user products in our industry, which in turn could affect both Nordic's products, distributor inventories, and other parts of the industry supply chain. So far, the company has seen only limited impact on demand and operations, but a prolonged period of reduced global activity and product demand may have significant negative effects on the company's business and financial results.

Mitigation actions
During the first quarter of 2020, Nordic imposed strict travel restrictions worldwide, and limited the number of physical meetings to a minimum. The organization is strengthening its capabilities for remote work. Nordic is continuously monitoring the situation, and will make necessary supply chain adjustments to optimize its own production in alignment with any new signals from governments, manufacturers, customers and distributors.

Changes in competitive landscape
Nordic Semiconductor's strategic goal is to maintain or improve its market share, and remain a leading vendor of wireless connectivity and embedded processing solutions for internet connected things.

Nordic has a leading market share in Bluetooth low energy. The markets in which we operate, are highly competitive in terms of price, functionality and software solutions. In a growing market, we face tough competition from existing competitors as well as new entrants, mainly from China. With Bluetooth Smart being adopted across more than 25 identified market verticals, it is likely that more focused and specialized competitors gain market share, especially in verticals where Nordic's position is weaker.

Mitigation actions
In order to stay competitive and gain market share, Nordic continues to invest in both products and software. Over the past years the company has further developed its products to include support for additional low power short range connectivity standards, such as Zigbee and Thread, across its nRF52 Series and its new generation nRF53 Series. Nordic's multiprotocol portfolio ensures that the company is well positioned to benefit from projects seeking to improve compatibility across the different standards. Nordic continues to invest around 20% of short-range revenue in R&D. This is required in order to stay competitive in this market.

As all technology players, we are dependent of continuous innovation and development, to be able to bring new products and product enhancements to our existing portfolio. Our success depends on our substantial R&D activities, and there can be risk and uncertainty associated with these.

Risk of Bluetooth being replaced
There is a risk that Bluetooth becomes unattractive compared to other technologies or is bundled with non-Nordic technologies. The most immediate threat comes from various wi-fi standards tightly integrated with Bluetooth in combo-chipset, but other technologies like UWB may be a risk factor longer term.

Mitigation actions
Nordic is a part of the Bluetooth Special Interest Group (Bluetooth Sig), which is continuously developing the Bluetooth standards. In addition, Nordic has developed Zigbee and Thread solutions and will continue to monitor the trends in the market, keeping the product portfolio relevant.

Cellular IoT
There is a risk that we may not be successful in executing our strategy to capture the cellular IoT market opportunity in terms of scale, time and volume. Nordic launched the nRF91 Series at the end of 2018, which is Nordic's first family of low power devices for cellular IoT. There is still a risk that cellular IoT will not be as successful as Nordic had hoped for, or that the market is skewed toward NB-IoT. Customers may choose other low power wide area network (LPWAN) technologies or cancel roll-out of products due to lack of available technologies.

Mitigation actions
Nordic's solution has integrated LTE-M, NB-IoT, GPS, RF Front-End and power management into a very small System in Package (SiP), under the highest security standards and with significantly higher energy-efficiency than any comparable products currently on the market.

As carriers continue to roll out LTE-M and NB-IoT capabilities and certification programs, there are more and more customers looking to adopt these two technologies. In order to mitigate the risk of cellular not being as successful as Nordic had hoped for, Nordic focuses on delivering user friendly products and works closely with regulators and carriers to remove barriers to entry.

Key personnel
In order to deliver on the roadmap we have promised our customers, we are dependent on attracting talent and building strong teams. Our employees are a key success factor for executing our strategy. Losing key employees, or not being able to attract key competencies, will affect sales, quality of products or delay time to market.

Mitigation actions
Nordic focuses on talent management and succession planning, and the evolvement of the organizational culture. We are continuously improving and adapting our compensation program to attract and retain key talent.

Operational risk
Product availability, quality, safety and integrity
Nordic is a fabless semiconductor company, outsourcing component manufacturing, and relying on distribution partners for sales to the broad market of original electronics manufacturers and to end-users.

Being "Fabless", Nordic Semiconductor outsources the capital-intensive production of silicon wafers, packaging and testing of its products to third-party suppliers, mainly in South-East Asia. The manufacturing pipeline involves multiple stages with multiple suppliers. The failure of any of these third-party vendors to deliver products or otherwise perform as required, could damage revenue in the short-term, and customer relationships in the long-term.

While execution is outsourced, the manufacturing processes involved often depend on specific toolings developed and provided by Nordic Semiconductor, hereunder the chip design itself, as well as certain test programs and hardware used for quality screening. Failure on Nordic Semiconductor's end to provide good quality or enough quantity of such toolings may have the same consequences as outlined above.

The main risk is that one supplier cannot deliver according to requirements due to disasters (natural disaster, fire, other force majeure situations) or due to increased demand for supplier's products, and that Nordic does not have an alternative source.

Mitigation actions

To mitigate the risk of product shortage, Nordic keeps a buffer stock of wafers or finished good, which covers short-term demand. For medium-term demand, Nordic seeks to have a second sourcing alternative, and is insured in the event of supply disruption related to disasters. Nordic's partners are selected through extensive qualification programs. Lastly, Nordic has its own testers, often a bottleneck in production, which helps improve availability and right quality of the products.

Product ramp

There is a risk that Nordic is not able to ramp new products according to customer requirements, either as volume demands are not met or due to high yield loss.

Mitigation actions

Given the constraint for some key product introductions, tight control over the New Product Introduction process is imperative, including quality-assurance during high volume product ramps. In addition, Nordic has invested heavily in its own failure analysis lab, to be able solve any issues as quickly as possible.

IT and cyber risk

Our operations are complex, several critical operations are centralized and any disruptions to these operations can impact our ability to deliver products to customers. Further on, Nordic's operations are dependent on a fully reliable IT-infrastructure and that all systems operate 100%. Downtime can impact development of new products (delay launch, day to day support to customers, manufacturing and delivery of end products to end customers). Activities related to cyber-attacks are a risk for our day to day operations.

Mitigation actions

Significant effort is put into having the best solutions for data protection available on the market. We provide awareness training to employees to reduce the risk related to human behavior. In order to mitigate any effects of potential cyber-attacks, Nordic has implemented disaster recovery and backup routines, and also seek to maintain appropriate insurance coverage.

Financial risk

Nordic's strategy and growth ambitions require an adequate cash position to fund the R&D activities needed to drive the technology and product roadmaps forward.

Maintaining a solid R&D cash coverage, measured as cash holding divided by R&D spending, is necessary to pass the procurement due diligence of tier-one customers. Tier-one customers are expected to make up an increasing part of the revenue base going forward.

At the end of 2019, the R&D cash coverage was 1.22X, down from 1.35× at the end of 2018. Available cash at the end of 2019 was approximately USD 167 million, including credit facilities described above under 'Cash Flow and Funding'. The Board of Directors assesses the current liquidity risk as low.

Interest-rate risk

Nordic holds minimal interest-bearing debt, whereas cash and cash equivalents are held as cash, mainly in USD. We consider the direct risk associated with interest rate fluctuations as low.

Foreign currency risk

Nordic is exposed to foreign exchange risk, as our sales revenue and direct production costs are almost entirely nominated in USD, whereas our operating expenses primarily are in NOK and EUR. Hence, fluctuations in the exchange rates between these currencies may impact profit margin.

Nordic does not use any financial instruments to hedge the currency risk. A 1% increase in USD/NOK would – all other things equal – translate into USD 0.6million in added profit before tax.

The company presents its accounts in USD, with profits translated into NOK for taxation purposes.

Credit risk

Nordic is exposed to credit risk related to both its distributors and certain end-customers. The main counterparties are leading international distributors of electronic components based in Asia, and the company has historically not suffered any significant credit losses.

Nordic sells to electronics distributors and the 10 largest distributors (customers) accounted for 90% of the total revenue in 2019, with no losses on receivables.

Credit monitoring routines are integrated into any new credit lines, requiring security in the form of payment guarantees or advance payment requirements if needed. The company's receivables are not credit insured. The credit risk is considered low.

Legal and compliance
With an increasing global presence, focus on governance and ensuring compliance to foreign, local requirements is important. Nordic recognizes the importance of behaving as a good corporate citizen across the globe and adopts international standards for compliance.

With the introduction of new laws and regulations, there is a temporary risk that Nordic can be non-compliant, and as such can be exposed to penalties or rulings against the company.

In the normal course of business, we are involved in legal proceedings related to commercial disagreements, claims related to product quality, intellectual property as well as governmental inquires. An unfavorable ruling in any of these cases can have a material impact on our results.

Our products are complex and vulnerabilities in our products may not have been detected during product development and manufacturing. This may result in damages to our customers revenue and reputation if no work-around is possible. Customer contracts regulates our responsibilities, however there is a risk that legal action can be brought forward representing a material risk on our results.

Mitigating actions
Nordic follows very high standards in terms of policies, training and audit in order to secure that our zero-tolerance policy against fraud and corruption is adhered to. Our whistleblowing channel is open to the public and handled by the Executive Management Group.

Investing in lab equipment and testers reduces time used on fault-finding and enables work-arounds to be implemented faster. Nordic tries to limit the contractual liability to an acceptable level in the industry.

Intellectual property rights
The current landscape of intellectual property rights in and to patents that are essential for the radio communication standards which Nordic base its products on is difficult to navigate in. Most owners of standard essential patents have decided to only license the end-device, leaving it up to Nordic's customers to get in place third party IP necessary for their products, instead of enabling Nordic to secure such for the whole value chain.

Nordic Semiconductor has never been prevented from selling its established line of products under any intellectual property rights, and is continuously investigating any new allegations by patent holders that Nordic's products infringe on intellectual property of others. Nordic is taking steps to ensure that any such allegations do not prevent the selling, purchasing and use of our products.

The Bluetooth specifications are intended written so that all patent claims, which are necessary to implement them, are held by members of the Bluetooth SIG. Any necessary claims held by members of the Bluetooth SIG, are automatically licensed to members like Nordic as a condition of membership. However, there are other participants in the industry, that own patents and are not members of the Bluetooth SIG, who assert their patents towards companies like Nordic.

The current landscape of both LTE and Bluetooth is considered when Nordic assesses potential loss in connection with litigation. While we believe the risk of loss is minimal due to the company's vast experience and prior art from working with Bluetooth and cellular technology, we will defend any claims asserted against Nordic vigorously, in light of the inherent uncertainties of access to licensing on component level.

Mitigating actions
Nordic is a willing licensee, and invites the owners of standard essential patents for NB-IoT and LTE-M to license Nordic's products, based on FRAND terms and on component level. Nordic Semiconductor ASA is a member of the Fair Standards Alliance and plays an active part in raising awareness around the implications lack of licensing has on the industry. Nordic is, and has always been, an active contributor to standard setting organizations, promoting openness and availability for all to standard essential patents.

Personnel and organization

The Group had 767 employees at the end of 2019, an increase of 12% from 685 at the end of 2018.

The increase reflects increased R&D efforts in both the short-range business and cellular IoT, as well as increased Sales & Marketing resources.

The number of R&D personnel increased by 9% to 563 during 2019, representing 73% of the total number of employees. The Sales & Marketing staff increased by 13% to 113 people at the end of the year, with the remaining 91 working in administration and other staff functions.

At year end 2019, 376 or 49% of the employees were employed outside of Norway, compared to 319 or 47% of the employees at the end of 2018.

The Executive Management consists of 8 men and 2 women, whereas the Board of Directors consists of 4 male and 3 female shareholder elected members, and 4 male employee-elected members.

At the end of 2019, Nordic had 107 female employees (89), corresponding to 14% of the total number of employees (13%).

61 women were employed in the Norwegian operation (57), corresponding to 15% of the workforce in Norway (16%). The relatively skewed gender balance in the workforce must be viewed in an industry context. In Norway, women represent around 33% of science and engineering professionals but only around 15% of science and engineering associate professionals.

46 women were employed outside of Norway (33), corresponding to 12% of the workforce in Finland, China, Hong Kong, South Korea, Japan, the Philippines, Taiwan, Switzerland, Poland, the UK, the Netherlands and the US.

Gender equality is a fundamental principle for the Group, and efforts are being made to ensure that there is no gender bias in the recruitment processes.

Nordic continuously work on employer branding development, with emphasis on promoting gender equality and employee diversity, and sees an increase in the number of applications from female students and graduate candidates.

Nordic participates in the Norwegian University of Science and Technology's "Jenteprosjektet Ada", which aims to recruit, motivate and educate females within the Norwegian IT industry. From 2020, Nordic also participates in 'Womens Directory', a Global Semiconductor Alliance initiative targeted at women in the semiconductor industry.

Within the R&D functions in Norway, the average salary for women is 95% of the average salary for males, which is due to differences in seniority. The average salary for female employees in all functions was 76% of the average salary for male employees (83%), excluding executive management. Gender difference in salary can be explained both by function and location. A larger relative proportion of the women in administrative functions are based in the Philippines, where the salary level is below the Group average.

To ensure a good working environment, the organization seeks to maintain well-functioning cooperation and open communication lines between management and employee representatives and ensure that any issues and challenges are being addressed at an early stage.

Sick leave remained below industry averages in 2019 with absence due to illness of 2.4% (2.2%). No occupational illnesses or injuries were reported in 2019.

Corporate Social Responsibility (CSR)/ Environmental Social and Governance (ESG)

Nordic has a high focus on environmental and social responsibility. The company's commitments to CSR and ESG topics are established in adherence to the UN Global Compact's (UNGC) ten principles on human rights, labor, environment and anti-corruption, the Responsible Business Alliance's (RBA) Code of Conduct for social, environmental, and ethical issues in the electronics industry supply chain, and Nordic's Corporate Social Responsibility policy and other company policies.

The framework is established in the ISO-certification of the company's management systems for Quality (ISO 9001), Environmental (ISO 14001), Occupational Health and Safety (ISO 45001), and Information Security (ISO 27001). These standards enable a systematic approach to improvement of the company's business processes and performance on ESG topics, These include hazardous substances, GHG emissions, responsible sourcing of minerals, diversity, health & safety, anti-corruption, non-retaliation, IP-protection, data privacy, responsible supply chain, and transparency.

Along with the commitment to UN Global Compact principles and its ambitions for greater engagement, Nordic Semiconductor in 2019 started a program supporting, identifying and addressing the UN Sustainable Development Goals (SDGs). While the initial focus has been on identification and prioritization of the most relevant SDGs with a qualitative approach, Nordic targets to establish more quantitative measures of the SDGs contribution going forward.

For further information, please refer to the separately prepared ESG Report for 2019, which is prepared in accordance with the UNGC, RBA Code of Conduct, and the Norwegian Accounting Act, Section 3-3. The report also represents the company's official Communication on Progress as a signatory to the UN Global Compact.

The ESG Report is available on www.nordicsemi.com, along with the company's CSR policy, the RBA Code of Conduct, the ten principles of UN Global Compact, the UN Global Compact letter of commitment.

Corporate Governance

Nordic's guidelines and practices for Corporate Governance comply fully with the Norwegian Code of Practice for Corporate Governance ("the Code"), dated 17 October 2018.

The guidelines also meet the disclosure requirements of the Norwegian Accounting Act and the Securities Trading Act.A thorough review of the guidelines and compliance with the Code is included as a separate section in this Annual Report.

Shareholder Matters

The Nordic Semiconductor share is listed on the Oslo Stock Exchange (OSE) under the ticker NOD. Total return for the Nordic share was 93% in 2019, compared to an 14% increase for the Oslo Stock Exchange (OBX) and an 62%, increase for the PHLX Semiconductor Sector Index (SOX).

The Nordic share closed at NOK 55.7 at year-end 2019, corresponding to a market capitalization of NOK 10.0 billion.

Nordic had 175.7 million shares outstanding at the end of 2019, of which 4.1 million treasury shares. Purchase of treasury shares is viewed as an effective way to cover the obligations related to equity-based compensation.

On the Annual General Meeting in April 2019 the Board was given the authorization to purchase own shares, and to hold treasury shares within the limits of the Norwegian Public Limited Liability Companies Act. The company will seek the same approval on the 2020 Annual General Meeting.

Nordic had approximately 3 300 shareholders at the end of 2019, compared to 3 400 at the end of 2018. The top 20 shareholders held 60.9% of the registered shares.

74.9% of the shares were held by institutions and individuals based in Norway, down from 80.1% in 2018. The below table outlines the geographical split of our shareholder base. The geographical split is based on results from our shareholder analysis vendor, are is looking at data per 30th November 2018 and data per 1st December 2019.

Region	1st December 2019
Norway	74.9%
USA	12.4%
Other Europe	4.5%
England	2.6%
Sweden	2.5%
Rest of World	1.0%

Nordic aims to have an open dialog with shareholders and investors. Through active communication with the capital market and shareholders in 2019, Nordic ensured that all relevant information required for external evaluation of the company was published in accordance with applicable rules and guidelines issued by the Oslo Stock Exchange.

The company hosted well attended and webcasted interim result presentations each quarter, and a thorough Capital Markets Day outlining the longer-term strategy and business outlook in connection with the presentation of the third quarter results in October. The company also conducted investor roadshows both in Norway and internationally in connection with the interim results and participated on a number of industry and investment seminars during the year.

Environmental statement

Nordic is a fabless semiconductor company and does not own or operate manufacturing facilities. The direct environmental effect of the Group's operations is hence limited.

Manufacturing is outsourced to leading third-party providers, required to operate in compliance with the ISO 14001 environmental standards and under other certifications and qualifications.

Nordic seeks to limit its resource consumption, prevent unnecessary environmental pollution and manage waste in an environmentally friendly and resource efficient manner.

The Group has established routines to monitor these conditions under management systems certified under ISO 9001, ISO 14001 and OHSAS 18001. Nordic complies with all current applicable laws and regulations, and all its products comply fully with the REACH and RoHS hazardous substance directives. This allows the Group to market itself as a “Green supplier”, which is an advantage towards major customers subject to stringent environmental standards of operation.

In line with the recommendation of the Oslo Stock Exchange, the Board of Directors has prepared a separate report on corporate social responsibility including employee and environmental considerations. The report can be downloaded from **www.nordicsemi.com.**

Outlook

Revenue growth rebounded in the second half of 2019 after a disappointing start to the year, and Nordic Semiconductor ended the year with all time high revenue levels and a strong order backlog. While this represented a strong platform for further growth in 2020, the overall business environment has been severely affected by the outbreak of the coronavirus (SARS-CoV-2) in the first months of the year.

In the initial phase, the virus outbreak in China led to temporary value chain disruptions which increased the uncertainty in the near-term revenue outlook. Nordic accounted for this by introducing a wider than normal revenue guidance range of USD 64- 71 million for the first quarter 2020, when the company presented its Q4 results on 7 February 2020. The gross margin for the first quarter was expected at around 50%.

The guidance range for Q1 2020 remains intact at the time of writing.

Further disruptions in the value chain or distribution channels cannot be ruled out given the extent and magnitude of the measures that the governments in several countries currently are implementing to prevent further spreading of the coronavirus. It has become increasingly clear that these measures will have effects on the the global economy, and this also affects the near-term visibility for Nordic Semiconductor.

While Nordic expects revenue from Bluetooth Low Energy and multiprotocol solutions to grow at an annual rate of 20-30% in the medium-term, it is difficult to estimate how changes in consumer spending will affect the demand for end-user products for the rest of 2020.

Nordic's proprietary business is expected to continue to contribute to revenue and profits, although the contribution is expected to gradually decline as a result of customer migration to other short-range connectivity solutions such as Bluetooth Low Energy.

Gross margins for the short-range business is expected within the 48%-50% range in the medium term.

Looking further ahead, Nordic Semiconductors believes the evolvement of Internet of Things (IoT) represents a massive long-term market opportunity that relies on robust and energy-efficient connectivity solutions.

Nordic Semiconductor is already a leader in short-range connectivity solutions, with a particularly strong position in Bluetooth Low Energy and multi-protocol solutions, which are core technologies in the IoT space.

Nordic's market position strengthened further in 2019, with an expanding product portfolio and a customer base including an increasing number of potentially high-volume tier-1 customers.

The long-range cellular IoT business is still in the early stages of commercialization. The technology holds a large potential, and Nordic's ambition is to gradually build this business to a similar size as the short-range business within five years. Gross margins for this module-based business is expected at 35%-40% in the medium-term, with the effect on Group margins depending on the pace of the volume ramp-up.

Provided supply chains and the markets for Nordic's products normalize in the aftermath of the coronavirus, Nordic believes the long-term market outlook and the company's own product and customer roadmaps offer a favorable backdrop for its aspiration to build a USD 1 billion revenue company within five years.

The technology and product roadmaps needed to fulfill the growth ambitions will continue to require investments in R&D and sales and marketing, although the operational leverage is expected to generate higher operating margins over time. The Company's long-term EBITDA margin ambition is 20%.

Oslo, March 18, 2020

Endre Holen
Board member

Birger Steen
Chair

Øyvind Birkenes
Board member

Inger Berg Ørstavik
Board member

Svenn-Tore Larsen
Chief Executive Officer

Jan Frykhammar
Board member

Anita Huun
Board member

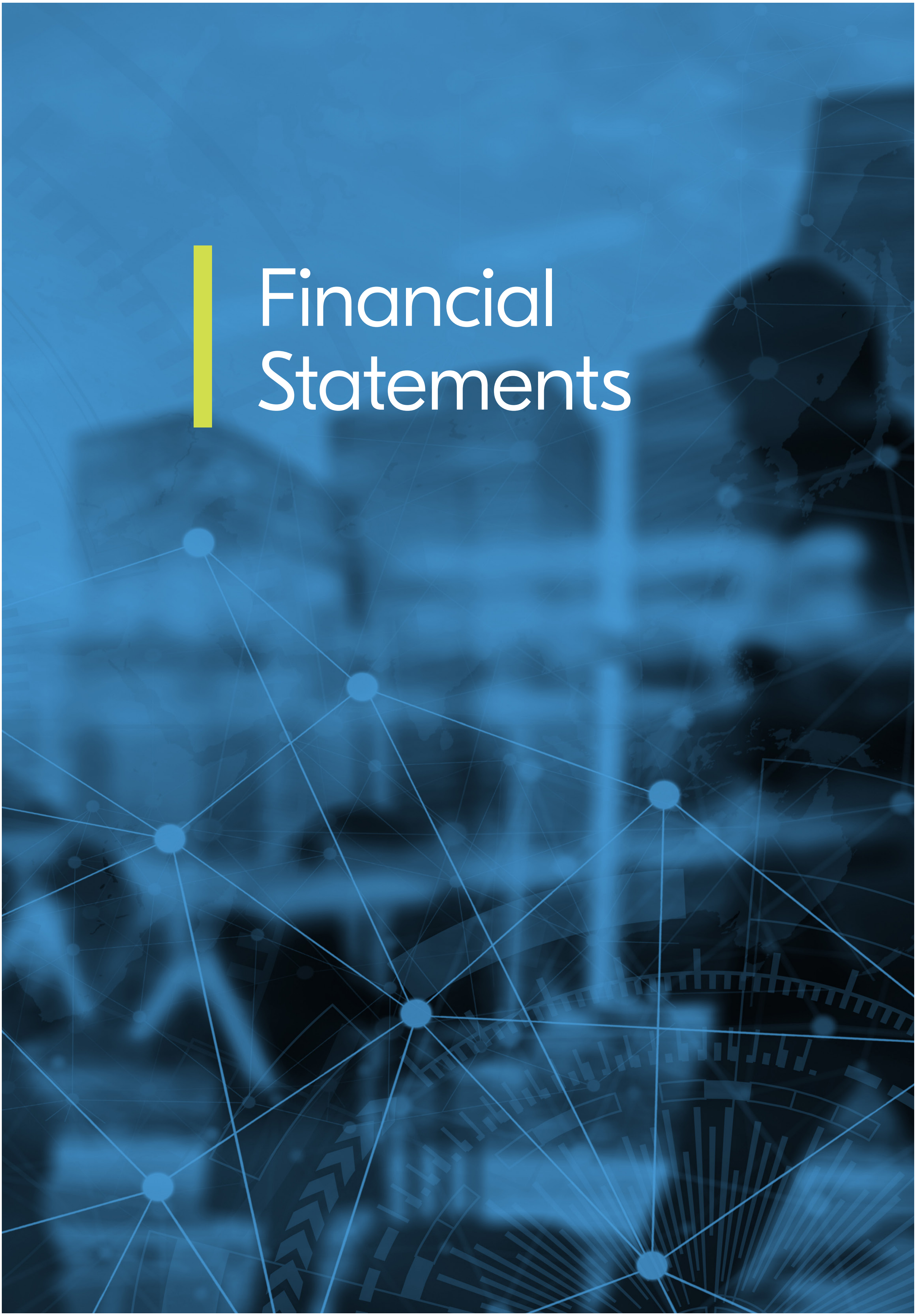
Jon Helge Nistad
Board member, employee

Annastiina Hintsa
Board member

Asbjørn Sæbø
Board member, employee

Susheel Raj Nuguru
Board member, employee

Morten Dammen
Board member, employee



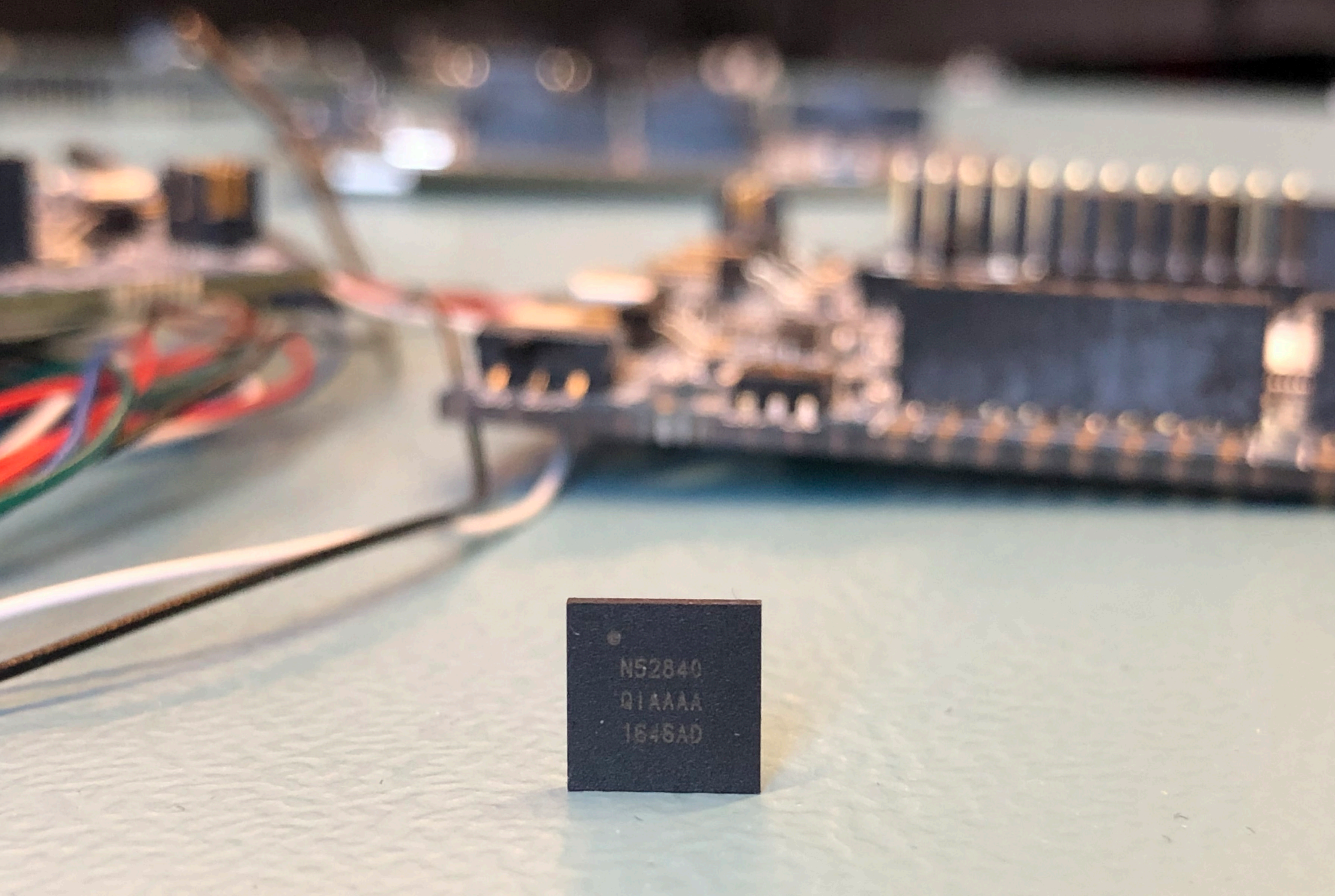
Financial Statements

Income statement (for the year ended December 31)

GROUP				PARENT	
2019	**2018**	**Amount in USD 1000**	**Note**	**2019**	**2018**
288 395	**271 134**	**Total Revenue**	**3**	**289 226**	**271 878**
-141 290	-136 111	Cost of materials	4	-141 290	-136 111
-351	-1	Direct project costs		-351	-1
146 753	**135 021**	**Gross profit**		**147 584**	**135 766**
-80 281	-70 048	Payroll expenses	9/10/12/18	-48 735	-42 796
-33 665	-34 199	Other operating expenses	5/21	-73 695	-68 546
-23 535	-16 727	Depreciation	11/12/21	-19 789	-13 781
9 272	**14 047**	**Operating profit**		**5 365**	**10 642**
1 910	1 782	Financial income	6/22	1 910	1 782
-1 102	-428	Financial expenses	6/21/22	-1 018	-427
-375	-320	Net foreign exchange gains (losses)	6/22	-373	-319
9 706	**15 081**	**Profit before tax**		**5 885**	**11 678**
-2 379	-6 222	Income tax expense	7	-1 577	-5 263
7 327	**8 859**	**Net profit after tax**		**4 308**	**6 415**
		Attributable to:			
7 327	8 859	Equity holders of the parent			
0,04	0,05	Ordinary earnings per share (USD)	8	0,03	0,04
0,04	0,05	Fully diluted earnings per share (USD)	8	0,02	0,04
2019	**2018**	**Statement of comprehensive income**		**2019**	**2018**
7 327	**8 859**	**Net profit after tax**		**4 308**	**6 415**
-83	-21	Actuarial gains (losses) on defined benefit plans (before tax)		-83	-21
18	5	Income tax effect	7	18	5
-117	-324	Currency translation differences			
7 145	**8 519**	**Total Comprehensive Income**		**4 243**	**6 399**

Statement of financial position (as of December 31)

GROUP 2019	GROUP 2018	Amount in USD 1000	Note	PARENT 2019	PARENT 2018
		ASSETS			
		Non-current assets			
33 990	27 686	Capitalized development expenses	12	33 990	27 686
11 408	15 063	Software and other intangible assets	12	11 120	14 604
2 813	1 335	Deferred tax assets	7	2 429	1 168
23 934	0	Right of use assets	21	22 272	0
26 625	17 582	Fixed assets	11/22	22 354	13 530
0	0	Shares in subsidiaries	1/13	43	43
98 770	**61 667**	**Total non-current assets**		**92 208**	**57 031**
		Current assets			
53 067	42 679	Inventory	4	53 067	42 679
64 519	51 784	Accounts receivable	14/22	64 519	51 784
11 359	7 155	Other current receivables	15	10 045	7 269
90 645	103 876	Cash and cash equivalents	16/22	89 205	100 522
219 589	**205 494**	**Total current assets**		**216 836**	**202 254**
318 359	**267 161**	**TOTAL ASSETS**		**309 044**	**259 285**
		EQUITY			
303	303	Share capital	17	303	303
-5	-5	Treasury shares	17	-5	-5
113 355	113 355	Share Premium	17	113 355	113 355
118 551	107 896	Other components of equity		108 101	100 718
232 205	**221 549**	**Total equity**		**221 754**	**214 370**
		LIABILITIES			
		Non-current liabilities			
310	279	Pension liability	18	310	279
19 886	0	Non-current lease liabilities	21	19 085	0
20 196	**279**	**Total non-current liabilities**		**19 396**	**279**
		Current liabilities			
19 738	10 424	Accounts payable	20/22	17 988	9 681
3 136	5 043	Income taxes payable	7	2 886	4 854
3 761	2 901	Public duties	20	3 181	2 471
4 044	0	Current lease liabilities	21	3 142	0
35 279	26 966	Other current liabilities	15/20	40 696	27 630
65 958	**45 333**	**Total current liabilities**		**67 894**	**44 636**
86 155	**45 612**	**Total liabilities**		**87 289**	**44 915**
318 359	**267 161**	**TOTAL EQUITY AND LIABILITY**		**309 044**	**259 285**



Oslo, March 18, 2020

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Jon Helge Nistad
Board member, employee

Annastiina Hintsa
Board member

Asbjørn Sæbø
Board member, employee

Susheel Raj Nuguru
Board member, employee

Morten Dammen
Board member, employee

Nordic Semiconductor Group

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 01.01.18	**283**	**-2**	**14 436**	**2 094**	**134**	**108 008**	**124 953**
Net profit for the period						8 859	8 859
Other comprehensive income					-324	-16	-341
Purchase of treasury share		-4				-12 071	-12 075
Issue of share capital	20		98 919				98 939
Share based compensation		1		1 213			1 214
Equity as of 31.12.18	**303**	**-5**	**113 355**	**3 307**	**-190**	**104 780**	**221 549**
Net profit for the period						7 327	7 327
Other comprehensive income					-119	-65	-184
Sale of treasury shares (option exercise)		0		2 105			2 106
Share based compensation				1 407			1 407
Equity as of 31.12.19	**303**	**-5**	**113 355**	**6 819**	**-309**	**112 042**	**232 205**

Nordic Semiconductor Parent

Statement of changes in equity

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 01.01.18	**283**	**-2**	**14 436**	**541**	**104 999**	**120 258**
Net profit for the period					6 415	6 415
Other comprehensive income					-16	-16
Purchase of treasury shares		-4			-12 071	-12 075
Issue of share capital	20		98 919			98 939
Share based compensation		1		849		850
Equity as of 31.12.18	**303**	**-5**	**113 355**	**1 391**	**99 327**	**214 370**
Net profit for the period					4 308	4 308
Other comprehensive income					-65	-65
Sale of treasury shares (option exercise)		0		2 105		2 106
Share based compensation				1 033		1 033
Equity as of 31.12.19	**303**	**-5**	**113 355**	**4 530**	**103 570**	**221 754**

Statement of cash flows
for the year ended December 31

GROUP 2019	GROUP 2018	Amount in USD 1000	Note	PARENT 2019	PARENT 2018
		Cash flows from operating activities			
9 706	15 081	Profit before tax		5 885	11 678
-4 846	-2 759	Taxes paid for the period	7	-4 208	-2 759
23 535	16 727	Depreciation	11/12/21	19 789	13 781
-13 798	-4 708	Change in inventories, trade receivables and payables	4/14/20/22	-14 816	-4 748
1 100	1 231	Share-based compensation		726	882
31	-30	Movement in pensions		31	-30
3 950	4 974	Other operations related adjustments		10 340	7 243
19 678	**30 516**	**Net cash flows from operating activities**		**17 748**	**26 046**
		Cash flows used in investing activities			
-20 182	-17 530	Capital expenditures (including software)	11/12	-17 233	-14 384
-11 271	-12 993	Capitalized development expenses	12	-11 271	-12 993
-31 454	**-30 523**	**Net cash flows used in investing activities**		**-28 504**	**-27 377**
		Cash flows from financing activities			
2 412	-12 075	Changes in treasury shares	17	2 412	-12 075
-	98 939	Capital increase		-	98 939
-	-32	Cash settlemet of options contract and issue of share capital		-	-32
-3 906	-	Repayment of interest bearing debt		-2 972	-
-	-20 000	Interest bearing debt		-	-20 000
-1 494	**66 832**	**Net cash flows from financing activities**		**-560**	**66 832**
37	357	Effects of exchange rate changes on cash and cash equivalents		-	-
-13 232	**67 181**	**Net change in cash and cash equivalents**		**-11 316**	**65 501**
103 876	36 695	Cash and cash equivalents as of 1.1.		100 522	35 020
90 644	**103 876**	**Cash and cash equivalents as of 31.12.**	**16/22**	**89 205**	**100 522**
1 847	1 560	Restricted cash incl. in the cash and cash equivalents as of 31.12.	16	1 847	1 560

Note 1: Basis for preparation

Nordic Semiconductor ASA is a public limited company whose shares are listed on the Oslo Stock Exchange with ticker code NOD. The Company is domiciled in Norway, and the registered head office is at Otto Nielsens vei 12, 7052 Trondheim.

The Group includes the parent company Nordic Semiconductor ASA and five wholly owned subsidiaries, Nordic Semiconductor Inc., Nordic Semiconductor Poland Sp. z.o.o, Nordic Semiconductor Finland OY, Nordic Semiconductor Japan KK and Nordic Semiconductor Germany GmbH.

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

The financial accounts for the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and Norwegian authorities and are effective as of 31 December 2019. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board ("IASB") and the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

The consolidated financial statements are presented in US dollars ("USD"), which is the functional currency of the parent company. All USD amounts are rounded to the nearest thousand, if nothing else is noted. As a result of rounding differences, it is possible that amounts and percentages do not add up to the total.

Gross profit is revenue less cost of materials and direct project costs. Cost of materials include direct and indirect cost of production. Nordic Semiconductor uses gross profit for internal reporting and has therefore chosen to include it in the external financial reporting.

The Group has only one operating segment. The group does not report or monitor profitability on a lower level, but breaks down its revenue into the following end product markets: Consumer Electronics, Wearables, Healthcare, Building and Retail, Others, Long-Range (cellular IoT), ASIC components and Consulting Services. The Group also breaks down its revenues in the geographical areas in which its distributors are located.

The financial accounts were audited and approved for publication by the Board of Directors on March 18 2020, and will be presented for approval at the Annual General Meeting on April 21, 2020.

Accounting standards adopted in 2019

The Group has adapted new accounting standard issued by the International Accounting Standards Board, IFRS 16 Leases effective January 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the cumulative effect recognized at the date of initial application. Comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Impact on the statement of financial position (increase/ (decrease) as at January 1, 2019:

Amounts in USD thousand	
Assets	
Property, plant and equipment (right-of-use assets)	21 010
Liabilities	
Lease liability	21 010

The Group has lease contracts for offices, office machinery and equipment and vehicles. The main leases recognized in the balance sheet are the different office leases.

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Group has leases of certain office equipment (i.e., copy machines, coffee machines etc.) that are considered of low value.

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, and the assets are depreciated on a straight line basis over the lease term.

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. 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	**30 182**
Recognition exemption for:	
Short-term leases	*-250*
Leases for low-value assets	*-380*
Effect from discounting at the incremental borrowing rate as of January 1, 2019	-8 541
Lease liability recognized at January 1, 2019	**21 010**

IFRS 16 EFFECTS ON THE INCOME STATEMENT

Amount in USD thousand	**2019**
Other Operating expenses	4 381
EBITDA	**4 381**
Depreciation	-3 853
EBIT	**528**
Interest expense	-834
Foreign exchange adjustments	328
Profit before tax	**22**

Accounting standards and interpretations issued but not adopted as at December 31, 2019

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform.

The amendments to IFRS 9, IAS 39 and IFRS 7 have a mandatory effective date of January 1, 2020. The changes in regulations will not have any impact for the Group.

However, the Group will have to negotiate a new reference rate for bank loan facilities and apply a new discount rate for additions for IFRS 16 Leases when LIBOR is replaced.

Note 2: Significant Accounting Principles

2.1 Basis of consolidation

The consolidated financial statements incorporate the results, cash flows and assets and liabilities of the parent company and its subsidiaries.

A subsidiary is an entity that is controlled, either directly or indirectly, by the parent company. Control exists when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Generally, such power exists where the parent company holds a majority of the voting rights of an investee.

Subsidiaries are consolidated from the date control is obtained until the date that control ceases. All subsidiaries are wholly owned by the parent company and there are no non-controlling interests. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires that management uses judgement, estimates and assumptions that effect the amounts reported in the financial statements and its disclosures. Management bases its estimates and judgement on previous experience and on various other factors deemed to be reasonable and sensible given the specific circumstances. The main areas of uncertainty for assessments and estimates on the balance sheet date, which represent a risk of creating significant changes to the value of assets and liabilities, are discussed below.

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

Revenue recognition

Revenue recognition principles are described in Note 2.4

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

Variable consideration for "Ship and Debit"

When a distributor sells components to specified customer accounts, the distributor will receive an additional rebate after the sale is made, commonly known as a "Ship and Debit" rebate. In estimating the variable consideration, the Group is required to use the expected value method. The Group estimate the rebate based on historical discounts to each distributor, the distributors' inventory level as of 31 December 2019 and expected sales mix. An estimate for this rebate is provided in the accounts, reducing the revenue and increasing refund liabilities. See Note 3.3.

Development costs

Development costs are capitalized in accordance with the principles in Note 2.5.

In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefits, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market.

During 2019 USD 11.3 million was capitalized, mainly related to the long-range cellular IoT products. The carrying amount of capitalized development costs as of December 31, 2019 and 2018 was USD 34 million and USD 27.7 million respectively.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay' , which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.3 Foreign currency translation

Each entity within the Group has a functional currency, which is normally the currency in which the entity primarily generates and expends cash. The parent company is the most significant entity in the Group, and its functional currency is USD.

At entity level, a foreign currency is a currency other than the entity's functional currency. Transactions in the profit and loss statement denominated in foreign currencies are recorded in the entity's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Currency translation differences arising at entity level are recognized in profit or loss.

The Group's presentation currency is USD, and foreign operations are those of the parent company's subsidiaries and branches whose functional currency is not the USD. On consolidation, assets and liabilities of foreign operations are translated into USD according to the exchange rates prevailing on the balance sheet date. Profit or loss items are translated according to monthly average exchange rates. Changes in net assets resulting from exchange rate movements are recognized in other comprehensive income and taken to the currency translation reserve.

2.4 Revenue recognition

The Group is in the business of developing and selling integrated circuits. Revenue from customers is mainly generated from sale of products. Services delivered consists of consulting services.

The Group and the customer do not receive financing from the sales, and therefore there are no significant financing components to be accounted for separately from the revenue transaction. The normal credit term is 30-60 days upon delivery. In other terms, the sale contracts do not require the customer to pay in advance, and the contract do not require the customer to pay significantly after delivery.

Sale of products

Sales of products are mostly made direct to distributors ("customer"). Revenue from the sale of products is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The time of delivery, and the time where control of goods is transferred, is usually the time when the goods are transferred to the transport carrier. At the delivery time, the Group has the right of payment for the asset, the customer has legal title to the asset, physical possession has been transferred to the customer and customer has the significant risks and rewards of ownership of the asset.

Revenue recognized on the sale of products is measured at the fair value of the consideration received or receivable, excluding sales taxes and after making allowance for variable considerations such as rebates and product returns.

Ship and debit rebate

The Group sells products to certain distributor on "ship and debit" terms. It means that the distributor may be entitled to a rebate if the distributor sells the product to end customers at a price lower than the price at which the distributor purchased the products from the Group. The difference in price is then claimed (debited) by the distributor.

The Ship and Debit rebates are recognized as reduction in revenue and increase in liabilities before the distributor do their actual sale to end customers.

Stock rotation rights

Some distributors are entitled to limited rights of return, referred to as stock rotation rights. The Group tracks the distributor's inventory and can initiate a stock rotation earlier if a certain product is selling better with another distributor. As the products have similar margin, there are no significant losses for the Group when stock rotations are initiated. The Group does not make provisions or adjustments for stock rotation unless we expect the goods returned to be obsolete. Stock rotation provisions are made if necessary, based on most likely amount method.

Sale of services

Revenue from services is recognized as the services are rendered/delivered.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 2.9

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.10

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Assets and liabilities arising from rights of return

Right of return asset

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. As the customers are only able to exchange the goods, the Group does not have a right of return asset.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Cost to obtain a contract

The Group does not pay commission to employees and all costs related to getting a customer order is immediately expensed. The amortization period for a contract asset would be one year or less, hence the Group is able to use the practical expedient and expense costs directly.

2.5 Intangible assets

Research and development expenditure

Research costs are expensed as incurred.

Costs associated with development are capitalized if the following criteria are met in full:

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

Costs expensed in prior accounting periods will not be capitalized. Depreciation begins when the product is transferred from development to production. Depreciation is calculated on a straight-line basis over 5 years. Uncertainty exists with respect to the expected period of benefits, as this depends on the future technological development in the market. During the period of development , the asset is tested for impairment annually.

Other intangible assets

Other intangible assets comprise computer software. The assets held by the Group have finite useful lives, and are carried at cost less accumulated amortization and impairment losses, if any.

The other intangible assets are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful lives are normally 3 years.

The amortization period and the amortization method for intangible assets are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

2.6. Government grants

Grants received are tax refunds and are classified as operating grants. Operating grants are accounted for at the same time as the costs they are intended to cover. Tax refunds are accounted for as a cost reduction. See Note 5 and 9.

2.7 Property, plant and equipment

Property, plant and equipment is valued at the lower of cost net of accumulated depreciation and net realizable value. When an asset is sold or discontinued, the gain or loss from the transaction is recognized in the income statement. Cost comprises the purchase price of the asset including fees/taxes and any direct costs associated with commissioning the asset for use.

Repair and maintenance costs are expensed when incurred. If repair and maintenance increase the value of the asset, the cost will be added to the asset on the balance sheet. Depreciation is calculated on a straight-line basis over the following periods of time:

Office and lab equipment	1-5 years
Computer equipment	3-5 years
Leasehold improvements	5 years

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

2.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group is recognizing a financial asset or liability when it becomes a party to the instrument's contractual terms.

The Group's financial assets and liabilities includes accounts receivable and other current receivables, , accounts payable and other current financial liabilities (borrowings, including bank overdrafts).

Financial assets

Initial recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset. There is an exemption for accounts receivables, that do not contain a significant financing component or for which the Group has applied the practical expedient, are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.4 Revenue recognition.

Depending of the financial asset's contractual cash flow characteristics and the Group's business model for managing them, the assets are at initial recognition as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) or fair value through profit or loss.

Financial assets are classified and measured at amortized cost or fair value through OCI, if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The only category relevant for the Group is amortized cost, including accounts receivables and other short-term receivables.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred the asset according to IFRS 9.3.2.4 and 9.3.2.5

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and accounts payables, net of directly attributable transaction costs.

Subsequent measurement

All financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss.

After initial recognition, borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.11 Cash and cash equivalents
Cash and cash equivalents include cash at banks and in hand, short- term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

2.13 Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, see note 2.8.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low-value assets. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term

2.14 Income taxes

Income tax expenses consist of taxes due and changes to the deferred tax.

Deferred tax assets and liabilities are calculated based on the differences between the carrying value of assets and liabilities in the financial accounts and their tax basis when such differences are considered at temporary in nature.

Deferred tax assets are recognized to the extent that it is probable that the individual company will have sufficient taxable income in later periods to utilize the tax asset.

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

Deferred income tax relating to items recognized in Other Comprehensive Income ("OCI") or directly in equity is recognized outside profit or loss.

The parent company pays its tax obligation in NOK and the fluctuations between the NOK and the USD impact the financial items. The Group's legal entities that do not have their tax base in USD are exposed to changes in the USD/ tax base currency rates. Effects within the current year are classified as tax expense.

2.15 Provisions

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

2.16 Employee benefits

Defined benefit pension plans
The Group had a defined benefit pension plan for its employees who were hired before December 31, 2007. The group has also established a similar plan for employees in the Philippines. This plan is still open. Pension plan assets are valued at fair value. The defined benefit scheme in Norway was converted to a defined contribution scheme. In connection with the transfer, the employees received a "Paid up benefit" for all earned benefits in the defined benefit plan. As there exist certain obligations related to retirees and employees on sick leave, an actuarial calculation is performed and a liability for these employees is included as of December 31, 2019.

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

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

2.17 Treasury shares

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

2.18 Cash flow statement

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

2.19 Events after the balance sheet date

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

Note 3: Revenues

All figures in USD 1000

3.1 Disaggregated revenue information

Revenue classified by end product applications:

The Group focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: Consumer Electronics, Wearables, Building and Retail, Healthcare and Others. In 2019, wireless components accounted for 97.5% of sales versus 96.8% in 2018. In addition to standard components, the Group sells customer-specific ASIC components (Application Specific Integrated Circuits) and related Consulting Services.

The Group recognized the first long-range (cellular IoT) revenue in the second half of 2018. Most of Nordic's cellular IoT customers are still in the development phase and revenue from this technology is mainly sale of development kits. When cellular IoT revenue materialize, Nordic will report the revenue in the relevant end product areas.

GROUP			PARENT	
2019	**2018**	**Revenue**	**2019**	**2018**
119 409	111 724	Consumer Electronics	119 409	111 724
50 386	43 838	Wearables	50 386	43 838
51 595	48 646	Building/Retail	51 595	48 646
19 725	22 578	Healthcare	19 725	22 578
39 979	35 618	Others	39 979	35 618
281 094	**262 404**	**Wireless components**	**281 094**	**262 404**
1 046	232	Long-range (cellular IoT)	1 046	232
6 039	7 994	ASIC components	6 039	7 994
216	504	Consulting services	216	504
-	-	Management fee	831	744
288 395	**271 134**	**Total revenues**	**289 226**	**271 878**

Revenue classified by customers' location:

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

GROUP			PARENT	
2019	**2018**		**2019**	**2018**
31 464	33 608	Europe	32 090	34 195
27 946	32 810	Americas	28 094	32 966
229 014	204 716	Asia/Pacific	229 042	204 717
288 395	**271 134**	**Total revenues**	**289 226**	**271 878**

The Group sells its components to distributors, which then sell components onward to electronics manufacturers which build end products and sell them to customers across the world. One distributor represented more than 10% of the Group's total revenues in 2019 with 28% of total revenues. In comparison, two distributors represented more than 10% of the Group's total revenues in 2018 (in total 40%), with 28% and 11% of revenues respectively. These distributors are based in Asia.

Revenue from contracts with customers classified by timing of revenue recognition:

2019	2018		2019	2018
288 179	270 630	Goods transferred at a point in time	288 179	270 630
216	505	Services transferred over time	1 047	1 248
288 395	**271 134**	**Total revenue from contracts with customers**	**289 226**	**271 878**

3.2 Contract balances

2019	2018		2019	2018
64 519	51 784	Trade receivables	64 519	51 784

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. See note 22 for further details.

3.3 Right of return assets and refund liabilities

2019	2018		2019	2018
13 881	11 393	Refund liability – arising from ship & debit	13 881	11 393
0	1 600	Refund liability – arising from stock rotation	0	1 600

3.4 Performance obligations

The performance obligations for the sale of components is normally satisfied upon the time of delivery. Payment is generally due 30 to 60 days within delivery.

For the consulting services the performance obligation is satisfied over-time and the customer is generally invoiced at month-end for the work performed.

The Group has decided to use the practical expedient and not disclose unsatisfied or partially unsatisfied performance obligations. All remaining performance obligations are expected to be recognized within one year.

Note 4: Cost of materials / inventory

All figures in USD 1000

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
151 677	135 003	Purchased materials	151 677	135 003
-10 387	1 108	Changes in inventory	-10 387	1 108
141 290	**136 111**	**Cost of materials**	**141 290**	**136 111**
19 699	21 491	Raw material	19 699	21 491
11 559	7 291	Work in Progress	11 559	7 291
21 808	13 898	Finished Goods	21 808	13 898
53 067	**42 679**	**Total inventory**	**53 067**	**42 679**
2 919	1 993	Amount written down	2 919	1 993

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

Note 5: Other operating expenses

All figures in USD 1000

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
11 264	9 033	Service and maintenance	10 605	8 478
9 3511	8 011	Other consultancy fees	6 641	5 182
1 428	5 403	Office rental expenses	1 023	4 144
1 095	1 087	Office equipment	859	907
5 236	4 947	Material and components	4 729	4 483
-15	-36	Tax grant	-15	-36
-3 495	-3 210	Capitalized development expenses	-3 495	-3 210
4 023	3 811	Travel and meeting expenses	2 635	2 649
4 778	5 153	Other operating expenses	4 459	4 890
0	0	Other operating expenses intercompany	46 254	41 059
33 665	**34 199**	**Total other operating expenses**	**73 695**	**68 546**

Auditor remuneration, excl. of VAT

Fees to the auditor are included in consultancy fees above.

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
91	106	Statutory audit services	68	82
36	28	Tax advisory services	36	24
44	22	Other audit related services	44	21
171	**156**	**Total revenues**	**148**	**128**

Note 6: Net financial items

All figures in USD 1000

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
1 910	1 782	Interest income	1 910	1 782
1 910	**1 782**	**Financial income**	**1 910**	**1 782**
834	0	Interest expenses on lease liabilities	750	0
268	428	Financial expense	268	427
375	320	Foreign exchange loss (net)	373	319
1 477	**748**	**Financial expense**	**1 391**	**746**
433	**1 034**	**Net financial income**	**519**	**1036**

Note 7: Tax

All figures in USD 1000

GROUP 2019	GROUP 2018	Tax expense consists of	PARENT 2019	PARENT 2018
-3 852	-6 119	Tax payable	-2 833	-5 160
1 473	-103	Change in deferred tax / tax benefit	1 256	-103
-2 379	**-6 222**	**Tax expense**	**-1 577**	**-5 263**

GROUP 2019	GROUP 2018	Reconciliation of nominal and actual tax expense	PARENT 2019	PARENT 2018
9 706	15 081	Profit before tax	5 885	11 678
-2 135	**-3 469**	**Tax at nominal rate 22 % (23% 2018)**	**-1 295**	**-2 686**
-39	-30	Tax effect of different tax rates in other countries	-27	-62
155	-153	Tax effect permanent differences	97	93
45	0	Excess tax provision previous year	45	0
0	-51	Effect of change in tax rate	0	-51
-405	-2 521	Currency effect from translation to USD	-398	-2 557
-2 379	**-6 222**	**Tax expense**	**-1 577**	**-5 263**

GROUP

Deferred taxes:	Balance Sheet		Income Statement		Other Comp. income	
	2019	2018	2019	2018	2019	2018
Deferred tax benefit						
Inventory	645	322	323	86	0	0
Fixed Assets	1 408	951	457	-6	0	0
Leasing	15	0	15	0	0	0
Options (share based payments)	707	453	254	130	0	0
Pension obligation	68	61	-11	-6	18	5
Accruals	22	22	0	-1	0	0
Deferred tax benefit - gross	**2 865**	**1 809**	**1 037**	**202**	**18**	**5**
Gain and loss account	52	65	-14	-25	0	0
Net other tax-obligations	0	409	-409	409	0	0
Deferred tax obligation - gross	**52**	**474**	**-423**	**384**	**0**	**0**
Currency effect of translation to USD	0	0	12	78	0	0
Net deferred tax benefit (obligation)	2 813	1 335	0	0	0	0
Deferred tax expense			1 472	-103	18	5

PARENT

Deferred taxes:	Balance Sheet		Income Statement		Other Comp. income	
	2019	2018	2019	2018	2019	2018
Deferred tax benefit						
Inventory	645	322	323	86	0	0
Fixed Assets	1 024	784	241	2	0	0
Leasing	15	0	15	0	0	0
Options (share based payments)	707	453	254	130	0	0
Pension obligation	68	61	-11	-11	18	5
Accruals	22	22	0	-1	0	0
Deferred tax benefit - gross	**2 481**	**1 642**	**821**	**205**	**18**	**5**
Gain and loss account	52	65	-14	-25	0	0
Net other tax-obligations	0	409	-409	409	0	0
Deferred tax obligation - gross	**52**	**474**	**-423**	**384**	**0**	**0**
Currency effect of translation to USD	0	0	12	75	0	0
Net deferred tax benefit (obligation)	2 429	1 168	0	0	0	0
Deferred tax expense			1 256	-103	18	5

GROUP 2019	GROUP 2018	Reconciliation of net deferred tax benefit:	PARENT 2019	PARENT 2018
1 335	1 516	Opening balance as of 1.1	1 168	1 341
1 472	-104	Tax expense/income recognized in profit and loss	1 256	-104
18	5	Tax expense/income recognized in other comprehensive income	18	5
-12	-82	Currency effect from translation to USD	-12	-75
2 813	**1 335**	**Net deferred tax benefit 31.12**	**2 429**	**1 168**

GROUP 2019	GROUP 2018	Net deferred tax recognized in OCI as of 31.12:	PARENT 2019	PARENT 2018
18	5	Net gain/(loss) on actuarial gains and losses	18	5
18	**5**	**Total tax other comprehensive income**	**18**	**5**

Note 8: Shares outstanding

	2019	2018
Basis for calculation of basic earnings per share		
Earnings for the year (USD '000)	7 327	8 859
Weighted average number of outstanding shares ('000)	175 313	172 591
Earnings per share (USD)	**0,04**	**0,05**
Basis for calculation of fully diluted earnings per share		
Earnings for the year (USD '000)	7 327	8 859
Weighted average number of outstanding shares ('000)	176 394	179 454
Earnings per share (USD)	**0,04**	**0,05**

The number of shares was as follows:

Date		Number of shares issued	Shares outstanding
2019-01-01	Balance at beginning of period	179 781 600	175 236 600
2019-12-31	Balance at end of period	179 781 600	175 661 690

Options granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if they have been vested at the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earning per share. Details relating to the options are set out in note 19.

Note 9: Payroll expenses

All figures in USD 1000

GROUP 2019	GROUP 2018	Combined expenses for salary and other compensation are distributed as follows:	PARENT 2019	PARENT 2018
62 556	57 604	Salary and vacation pay	37 968	36 412
12 846	11 364	Other compensation	9 415	8 330
6 756	5 904	Payroll tax	6 421	5 661
-497	-482	Tax grant	-497	-482
6 396	5 432	Defined contribution pension	3 204	2 649
-7 776	-9 774	Capitalized development expenses (hourly costs)	-7 776	-9 774
80 281	**70 048**	**Total**	**48 735**	**42 796**
722	641	Weighted average number of full time employees	461	415

GROUP 2019	GROUP 2018	Employees as of December 31, are distributed as follows:	PARENT 2019	PARENT 2018
391	366	Norway	391	366
188	174	Finland	0	0
51	35	Poland	0	0
39	30	USA	1	1
26	19	Taiwan	26	19
26	19	Philippines	26	19
16	16	Hong Kong	16	16
13	10	China	13	10
4	4	South Korea	4	4
4	4	Japan	0	0
4	3	Sweden	4	3
1	1	Switzerland	1	1
1	1	Germany	0	0
1	1	Spain	1	1
1	1	UK	1	1
1	1	The Netherlands	1	1
767	**685**	**Total**	**485**	**442**

Note 10: Compensation to Group management and Board of Directors

All figures in USD 1000

Total compensation expensed for Board Members	**2019**	**2018**
Birger Steen, Chair (from 14.12.2018)	104	87
Terje Rogne, Chair (until 24.10.2018)	0	67
Inger Berg Ørstavik, Board Member	50	31
Endre Holen, Board Member	53	0
Jan Magnus Frykhammar, Board Member	50	0
Øyvind Birkenes, Board Member	45	0
Annastiina Hintsa, Board Member	37	0
Anita Huun, Board Member	40	0
Tore Valderhaug (Vice Chair until 24.4.19)	14	55
Craig Ochikubo, Board Member (until 24.4.19)	8	85
Anne-Cecilie Fagerlie, Board Member (until 24.4.19)	0	9
Beatriz Malo de Molina, Board Member (until 30.4.18)	0	9
Jon Helge Nistad, Board Employee Representative (Board remuneration only)	11	12
Asbjørn Sæbø, Board Employee Representative (Board remuneration only)	11	12
Susheel Nuguru, Board Employee Representative (Board remuneration only)	11	10
Morten Dammen, Board Employee Representative (Board remuneration only)	9	0
Joakim Ferm, former Board Employee Representative (Board remuneration only)	3	2
Total	**446**	**380**

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

2019	Salary	Bonus	Options**	RSU	Other Compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	394	65	58	48	2	16	**583**
Pål Elstad, CFO	240	42	38	30	2	16	**368**
Svein-Egil Nielsen, CTO & Strategy Director	279	39	40	36	2	16	**412**
Geir Langeland, Sales & Marketing Director	255	39	39	31	2	16	**383**
Ebbe Rømcke, Quality Director	168	27	20	20	2	16	**253**
Ole Fredrik Morken, Supply Chain Director****	314	33	37	25	2	16	**427**
Marianne Frydenlund, Legal Director	130	22	5	16	2	15	**190**
Ståle Ytterdal, Director IR & Strategic Sales****	325	6	17	22	3	16	**390**
Kjetil Holstad, Director of Product Management	142	0	10	18	2	16	**188**
Katarina Finneng, HR Director (from 1.9.2019)	68	0	0	0	1	5	**74**
Total	**2 315**	**273**	**265**	**246**	**20**	**151**	**3 269**
2018	**Salary**	**Bonus**	**Options****	**RSU**	**Other Compensation**	**Pension expenses**	**Total**
Svenn-Tore Larsen, CEO	421	70	78	0	2	16	**587**
Pål Elstad, CFO	241	45	52	0	2	16	**356**
Svein-Egil Nielsen, CTO	226	42	52	0	2	16	**338**
Geir Langeland, Sales & Marketing Director	233	42	52	0	2	16	**345**
Ebbe Rømcke, Quality Director	166	30	26	0	2	16	**240**
Ole Fredrik Morken, Supply Chain Director****	304	36	52	0	1	16	**409**
Marianne Frydenlund, Legal Director	103	24	2	0	1	12	**142**
Thomas E. Bonnerud, Director of Strategy and IR***	147	0	0	0	1	12	**160**
Total	**1 841**	**289**	**314**	**0**	**13**	**120**	**2 577**

*Management compensation is paid in NOK. Exchange rate for 2019: 8.80 and 2018: 8.13
**Option cost is the expense of fair value of options based on Black Scholes calculation
***Until August 2018
**** Includes expat allowances (housing, school, etc.)

Executive Compensation Declaration 2020

The Board has established a People, Leadership and Compensation Committee to recommend and evaluate remuneration principles and execution for the CEO and to guide and evaluate, principles and strategy for the compensation of Executive Management. Furthermore, the People, Leadership and Compensation Comittee evaluates and oversees the overall compensation strategy for the Group and provides deeper Board oversight other people and organization related matters. The CEO's total compensation, and any adjustments, is first reviewed by the Committee and then approved by the Board. The Board considers CEO compensation each year. The compensation of the other members of the Executive Management, including adjustments of these, are agreed between the CEO and the respective manager in the context of an overall compensation plan recommended by the Committee and approved by the Board.

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

Nordic operates in a highly competitive international technological market. The Board has approved a reward strategy document that sets out the guiding principles of Nordic's remuneration strategy to support the attraction, engagement and retention of the relevant talent.

Nordic's remuneration strategy is based on the principles of aligning remuneration arrangements with our strategic drivers and rewarding executives and employees fairly for their contribution. The Remuneration Strategy is underpinned by Nordic's values of Engagement, Contribution, Knowledge, Respect and Responsibility.

The main principle of the Group's policy for remuneration and compensation is that the members of the Executive Management team shall be offered competitive terms, to attract and retain leaders with the desired competence to the Group's Executive Management team. Compensation shall be split between fixed salary, short-term incentives and long-term incentives. The mix between the short-term and long-term incentives is set to reward the optimal value creation for our shareholders.

The Group has established an annual performance bonus program ("The Plan") for the Executive Management team, in which the executive must remain within his or her position (not resigned) until the start of the following year in order to be eligible. The bonuses are awarded as a direct cash payment. The Plan's targets are set for the entire team to recognize Nordic's culture, collaboration and interdependencies among the existing team members in addition to individual KPIs. Company and team targets are set by the People and Compensation Committee combined with achievement of individual KPIs. Achievement of targets will result in performance pay bonus of 25% of base salary. The performance bonus is capped at 50% of base salary.

In 2015, a long-term incentive plan (LTI) was introduced for the Executive Management team and other employees, structured as a 4-year option plan commencing in 2016. Under the plan, 4 692 812 option grants have been made to both executives and other employees in 2016, 2017 and 2018. In 2019, an amendment was made to the plan where part of the options granted to executives was replaced by Performance Shares.

For 2020, the Board will propose to the Annual General Meeting to replace the stock option program with a Restricted Stock Unit (RSU) program for all employees, and a combination of Restricted Stock Units and Performance Shares for Executive Management.

The RSUs will vest over 2 years and will be delivered to the employee at the vesting date at par value.

For the Executive Management team of 10 people, 50% of the LTI plan will be given as Performance Shares. Executives are granted Performance Shares which are conditional upon the achievement of a certain set of objectives, including revenue growth, EBITDA growth, individual KPIs and Nordic's share price performance relative to the relevant indices.

The Performance Shares vest and will be delivered at par value upon the completion of the performance period, which is three years. Granting of shares is dependent on achievement of at least 80% of the set performance targets. At the threshold, 50% of the shares will be granted, whilst on 120% achievement of targets a maximum 2 times the shares will be granted.

In line with the market practices, the number of RSUs and Performance Shares to be granted is changed during the annual grant cycle in consideration of the proven results, development and importance to the company of each executive. The grant size is proposed by the CEO. The Board reviews the basis for grants and refines and/or approves the grant sizes.

The maximum dilutive effect (i.e. the sum of the number of share options and performance shares) of both the employee RSU program and the Executive Management Long Term Incentive plan is set to 0.6% for 2020, assuming maximum target achievement after 3 years.

The LTI rewards employees for creating shareholder value over the long term. While the targets for the LTI is set at Group level, the grant size per individual may differ given the performance of the individual. The LTI is subject to an absolute limit and fulfillment of performance criteria, both decided by the Board at its discretion.

The Group offers pensions plans to all employees; managers included. In addition, the Group provides managers with other limited benefits in kind such as a company telephone.

The Group's Chief Executive Officer has agreed to a 6-month mutual resignation period, except that the resignation period increases to 12 months in the event that the Group is acquired or merged with another company. The rest of the executive management team has a 3-month resignation period and there are no severance pay agreements.

The guidelines for determination of salary and other compensation for leading employees, as outlined for the Annual General Meeting in 2019, have been complied with.

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

Executives and employee Board members	Options granted 2019*	Options granted 2018*
Svenn-Tore Larsen, CEO	38 163 stock options	62 000 stock options
Pål Elstad, CFO	23 163 stock options	42 000 stock options
Geir Langeland, Sales Director	24 767 stock options	42 000 stock options
Svein-Egil Nielsen, CTO	28 144 stock options	42 000 stock options
Ebbe Rømcke, Quality Director	15 761 stock options	21 000 stock options
Ole Fredrik Morken, Supply Chain Director	19 701 stock options	42 000 stock options
Marianne Frydenlund, Legal Director	12 946 stock options	5 000 stock options
Ståle Ytterdal, Director IR & Strategic Sales	17 499 stock options	15 000 stock options
Kjetil Holstad, Director of product management	14 072 stock options	10 000 stock options
Katarina Finneng, HR Director	0 Stock options	0 stock options
Morten Dammen, Board Employee Representative	3 559 stock options	5 100 stock options
Jon Helge Nistad, Board Employee Representative	2 781 stock options	3 000 stock options
Susheel Nuguru, Board Employee Representative	2 563 stock options	0 stock options
Asbjørn Sæbø, Board Employee Representative	3 452 stock options	5 100 stock options

*No options were exercised in 2019 and 2018 by primary insiders.

Note 11: Fixed assets

All figures in USD 1000

GROUP 2019	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	14 882	39 425	2 689	333	57 329
Additions	10 231	5 961	2 046	0	18 239
Acquisition cost as of 31.12	**25 113**	**45 386**	**4 735**	**333**	**75 568**
Opening balance	8 723	29 236	1 788	0	39 747
Depreciation expenses	4 233	4 434	528	0	9 196
Accumulated depreciation as of 31.12	**12 957**	**33 670**	**2 317**	**0**	**48 943**
Net carrying value as of 31.12	**12 157**	**11 717**	**2 418**	**333**	**26 625**

PARENT 2019	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	8 907	36 594	2 269	333	48 103
Additions	7 882	5 717	1 827	0	15 426
Acquisition cost as of 31.12	**16 789**	**42 311**	**4 095**	**333**	**63 529**
Opening balance	5 509	27 395	1 668	0	34 573
Depreciation expenses	1 968	4 219	416	0	6 603
Accumulated depreciation as of 31.12	**7 447**	**31 615**	**2 084**	**0**	**41 176**
Net carrying value as of 31.12	**9 312**	**10 697**	**2 012**	**333**	**22 354**

GROUP 2018	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	10 394	31 062	2 240	333	44 029
Additions	4 488	8 364	449	-	13 300
Acquisition cost as of 31.12	**14 882**	**39 425**	**2 689**	**333**	**57 329**
Opening balance	5 889	24 437	1 445	-	31 771
Depreciation expenses	2 834	4 799	343	-	7 976
Accumulated depreciation as of 31.12	**8 723**	**29 238**	**1 788**	**-**	**39 747**
Net carrying value as of 31.12	**6 159**	**10 189**	**901**	**333**	**17 582**

PARENT 2018	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Opening balance	6 598	28 396	2 043	333	37 370
Additions	2 309	8 198	225	-	10 733
Acquisition cost as of 31.12	**8 907**	**36 594**	**2 269**	**333**	**48 103**
Opening balance	4 748	23 225	1 398	-	29 371
Depreciation expenses	761	4 170	270	-	5 201
Accumulated depreciation as of 31.12	**5 509**	**27 395**	**1 668**	**-**	**34 573**
Net carrying value as of 31.12	**3 398**	**9 199**	**601**	**333**	**13 530**

GROUP AND PARENT

Estimated useful life	3 – 5 years	3 – 4 years	5 years	Not
Depreciation method	Straight-line	Straight-line	Straight-line	Depreciated

Total depreciation expenses consist of depreciation of fixed assets and depreciation of intangible assets (note 12).

Non-depreciable property assets:

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

Scrapped capital assets

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

Capital assets temporarily out of operation

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

Write-offs

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

Change in depreciation periods

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

Note 12: Intangible assets

All figures in USD 1000.

GROUP 2019	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	31 368	54 704	86 073
Additions	1 863	11 271	13 134
Accumulated cost as of 31.12	**33 231**	**65 976**	**99 207**
Accumulated depreciation			
Opening balance	16 305	27 018	43 324
Depreciation expenses	5 519	4 967	10 486
Total accumulated depreciation as of 31.12	**21 824**	**31 986**	**53 810**
Net carrying amount	**11 407**	**33 990**	**45 398**

PARENT 2019	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	30 727	54 704	85 431
Additions	1 807	11 271	13 078
Accumulated cost as of 31.12	**32 533**	**65 976**	**98 509**
Accumulated depreciation			
Opening balance	16 123	27 018	43 141
Depreciation expenses	5 290	4 967	10 258
Total accumulated depreciation as of 31.12	**21 413**	**31 985**	**53 399**
Net carrying amount	**11 120**	**33 990**	**45 110**

GROUP	Non-capitalized R&D expenses:	PARENT
48 973	Personnel expenses	26 256
24 515	Other operating expenses	16 296
73 487	**Total cost recognized in income statement**	**42 552**
84 758	**Total cost for R&D (incl. capitalized development cost)**	**53 823**

GROUP

2018	**Purchased Software**	**Capitalized Development costs**	**Total**
Acquisition cost			
Opening balance	27 296	41 711	69 007
Additions	4 072	12 993	17 066
Accumulated cost as of 31.12	**31 368**	**54 704**	**86 073**
Accumulated depreciation			
Opening balance	11 787	22 786	34 573
Depreciation expenses	4 518	4 232	8 751
Total accumulated depreciation as of 31.12	**16 305**	**27 018**	**43 324**
Net carrying amount	**15 063**	**27 686**	**42 749**

PARENT

2018	**Purchased Software**	**Capitalized Development costs**	**Total**
Acquisition cost			
Opening balance	27 075	41 711	68 786
Additions	3 651	12 993	16 645
Accumulated cost as of 31.12	**30 727**	**54 704**	**85 431**
Accumulated depreciation			
Opening balance	11 775	22 786	34 561
Depreciation expenses	4 348	4 232	8 580
Total accumulated depreciation as of 31.12	**16 123**	**27 018**	**43 141**
Net carrying amount	**14 604**	**27 686**	**42 290**

GROUP	**Non-capitalized R&D expenses:**	**PARENT**
43 790	Personnel expenses	22 783
19 846	Other operating expenses	13 505
63 636	**Total cost recognized in income statement**	**36 288**
72 208	**Total cost for R&D (incl. capitalized development cost)**	**49 281**

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

Estimated useful life	3 – 10 years	1 – 5 years
Depreciation method	Straight-line	Straight-line

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

Note 13: Subsidiaries

All figures in USD 1000.

The following subsidiaries have been included in the financial statements:

Subsidiaries consolidated in	Established Year	Location	Share Ownership	Voting Rights
Nordic Semiconductor Inc	2006	USA	100%	100%
Nordic Semiconductor Poland S.P z o.o.	2013	Poland	100%	100%
Nordic Semiconductor Finland OY	2014	Finland	100%	100%
Nordic Semiconductor Japan KK	2017	Japan	100%	100%
Nordic Semiconductor Germany GmbH	2018	Germany	100%	100%

Subsidiaries as of 31 December 2019	Ownership	Share of votes	Net profit 2019	Equity 31. Dec 2019
Nordic Semiconductor Inc, USA	100%	100%	267	1 641
Nordic Semiconductor Poland S.p Z o.o.	100%	100%	297	650
Nordic Semiconductor Finland OY	100%	100%	2 486	8 146
Nordic Semiconductor Japan KK	100%	100%	8	83
Nordic Semiconductor Germany GmbH	100%	100%	6	51

All intellectual property (IP) is owned by Nordic Semiconductor ASA. All subsidiaries operate as contract research and development centers and invoice Nordic Semiconductor ASA according to the Group's transfer pricing policy.

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

Nordic Semiconductor Poland Sp. z.o.o. is an extension of the software development team in the parent company.

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

Nordic Semiconductor Japan KK is a sales company. All sales conducted are on behalf of the parent company.

Nordic Semiconductor Germany GmbH is a sales company. All sales conducted are on behalf of the parent company.

Note 14: Accounts Receivable

All figures in USD 1000

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
64 519	51 784	Gross receivables	64 519	51 784
0	0	Provision for doubtful accounts	0	0
64 519	**51 784**	**Accounts Receivable, net**	**64 519**	**51 784**

Note 15: Intercompany balances

All figures in USD 1000

PARENT	2019	2018
Receivables		
Receivables group companies	224	1 250
Total	**224**	**1 250**
Payables		
Short-term debt group companies	10 586	4 732
Total	**10 586**	**4 732**

Note 16: Cash and cash equivalents

All figures in USD 1000

GROUP 2019	GROUP 2018	Cash and cash equivalents as of the balance sheet date were as follows:	PARENT 2019	PARENT 2018
88 797	102 316	Cash holdings	87 358	98 961
1 847	1 560	Tax deduction account (restricted funds)	1 847	1 560
90 645	**103 876**	**Cash and cash equivalents in statement of financial position**	**89 205**	**100 522**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The parent company presents total bank deposits in the international cash pool, while Nordic Semiconductor OY presents its share of the international cash pool as a receivable from group company. Nordic Semiconductor ASA and Nordic Semiconductor OY participate in the cash-pool, which is operated by Danske Bank.

For information on liquidity risk, see note 22.

Note 17: Share capital and shareholder information

Share capital

The share capital in Nordic Semiconductor as of December 31, 2019 consists of one share class with a total of 179 781 600 shares with a face value of NOK 0.01, with a total share capital of NOK 1 797 816. Each share grants the same rights in the company, and in the event of any increase in capital, existing shareholders have pre-emptive rights for any new shares.

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

GROUP	Number of shares		Share capital (USD 1000)		Treasury shares (USD 1000)		Share premium (USD 1000)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Holdings as of 1.1	179 781 600	163 481 600	303	283	-5	-2	113 355	14 436
Issue of share capital	-	16 300 000	-	20	-	-	-	98 919
Change in treasury shares	-	-	-	-	0	-3	-	-
Holdings as of 31.12	**179 781 600**	**179 781 600**	**303**	**303**	**-5**	**-5**	**113 355**	**113 355**

Dividend

No dividend was paid during 2019.

Treasury shares

The Company owned 4,119,910 treasury shares on December 31, 2019. At January 1, 2019, the Company owned 4,545,000 treasury shares. Based on a resolution of the annual general meeting of April 24, 2019, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 179,000 through one or more transactions. This authority is limited to 9.96% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2020, and by June 30, 2020 the latest.

Stock Option Grant

With reference to the Extraordinary General Meeting ("EGM"), on December 8, 2015, Nordic Semiconductor approved a 4-year option program for the Group.

See note 19 for further information on each annual grant.

Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2019:

Shareholder	Shares	Percentage
FOLKETRYGDFONDET	24 006 970	13,35 %
ACCELERATOR LTD	17 482 950	9,72 %
VERDIPAPIRFONDET DNB NORGE	11 499 060	6,40 %
STATE STREET BANK AND TRUST COMP	8 565 244	4,76 %
CITIBANK, N.A.	5 750 358	3,20 %
VERDIPAPIRFONDET KLP AKSJENORGE	5 160 588	2,87 %
NORDIC SEMICONDUCTOR ASA	4 119 910	2,29 %
DANSKE INVEST NORSKE INSTIT. II.	3 809 487	2,12 %
KOMMUNAL LANDSPENSJONSKASSE	3 642 944	2,03 %
ALDEN AS	2 950 000	1,64 %
DNB MARKETS AKSJEHANDEL/-ANALYSE	2 778 797	1,55 %
VERDIPAPIRFONDET PARETO INVESTMENT	2 735 000	1,52 %
PASSESTA AS	2 510 000	1,40 %
MP PENSJON PK	2 467 434	1,37 %
JPMORGAN CHASE BANK, N.A., LONDON	2 378 696	1,32 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	2 330 588	1,30 %
TTC INVEST AS	2 300 000	1,28 %
VERDIPAPIRFONDET DNB TEKNOLOGI	1 801 014	1,00 %
KLP AKSJENORGE INDEKS	1 717 302	0,96 %
DANSKE INVEST NORSKE AKSJER INST	1 582 800	0,88 %
Total for the 20 largest shareholders	**109 589 142**	**60,96 %**
Other shareholders	70 192 458	39,04 %
Total shares outstanding	**179 781 600**	**100 %**

Shares held by the Board of Directors and Executive Management were as follows as of December 31, 2019.

Board of Directors	Shares	Executive Management	Shares
Birger Steen	169 460	Svenn-Tore Larsen	1 905 400
Inger Berg Ørstavik	1 000	Pål Elstad	8 846
Jan Frykhammar	10 000	Katarina Finneng	0
Anita Huun	10 000	Geir Langeland	177 700
Endre Holen	156 500	Svein-Egil Nielsen	17 000
Øyvind Birkenes	5 112	Ebbe Rømcke	68 900
Annastiina Hintsa	0	Ole Fredrik Morken	160 000
Jon Helge Nistad	0	Ståle ytterdal	244 000
Asbjørn Sæbø	10 000	Kjetil Holstad	6 604
Susheel Nuguru	0	Marianne Frydenlund	2 000
Morten Dammen	0		
Total	**352 072**	**Total**	**2 590 450**

Note 18: Pensions and other long-term employee benefits

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

Nordic has set up a pension plan for the Philippine office as of January 2014. The retirement plan is unfunded and of the defined benefit type which provides a retirement benefit calculated based on number of years of credited service. At the end of 2018 the pension liability was USD 59 000.

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

The defined benefit plan was closed for new members effective January 1, 2008 and from this point a new defined contribution plan was established. The two different types of pensions are described below:

Defined Pension Plan	**2019**	**2018**
Current service cost	0	0
Interest expense	27	26
Expected return on plan assets	-23	-21
Administration fee	2	2
Total pension expense excl. social security tax	**6**	**7**
Social security tax	1	1
Total pension expense incl. social security tax	**7**	**8**

Net pension obligation for the year was calculated as follows:	**2019**	**2018**
Pension obligations	1 141	1 096
Plan assets	921	905
Estimated net pension obligations	**220**	**192**
Social security tax	31	27
Total pension expense incl. social security tax	**251**	**219**

Total pension liability for the Group	**2019**	**2018**
Employees in Norway	251	219
Employees in Philippines	59	60
Total	**310**	**279**

Defined contribution pension plan

All employees in Norway have a defined contribution pension plan from 01.01.2016. The main benefit is a contribution of 7% of salary up to 7.1 basis points (G) and 18% of salary between 7.1 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 40 years of full employment. In 2019, the cost of the defined contribution pension was USD 3 204 000, and the plan had 392 members.

Note 19: Stock options and performance shares

All employee options vest over three years and expire after five years.

On February 26, 2016, Nordic Semiconductor granted 1,590,000 share options to 320 employees. The options were granted at a strike price of NOK 47.72 (10% above volume weighted average share price the week following Q4 2015 results). If the company's share price exceeds a cap of NOK 143.16, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On February 22, 2017, Nordic Semiconductor granted 1,625,412 share options to 307 employees. The options were granted at a strike price of NOK 35.77 (10% above volume weighted average share price the week following Q4 2016 results). If the company's share price exceeds a cap of NOK 107.31, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On February 27, 2018, Nordic Semiconductor granted 1,477,400 share options to 300 employees. The options were granted at a strike price of NOK 47.27 (10% above volume weighted average share price the week following Q4 2017 results). If the company's share price exceeds a cap of NOK 141.81, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On March 15, 2019, Nordic Semiconductor granted 1,752,366 share options to 666 employees. The options were granted at a strike price of NOK 39.44 (10% above volume weighted average share price the five days prior to the grant date).

If the company's share price exceeds a cap of NOK 118.32, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. On May 3, 2019, Nordic Semiconductor granted 196,644 share options and 55,814 performance shares to the management group. The options were granted at a strike price of NOK 45.1 (10% above volume weighted average share price the five days prior to the grant date If the company's share price exceeds a cap of NOK 135.3, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. The performance shares are issued conditional upon the achievement of a certain set of objectives. The performance shares vest and will be delivered at par value upon the completion of the performance period, which is three years.

A summary of share option transactions during 2019 and 2018 is below:

	2019	2018
Outstanding options 1.1	**4 194 293**	**3 127 663**
Options granted	1 947 010	1 477 400
Options forfeited	222 384	97 060
Options exercised	448 545	283 710
Options expired	0	0
Outstanding options 31.12	**5 470 374**	**4 194 293**
Of which exercisable	2 283 646	1 265 338
Weighted average exercise price	42.62	43.56

The fair value of the options and performance shares are set on the grant date and expensed over the vesting period. USD 1 540 thousand was expensed during 2019 and USD 1 213 thousand in 2018.

The fair value per option for employee and management options granted in 2019 was NOK 9.5 and NOK 11.1, respectively. The value has been estimated using the Black & Scholes model, subject to the following assumptions:

Share price on the grant date
The share price is set to the volume weighted average share price the five days prior to the grant date, which for employees and management in 2019 was NOK 35.9 and NOK 41.0, respectively.

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

Cap price
The cap price on the options granted for employees and management was NOK 118.32 and NOK 135.3, respectively. At this price, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. When calculating the value of the stock option, the value of the cap is calculated through the Black Scholes model, and deducted from the uncapped value of the option to the employee.

Volatility
It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equaled 41.28% on the date of grant in 2019.

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

Dividend and interest rate
Nordic does not forecast a dividend payout in the Black-Scholes model.

The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2019, i.e. 1.37 %.

Note 20: Current liabilities

All figures in USD 1000

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
19 738	10 424	Accounts payable	17 988	9 681
-	-	Accounts payable subsidiaries	10 586	4 732
3 136	5 043	Income taxes payable	2 886	4 854
3 761	2 901	Social security tax and payroll tax	3 181	2 471
6 258	5 751	Holiday pay	4 271	3 970
13 881	11 393	Provision of Ship and Debit	13 881	11 393
4 044	-	Current lease liabilities	3 142	-
15 141	7 821	Accrued expenses	11 958	7 535
65 958	**45 333**	**Total Current liabilities**	**67 894**	**44 636**

Note 21: Leases

All figures in USD 1000.

The Group's lease agreements consists of office buildings, office equipment and machinery and vehicles. Office buildings have a lease period of 1-7 years. IT equipments and office machines are leased in a 3-5 year period, and vehicles are leased for less than 3 years.

There are no leases with variable lease payments, other than lease payments linked to an index. Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options have not been included in the lease liability, because the Group could replace the assets without significant cost or business distruption.

The Group also has certain leases of office buildings and office equipment and machinery with lease terms of 12 months or less and leases of office equipment and machinery and vehicles with low value. The Group applies the "short-term lease" and 'lease of low-value assets' recognition exemptions for these leases.

Minimum lease payments payable on leases are presented in note 24 Financial assets and liabilities.

The Group implemented IFRS 16 January 1, 2019. The implementation is further presented in note 1.

Amounts recognized in the balance sheet
The balance sheet shows the following amounts relating to leases:

GROUP 31.12.2019	GROUP 01.01.2019	Right of use assets	PARENT 31.12.2019	PARENT 01.01.2019
23 237	20 639	Property	21 575	18 013
696	371	Office equipment and machinery	696	371
23 934	**21 010**	**Total**	**22 272**	**18 384**

GROUP 31.12.2019	GROUP 01.01.2019	Lease liabilities	PARENT 31.12.2019	PARENT 01.01.2019
4 044	3 200	Current	3 142	3 142
19 886	17 810	Non-Current	19 085	15 283
23 931	**21 010**	**Total**	**22 272**	**18 425**

GROUP 2019	GROUP 2018		PARENT 2019	PARENT 2018
7 672	0	Additions to the right-of-use assets	7 672	0
845	0	Disposals to the right-of-use assets	845	0

Amounts recognized in the statement of profit or loss:
The statement of profit or loss shows the following amounts relating to leases:

GROUP 2019	GROUP 2018	Depreciation charge of right-of-use assets	PARENT 2019	PARENT 2018
3 648	-	Properties	2 723	0
205	-	Office equipment and machinery	205	0
3 853	**-**	**Total**	**2 928**	**-**
837	0	Interest expense	753	0
470	0	Expenses relating to short-term leases	357	0
199	0	Expenses relating to leases of low-value	94	0
5 360	**0**	**Total amount recognised in profit and loss**	**4 132**	**0**
4 393	**0**	**Total cash outflow for leases**	**3 420**	**0**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

GROUP	Cash flow information for lease liabilities	PARENT
20 010	**Net liabilties as at 1 January 2019**	**18 4250**
-3 906	Cash flows from financing activitites	- 2 972
7 672	Aquisitions	7 661
-845	Disposals	-845
-	Other changes	-42
23 931	**Net liabilties as at 31 December 2019**	**22 227**

Operating leases:

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease (IAS 17).

2019	2018	Amounts recognized in the statement of profit or loss	2019	2018
602	4 331	Office lease	391	3 244
67	385	Lease of machinery	60	255
669	**4 717**	**Total lease expense**	**451**	**3 469**

Note 22: Financial instruments

All figures in USD 1000.

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

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, Nordic may purchase its own shares on the market, pay dividends to shareholders, pay back capital to shareholders or issue new shares. No changes were made in procedures or processes in the course of 2019.

Nordic Semiconductor targets to have an equity ratio above 50% at all times, measured as total equity divided by total assets.

GROUP			PARENT	
2019	**2018**		**2019**	**2018**
232 205	221 549	Total equity	221 754	214 370
318 359	267 161	Total assets	303 076	259 285
73 %	**83%**	**Equity ratio**	**73 %**	**83%**

Financial assets

The group holds the following financial assets:

GROUP			PARENT	
2019	**2018**		**2019**	**2018**
64 519	51 784	Accounts receivables	64 519	51 784
3 190	7 155	Other short-term receivables	2 322	7 269
90 645	103 876	Cash and cash equivalents	83 237	100 522
158 353	**162 815**	**Total**	**150 078**	**159 575**

Financial liabilities

The group holds the following financial liabilities:

GROUP			PARENT	
2019	**2018**	**Financial liabilities at amortised cost**	**2019**	**2018**
19 738	10 424	Accounts payable	17 988	9 681
35 279	26 966	Other short-term debt	40 696	27 630
		Lease Liabilities		
23 391	0	Lease Liabilities	22 227	0
78 408	**37 390**	**Total**	**80 912**	**37 311**

Interest-bearing loans and borrowings:

The Group has long-term revolving credit facilities ("RCF"), which enables it to borrow up to USD 40 million and USD 25 million at any time with an interest rate equal to LIBOR + margin. The line of credit agreements of USD 40 million and USD 25 million expire in November 2022. As of December 31, 2019, Nordic had not drawn on any of the credit lines. The security is provided by inventory, receivables and operating equipment with book values as follows; inventories USD 53 million, accounts receivable USD 65 million and operating equipment USD 24 million.

The following financial covenants are included for the revolving credit facilities:

- Equity ratio shall not be lower than 40 %.

In addition to the two RCFs, the Group has a EUR 10 million bank overdraft facility with its main bank. This overdraft is not utilized at the end of December. The remainder of the Group's financing is made through short-term, non-interest bearing debt. This financing typically consists of debt to suppliers, the public sector, employees and others. Nordic has entered into a Tenancy Guarantee with Danske Bank as unconditional guarantor for NOK 40 million. The warranty is given to secure payments of up to 24 months of rent for the office in Trondheim.

Financial risk management

The Group's finance departement is responsible for carrying out the policies and guidelines for financial risk management approved by the Board.

The Group is mainly exposed to counterparty credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's sale of components takes place through its distribution partners within defined geographic regions, where Asia is the dominant region. The Group depends on a relatively small number of customers. Customer credit risk is managed by each region subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit evaluation and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and assurance from distributors that end customer sales is secured through letter of credits is obtained.

The Group's provision matrix is initially based on the historical observed default rates. The Group has calibrated the matrix to adjust the historical credit loss experience with forward-looking information.

Age distribution of customer receivables was:

GROUP			PARENT	
2019	**2018**	**Gross total**	**2019**	**2018**
55 052	44 391	Not due	55 052	44 391
6 214	3 587	Past due 0-30 days	6 214	3 587
1 948	2 535	Past due 31-120 days	1 948	2 535
1 304	1 271	Over 120 days	1 304	1 271
64 519	**51 784**	**Total**	**64 519**	**51 784**

85% of customer receivables are within terms. Expected credit loss for all receivables is limited, and allowances for doubtful accounts at 31 December 2019 equal 0. The Group has historically not suffered any significant credit losses.

The Group has a limited number of customers, regular contact and long-term relationships with most of its customer base. Some of the customers are dependent on Nordic Semiconductor to stay in business. The book value of financial assets represents the maximum credit exposure.

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

GROUP			PARENT	
2019	**2018**		**2019**	**2018**
64 519	51 784	Accounts receivable	64 519	51 784
11 359	7 156	Other short-term receivables	10 045	7 269
75 878	**58 939**	**Total**	**74 563**	**59 053**

Liquidity risk

Overall, the Group seeks to minimize risk when investing its cash balance. Investments can only be made in securities which have been approved by the Board. The company holds no debt securities.

The Group has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Group has the following due dates with regard to contracts for financial liabilities as of December 31, 2019:

GROUP	Carrying amount	Contractual cash flow	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	5-10 years
Accounts payable	19 738	19 738	19 738					
Other short-term liabilities	42 176	42 176	29 958	8 555	3 663			
Lease liabilities	23 931	27 116	1 236	1 224	2 410	4 588	9 554	8 103
Total	**85 845**	**89 030**	**50 933**	**9 779**	**6 073**	**4 588**	**9 554**	**8 103**

PARENT	Carrying amount	Contractual cash flow	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years	5-10 years
Accounts payable	17 988	17 988	17 988					
Other short-term liabilities	46 763	46 763	36 781	6 569	3 412			
Lease liabilities	22 227	25 333	987	987	1 937	3 773	9 546	8 103
Total	**86 979**	**90 085**	**55 756**	**7 556**	**5 349**	**3 773**	**9 546**	**8 103**

*Lease liabilities is mainly office facility rent in Oslo and Trondheim

Interest rate risk

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

The Group has long-term revolving credit facilities, which allows it to borrow up to a total of USD 65 million at an interest rate of LIBOR + margin. The line of credit agreement of USD 40 million and USD 25 million expires end of November 2022.

If interest rates increase 1 basis point, the negative effect on profit before tax given current utilization of the RCF is USD 0 per year as the credit facility is not utilized.

Foreign currency risk

The Group is subject to foreign currency risk as it has its development and commercial activities in different countries. Nearly all revenues and cost of goods are in USD, while approximately 50% and 20% of the Group's operating expenses excluding depreciation are in NOK and EUR. Nordic does not hedge its exposure to foreign currency risk.

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

	Profit before tax
NOK exchange rate +/- 10%	+/- 2 692

The table below shows the Group's exposure in sales to foreign currency risk in the most significant currencies:

GROUP	2019			2018		
	Local currency (1000)	USD (1000)	Share of total revenues in %	Local currency (1000)	USD (1000)	Share of total revenues in %
USD	287 124	287 124	99,6 %	268 597	268 597	99,1 %
EUR	1 134	1 271	0,4 %	2 163	2 537	0,9 %
Total		**288 395**	**100,0 %**		**271 134**	**100,0 %**

PARENT	2019			2018		
	Local currency (1000)	USD (1000)	Share of total revenues in %	Local currency (1000)	USD (1000)	Share of total revenues in %
USD	287 124	287 124	99,3 %	268 713	268 597	98,8 %
EUR	1 730	1 933	0,7 %	2 598	3 050	1,1 %
Other		169	0,1 %		115	0,0 %
Total		**289 226**	**100,0 %**		**271 762**	**100,0 %**

The table below shows the Group's exposure at the end of reporting period in the most significant currencies:
All amounts stated in USD 1000

GROUP	2019		2018	
	Accounts receivable	Accounts papayable	Accounts receivable	Accounts payable
USD	64 519	15 809	51 236	8 098
EUR		1 886	548	595
NOK		1 547		1 216
Other		497		515
Total	**64 519**	**19 738**	**51 784**	**10 424**

PARENT	2019		2018	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
USD	64 519	15 809	51 236	8 98
EUR		109	548	-144
NOK		1 547		1 216
Other		523		511
Total	**64 519**	**17 988**	**51 784**	**9 681**

Determination of fair value

As of December 31, 2019 the Group had no financial assets or financial liabilities where there is considered to be a difference between book value and fair value.

Below is an overview of Nordic's financial instruments:

GROUP	2019		2018	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Accounts receivables	64 519	64 519	51 784	51 784
Short-term receivables	3 190	3 190	7 155	7 155
Cash and cash equivalents	90 645	90 645	103 876	103 876
Financial liabilities				
Accounts receivables	19 738	19 738	10 424	10 424
Other short-term liabilities	35 279	35 279	26 966	26 966

PARENT	2019		2018	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Accounts receivable	64 519	64 519	51 784	51 784
Short-term receivables	2 322	2 322	7 269	7 269
Cash and cash equivalents	83 237	83 237	100 522	100 522
Financial liabilities				
Accounts payable	17 988	17 988	9 681	9 681
Other short-term liabilities	40 696	40 696	27 630	27 630

Book value is a reasonable estimate of fair value in cases where these numbers are identical.

Note 23: Events after the balance sheet date

There are no events after the balance sheet date with materially affect on the financial statements.

Note 24: Related party transactions

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

Declaration to the Annual Report

DECLARATION TO THE ANNUAL REPORT

Responsibility Statement

- The Chief Executive Officer and the Board of Directors confirm, to the best of our knowledge, that the financial statements for 2019 have been prepared in accordance with current accounting standards and give a true and fair view of the Parent company and the Group's assets, liabilities, financial position and results of the operations.
- We also confirm that the report by the Board of Directors provides a fair overview of the parent company and the Group and its development, financial results and position, and describes the Group's key risks and uncertainties.

Oslo, March 18, 2020

Endre Holen
Board member

Birger Steen
Chair

Øyvind Birkenes
Board member

Inger Berg Ørstavik
Board member

Svenn-Tore Larsen
Chief Executive Officer

Jan Frykhammar
Board member

Anita Huun
Board member

Jon Helge Nistad
Board member, employee

Annastiina Hintsa
Board member

Asbjørn Sæbø
Board member, employee

Susheel Raj Nuguru
Board member, employee

Morten Dammen
Board member, employee

STANDARDS OF CORPORATE GOVERNANCE

The Board of Directors ("Board") and Management of Nordic Semiconductor ASA ("Nordic" or the "Company") aim to execute their respective tasks in accordance with the highest standards for corporate governance.

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

The Board's statement on corporate governance is set out below. It complies with the structure adopted by the Norwegian Corporate Governance Board (NUES). The statement also meets the information requirements set out in Section 3-3b of the Accounting Act and Section 5-8a of the Securities Trading Act.

The Articles of Association do not contain provisions that deviate from Chapter 5 of the Public Limited Liability Companies Act. The information requirements in the Accounting Act are integrated into the statement below where appropriate. This also applies to information about matters related to shareholders.

Statement of corporate governance

The Company adheres to the NUES and is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

The Company's foundational values are described in Nordic's Company Policies, and the procedures and guidelines for ethics and corporate responsibility have been designed based on these policies. The company has a separate annual report on ESG.

Deviations from the Code of Practice: None

Activities

The Articles of Association describe the objective and set clear limits for the company's business.

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

Nordic designs, sells and delivers integrated circuits and related intellectual property for use in short and long-range wireless applications. The company specializes in ultra-low power components, based on its proprietary 2.4 GHz RF, various Bluetooth related standards and emerging standards for cellular IoT communications like NB-IoT and LTE-M. All manufacturing and direct distribution of components are outsourced to specialist subcontractors. The company is headquartered in Trondheim, Norway, and has offices in USA, China, Korea, Japan, Taiwan, Poland, Finland, Germany and the Philippines.

The Board sets clear objectives for the business with a view to create value for shareholders. The Board leads the company's strategic planning and make decisions that form a basis for the company's executive management to prepare and carry out investments to drive future growth. Strategic plans are evaluated on an ongoing basis, with a Board strategy review being conducted annually in an off-site multi-day meeting. New and updated long-term objectives, strategies and risk profiles are agreed on towards the end of the year, or in connection with major events.

The objectives include matters that relate to human rights, employee rights and social matters, the prevention of corruption, the working environment equal treatment, discrimination and environmental impact.; see the separate ESG report. The objectives are revised and adopted annually. Objectives for the coming year are revised and determined annually towards the end of the current year.

Deviations from the Code of Practice: None

Equity and dividends

The Board of Directors ensures that the company has a capital structure that is appropriate to the Company's objectives, strategy and risk profile. The Company's growth philosophy, as well as the cyclicality of its business, means that the Company will aim to maintain a high equity ratio and considerable liquidity. The Company aims primarily to provide shareholders with returns in the form of appreciation of the shares and has a long-term goal to pay dividends based on surplus cash generated by the company, while taking longer term growth targets into consideration. The company's dividend policy is reviewed each year by the Board of Directors. The Annual General Meeting can mandate the Board the authorization to pay dividends based on the latest approved Annual Report. The justification for this authorization needs to be explained and should reflect the Company's dividend policy.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held April 24, 2019, has been authorized to buy back up to 17,900,000 own shares for a total par value of NOK 179,000.00 in one or more transactions. The authorization is limited to 10 percent of the Company's share capital, and the price per share which the Company may pay for shares acquired in this manner shall not be less than the par value nor greater than NOK 200. This power of attorney will remain in effect until the company's ordinary Annual General Meeting in 2020. The Board believes that it is expedient for the Board to be authorized to purchase own shares, partly to fulfil the remuneration schemes for employees, and partly so that shares can be used as a consideration in connection with the acquisition of businesses or for subsequent sale or cancellation. Such authorization must be decided by the General Meeting and will apply until 30 June the following year.

In accordance with the decision passed at the general meeting held April 24, 2019, the Board of Directors has the authority to increase the company's share capital by issuing up to 17,900,000 shares with a total par value of NOK 179,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including strengthening the Company's shareholder's equity, to execute share capital increases with one or more strategic partners, or to complete a merger or acquisition using shares or cash. This power of attorney will remain in effect until the Company's Annual General Meeting in 2020, and can be implemented through a private placement, rights issue or public offering.

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

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

Such capital increases shall be executed at or near the current stock price listed on the Oslo Stock Exchange. This authorization remains valid until the Company's ordinary annual general meeting in 2020.

Deviations from the Code of Practice: None.

Equal treatment of shareholders and transactions with close associates

The Company is generally cautious in regard to transactions with shareholders, members of the Board of Directors, senior employees or related parties to the above. To ensure that the best code of conduct applies, the Board requires notification and review of any process or transaction in which both the company and a senior employee or member of the Board of Directors may have interests. Nordic Semiconductor will seek to comply with the principles of equal treatment of related parties and possible transactions with related parties that are laid down in the Norwegian Code of Practice for Corporate Governance.

The Company considers Shareholders' preemption rights in connection with an increase in share capital to be an important and fundamental right in a healthy shareholder community, and the preemption right can only be waived in exceptional circumstances. Waiving of this right will be based on the Company's and shareholders' mutual interests. In such case, there will be full transparency about the matter, and the shareholders will receive identical information simultaneously through a stock exchange announcement and subsequently on the Company's website.

This also applies if the Board utilizes the authorizations it has been granted.

The Company's transactions in own shares must always comply with the arm's length principle and be on ordinary market terms.

Deviations from the Code of Practice: None.

Freely negotiable shares

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

Each share carries one vote.

Deviations from the Code of Practice: None.

General Meeting

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

The Board of Directors should ensure that the Annual General Meeting is held in accordance with the Norwegian Code of Practice for Corporate Governance ensuring all shareholders the ability to participate. The notice of the Annual General Meeting, including relevant information shall be announced and distributed at least 21 days in advance of the Annual General Meeting, and the final date for notification of attendance is one working day prior to the Annual General Meeting. The Board of Directors should further ensure that:

- The resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting
- Any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible
- The Chair of the Board of Directors and the Chair of the Nomination Committee are present at the general meeting. In addition, the Chair of the Audit Committee and the Compensation Committee should attend the meeting
- The general meeting is able to elect an independent Chair for the general meeting

Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The Company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

Deviations from the Code of Practice: None.

Nomination Committee

Nordic Semiconductor has a Nomination Committee, as provided for in the Articles of Association. The Annual General Meeting stipulate guidelines for the duties of the nomination committee, elect the chair and members, and stipulates the committee´s remuneration.

The Nomination Committee's duties are to represent the interests of the shareholders in general, and to propose qualified candidates for the Annual General Meeting's election of the Board of Directors as well as to propose the remuneration to the Board of Directors.

The Nomination Committee should justify why it is proposing each candidate in the notice for the AGM separately, including information on the candidates' competence, capacity and independence.

The nomination committee holds regular meetings with major shareholders as well as management and individual shareholder elected Board members. In addition, all shareholders can submit suggestions to the nomination committee through a link on Nordic's webpage.

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

The members of the Nomination Committee are:

- John Harald Henriksen
- Viggo Leisner
- Jarle Sjo

Deviations from the Code of Practice: None.

The composition and independence of the Board of Directors

The Board of Directors and the Chair of the Board of Directors are elected by the shareholders at the Annual General Meeting on the basis of proposals from the Nomination Committee.

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business contacts. No executive personnel or representatives of business associates are members of the Board.

The shareholder-elected Board members are elected, in accordance with the Articles of Association, for one year at a time. The employee representatives are elected for two years at a time.

A more detailed description of the background, qualifications, and term of service of each member of the Board of Directors and the number of Nordic Semiconductor shares they own are provided in the annual report and on the Company's webpage.

Members of the Board are encouraged to hold shares in the company.

Deviations from the Code of Practice: None.

The work of the Board of Directors

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

Each year, the Board of Directors adopts a specific meeting and activity plan for the following year. This plan covers strategic planning, monitoring of the business, and other relevant business issues. The Board's activity plan for 2020 stipulates eight meetings, two of which are scheduled as all day or multi-day meetings to discuss and explore strategy and technology-specific issues.

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

The Board has established two board committees comprising Board members – the Compensation Committee and the Audit Committee. The committees' mandates are based on a group perspective. The board committees do not have decision-making power but are charged with making proper preparations for board meetings in the matters with which they are concerned. In the Board's experience, the work of board committees makes make the overall Board more effective and efficient and has allows for deeper and stronger involvement in the business's challenges and initiatives.

The Board has established a Compensation Committee to recommend and evaluate remuneration principles and execution for the CEO, to guide and evaluate, principles and strategy for the compensation of executive management and to evaluate and oversee the overall compensation strategy for the company. The committee consists of four members and have planned 5 meetings in 2020.

The Audit Committee consists of three members of the Board. The Committee collectively has the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and at least one member has the required qualifications within accounting or auditing. The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings.

The Audit Committee held 6 meetings in 2019 and has been in regular contact with the Company's auditor regarding audits of the statutory accounts and it also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

Deviations from the Code of Practice: None.

Risk Management and internal control

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

The Board complies with NUES's recommendations in its work on risk management and internal control. The Company's most important risk areas and the internal control system are continuously reviewed.

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

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

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

Deviations from the Code of Practice: None.

Remuneration to the Board of Directors

Remuneration to the Board of Directors is decided by the Annual General Meeting based in the Nomination Committees recommendation. All remuneration to the Board of Directors is disclosed in Note 10 of the Nordic Semiconductor Group annual accounts. The remuneration to Board members is not performance based or linked to the company's performance, and the company does not provide share options to Board members. Members of the Board of Directors receives remuneration for work related to Board committees.

Deviations from the Code of Practice: None.

Remuneration to the Executive Management

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

The main principle in the Company's policy for remuneration and compensation is that the leading employees shall be offered competitive terms, so as to ensure the Company continues to attract and retain the desired and necessary talent . Compensation for executive management is established in accordance with the above-mentioned main principle.

The Company has established an annual performance bonus for the executive management team, for which the employee must remain within his position until the start of the following year to be eligible. The bonuses are awarded through a direct cash payment and, when appropriate, long-term incentives in the form of restricted shares and/or stock options. Performance-based compensation is subject to absolute payout limits and fulfillment of performance criteria, both decided by the Board at its discretion.

Deviations from the Code of Practice: None.

Information and Communications

The Board of Directors has established a communications strategy for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The strategy has been published on the Company's investor relations web pages (www.nordicsemi.com/About-us/Investor-Relations).

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

Nordic Semiconductor's financial reporting calendar for 2020 has been announced to the Oslo Stock Exchange and can be found on the company's website. The company's annual and quarterly reports contain extensive information about the various aspects of the company's activities. The Company's quarterly presentations are transmitted directly on the internet and may be found on Nordic Semiconductor's investor relations webpages together with the quarterly and annual reports and a comprehensive and detailed presentation of other information, reports and documents.

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

Deviations from the Code of Practice: None.

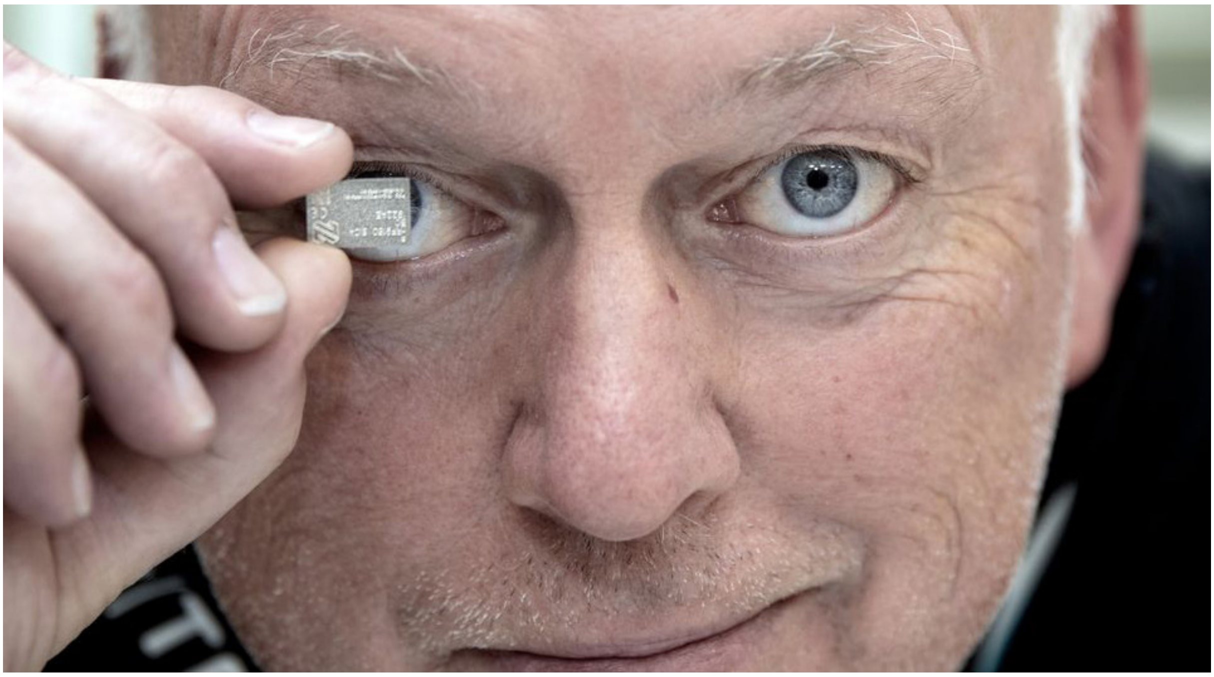
Takeovers

The Board of Directors have established guiding principles for how it will act in the event of a takeover bid.

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

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

Deviations from the Code of Practice: None.



Auditor

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

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

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

Deviations from the Code of Practice: None.

AUDITOR OPINION LETTER

To the General Meeting of Nordic Semiconductor ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic Semiconductor ASA, which comprise:

- The financial statements of the parent company Nordic Semiconductor ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Nordic Semiconductor ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition – ship and debit provision	
Revenue from contracts with customers is recognized when control of the goods is transferred to the customer (distributor). The time of delivery, and the time where control of goods is transferred, is usually the time when the goods are transferred to the transport carrier.	We assessed the Group's revenue recognition policy, including revenue recognition for ship and debit sales. Furthermore, we obtained an understanding of management's process for estimating the ship and debit provision as of 31 December 2019 and reviewed a sample of distributor sales agreements.
When a distributor sells components to specified customer accounts, the distributor will receive an additional discount after the sale is made, commonly known as a "Ship and Debit" discount. The group uses the expected value method for calculating the discount. The method requires assessing historical discounts to each distributor, the distributors' inventory level as of 31 December 2019 and expected sales mix. An estimate for this discount is provided for in the financial statements, reducing revenue and increasing liabilities with 13,9 million as of 31 December 2019. Due to the judgements involved we determine the ship and debit provision to be a key audit matter	We performed a retrospective review of the monthly ship and debit provisions throughout 2019 and compared the monthly discount provision levels to actual ship and debit discount levels. We compared the estimated ship and debit provision as of 31 December 2019 to historical discount levels and discussed with management to challenge their estimated distributor discounts on an individual distributor basis. We performed an assessment of the outcome of management's prior year estimates by comparing actual discounts in 2019 to the prior year ship and debit provision. We tested the mathematical accuracy of the calculation of the provision. We also obtained the actual ship and debit claims in January 2020 and compared the ship and debit level to the ship and debit provision as of 31 December 2019.
Refer to note 2.2 and note 2.4 where group management explain the Group's revenue recognition policy, including significant judgements, estimates and assumptions, and the recorded ship and debit provision as of 31 December 2019.	Based on our audit procedures we found management's assumptions to be reasonable. We also assessed the information in note 2.2 and 2.4 and found it appropriate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report - Nordic Semiconductor ASA

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 March 2020

PricewaterhouseCoopers AS

Eivind Nilsen

State Authorised Public Accountant

(This document is signed electronically)

Board of directors & Executive Management

BOARD OF DIRECTORS

Birger Steen Chair

Birger Steen is a technology investor based in Seattle, WA. He served as CEO of Parallels, Inc. from 2010 to 2016. He was Vice President of Worldwide SMB and Distribution at Microsoft Corp. in Redmond and General Manager of Microsoft Russia and Microsoft Norway from 2002 to 2010. Prior to joining Microsoft, Mr. Steen was CEO of Scandinavia Online and Vice President of Business Development in Schibsted ASA, where he first served as a consultant while at McKinsey & Company from 1993 to 1996. Mr. Steen received his MSc in Computer Science and Industrial Engineering from the Norwegian Institute of Technology in Trondheim. He also holds a degree in Russian language from the Defense School of Intelligence and Security in Oslo and received his MBA from INSEAD in France. Mr. Steen has served as a Non-Executive Director of Schibsted ASA since 2014 and at Nordea Bank AB since 2015. Current holdings in the company: 169 460 shares.

Jan Frykhammar Board Member

Jan Frykhammar is former interim CEO, CFO, Head of Professional Services and CFO North America in Ericsson AB. He has extensive knowledge of the telecom market and a broad experience in the accounting area in his former role as CFO. Current holdings in the company: 10 000 shares.

Inger Berg Ørstavik Board Member

Inger Berg Ørstavik is an associate professor at the Department of Private Law, University of Oslo. She has previously been a partner with Advokatfirmaet Schjødt AS and a lawyer at the office of the Attorney General for Civil Affairs. Mrs. Ørstavik has a law degree from the University of Oslo, a Ll.M. from Ruprecht-Karls-Universität in Heidelberg, Germany, and a Ph.D. from the University of Oslo in the areas of intellectual property law and competition law. She has taught international human rights law at Fudan University in Shanghai, China where she resided from 2005 to 2009. Mrs. Ørstavik is member of the BoD in REC Silicon ASA, and she chairs the Food and Drink Industry Professional Practices Committee (MFU). Current holdings in the company: 1 000 shares.

Anita Huun Board Member

Anita Huun, currently CFO in Cappelen Damm and a former CFO of Microsoft Norway with background as equity analyst with focus on IT companies. She has also been a Director at Link Mobility ASA. Current holdings in the company: 10 000 shares.

BOARD OF DIRECTORS

Endre Holen Board Member

Endre Holen has more than 25 years consultancy experience from McKinsey & Co. He has primarily worked with large international technology companies and has been Managing Partner for McKinsey's Global Tech Media and Telecom team. Mr. Holen also has a broad experience and a wide professional network from counseling Fortune 1000 CEOs on topics like strategy, corporate performance, succession planning, leadership and Board governance. Current holdings in the company: 156 500 shares.

Øyvind Birkenes Board Member

Øyvind Birkenes, currently the CEO at Airthings AS, and formerly General Manager for Low Power RF at Texas Instruments (TI) in the USA, where he headed the product lines that developed and sold ultra-low power wireless MCUs, radio transceivers and System on Chips. Current holdings in the company: 5 112 shares.

Annastiina Hintsa Board Member

Annastiina Hintsa is the COO of Hintsa Performance in Finland, a company focusing on enhancing the performance and leadership of client companies, best known for working with Formula 1 teams. Ms. Hintsa also has experience from McKinsey & Co. and from the Bank of Finland. Current holdings in the company: 1 000 shares.

BOARD OF DIRECTORS

Jon Helge Nistad Board Employee Representative

Jon Helge Nistad has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. Jon Helge has been employed in Nordic Semiconductor since 2006, where he has gained experience in application development, embedded software design and project management. He is currently working as a Senior R&D engineer in Nordic Semiconductor. Current holdings in the company: 0 shares, 12 782 share options.

Asbjørn Sæbø Board Employee Representative

Asbjørn Sæbø has a Ph.D. degree in Telecommunications from NTNU in Trondheim. He has been with Nordic since 2006, working with development of firmware for Bluetooth Low Energy in various roles. Currently he dedicates his time to participating in the development of new Bluetooth specifications and implementation of those specifications. Before that, he was responsible for development and release of Nordic's Bluetooth Low Energy protocol stack, delivering 150 releases of that over five years. Before joining Nordic, Asbjørn Sæbø worked as a development engineer in a startup company on active noise control and as a Post.Doc. at the Centre for Quantifiable Quality of Service in Communication Systems (a Centre of Excellence at NTNU). Current holdings in the company: 10 000 shares, 14 152 share options.

Susheel Ray Nuguru Board Employee Representative

Susheel Ray Nuguru has a Master of Science in Electronics from Tampere University of Technology. He has been with Nordic since 2012 but has been working with embedded programming since 2004. His area of focus is the software side of real time systems. Susheel is currently employed as a Technical Support senior engineer at Nordic. During his employment with Nordic he has gained experience within sales, marketing and R&D while working for various departments. Current holdings in the company: 0 shares, 2 563 share options.

Morten Dammen Board Employee Representative

Morten Dammen has a Master of Science degree in Electrical Engineering from NTNU in Trondheim. Morten has been employed in Nordic Semiconductor since 2001, with a seven-year break between 2007 and 2014. Morten is currently working as a Senior Project Manager in IC development. Morten has also been working in Q-Free ASA for 10 years, in several positions from project management, team management to VP R&D. Current holdings in the company: 0 shares, 18 227 share options.

EXECUTIVE MANAGEMENT

Svenn-Tore Larsen Chief Executive Officer

Mr. Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor. Larsen was member of the Board of Nordic Semiconductor from 2000-2002. Holdings in the company: 1 905 400 shares and 231 313 share options and 13 436 performance share.

Pål Elstad Chief Financial Officer

Pål Elstad has held several senior financial positions, most recently as investor relations responsible for REC Silicon ASA and Head of Finance for REC Solar in Singapore. In addition, he has extensive manufacturing and supply-chain experience from General Electric Healthcare. Mr. Elstad holds a Bachelor of Economics degree from the Norwegian Business School (BI) and is a State Authorized Public Accountant (CPA). Holdings in the company: 8 846 shares and 153 249 share options and 6 402 performance shares.

Katarina Finneng Human Resources Director

Mrs. Finneng has extensive international experience within management, Human Resources and Communications/PR from several different sectors. Her most recent position before being appointed HR Director in Nordic Semiconductor from September 2019 was with Norwegian Air Shuttle ASA. Katarina Finneng holds a Master of Political Science degree from the University of Gothenburg, Sweden, as well as an Executive Master degree in Management from BI Norwegian Business School. Mrs. Finneng is a Director of the Board in the real estate development company Solon Eiendom ASA.

Marianne Frydenlund Legal Director

Mrs. Frydenlund holds a law degree from the University of Oslo and North Dakota. She started her career in 2007 as a Warranty Responsible in StatoilHydro (Equinor), before taking on various Legal Counsel and Contract Manager positions. Her experience includes working for Huawei Technologies, Aker Engineering & Technologies (Aker Solutions) and Nexans Norway. Marianne sits on the Board of the Norwegian Company Lawyers Association and the Fair Standards Alliance. Mrs. Frydenlund was appointed Legal Director at Nordic Semiconductor in February 2018, and also acts as Secretary to the Board of Directors. Holdings in the company: 2 000 shares and 17 946 share options and 3 506 performance shares.

EXECUTIVE MANAGEMENT

Kjetil Holstad Director of Product Management

Mr. Holstad has a B.Sc degree in Electronics from Høgskolen i Sør-Trøndelag. After working 15 years in various technical and marketing positions related to MCUs and wireless technologies in Atmel Corporation and Texas Instruments, he joined Nordic in 2015 as a Product Manager for the short range wireless business. In 2019 Kjetil was appointed Director of Product Management. Holdings in the company: 6 604 shares and 35 741 share options and 3 811 performance shares.

Geir Langeland Sales and Marketing Director

Mr. Langeland has a B.eng Honours degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He was appointed Product Manager Standard Components at Nordic Semiconductor in October 1999, before being appointed to Director Sales and Marketing September 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/Applications Engineer in Memec Norway, a leading global electronic components distribution company. Holdings in the company: 177 700 shares and 154 375 share options and 6 707 performance shares.

Ole-Fredrik Morken Supply Chain Director

Mr. Morken joined the company as an Analog IC designer in 1994 and has since held numerous positions related to Project- and Supply Chain Management, including a brief employment for SensoNor ASA in 1999. He was appointed Supply Chain Director in 2010 and is currently based in Taipei. Mr. Morken holds a Master's degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). Holdings in the company: 160 000 shares and 149 309 share options and 5 335 performance shares.

EXECUTIVE MANAGEMENT

Svein-Egil Nielsen Chief Technology Officer & Director of Strategy

Mr. Nielsen holds MBA from the Haas School of Business at the University of California, Berkeley and Bachelor of Engineering honors degree in Computer and Electronics Systems from University of Strathclyde.He joined Nordic in 2001 as Director of Sales and Marketing. He also held a position as R&D director from 2005 to 2006 and Director of Emerging Technologies and Strategic Partnerships from 2010 to 2012. Additionally, he served Innovation Norway as their Director of San Francisco and Houston offices where he was in charge of promoting Norwegian technology from 2007 to 2010. Prior to Nordic, he worked for Boston Consulting Group as a consultant. Holdings in the company: 17 000 shares and 157 752 share options and 7 622 performance shares.

Ebbe Rømcke Quality Director

Mr. Rømcke has a M.Sc. degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). He was appointed Quality Director of Nordic Semiconductor in 2002. Prior to this Mr. Rømcke worked eight years in the company as Digital Designer, Project Manager and Group Manager. He has also experience from Digital Design and Project Management in Normarc AS (now Park Air Systems), a leading manufacturer of aviation systems. Holdings in the company: 68 900 shares and 80 303 share options and 4 268 performance shares.

Ståle "Steel" Ytterdal Director Investor Relations

Mr. Ytterdal holds a Bachelor of Electronics Engineering and Business Administration from NKI College of Engineering in Oslo, Norway. He worked several years in Ericsson Standard Component before starting in Nordic as Regional Sales Manager for Asia and the Pacific in 2001. Between 2004 and 2019, Mr. Ytterdal was stationed in Hong Kong as Director of Sales&Marketing in APAC, establishing Nordic's presence in the region. He also held a position as Director of the Board of the Norwegian Chamber of Commerce in Hong Kong from 2005-2008. Mr. Ytterdal is from 2019 based in Oslo, Norway, appointed as Director IR. Holdings in the company: 244 000 shares and 64 955 share options and 4 726 performance shares.

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

The 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 operations performance.

GROUP	2019	2018
Gross profit	146.8	135.0
Total revenue	288.4	271.1
Gross Margin	**50.9%**	**49.8%**

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

- **EBITDA.** Earnings before interest, taxes (operating profit), depreciation and amortization.

GROUP	2019	2018
Operating profit	9.3	14.0
Depreciation	23.5	16.7
EBITDA	**32.8**	**30.8**

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

GROUP	2019	2018
EBITDA	32.8	30.8
Total Revenue	288.4	271.1
EBITDA Margin	**11.4%**	**11.4%**

- **Adjusted EBITDA Margin.** EBITDA excluding cellular IoT, divided by Total Revenue exluding cellular IoT revenue. This APM shows Nordic's profitability excluding products in an investment phase with limited revenue.

GROUP	2019	2018
Reported EBITDA	32.8	30.8
Long-range (cellular IoT) EBITDA loss	24.7	16.9
Adjusted EBITDA	**57.6**	**47.7**
Total revenue (excluding cellular IoT revenue)	287.3	270.9
Adjusted EBITDA margin	**20.0%**	**17.6%**

- **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.

GROUP	2019	2018
Payroll expenses	80.3	70.0
Other opex	33.7	34.2
Depreciation	23.5	16.7
Total operating expenses	**137.5**	**121.0**
Depreciation	-23.5	-16.7
Option expense	-1.8	-1.2
Capitalized expenses	11.3	13.0
Cash Operating Expenses	**123.4**	**116.0**

- **Last twelve months operating expenses exluding 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.

	2019	2018
Total operating expenses	137.4	121.0
Depreciation	-23.5	-16.7
Operating expenses excluding depreciation	**113.9**	**104.2**
Total revenue	288.4	271.1
LTM opex / LTM revenue	**39.5%**	**38.4%**

- **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.

	2019	2018
Current assets	219.6	205.5
Cash and cash equivalents	-90.6	-103.9
Current liabilities	-66.0	-45.3
Current lease liabilities	4.0	-
Income taxes payable	3.1	5.0
Net working capital	**70.2**	**61.3**
Total revenue	288.4	271.1
NWC / LTM revenue	**24.3%**	**22.6%**

- **Backlog.** Customer orders placed by the end of the reporting period for delivery in next and following quarters. This APM can be used as support for guidance for next quarter.

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