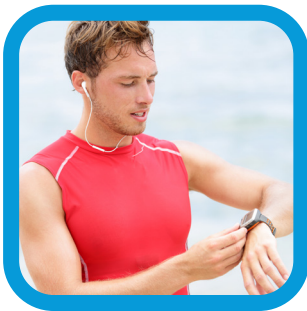


NORDIC
SEMICONDUCTOR



ANNUAL
REPORT / 2013

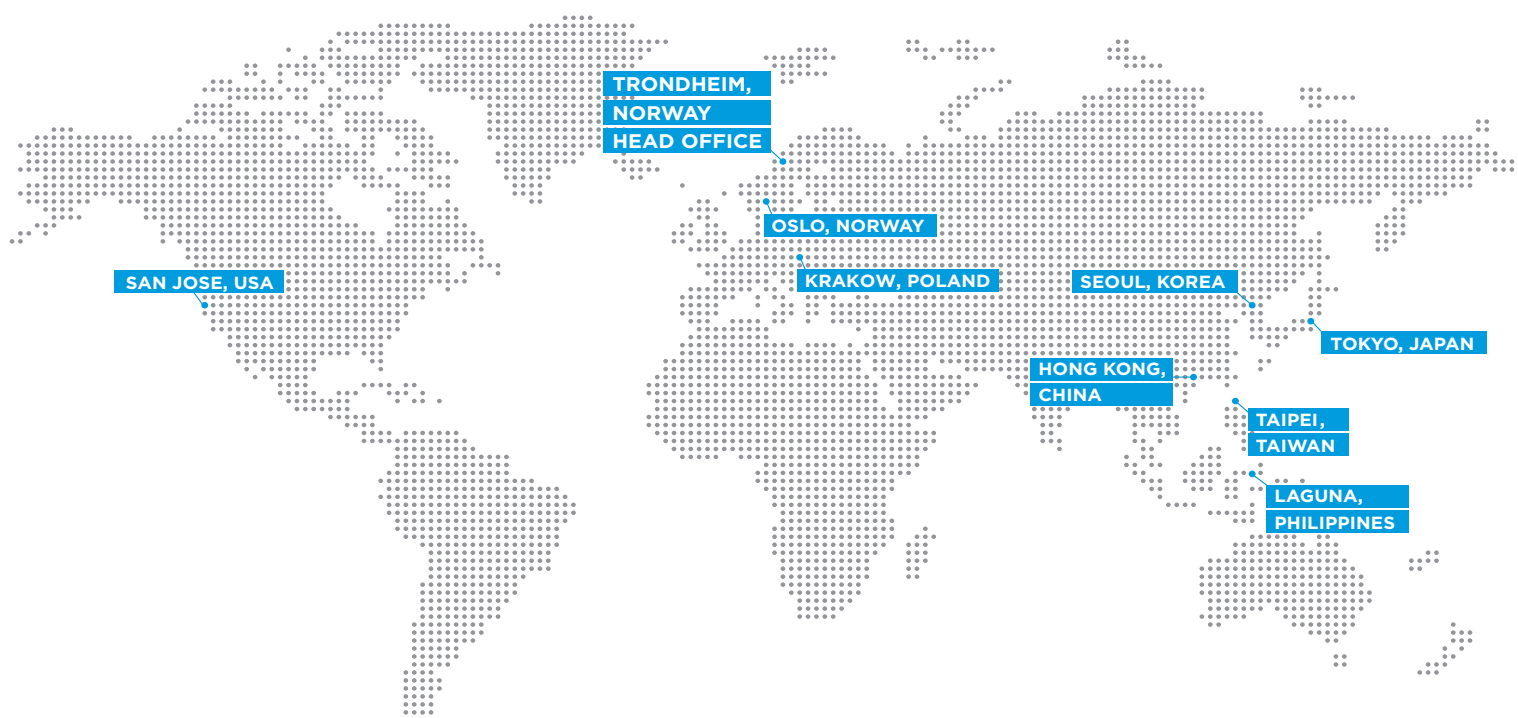


TABLE OF CONTENTS:	PAGE
Introduction.....	3
Letter from the CEO	4
Report from the Board of Directors.....	6
Nordic Semiconductor Group Financial Statements.....	10
Nordic Semiconductor ASA Financial Statements	36
Standards of Corporate Governance.....	62
Auditor Opinion Letter.....	66
Sales and Marketing.....	68
Product Development.....	70
Shareholder Relations	73
Board of Directors.....	74
Executive Management.....	75



THIS IS NORDIC SEMICONDUCTOR

An industry leader in ultra-low power wireless solutions

Look around your home or office, and there's a good chance you'll find us. Since our founding we have sold over 1 billion wireless solutions, which are found in many of the products you are using every day.

We are the market leader in wireless solutions for PC mice and keyboards. We are the market leader in wireless solutions for sports, fitness and health monitoring. And we have a growing presence in wireless remote controls, gaming, toys, security, ticketing, home automation and mobile phone accessories.

How has a small company from Norway taken such a market position?

We have been a pioneer in the field of ultra-low power wireless – designing high performance wireless solutions which can operate for months or years on ordinary AA, AAA or coin cell batteries. Our solutions are best in class in power consumption and ease of product design.

As the leader in our market, we have excellent growth opportunities as a growing number of products are designed with the freedom and convenience of wireless communication. Our team of specialists is committed to developing innovative new wireless technology and helping our customers implement wireless solutions across their product lines.

Sound interesting?

Learn more about us at www.nordicsemi.com



LETTER FROM THE CEO

2013 was a landmark year in the history of Nordic Semiconductor. During the course of 2013, the company sold 200 million semiconductor units and sold its one billionth semiconductor chip in total – an accomplishment that puts Nordic Semiconductor among the world's largest semiconductor companies in terms of wireless units sold.

In addition to achieving high sales volumes, Nordic Semiconductor successfully expanded into new product categories during 2013, products which will drive the company's growth for years to come. During the first half of the year, the company's revenues fell based on slower market conditions in Nordic's traditional business segments of PC accessories and ASICs. By the second half of the year, sales to these categories stabilized, and the company's revenue took off based on accelerating demand for its wireless solutions within smartphone accessories. By the fourth quarter, the company sales increased at annual rate of 29%, driven by many new design wins.

This diversification into new high growth markets for smartphone accessories and sensor networks is the result of the company's successful execution of its business strategy during the last several years – which has been to become the market leader in the emerging area of *Bluetooth* Smart technology (aka *Bluetooth* low energy).

Bluetooth Smart is a new standard for ultra-low power wireless communication which can connect small, low cost battery devices (e.g., sensors, controls, accessories) with traditional *Bluetooth* devices (mobile phones / PC's / home media centers). The *Bluetooth* Smart standard started as a research collaboration with Nokia, focused on for connecting mobile phones with a broad range of new battery powered electronics. Nordic was the first company to partner with Nokia on this initiative starting in 2005, and contributed core technology and expertise to the wireless standard.

The Nokia initiative was absorbed within the *Bluetooth* SIG in 2007, where it was rebranded *Bluetooth* Smart and formally released with *Bluetooth* 4.0 in 2010. Apple began supporting the new *Bluetooth* Smart standard in 2011, enabling its iPhones, iPads and Macs to communicate with *Bluetooth* Smart wireless accessories. Microsoft followed in 2012, providing native support for *Bluetooth* Smart accessories within its Windows 8 operating system. Finally, Google began supporting *Bluetooth* Smart accessories with an update to its Android operating system in 2013. Today, all major operating systems contain *Bluetooth* Smart support, and nearly all new smartphone and tablet product releases are expected to support the *Bluetooth* Smart standard.

Based on Nordic's contribution to the *Bluetooth* Smart standard, the company was appointed to the Board of the *Bluetooth* SIG in 2011, where it now participates with Apple, Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, Toshiba, LG and CSR on the Board of Directors. In December 2012, Nordic's Chief Technology Officer Svein-Egil Nielsen was elected Chairman of the *Bluetooth* SIG Board.



Sverre-Tore Larsen
Chief Executive Officer

“ Our one billionth unit sold is just the beginning of our journey.” ”

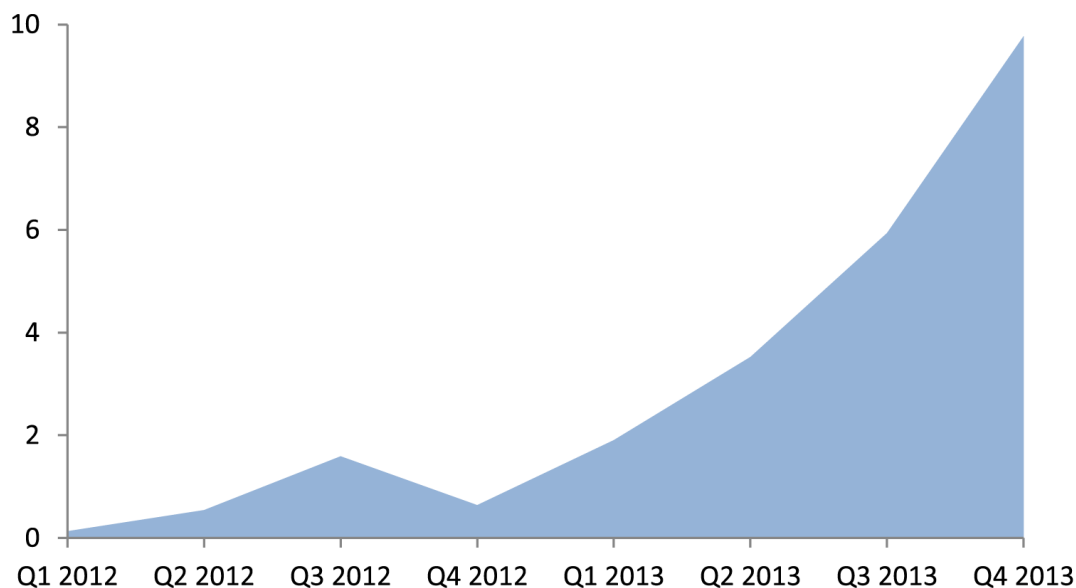
As support for *Bluetooth* Smart expands across a base of billions of *Bluetooth* phones, tablets, PC's, media centers and other devices, the market for *Bluetooth* Smart accessories to connect with this ecosystem has exploded. In particular, we are seeing demand for *Bluetooth* Smart technology emerge within markets as diverse as wireless sports monitors, fitness trackers, medical devices, tablet accessories, RFID tags, remote controls, toys and gaming devices, home appliances, building sensors, and automotive applications. We have also seen new technologies implement the *Bluetooth* Smart standard as part of a complete solution, such as within new generations of wireless chargers (“Rezence” technology) and within retail and indoor location services (“iBeacon” technology).

Nordic has benefited greatly from the growth in demand for *Bluetooth* Smart accessories during 2013. During the past year, the company's sales of *Bluetooth* Smart solutions grew from MUS\$ 0.6 in the fourth quarter of 2012 to MUS\$ 9.8, or nearly 28% of revenue, in the fourth quarter of 2013. The company expects that sales of *Bluetooth* Smart solutions will continue to accelerate in 2014 and beyond.

Nordic Semiconductor has a leading market share in *Bluetooth* Smart technology today. This market share has been attained by the strength of Nordic's product portfolio and by its experience in *Bluetooth* Smart and ultra-low power wireless technology. Nordic's nRF51 wireless system-on-chip provides an ideal solution for *Bluetooth* Smart product developers -- featuring ultra-low power consumption, a strong integrated microcontroller featuring ARM Cortex technology, and a software design optimized for ease of *Bluetooth* Smart product development and upgrade.



Bluetooth Smart Revenue (MUSD)



Nordic believes that the market for ultra-low power wireless solutions is just at the beginning of a long-term growth trend which will transform way we use electronics. In the coming years, we will see wireless connectivity become a standard feature in a growing range of electronic devices, including many new types of sensors, controls and accessories. Collectively, this growth in connected devices is known as the “Internet of Things” and is widely recognized as one of the most important new trends in technology today.

The Internet of Things can be defined as “the collection of smart, sensor-enabled physical objects, and the networks, sensors and services that interact with them” (source: ARM). Growth in the Internet of Things is being driven by several major technology trends, including: (a) the falling cost of sensors, MEMS, and microcontrollers to build intelligence into everyday objects (“nodes”), (b) the growing installed base of mobile computers such as smartphones (“hubs”) for these devices to communicate with, (c) ultra-low power wireless technologies such as *Bluetooth Smart* for connecting the nodes and hubs, and (d) the availability of cloud computing and app software to process data and create experiences for end users.

The Internet of Things can add significant value to objects we use (or will use) every day. Among other things, this technology enables people to control objects remotely, monitor information from sensors attached to objects such as people, animals, goods and environments, identify and secure objects and areas, receive information targeted to their location, simplify transactions and other activities, and experience new forms of interactive entertainment. By enabling value-added interaction between users and an almost infinite number of objects, the Internet of Things creates a long-term market opportunity for embedded, ultra-low power wireless solutions which is practically without limit.

In the near term, the market opportunity will be driven by con-

necting electronic devices with the user’s smartphone. The smartphone is an ideal product for connecting to wireless sensors and accessories, due to its massive installed base, its portability and processing power, its touch screen interface for interacting with wireless devices, its software support for developing and downloading new applications, and its connection to the web. We expect to see a tremendous growth in new wireless smartphone accessories (which we call “app-accessories”) in the coming years, a trend similar to the growth of smartphone applications (or “apps”) during the last six years.

The company believes that *Bluetooth Smart* will be a core technology for connecting smartphones and other devices with the Internet of Things. *Bluetooth Smart* wireless solutions enable sensors and accessories to connect with billions of smartphones and other devices, at very low cost and with minimal power consumption.

In sum, Nordic Semiconductor expects the market for its ultra-low power wireless solutions to grow dramatically in 2014 and beyond, as wireless connectivity become a standard feature in a growing range of electronic devices. Nordic is well positioned for the vast market opportunity within the Internet of Things based on its leadership in ultra-low power wireless technology, including *Bluetooth Smart*. Today, we are accelerating our efforts in developing breakthrough new technologies and complete solutions for our customers to implement wireless connectivity across a broad range of new products.

We at Nordic Semiconductor are proud of our market leadership within *Bluetooth Smart* and ultra-low power wireless technology, and of the over 1 billion units we have sold to date. Our team has demonstrated the vision and competence to design solutions on the leading edge of our industry. With the talent and drive of our organization supporting us and the market opportunity ahead, I am confident that our one billionth unit sold is just the beginning of our journey.



REPORT FROM THE BOARD OF DIRECTORS

Nordic Semiconductor's business accelerated and diversified into new markets during the course of 2013. During the first half of the year, slower market conditions in the company's traditional PC accessories and ASIC business segments led to a decline in total revenue. During the second half of the year, sales to the PC accessories and ASIC segments stabilized, and the company had strong growth in emerging product categories, driven by accelerating demand for its new Bluetooth Smart wireless products. The company finished the year at a rapid growth rate.

Company Overview

Nordic Semiconductor is a fabless semiconductor company which designs, sells and delivers integrated circuits and related intellectual property for use in short-range wireless applications. The company specializes in ultra-low power wireless solutions, based on its proprietary 2.4 GHz RF and Bluetooth Smart technology. Nordic Semiconductor is a pioneer and market leader in ultra-low power wireless technology, with 200 million units sold last year.

Nordic Semiconductor's components are manufactured by world-class subcontractors and sold through electronics distributors to manufacturers of branded electronics across a wide range of product categories. These categories include PC and tablet accessories, Sports/Health monitors, Mobile phone accessories, Media remote controls, Gaming controllers, Toys, RFID solutions, Home and industrial automation, and other applications.

The company is headquartered in Trondheim and Oslo, Norway, and has offices in the US, China, Korea, Japan, Taiwan, Poland and the Philippines.

Financial Summary

Income Statement

Nordic Semiconductor's total revenue in 2013 fell by 6% to MUS\$ 124.4 (MUS\$ 131.8). Revenue declined during the first half of the year, based on slower market conditions within the company's traditional PC accessories and ASIC business segments.

During the second half of the year, sales to these segments stabilized, and the remainder of the company's business segments grew rapidly, based on accelerating demand for the company's Bluetooth Smart wireless components within smartphone accessories. By the fourth quarter of 2013, the company's revenue grew by 29% from the prior year, and sales of Bluetooth Smart solutions represented 27.5% of revenue (compared with 2.3% in the fourth quarter of 2012).

Gross margins in 2013 fell to 49.5% (50.5%). Gross margins were weakest in the first half of the year, but improved throughout the year as the Group's revenue mix shifted from its highest-volume PC accessory customers toward smaller customers in other business segments. By the fourth quarter of 2013, the company had a gross margin of over 53%.

Operating expenses including depreciation increased by 13% to MUS\$ 47.9 (MUS\$ 42.4), or 38.5% (32.2%) of revenue. During 2013, the company invested heavily in developing and releasing new wireless product platforms to enhance its competitive position within Bluetooth Smart technology. In particular, the company added 15 new employees within R&D, and increased its spending on product development and marketing-related activities.

Development of new wireless components is essential to the company's continued competitiveness in a rapidly evolving market. At the end of 2012, R&D personnel represented 69% of the Group's employees.

During 2013, R&D activities were focused on developing enhancements to the company's existing product platforms, as well as on conducting research and early stage development on its future product platforms. At the start of the year, the company's R&D activities were more heavily focused on existing product lines, but shifted to research on future product platforms during the course of the year. In accordance with IAS 38 criteria, this resulted in capitalized R&D costs of MUS\$ 5.4 (MUS\$ 3.6), which fell sequentially during the course of the year as resources shifted from development to research activities.

As a result of weaker financial performance in the first half of the year, Nordic Semiconductor's operating profit in 2013 fell by 44% to MUS\$ 13.6 (MUS\$ 24.2). By the fourth quarter, Nordic Semiconductor had returned to a strong growth in operating profit, based on increasing sales of its Bluetooth Smart wireless solutions.

Net financial items in 2013 were a gain of MUS\$ 0.6 (MUS\$ -0.2). This gain was primarily the result of exchange rate changes on foreign currency balance sheet items.

Profit before tax in 2013 was MUS\$ 14.2 (MUS\$ 24.0). Net profit after tax was MUS\$ 9.6 (MUS\$ 17.7), generating a basic earnings per share of USD 0.059 (USD 0.109).

Cash Flow and Balance Sheet

Cash inflow from operations totaled MUS\$ 3.6 (MUS\$ 30.6). The reduction in operating cash flow was caused by lower operating profits, as well as by an increase in inventory balances as the company prepared for stronger sales



in 2014. Cash outflow for investments were MUS\$ 13.9 (MUS\$ 5.6), driven by large investments in new test capacity and software licenses, as well as by higher capitalized R&D expenses. Cash outflows for financing activities were MUS\$ 4.0 (MUS\$ 8.5), as the company repurchased 1,411,000 of its own shares.

In total, Nordic Semiconductor's cash balance fell by MUS\$ 14.3 during 2013. The Group had a cash balance of MUS\$ 26.1 and no interest bearing debt at the end of the year. The remainder of the Group's balance sheet primarily consists of non-current assets (such as equipment, software and capitalized R&D) and net working capital items, which grew as the company prepared for stronger sales in 2014 and beyond.

Accounting Principles

The financial statements for 2013 have been prepared and presented in accordance with International Financial Reporting Standards and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this annual report.

Financial Risk

Demand for Nordic Semiconductor's short-range wireless solutions is tied to the greater semiconductor and electronics markets and is sensitive to fluctuations in economic conditions. Overall, the market is expected to grow rapidly as wireless solutions are embedded into a growing range of new products. As demand increases, new competitors are expected to enter the market.

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

Nordic Semiconductor's liquidity risk is very limited. The company maintained a cash balance of MUS\$ 26.1 and had no interest bearing debt at the end of 2012. The company has an open line of credit agreement of MUS\$ 20 available for short-term borrowing needs. As the company holds no interest-bearing debt, the company's exposure to risk associated with interest rate fluctuations is very limited.

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

Finally, the company is exposed to credit risk, although this has historically not resulted in significant losses. The company sells its components to leading international distributors

of electronics components, primarily based in Asia. The company's receivables are not credit insured, but credit monitoring routines are in place for setting up credit lines, providing security (payment guarantees) and demanding advance payments when required. The company's losses on accounts receivables were less than 1% during the last year.

Personnel and Organization

At the end of 2013, Nordic Semiconductor had 211 (194) employees of whom 37 (36) were employed outside of Norway. Cooperation between management and the employee representatives functions well and makes a valuable contribution to addressing the challenges faced by the company.

There were 31 (26) female employees at the end of 2013, corresponding to 15% (13%) of total employees. There were 174 full-time employees in Norway, including 23 women, and 37 in Hong Kong, South Korea, Japan, the Philippines, Taiwan and the USA, including 8 women. The average salary for women was 66% of the average salary for men. Gender differences in employee salary are driven by both the location and function of the employees, with a larger proportion of women in administration functions and based in the Philippines. Gender equality is a fundamental principle of the company, and efforts are being made to ensure that there is no gender imbalance when recruiting for positions within the company.

Absence due to illness was 1.4% in 2013, compared with 1.9% in 2012. No occupational illnesses or injuries were reported in 2013.

The Board of Directors would like to thank all of the Group's employees for their contribution to the business during the year.

Environmental Statement

Nordic Semiconductor does not own or operate manufacturing facilities. Manufacturing is done through third parties that comply with the ISO 14001 environmental standard, among others. Consequently, there is little pollution associated with the company's operations. Nordic Semiconductor seeks to limit resource consumption, prevent unnecessary environmental pollution and manage waste in an environment-friendly and resource-efficient manner, and has established routines to monitor these conditions under its ISO9001:2008 certified quality system.

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

Corporate Social Responsibility

Nordic Semiconductor has established standards for Corporate Social Responsibility (CSR), including policies for



supporting human rights, the rights of workers, the environment and anticorruption practices in its business strategy and daily operations. A description of the company's CSR policies, results and execution plans is published on the company's website, in accordance with the Norwegian Accounting Act §3-3.

The company has recently donated to a relief organization aiding the victims of Typhoon Haiyan, which devastated regions of the Philippines in November 2013.

Corporate Governance

Nordic Semiconductor's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 23 October 2012, as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and Securities Trading Act.

The guidelines are included separately in this annual report.

Going Concern

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

Allocation of Net Profit

Nordic Semiconductor ASA, the parent company of the Group, reported a net profit for the year of MUSD 9.5 during 2013. The net profit has been transferred in its entirety to other equity.

The Board and Management believe that the company is very well-positioned for future growth opportunities, as wireless connectivity becomes a standard feature in a growing range of electronic products. In order to pursue its long-term growth strategy in a highly cyclical business environment, the company's financial management policy is to preserve a high proportion of equity and liquidity on its balance sheet.

The company aims to provide an annual dividend, assuming that the requirements of its growth strategy are addressed. Based on the current cash balance and interest in preserving cash to pursue its growth strategy in the coming years, the Board has determined not to propose a dividend payment at its Annual General Meeting in April.

Future Outlook

Nordic Semiconductor is by far the market leader within ultra-low power wireless technology, with 200 million wireless components sold last year. Based on market trends and current design activity with customers, the company expects strong growth in demand for its ultra-low power wireless solutions during the coming years.

The company believes that wireless connectivity will soon become a standard feature in a growing range of electronic devices, including many new types of sensors and controls. Collectively, this growth in connected devices is known as the "internet of things" and is widely recognized as one of the most important new trends in consumer electronics.

The company believes that Bluetooth Smart (aka Bluetooth low energy) will be a core technology for connecting the "internet of things". Bluetooth Smart enables small, battery-powered sensors and accessories to communicate with traditional Bluetooth devices (e.g., mobile phones / PC's / home media centers labeled Bluetooth Smart Ready), while minimizing power consumption

Bluetooth Smart Ready was first released in smartphones in late-2011, and has since been sold in nearly one billion PC's, handsets and tablets. By 2015, nearly two billion mobile phones, PC's, and home media centers are expected to be sold each year with Bluetooth Smart Ready solutions (source: ABI research). As the ecosystem of these Bluetooth Smart Ready mobile phones, PC's and home media centers expands, this creates a major market opportunity for new wireless accessories to connect with these devices using Nordic's Bluetooth Smart technology.

Nordic Semiconductor has been actively involved in the development of the Bluetooth Smart wireless standard since its origin as a Nokia initiative in 2006. In June 2011, Nordic's contribution to the Bluetooth organization was recognized with an appointment to its Board, where it now participates with Apple, Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, Toshiba, LG and CSR on the Board of Directors. In December 2012, Nordic's Chief Technology Officer Svein-Egil Nielsen was elected Chairman of the Bluetooth SIG Board.

In 2012, Nordic released the latest generation of its ultra-low power wireless solutions, called the nRF51 series, with a focus on Bluetooth Smart applications. The nRF51 series features best-in-class processing power and energy consumption among Bluetooth Smart solutions, and offers a very easy-to-use platform for designing new wireless applications, with a software architecture that cleanly separates the application and protocol stacks.

Based on its market leadership in ultra-low power wireless solutions, its best-in-class product line including the new nRF51 platform, and its highly experienced team of engineers and sales professionals, Nordic Semiconductor is very well-positioned for growth as the wireless market expands into many new product categories.



The Board of Directors and CEO confirm that:


- to the best of our knowledge, the financial statements for 2013 have been prepared in accordance with current accounting standards and give a true and fair view of the company and the group's assets, liabilities, financial position and results of the operations, and that
- the report by the Board of Directors provides a fair overview of the company and its development, financial results and position, and describes the company's key risks and uncertainties



Tore Engebretsen
Chairman



Karsten Rønner
Board member



Thomas Ulleberg
Board member



Terje Rogne
Vice Chairman



Arnhild Schia
Board member



Sverre T. Larsen
Chief Executive Officer



Anne-Cecilie Fagerlie
Board member



Markus Bakka Hjertø
Board member

Oslo, 19 March 2014



Nordic Semiconductor Group

Consolidated income statement

for the year ended 31 December 2013

Amount in USD 1000	Note	2013	2012*
Total Revenue	3	124 390	131 819
Cost of materials	4	-61 840	-64 891
Direct project costs		-1 006	-331
Gross profit		61 543	66 597
Payroll expenses	9/10/12/16	-28 741	-26 410
Other operating expenses	5/12/19	-14 393	-13 188
Depreciation	11/12	-4 802	-2 839
Operating profit		13 607	24 161
Financial income	6/20	334	433
Financial expenses	6/20	-4	-42
Net foreign exchange gains (losses)	6/20	231	-562
Profit before tax		14 168	23 989
Income tax expense	7	-4 590	-6 240
Net profit after tax		9 577	17 749
Attributable to			
Equity holders of the parent		9 577	17 749
Earnings per share			
Ordinary earnings per share (USD)	8	0,06	0,11
Fully diluted earnings per share (USD)	8	0,06	0,11
Comprehensive Income		2013	2012*
Net profit after tax		9 577	17 749
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (losses) on defined benefit plans (before tax)		-1 292	4 967
Income tax effect		349	-1 391
Total Comprehensive Income		8 634	21 324

*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Nordic Semiconductor Group

Consolidated statement of financial position


as of 31 December 2013

Amount in USD 1000	Note	2013	2012*	01.01.2012*
ASSETS				
Non-current assets				
Capitalized development expenses	12	7 498	3 471	305
Software and other intangible assets	12	3 451	1 846	2 117
Deferred tax assets	7	3 077	2 510	3 323
Property assets	11	583	405	373
Equipment	11/20	7 464	4 211	4 350
Other long term assets	10	759	1 133	1 208
Total non-current assets		22 832	13 576	11 675
Current assets				
Inventory	4/20	22 167	11 748	24 583
Accounts receivable	13/20	30 047	26 069	22 450
Other short-term receivables		2 703	2 268	2 166
Cash and cash equivalents	14/20	26 082	40 350	23 808
Total current assets		81 000	80 435	73 006
TOTAL ASSETS		103 832	94 011	84 681
EQUITY				
Share capital	15	283	283	283
Treasury shares	15	-4	-2	-9
Share Premium	15	14 253	14 253	14 253
Other paid in capital		1 757		
Retained earnings		55 954	51 292	32 441
TOTAL EQUITY		72 244	65 826	46 977
LIABILITIES				
Non-current liabilities				
Pension liability	16	10 090	9 146	12 978
Total non-current liabilities		10 090	9 146	12 978
Current liabilities				
Short-term loan facility	20	0	0	6 000
Accounts payable	18/20	6 261	2 481	3 266
Income taxes payable	7	4 822	7 105	7 363
Public duties	18	2 405	1 374	1 083
Other short-term debt	18	8 011	8 080	7 013
Total current liabilities		21 498	19 039	24 726
TOTAL LIABILITIES		31 588	28 185	37 704
TOTAL EQUITY AND LIABILITIES		103 832	94 011	84 681


*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details


Tore Engebretsen
Chairman


Karsten Rønner
Board member


Thomas Ulleberg
Board member


Terje Rogne
Vice Chairman


Arnild Schia
Board member


Sverre-Tore Larsen
Chief Executive Officer


Anne-Cecilie Fagerlie
Board member


Markus Bakka Hjerto
Board member

Oslo, 19 March 2014



Nordic Semiconductor Group

Consolidated statement of changes in equity

for the year ended 31 December 2013

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 01.01.2012	292	(9)	14 253		39 039	53 575
Changes in accounting policies					(6 598)	(6 598)
Equity as of 01.01.2012 (restated)*	292	(9)	14 253		32 441	46 977
Net profit for the period					17 749	17 749
Actuarial gain/loss recognised in equity					3 576	3 576
Purchase of treasury shares		(2)			(2 473)	(2 475)
Cancellation of treasury shares	(9)	9			-	-
Equity as of 31.12.2012	283	(2)	14 253		51 292	65 826
Net profit for the period					9 577	9 577
Share based compensation				1 757		1 757
Actuarial gain/loss recognised in equity					(943)	(943)
Purchase of treasury shares		(2)			(3 975)	(3 977)
Equity as of 31.12.2013	283	(4)	14 253	1 757	55 954	72 244

*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Nordic Semiconductor Group

Consolidated statement of cash flows

for the year ended 31 December 2013

Amount in USD 1000	Note	2013	2012*
Cash flows from operating activities			
Profit before tax		14 168	23 989
Taxes paid for the period	7	-7 041	-7 649
Depreciation	11/12	4 802	2 839
Change in inventories, trade receivables and payables	4/13/18/20	-10 617	8 430
Share-based compensation		2 690	
Movement in pensions		-566	-257
Other operations related adjustments		137	3 291
Net cash flows from operating activities		3 573	30 644
Cash flows from investing activities			
Capital expenditures (including software)	11/12	-8 456	-1 983
Capitalized development expenses	12	-5 410	-3 644
Net cash flows from investing activities		-13 866	-5 627
Cash flows from financing activities			
Purchase of treasury stock	15	-3 975	-2 475
Repayment short-term loan	20		-6 000
Net cash flows from financing activities		-3 975	-8 475
Net change in cash and cash equivalents		-14 268	16 543
Cash and cash equivalents as of 1.1.		40 350	23 808
Cash and cash equivalents as of 31.12.	14/20	26 082	40 350
Cash and cash equivalents as of 31.12. which is restricted cash		869	887

*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Note 1 General

Nordic Semiconductor is a public limited company whose shares are listed on the Oslo Stock Exchange. The Group's head office is located at Otto Nielsens vei 12, 7052 Trondheim, Norway. The Group includes the parent company Nordic Semiconductor ASA and two wholly-owned subsidiaries, Nordic Semiconductor Inc. and Nordic Semiconductor Poland Sp. z o.o. Nordic Semiconductor ASA develops and sells integrated circuits and related solutions for short-range wireless communication. The company specializes in ultra-low power (ULP) components, based on its proprietary 2.4 GHz and Bluetooth Smart technology.

The financial accounts were approved for publication by the Board of Directors on March 19, 2014, and will be presented for approval at the Annual General Meeting on April 10, 2014.

Note 2 Accounting Principles

2.1 Basis for preparation

The financial accounts for Nordic Semiconductor ASA ("the Parent Company") and its wholly-owned and controlled subsidiary, together called "the Group", are prepared in accordance with International Financial Reporting Standards (IFRS) as established by the EU.

The financial accounts are presented in USD, rounded off to the nearest thousand, if nothing else is noted. As a result of rounding off differences, it is possible that amounts and percent does not add up to the total.

The financial accounts are based on the principles of historic cost accounting, with the exception of the following asset: Financial instruments (money market fund) are measured at fair value, with changes in value recognized on the income statement.

Basis of consolidation:

A subsidiary is a company in which the Group has control over financial and operating activity. Control is normally achieved when the Group owns - directly or indirectly - more than 50% of the shares in the company. Such companies are included in the Group financial statements from the date at which the Group obtains control over the company and until the date that such control ceases.

All intra-group balances, income and expenses, and unrealized gains and losses are eliminated in full. The financial statements in the subsidiaries are prepared using consistent accounting policies as the parent company, for the same reporting period.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial accounts in accordance with IFRS

requires that management use assessments, estimates and assumptions that influence the amount reported in the financial statements and notes. Management bases its estimates and assessments on previous experience and on various other factors deemed to be reasonable and sensible given the specific circumstances. These assessments form the basis for evaluating the accounting value of assets and obligations which would not be possible based on other available sources. The actual earnings may differ from these estimates. The main areas of uncertainty for assessments and estimates on the balance sheet date, which represent a risk for creating significant changes to the value of assets and liabilities recorded in the accounts for the following financial year, are discussed below.

Pensions

The costs of the defined benefit pension plan are determined upon actuarial calculations. Actuarial calculations are based on expectations regarding the discount rate, expected return on pension funds, future increases in wages/salaries, annual adjustment in the national insurance base rate, annual adjustment of pensions, average turnover and death rates. Based on the natural long-term nature of these obligations, such estimates entail a large degree of uncertainty. Previously the return on the plan assets was calculated by using a long-term expected return on the plan assets. As a result of applying IAS 19R, the net interest cost for the period is now calculated by using the discount rate for the liability at the beginning of the period. As such the net interest cost consists of interest on the liability and the return on the plan assets, whereas both have been calculated by using the discount rate. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the calculated return is recognised continuously through other comprehensive income.

Further details are provided in note 16. The book value of pension obligations as of December 31, 2013 and 2012 was USD 10,090,000 and USD 9,146,000 respectively.

Share based payments

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013. For several years prior to 2013, Nordic Semiconductor ASA provided all employees with performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year. The Board implemented a change to this program in 2013, which enabled performance-based compensation to be awarded through a stock option grant as an alternative to the existing cash bonus program.

The group measures the cost of share based payments at the date which they are granted. The fair value of options granted in 2013 was USD 0.5 (NOK 3.00) per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company.



Development cost

Development costs are capitalized in accordance with the principles in Note 2.9. In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, discount rates and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefit, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. The carrying amount of capitalized development costs as of December 31, 2013 and 2012 was USD 7,498,000 and USD 3,471,000 respectively.

Revenue recognition

Management has made an estimate of future credits to be given to distributors based on components sold in 2012 and 2013, if the following scenarios are met:

If a distributor sells components to specified customer accounts, the distributor will receive an additional discount after the sale is made, Ship and Debit. An estimate for this discount is provided in the accounts, reducing the revenue and increasing current liabilities. See note 2.12 for further details.

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

2.3 Changes in accounting principles

In 2013 the group implemented the latest amendments to IFRS 13 Fair value measurements and IAS 19 Employee Benefits in its financial reporting. The accounts were not affected by the changes to IFRS 13.

The accounts were affected by the changes to IAS 19 which regulate defined benefit pension accounting. Due to the changes, the comparative financial amount for 2012 has been restated in accordance with the new regulation. The transition from calculating gross liabilities to net liabilities has caused the net pension liability to increase by MUSD 9 as of January 1, 2012.

The reason for the change is that the value of the pension assets is now calculated based on an expected return equal to the discount rate used to calculate the liability. The increase is caused by the fact that we in prior periods have calculated the expected return on the pension assets which has been higher than the discount rate on the liabilities. We expect that actual return will be higher than the one used in the calculation of the liabilities. The effect of the difference between actual return on the pension assets and the

discount rate will be recognised in other comprehensive income in the statement of comprehensive income in accordance with the new regulation in IAS 19.

Accrued actuarial gains and losses which were not recognised as of January 1, 2012 have been recognised in equity. In total this has resulted in a decrease of the equity balance of MUSD 6.6 as of January 1, 2012. In addition the pension cost changed due to actuarial gains and losses of MUSD -4.2 which were recognised in 2012 in other comprehensive income. The total effect on the pension cost in 2012 is MUSD 0.25 and the total effect on the equity was MUSD 3.6.

2.4 Foreign currency

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

2.5 Cash and cash equivalents

Cash includes cash balances and bank deposits. Cash equivalents are short-term liquid investments which do not involve significant risk factors and are convertible into a known amount of cash within three months.

2.6 Accounts receivable

Accounts receivable are valued at amortized cost, less impairment. Losses arising from impairment are recognized in the income statement.

2.7 Hedging

Hedge accounting is not employed. Efforts are made to reduce foreign currency risk by matching revenues and costs in the various currencies. Financial derivatives that are not designated as hedging instruments are recognized at fair value through profit or loss.

2.8 Inventory

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

2.9 Non-current assets

Non-current assets are stated at the lowest of cost net of accumulated depreciation and net realizable value. When an



asset is sold or discontinued, the cost and accumulated depreciation are reversed and gain or loss from the transaction are recognized in the income statement.

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

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

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

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

The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if necessary.

Financial leases

The Group does not have any significant financial leases.

Operational leases

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

2.10 Research and development

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

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

Costs which were expensed in prior accounting periods will not be capitalized.

Capitalized development costs are subject to amortization on a straight-line basis over the expected period of benefits, normally 3-5 years. Depreciation begins when the product is

transferred from development to production. Uncertainty exists with respect to the expected period of benefits, as this depends on the future technological development in the market.

The fair value of capitalized development costs will be estimated when there is an indication of a decline in value or that the need for impairment charged in prior periods no longer exists.

2.11 Provision

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

2.12 Revenue recognition

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

Revenue from sales of components is recognized at the time of delivery to distributor or end customer. The time of delivery is usually the time when the goods are transferred to the transport carrier. Certain provisions have been made for credits to distributors based on the estimates described in Note 2.2.

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

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

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



2.13 Employee benefits

Defined benefit pension plans

The Group offers a defined benefit pension plan to its employees who were hired before December 31, 2007. Pension plan assets are valued at their fair value

As of January 1, 2013 the Group applied IAS 19 Employee Benefits and changed the basis for calculating the pension liability and costs. The Group previously used the corridor approach when recognizing unamortized changes in accounting estimates. The corridor approach is no longer accepted and all changes in accounting estimates shall be recognized in other comprehensive income in accordance with IAS 19R. See Note 2.3

Net liability is calculated on the basis of the present value of future pension benefits which an employee has earned as of the balance sheet due date, after deduction of the actual value of pension assets. The discount rate corresponds to covered bonds (OMF) with the allowance to take the term into account. The Group believes that the marked for covered bonds is sufficiently deep and the pricing reliable. The interest rate for covered bonds is calculated on the basis of bonds with maturities over 14 years, which fit the remaining maturity for the Groups pension liability. The calculations were performed by a qualified actuary.

Defined contribution pension

Employees in Norway hired after January 1, 2008 have a defined contribution pension plan described in note 16.

Share based payments

The Group has a share option program for its employees. The options are measured at fair value at the date of the grant. The fair value of the options is expensed over the vesting period which in this case is one year. This transaction is recognised as personnel cost in the income statement and in other paid-in capital on the balance sheet.

Social security tax on options is recorded as a liability based on the share price on the balance sheet date until the option is exercised. See note 17.

2.14 Government grants

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

2.15 Income taxes

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

Deferred tax credits 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 credit. Similarly, the company will reduce recognition of the deferred tax benefit to the extent the company no longer deems it probable that it will be able to utilize such tax benefits.

Deferred tax liabilities are accounted for at the nominal value and classified as long-term obligations in the balance sheet. Taxes payable and deferred taxes are recognized directly to equity to the extent that the tax loss carryforwards relate to equity transactions.

2.16 Segments

The Group has only one operating segment. The group does not report or monitor profitability on a lower level, but breaks down its revenue into the following end product areas: PC/tablet accessories, Mobile/wearable devices, Home electronic devices, Installed sensor networks, ASIC components and Consulting services. The Group's secondary segment is the geographical market areas in which its products are sold. See note 3.

2.17 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 21.

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 Equity

Treasury shares

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

2.20 Approved standards and interpretations not yet in effect

The Group has determined that none of the changes in standards and interpretations will affect the financial statements.



Note 3: Revenues

All figures in USD 1000.

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

Revenue classified by end product applications:

The Group focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: PC/tablet accessories, Home electronic devices, Mobile/wearable devices and Installed sensor networks. In 2013, wireless components accounted for 90.2% of sales versus 87.5% in 2012.

In addition to standard components, the Group sells customer-specific ASIC components (Application Specific Integrated Circuits) and related consulting services.

	2013	2012
Revenue		
PC/tablet accessories	68 509	84 461
Home electronic devices	5 305	6 399
Mobile/wearable devices	26 181	17 822
Installed sensor networks	12 259	6 607
Wireless components	112 255	115 290
ASIC components	10 401	15 501
Consulting services	1 734	1 029
Total revenues	124 390	131 819

Revenue classified by customers' location:

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

	2013	2012
Europe	16 229	20 337
Americas	7 735	7 122
Asia / Pacific	100 427	104 360
Total revenues	124 390	131 819

Revenue in Asia/Pacific is primarily from Taiwan, which represented MUS\$ 67.4 in 2013 and MUS\$ 81.1 in 2012.

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. Two distributors represented more than 10% of the Group's total revenues in 2013. These two distributors represented 37% and 17% of the Group's total revenues respectively. In comparison, two distributors represented more than 10% of the Group's total revenues in 2012, with 35% and 27% of revenues respectively. These distributors are based in Asia.

Note 4 Cost of materials / inventory

All figures in USD 1000.

	2013	2012
Cost of goods, gross	72 259	52 057
Changes in inventory	-10 419	12 834
Cost of goods, net	61 840	64 891

	2013	2012
Finished goods		
At net realizable value	20 287	11 758
At cost price	10 065	5 928
Total Finished goods	10 065	5 928
Work in progress, at cost	12 102	5 820
Total inventory	22 167	11 748
Amount written down:	683	702



Note 5 - Other operating expenses

All figures in USD 1000.

	2013	2012
Service and maintenance	3 289	2 993
Other consultancy fees	4 326	3 235
Office rental expenses	2 083	1 829
Office equipment	571	609
Material and components	1 024	1 520
Capitalized development expenses	-571	-554
Travel and meeting expenses	1 672	1 692
Other operating expenses	1 999	1 864
Total other operating expenses	14 393	13 188

Auditor remuneration

Fees to the auditor are included in consultancy fees above.

	2013	2012
Statutory audit services	50	50
Tax advisory services	8	3
Other non-audit services	45	29
Total	103	82

Note 6: Net financial items

All figures in USD 1000.

	2013	2012
Interest income	91	133
Customer dividend	10	8
Interest expenses	-3	-41
Changes in money market fund, reported in the income statement	232	292
Financial income	330	390
Foreign exchange loss (net)	231	-562
Financial expenses	231	-562

Note 7: Tax

All figures in USD 1000.

Tax expense consists of:	2013	2012
Tax payable	-4 808	-6 588
Adjustment in prior year		-234
Change in deferred tax / tax benefit	330	582
Changes in tax rate	-112	
Tax expense	-4 590	-6 240

Reconciliation of taxes payable in balance sheet and income statement	2013	2012
Taxes payable for year, in the balance sheet	-4 822	-6 544
Adjustment to prior year tax, in the balance sheet		-234
Currency effect from translation to USD	14	-44
Taxes payable in income statement	-4 808	-6 822



Reconciliation of nominal and actual tax expense	2013	2012
Profit before tax	14 168	23 989
Tax at nominal rate (28%)	-3 967	-6 717
Adjustment in prior year		-234
Tax effect permanent differences	409	1 160
Effect of change in tax rate*	-112	
Actuarial gains	-349	-1 124
Currency effect from translation to USD	-571	675
Tax expense	-4 590	-6 240

	2013	2012
Earnings before tax	14 168	23 989
Government grants	-163	-170
Non-taxable changes in fair value		-23
Non-deductible other expenses	46	65
Actuarial gain/loss pension	-1 292	-4 014
Change in temporary differences	2 495	5 988
Currency effect of translation to USD	1 917	-2 306
Basis for payable tax	17 171	23 529
Payable tax on earnings (28%)	-4 808	-6 588

Deferred tax and deferred tax benefits:	Balance Sheet		Income Statement		Other Comp. income	
	2013	2012	2013	2012	2013	2012
Deferred tax benefit						
Inventory	683	702	42	299		
Fixed assets	1 745	591	355	420		
Accounts receivable	2	22	-20	26		
Pension obligation	10 090	9 146	444	805	1 292	-4 967
Deferred tax benefit – gross	12 520	10 460	821	1 550	1 292	-4 967
Deferred tax obligation						
Intangible assets						
Gain and loss account	-1 342	-1 694	-336	-423		
Accounts receivable						
Deferred tax obligation – gross	-1 342	-1 694	-336	-423		
Currency effect of translation to USD	218	198	-350	105		
Total temporary differences	11 396	8 964	807	2 079	1 292	-4 967
Net deferred tax obligation/benefit	3 077	2 510				
Change in deferred tax obligation/benefit			218	582	349	-1 391

Reconciliation of net deferred tax liability:	2013	2012
Opening balance as of 1.1	2 510	778
Effect changes in accounting policies, pension	-	2 454
Tax expense/income recognised in profit and loss	217	581
Tax expense/income recognised in other comprehensive income	349	-1 391
Currency effect from translation to USD	1	88
Net deferred tax obligation/benefit	3 077	2 510

Net deferred tax liability as of 31.12:	2013	2012
Net gain/(loss) on actuarial gains and losses	362	-1 391
Effect of changes in tax rates	-13	-
Total tax OCI	349	-1 391

* As of January 1, 2014, the tax rate in Norway was reduced to 27%. Deferred tax liability and deferred tax assets as of December 31, 2013 has been calculated with a tax rate of 27%. The effect on the current year's tax expense is USD 112,000 and is recognized in other comprehensive income.



Note 8: Shares outstanding

	2013	2012
Basis for calculation of basic earnings per share		
Earnings for the year (USD '000)	9 577	17 749
Weighted average number of outstanding shares ('000)	161 268	163 402
Earnings per share (USD)	0.06	0.11
Basis for calculation of fully diluted earnings per share		
Earnings for the year (USD '000)	9 577	17 749
Weighted average number of outstanding shares ('000)	161 854	163 402
Earnings per share (USD)	0.06	0.11
Reconciliation of average number of ordinary shares ('000)		
Weighted average number of outstanding shares	163 441	163 441
Weighted average number of treasury shares	2 173	39
Weighted average number of outstanding shares, corrected for treasury shares	161 268	163 402

The number of shares was as follows:

Date		Number of shares issued	Shares outstanding
2013-01-01	Balance at beginning of period	163 440 600	162 460 600
2013-12-31	Balance at end of period	163 440 600	161 049 600

Note 9: Payroll expenses

All figures in USD 1000.

Combined expenses for salary and other compensation are distributed as follows:

	2013	2012
Salary and vacation pay	21 709	20 837
Other compensation	5 553	3 314
Payroll tax	4 316	2 891
Defined benefit pension	1 402	1 887
Defined contribution pension	569	560
Capitalized development expenses (hourly costs)	-4 808	-3 080
Total	28 741	26 410
Weighted average number of full-time employees	202	166

Company's employees as of December 31, are distributed as follows:

	2013	2012
Norway	173	158
China	9	9
South Korea	2	2
USA	9	8
Taiwan	1	1
Japan	1	2
Philippines	15	13
Switzerland	1	1
Total	211	194

Note 10: Compensation to Group management and Board

All figures in USD 1000.

Total compensation paid to Board members

	2013	2012
Tore Engebretsen, chairman of the board	68	60
Terje Rogne, vice chairman of the board.	51	33
Anne Cecilie Fagerlie, board member	37	40
Arnhild Schia, board member	37	32
Karsten Rønner, board member	37	17
Kjell Bråthen, former board member		7
Markus Bakka Hjertø, employee representative	10	10
Thomas Ulleberg, employee representative	10	
John Helge Nistad, employee representative		10

**Total compensation earned by the CEO and other executives:**

2013	Salary	Bonus	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	452	468	3	33	956
Robert Giori, CFO	297	213	2	13	525
Svein Egil Nielsen, CTO	199	19	3	12	233
Bertel-Eivind Flaten, R&D Director	190	213	2	38	442
Ebbe Rømcke, Quality Director	167	106	3	19	295
Geir Langeland, Sales & Marketing Director	241	213	2	21	477
Total	1 546	1 231	15	136	2 928

2012	Salary	Bonus	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	455	387	3	33	877
Robert Giori, CFO	298	172	3	11	484
Bertel-Eivind Flaten, R&D Director	191	172	2	22	387
Ebbe Rømcke, Quality Director	168	86	3	35	292
Geir Langeland, Sales & Marketing Director	235	172	11	31	449
Total	1 346	989	22	132	2 488

Two members of the executive team have entered loan agreements with the company. Interest accumulates on these loans according to the applicable minimum rate on employee loans (normrente). The loans are secured with the employees' holdings of Nordic Semiconductor shares.

Loans to executives:	2013	2012	Repayment terms
Svenn-Tore Larsen	571	791	To be repaid in installments of USD 234 thousand on January 20, 2014 and USD 337 thousand on January 20, 2015
Geir Langeland	163	288	To be repaid in installments of USD 163 thousand on January 20, 2014

Compensation agreement - CEO

In 2011, the company entered into a retention bonus agreement with the CEO, which provides the CEO with additional compensation in the event that the CEO is still employed with the company for each of the four years ending December 31, 2011 - 2014. The retention bonus is paid annually in increasing sums following each of the calendar years, and totals MNOK 10 for the entire four-year term. In the event that the company is acquired during the term, the remainder of the unpaid retention bonuses will be paid to the CEO following the closing of the acquisition. As of December 31, 2013, 3.75 MNOK of this retention bonus had not yet been earned by the CEO and would be earned in the final year of the agreement, if the employment conditions are reached.

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

Policy for executive compensation

The company's policy on salaries and other remuneration to the CEO and other senior employees (in accordance with the Public Limited Companies Act § 6-16a) is the following:

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

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

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



Options program - 2013

For 2013, the Board has decided to grant stock options to senior executives as a form of performance based compensation. In exchange, the executive team will not receive an annual performance bonus paid in cash for their work during 2013.

The options were granted on February 18, 2013. The options vest after one year if the executive has not resigned his position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 17.15. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the Company's share price exceeds a cap of NOK 37.00, the Company may settle the option grant by compensating the employee the difference between the cap and the strike price.

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

Svenn-Tore Larsen, CEO:	375,000 stock options
Robert Giori, CFO:	250,000 stock options
Geir Langeland, Sales Director:	250,000 stock options
Bertel-Eivind Flaten, R&D Director:	250,000 stock options
Ebbe Rømcke, Quality Director:	125,000 stock options
Markus Bakke Hjertø, Board:	20,000 stock options
Thomas Ulleberg, Board:	23,800 stock options

Options program - 2014

For 2014, the Board has decided to grant stock options to senior executives as a form of performance based compensation. In exchange, the executive team will not receive an annual performance bonus paid in cash for their work during 2014.

The options were granted on February 18, 2014. The options vest after one year if the executive has not resigned his position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 38.43. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the Company's share price exceeds a cap of NOK 150.00, the Company may settle the option grant by compensating the employee the difference between the cap and the strike price.

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

Svenn-Tore Larsen, CEO:	575,000 stock options
Robert Giori, CFO:	350,000 stock options
Geir Langeland, Sales Director:	350,000 stock options
Svein Egil Nielsen, CTO:	350,000 stock options
Ebbe Rømcke, Quality Director:	200,000 stock options
Markus Bakke Hjertø, Board:	20,000 stock options
Thomas Ulleberg, Board:	23,800 stock options

**Note 11: Fixed assets**

All figures in USD 1000.

2013	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	2 553	11 742	488	333	15 116
Additions	422	5 548	220		6 190
Sale / disposal of assets					
Acquisition cost as of 31.12	2 974	17 290	709	333	21 306
Accumulated depreciation					
Opening balance	1 662	8 422	416		10 500
Depreciation expenses	440	2 276	42		2 759
Sale / disposal of assets					
Accumulated depreciation as of 31.12	2 102	10 698	459	0	13 259
Net carrying value as of 31.12	872	6 592	249	333	8 047
Fully depreciated fixed assets, which are still in use	796	4 971	393		
2012	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	1 896	10 685	423	333	13 337
Additions	657	1 057	65		1 779
Sale / disposal of assets					
Acquisition cost as of 31.12	2 553	11 742	488	333	15 116
Accumulated depreciation					
Opening balance	1 307	6 922	383		8 612
Depreciation expenses	355	1 500	33		1 888
Sale / disposal of assets					
Accumulated depreciation as of 31.12	1 662	8 422	416	0	10 500
Net carrying value as of 31.12	891	3 320	72	333	4 616
Fully depreciated fixed assets, which are still in use	796	4 971	393		
Estimated useful life	3 – 5 years	3 - 4 years	5 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Not depreciated	
Annual lease of non-recognized capital assets	0	32	0	0	

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

Non-depreciable real property assets:

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

Leased equipment

The Group does not have any leased equipment.

Write-offs

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

Change in depreciation periods

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

**Note 12: Intangible assets**

All figures in USD 1000.

2013	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	6 592	12 295	18 888
Additions	2 267	5 410	7 676
Sale / disposal of assets			
Accumulated cost as of 12.31	8 859	17 705	26 564
Accumulated depreciation			
Opening balance	4 746	8 825	13 571
Depreciation expenses	661	1 382	2 043
Sale / disposal of assets			
Total accumulated depreciation as of 12.31	5 407	10 206	15 614
Net carrying amount	3 451	7 498	10 950
Fully depreciated fixed assets, which are still in use	336	7 156	
Non-capitalized R&D expenses:			
Personnel expenses		10 629	10 629
Other operating expenses		4 216	4 216
Total cost recognized in income statement		14 845	14 845
Total expenses for R&D		20 255	20 255

2012	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	6 390	8 651	15 041
Additions	203	3 644	3 847
Sale / disposal of assets			
Accumulated cost as of 12.31	6 593	12 295	18 888
Accumulated depreciation			
Opening balance	4 273	8 347	12 620
Depreciation expenses	474	477	951
Sale / disposal of assets			
Total accumulated depreciation as of 12.31	4 747	8 824	13 571
Net carrying amount	1 846	3 471	5 317
Fully depreciated fixed assets, which are still in use	336	7 156	
Non-capitalized R&D expenses:			
Personnel expenses		11 763	11 763
Other operating expenses		4 257	4 257
Total cost recognized in income statement		16 020	16 020
Total expenses for R&D		19 664	19 664

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

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



Note 13: Accounts Receivable

All figures in USD 1000.

	2013	2012
Gross receivables	30 049	26 092
Provision for doubtful accounts	-2	-23
Accounts Receivable, net	30 047	26 069

The provision for loss on debt receivables covers approx. 0.001% of the accounts receivable in 2013 compared with 0.08% in 2012.

Note 14: Cash and cash equivalents

All figures in USD 1000.

Cash and cash equivalents as of the balance sheet date were as follows:

	2013	2012
Cash holdings	16 428	30 108
Tax deduction account (restricted funds)	869	887
Short-term investments (money market fund)	8 785	9 355
Cash and cash equivalents in consolidated statement of financial position	26 082	40 350
Cash and cash equivalents in consolidated statement of cash flows	26 082	40 350

Note 15: Share capital and shareholder information

All figures in USD 1000.

Share capital

The share capital in Nordic Semiconductor as of December 31, 2013 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,634,406. 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:

	Number of shares		Share capital		Treasury shares		Share premium	
	2013	2012	2013	2012	2013	2012	2013	2012
Ordinary shares, issued and paid								
Holdings as of 1.1	163 440 600	168 736 600	283	292	-2	-9	14 253	14 253
Purchase of treasury shares					-2	-2		
Cancellation of treasury shares		-5 296 000		-9		9		
Holdings as of 31.12	163 440 600	163 440 600	283	283	-4	-2	14 253	14 253

Dividend

No dividend was paid during 2012 or 2013.

Authority to issue shares

The Board of the Parent company, based on a resolution from the annual general meeting on April 19, 2013, has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a par value of NOK 163,000. The shareholders' pre-emptive right may be waived according to the Norwegian Private Limited Companies Act §10-4. This authority is valid until the company's annual general meeting in 2014, and by June 30, 2014 the latest. The resolution covers the issue of shares in connection with a merger.

Treasury shares

The Company owned 2,391,000 treasury shares on December 31, 2013. During 2012, the Company purchased 980,000 treasury shares through brokers at an average price of USD 2.44. During 2013, the Company purchased an additional 1,411,000 treasury shares through brokers at an average price of USD 2.79. Based on a resolution of the annual general meeting of April 19, 2013, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 163,000 through one or more transactions. This authority is limited to 9.97% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2014, and by June 30, 2014 the latest.



Stock Option Grant

On February 18, 2013, the Board approved a grant of 3,960,470 share options to employees. The options vest after one year if the employee is in an unresigned position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 17.15. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the company's share price exceeds a cap of NOK 37.00, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On February 18, 2014, the Board approved a grant of 5,843,712 share options to employees. The options vest after one year if the employee is in an unresigned position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 38.43. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the company's share price exceeds a cap of NOK 150.00, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2013:

Shares held by the Board of directors and Executive management were as follows as of December 31, 2013.

Shareholder	Shares	Percentage	Name	Shares
ACCELERATOR LTD	17 332 950	10.61%	Board of directors	
FOLKETRYGDFONDET	15 145 837	9.27%	Tore Engebretsen	7 687 500
ENGEBRETSEN TORE	7 537 500	4.61%	Terje Rogne	1 250 000
ALDEN AS	5 750 000	3.52%	Anne Cecilie Fagerlie	0
KLP AKSJE NORGE VPF	4 100 000	2.51%	Arnild Schia	0
MP PENSJON PK	4 100 000	2.51%	Karsten Rønner	30 000
STATOIL PENSJON	3 923 178	2.40%	Thomas Ulleberg	0
INAK 3 AS	3 400 000	2.08%	Markus Bakka Hjertø	0
VERDIPAPIRFONDET DNB NORGE (IV)	3 329 762	2.04%		
GOLDMAN SACHS INT.	3 230 000	1.98%	Management	
SKANDINAVIA ENSKILDA BANKEN AB	2 930 000	1.79%	Svenn-Tore Larsen	2 640 400
KOMMUNAL LANDSPENSJONSKASSE	2 800 000	1.71%	Robert Giori	66 400
TVENGE TORSTEIN INGVALD	2 500 000	1.53%	Geir Langeland	177 700
AWILCO INVEST AS	2 400 000	1.47%	Bertel-Eivind Flaten	1 037 900
NORDIC SEMICONDUCTOR ASA	2 391 000	1.46%	Ebbe Rømcke	58 900
MÆLAND ARNE KRISTIAN	2 340 000	1.43%	Svein Egil Nielsen	15 000
FOUGNER INVEST AS	2 335 806	1.43%	Total	12 948 800
CANICA AS	2 329 200	1.43%		
TTC INVEST AS	2 200 000	1.35%		
HADEM INVEST AS	2 152 920	1.32%		
Total for the 20 largest shareholders	92 228 153	56.43%		
Other shareholders	71 212 447	43.57%		
Total shares outstanding	163 440 600	100.00%		



Note 16: Pensions and other long-term employee benefits

All figures in USD 1000.

The Norwegian company in the Group is required to have mandatory employment pension for Norwegian employees, according to the Mandatory Employment Pension Act. As of January 1, 2008, the Company has chosen to have both a defined benefit and a defined contribution pension plan. Both pension plans satisfy the requirements of the law. Individual employees hired before January 1, 2008, could choose between retaining the original defined benefit pension plan, or moving to a defined contribution pension plan. All new employees after January 1, 2008 automatically enter the defined contribution pension plan. The two different types of pensions are described below:

Some employees in Norway have a defined benefit pension plan. The employee will receive 66% of salary based on 30 years of employment at the company. The plan includes disability pension. As of December 31, 2013 the plan had 66 members.

The pension fund is managed by DNB Life Insurance ASA. At the end of 2013 the value of the pension fund was USD 8,601,000.

The portfolio was invested as follows:

	2013	2012
Equities	6,8%	10,2%
Alternative investments	3,5%	0,0%
Bonds	17,0%	15,2%
Money market	22,0%	17,5%
Bonds held to maturity	35,2%	37,1%
Property	14,3%	18,6%
Other	1,1%	1,4%
Total	100%	100%

Pension expense for the year was calculated as follows:

	2013	2012
Current service cost	963	1 334
Interest expense	548	435
Expected return on plan assets	-296	-176
Administration fee	14	61
Total pension expense excl. social security tax	1 229	1 654
Social security tax	173	233
Total pension expense incl. social security tax	1 402	1 887

Net pension obligation for the year was calculated as follows:

	2013	2012
Pension obligations	17 444	16 374
Plan assets	8 601	8 358
Estimated net pension obligations	-8 843	-8 016
Social security tax	-1 247	-1 130
Total actual net obligation incl. social security tax	-10 090	-9 146

Movement in pension obligations:

	2013	2012
Net pension obligation 1.1	14 982	18 721
Current service cost	985	1 489
Interest expense	610	486
Actuarial gain / loss	931	-4 260
Pension payments	-75	-62
Currency effect of translation to USD	12	0
Pension obligation 12.31	17 444	16 374

**Movement in pension assets:**

	2013	2012
Pension assets 1.1	7 648	7 091
Expected return on plan assets	315	311
Actuarial gain / loss	-203	-22
Administration fee	-15	-69
Employer contribution	932	1 109
Pension payment	-75	-62
Pension assets 31.12.	8 601	8 358

Other Comprehensive Income from Actuarial gains / losses:

	2013	2012
Remeasurements loss (gain) - change in discount rate	(365)	3 583
Remeasurements loss (gain) - change in other financial assumptions	745	(16)
Remeasurements loss (gain) - change in mortality table	848	-
Remeasurements loss (gain) - change in other demographic assumptions	-	-
Remeasurements loss (gain) - experience DBO	(238)	(8 572)
Remeasurements loss (gain) - experience Assets	211	39
Investment management cost	91	-
OCI losses (gains) during period	1 292	(4 967)

The following assumptions have been used as a basis for the calculation of pension expense and net pension obligation:

	2013	2012
Discount rate	4,0%	3,9%
Expected return on plan assets	4.0%	3,9%
Expected future salary increase	3.75%	3.5%
Expected future increase in base amount	3.50%	3.25%
Expected future increase in pensions	3.50%	3.25%
Average turnover	2.2%	2.2%

In the insurance company, risk of death and disability is distributed among all the insurance customers, and therefore this is the relevant indicator for future disability and life expectancy. Risk tables for death (mortality table K2013) and disability are based on general tables in Norway updated with historic data from the population of the insurance company. This data involves an adjustment of available tables in the form of increased life expectancy and increased probability of disability. The average life expectancy for all age groups in the tables is 85 years for men and 88 years for women. Extracts from the tables are shown below. The table shows life expectancy and probably for disability and death respectively within one year for various age groups.

Remaining life expectancy			Probability of death		
Age	Men	Women	Age	Men	Women
20	63.3	66.7	20	0.02%	0.01%
40	43.7	46.9	40	0.06%	0.04%
60	24.7	27.7	60	0.45%	0.30%
80	9.4	11.4	80	4.46%	3.08%

The average duration for the defined benefit obligation at the end of the reporting period is 17.27 years (17.54 in 2012)

Expected contribution to the plan in 2014 is: USD 967,000.

Sensitivity in the pension liability calculation when the assumptions are changed:

The table below is giving an estimate of potential effects of changes to certain assumptions for defined benefit schemes in Norway. Other assumptions are not considered to be significant. The estimates are based on facts and circumstances as of 31.12.2013. Actual results may deviate significantly from these estimates.

Discount rate		Wage growth in %		Life expectancy	
0,5%	2 208	1%	-1 843	+1 year	-819
-0,5%	-2 571	-1%	1 846	-1 year	750

Defined contribution pension:

Some employees in Norway have a defined contribution pension plan. The main benefit is a contribution of 5% of salary between 1 and 6 basis points and 8% of salary between 6 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 30 years of full employment. In 2013, the cost of the defined contribution pension was USD 569,000. As of December 31, 2013 the plan had 101 members.



Note 17: Stock options

All figures in USD 1000.

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013.

For several years prior to 2013, Nordic Semiconductor ASA provided all employees with performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year.

The Board implemented a change to this program in 2013, which enabled performance-based compensation to be awarded through a stock option grant as an alternative to the existing cash bonus program.

On February 18, 2013, Nordic Semiconductor granted 3,960,470 share options to 132 employees. The options are exercisable after one year, and expire after three years. The options were granted at a strike price of USD 2.82 (NOK 17.15) If the company's share price exceeds a cap of USD 6.08 (NOK 37.00) the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

A summary of share option transactions during 2013 is below. There were no share option transactions during 2012.

	2013	2012
Outstanding options 1.1	0	0
Options granted	3 960 470	0
Options forfeited	-20 000	0
Options exercised	0	0
Options expired	0	0
Outstanding options 31.12	3 940 470	0
Of which exercisable	0	0

The fair value of the options is set on the grant date and expensed over the vesting period. USD 1,703,000 was expensed during 2013. The recognised share option programme liability is related to social security tax USD 2,659,000 as of 31.12.13. for the parent company only.

The fair value of options granted in 2013 was USD 0.5 (NOK 3.00) per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company.

The calculations are based on the following assumptions:

Share price on the grant date

The share price is set to the value weighted average price of shares traded on the grant date, which was USD 2.56 (NOK 15.59) on the date of grant in 2013.

Strike price

The strike price is the share price on the grant date * 110%.

Cap price

The cap price on the options granted is NOK 37. 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 equalled 49.32% on the date of grant in 2013.

Average option term

It is assumed that all employees will exercise the options once they are exercisable. The options are expected to have an average term of 2 years (between the minimum vesting period of one year and the maximum exercise period of three years).

Dividend

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

Risk-free interest rate

The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2013, i.e. 1.64 %.



Note 18: Current liabilities

All figures in USD 1000.

	2013	2012
Accounts payable	6 261	2 481
Taxes payable	4 822	7 105
Social security tax	2 405	1 374
Holiday pay	2 380	2 303
Allocation ship and debit	2 340	1 758
Accrued expenses	3 290	4 018
Total Current liabilities	21 498	19 039

See note 19 liquidity risk

Note 19: Leases

All figures in USD 1000.

Operating leases:

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

The lease expenses consist of the following:

	2013	2012
Office lease	1 500	1 389
Lease of machinery	32	33
Total lease expense	1 532	1 422

As of December 31, 2013, the Group leased offices in Trondheim, Oslo, Hong Kong, Seoul, Tokyo, Manila and San Jose, California (USA). The lease amounts are fixed with index regulation based on Statistics Norway's consumer price index.

Conditions for major leases are:

Trondheim office: The office lease was renewed January 1, 2013, and expires on December 31, 2017 without notice of termination. Nordic Semiconductor has a pre-emptive right to renew the lease if the lessor does not wish to make use of the premises.

Oslo office: The office lease was renewed January 1, 2014, and expires on December 31, 2015, without notice of termination.

Japan office: The office lease has a 3 months notice of termination.

Hong Kong office: The office lease has a 6 months notice of termination.

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

Within 1 year	1 301
1 to 5 years	2 884
After 5 years	
Total non-cancellable leases	4 186



Note 20: Financial instruments

All figures in USD 1000.

Capital structure

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

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, the company must 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 2013.

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

	2013	2012
Total equity	72 244	65 826
Total assets	103 832	94 011
Equity share	70%	70%

The Group has a credit agreement with a bank, which makes it possible to borrow up to MUSD 20 at any time with an interest rate equal to LIBOR + 1.15%. The line of credit agreement expires in October 2014. As of December 31, 2013, the company has no loan from the line of credit. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories USD 22 167 000, accounts receivable USD 30 047 000 and operating equipment USD 7 464 000. The remainder of the company's financing is made through short-term, non-interest-bearing debt. This financing typically consists of debt to suppliers, the public sector, employees or others.

Classification of financial assets and liabilities 2013:

	Fair value	Amortized cost		Total
	Money market fund	Receivables and loans	Other financial obligations	
Cash and cash equivalents	8 785	17 297		26 082
Receivables and other short-term receivables		30 047		30 047
Long-term receivables		759		759
Total financial assets	8 785	48 103		56 888
Accounts payable and other short-term debt			21 498	21 498
Total financial liabilities			21 498	21 498

Classification of financial assets and liabilities 2012:

	Fair value	Amortized cost		Total
	Money market fund	Receivables and loans	Other financial obligations	
Cash and cash equivalents	9 355	30 995		40 350
Receivables and other short-term receivables		28 337		28 337
Long-term receivables		1 133		1 133
Total financial assets	9 355	60 465		69 820
Accounts payable and other short-term debt			19 039	19 039
Total financial liabilities			19 039	19 039

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

Financial risk

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

**(i) Credit risk**

The company's sale of components takes place through its distribution partners within defined geographic regions. The number of invoice recipients is thereby significantly lower than the end customer base, which increases the credit risk on customer receivables.

In order to manage credit risk, the company has established guidelines to ensure that each customer's outstanding receivables do not exceed established credit limits and that sales are only made to customers who have not had significant problems with previous payments. In the event of the bankruptcy of a distribution partner, end customer demand will be unchanged and a new distribution channel will have to be established. In 2013, 47% of revenues went through the largest distribution partner, compared to 40% in 2012.

Age distribution of customer receivables was:

	2013		2012	
	Gross Total	Provision for doubtful accounts	Gross Total	Provision for doubtful accounts
Not due	29 215		25 469	
Past due 0-30 days	789		1 274	
Past due 31-120 days	135		-710	
Over 120 days	1	2	60	22
Total	30 140	2	26 091	22

Based on its experience, it is not deemed necessary for the company to make a provision for accounts receivable that are not due (97% of receivables). Receivables to which interest applies are set aside in their entirety, as these receivables are generally difficult to collect. For the remaining receivables, loss provisions have been estimated based on the age of the receivables and the customer's payment history.

	2013	2012
January 1	22	5
Change in estimated loss provision	-20	17
December 31	2	22

The book value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk on the balance sheet date was:

	2013	2012
Accounts receivable and other short-term receivables	32 750	28 337
Cash and cash equivalents	26 082	40 350
Total	58 832	68 688

(ii) 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. As of December 31, 2013, the Group had invested USD 8,785 thousand as short-term deposits in money market funds with a broad distribution of high-quality issuers, floating earnings and no set maturity. An additional USD 17,294 thousand was deposited in the bank.

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 obligations as of December 31, 2013:

	Entered amount	Contractual cash flows	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years
Supplier debt and other short-term debt	21 498	-21 498	-13 488	-8 011			
Other contractual obligations	0	-4 186	-325	-325	-651	-1 301	-1 583

**(iii) 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 a line of credit agreement with its bank, which allows it to borrow up to MUSD 20 at an interest rate of LIBOR + 1.15%. The line of credit agreement expires in October 2014.

Below is a sensitivity analysis of changes in general interest rate levels on Profit before tax:

	Profit before tax
Interest rate level +/- 0.25%	65

(iv) Foreign currency risk

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

The table below shows sales in the most significant currencies:

	2013			2012		
	Local currency	USD (1000)	Share of total revenues in %	Local currency	USD (1000)	Share of total revenues in %
USD	123 207	123 207	98.8 %	128 663	128 663	97.6 %
EUR	1 435	1 915	1.5 %	2 020	2 606	2.0 %
NOK	-2 263	-384	-0.3 %	3 127	550	0.4 %
Total		124 390	100,0 %		131 819	100,0 %

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

	Profit before tax
NOK exchange rate +/- 10%	3 666

(v) Determination of fair value

As of December 31, 2013 the company had no financial assets where there is considered to be a difference between book value and fair value. The following financial instruments are not recognized at fair value: customer receivables and other short-term receivables.

The book value of Money market fund is approximately equal to fair market value, as it has ultra-short collection cycle with low inherent risk.

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

	2013		2012	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Cash and bank deposits	17 297	17 297	30 995	30 995
Money market fund	8 785	8 785	9 355	9 355
Accounts receivable	30 047	30 047	26 069	26 069
Financial debt liabilities				
Accounts payable	6 261	6 261	2 481	2 481

**Note 21: Events after the balance sheet date**

On February 18, 2014, Nordic Semiconductor ASA granted 5,843,712 stock options to employees of the Group, including Company executives and Employee board members. The stock option grant is described in Notes 10 and 15.

On February 18, 2014, employees of the Group exercised 2,190,366 stock options in Nordic Semiconductor ASA which had been granted during 2013. The closing share price on the exercise date was NOK 36.00, which was just below the cap on the share options of NOK 37.00.

One primary insider exercised options and sold shares in Nordic Semiconductor ASA on February 18. Thomas Ulleberg, employee representative on the board of directors, exercised 23,800 options and sold these shares at a price of NOK 34.50.

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

Note 22: Related party transactions

The Group has the following related parties:

Management: See note 10, where the members of the Board and management group are listed.

Nordic Semiconductor Inc.: Internal Group transactions between Nordic Semiconductor ASA and its Nordic Semiconductor Inc. subsidiary consist of marketing and sales promotion which the subsidiary conducts on behalf of the Parent Company, as well as management, administration and accounting which the Parent Company undertakes on behalf of the subsidiary. These transactions are made on normal business terms.

In December 2013, Nordic Semiconductor ASA set up a new fully-owned operating subsidiary, Nordic Semiconductor Poland Sp. z o.o. The new subsidiary will commence operations in 2014 as an extension of the existing R&D operations of the company.



Nordic Semiconductor ASA

Income statement

for the year ended 31 December 2013

Amount in USD 1000	Note	2013	2012*
Total Revenue	3	124 745	132 159
Cost of materials	4	-61 840	-64 891
Direct project costs		-1 006	-332
Gross profit		61 899	66 936
Payroll expenses	9/10/11/15	-27 336	-25 251
Other operating expenses	5/11/18	-16 264	-14 782
Depreciation	10/11	-4 793	-2 829
Operating profit		13 506	24 074
Financial income	6/19	323	433
Financial expenses	6/19	7	-42
Net foreign exchange gains (losses)	6/19	266	-573
Profit before tax		14 102	23 893
Income tax expense	7	-4 568	-6 215
Net profit after tax		9 534	17 678
Attributable to			
Equity holders of the parent		9 534	17 678
Earnings per share			
Ordinary earnings per share (USD)		0,06	0,11
Fully diluted earnings per share (USD)		0,06	0,11
Comprehensive Income		2013	2012*
Net profit after tax		9 534	17 678
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains(losses) on defined benefit plans		-1 292	4 967
Income tax effect		349	-1 391
Total Comprehensive Income		8 590	21 254

*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Nordic Semiconductor ASA

Statement of financial position

as of 31 December 2013

Amount in USD 1000	Note	2013	2012*	01.01.2012*
ASSETS				
Non-current assets				
Capitalized development expenses	11	7 498	3 471	305
Software and other intangible assets	11	3 451	1 846	2 117
Deferred tax assets	7	3 077	2 510	3 323
Property assets	10	583	405	373
Equipment	10/19	7 447	4 187	4 340
Shares in subsidiary	1	7	5	5
Other long term assets	9	759	1 133	1 208
Total non-current assets		22 822	13 558	11 669
Current assets				
Inventory	4/20	22 167	11 748	24 583
Accounts receivable	13/20	30 047	26 069	22 450
Other short-term receivables		2 753	2 296	2 184
Cash and cash equivalents	14/20	25 836	40 230	23 696
Total current assets		80 802	80 342	72 912
TOTAL ASSETS		103 625	93 900	84 582
EQUITY				
Share capital	14	283	283	292
Treasury shares	14	-4	-2	-9
Share premium	14	14 253	14 253	14 253
Other paid in capital		1 703		
Retained earnings		55 656	51 034	32 254
TOTAL EQUITY		71 891	65 568	46 790
LIABILITIES				
Non-current liabilities				
Pension liability	15	10 090	9 146	12 978
Total non-current liabilities		10 090	9 146	12 978
Current liabilities				
Short-term loan facility	19	0	0	6 000
Accounts payable	17/19	6 261	2 481	3 266
Income taxes payable	7	4 806	7 088	7 341
Public duties	17	2 405	1 374	1 083
Other short-term debt	17	8 172	8 243	7 124
Total current liabilities		21 644	19 186	24 814
TOTAL LIABILITIES		31 734	28 332	37 792
TOTAL EQUITY AND LIABILITIES		103 625	93 900	84 582


*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Tore Engbretsen
Chairman



Terje Rogne
Vice Chairman


Anne-Cecilie Fagerlie
Board member


Karsten Rønner
Board member


Arnhild Schia
Board member


Markus Bakka Hjertø
Board member


Thomas Ulleberg
Board member


Svenn-Tore Larsen
Chief Executive Officer

Oslo, 19 March 2014



Nordic Semiconductor ASA

Consolidated statement of changes in equity

for the year ended 31 December 2013

Amount in USD 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total equity
Equity as of 01.01.2012	292	(9)	14 253		38 852	53 388
Changes in accounting policies		6 598		6 598		
Equity as of 01.01.2012 (restated)*	292	(9)	14 253		32 254	46 790
Net profit for the period					17 678	17 678
Actuarial gain/loss recognised in equity					3 576	3 576
Purchase of treasury shares		(2)			(2 473)	(2 475)
Cancellation of treasury shares	(9)	9			-	-
Equity as of 31.12.2012	283	(2)	14 253		51 034	65 568
Net profit for the period					9 534	9 534
Share based compensation				1 703		1 703
Actuarial gain/loss recognised in equity					(943)	(943)
Purchase of treasury shares		(2)			(3 970)	(3 972)
Equity as of 31.12.2013	283	(4)	14 253	1 703	55 656	71 891

*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Nordic Semiconductor ASA

Consolidated statement of cash flows

for the year ended 31 December 2013

Amount in USD 1000	Note	2013	2012*
Cash flows from operating activities			
Profit before tax		14 102	23 893
Taxes paid for the period	7	-7 041	-7 649
Depreciation	10/11	4 793	2 829
Change in inventories, trade receivables and payables	4/12/17/19	-10 617	8 430
Share-based compensation		2 635	
Movement in pensions	15	-566	1 137
Other operations related adjustments		135	1 973
Net cash flows from operating activities		3 439	30 614
Cash flows from investing activities			
Capital expenditures (including software)	10/11	-8 453	-1 961
Capitalized development expenses	11	-5 410	-3 644
Net cash flows from investing activities		-13 863	-5 605
Cash flows from financing activities			
Purchase of treasury stock	14	-3 970	-2 475
Repayment short-term loan	19		-6 000
Net cash flows from financing activities		-3 970	-8 475
Net change in cash and cash equivalents		-14 394	16 534
Cash and cash equivalents as of 1.1.		40 230	23 696
Cash and cash equivalents as of 31.12.	13/19	25 836	40 230
Cash and cash equivalents as of 31.12. which is restricted cash		869	887

*Prior period financials have been restated as a result of the implementation of revisions to IAS 19 from January 1, 2013.
See Note 2.3 for more details



Note 1 General

Nordic Semiconductor ASA is a public limited company whose shares are listed on the Oslo Stock Exchange. The company's head office is located at Otto Nielsens vei 12, 7052 Trondheim, Norway. The company has two wholly-owned subsidiaries, Nordic Semiconductor Inc. and Nordic Semiconductor Poland Sp. z o.o. Nordic Semiconductor ASA develops and sells integrated circuits and related solutions for short-range wireless communication. The company specializes in ultra-low power (ULP) components, based on its proprietary 2.4 GHz and Bluetooth Smart technology.

The financial accounts were approved for publication by the Board of Directors on March 19, 2014, and will be presented for approval at the Annual General Meeting on April 10, 2014.

Note 2 Accounting Principles

2.1 Basis for preparation

The financial accounts for Nordic Semiconductor ASA are prepared in accordance with International Financial Reporting Standards (IFRS) as established by the EU.

The financial accounts are presented in USD, rounded off to the nearest thousand, if nothing else is noted. As a result of rounding off differences, it is possible that amounts and percent does not add up to the total.

The financial accounts are based on the principles of historic cost accounting, with the exception of the following asset: Financial instruments (money market fund) are measured at fair value, with changes in value recognized on the income statement.

Basis of consolidation:

A subsidiary is a company in which the Group has control over financial and operating activity. Control is normally achieved when the Group owns - directly or indirectly - more than 50% of the shares in the company. Such companies are included in the Group financial statements from the date at which the Group obtains control over the company and until the date that such control ceases.

All intra-group balances, income and expenses, and unrealized gains and losses are eliminated in full. The financial statements in the subsidiaries are prepared using consistent accounting policies as the parent company, for the same reporting period.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial accounts in accordance with IFRS requires that management use assessments, estimates and assumptions that influence the amount reported in the financial statements and notes. Management bases its

estimates and assessments on previous experience and on various other factors deemed to be reasonable and sensible given the specific circumstances. These assessments form the basis for evaluating the accounting value of assets and obligations which would not be possible based on other available sources. The actual earnings may differ from these estimates. The main areas of uncertainty for assessments and estimates on the balance sheet date, which represent a risk for creating significant changes to the value of assets and liabilities recorded in the accounts for the following financial year, are discussed below.

Pensions

The costs of the defined benefit pension plan are determined upon actuarial calculations. Actuarial calculations are based on expectations regarding the discount rate, expected return on pension funds, future increases in wages/salaries, annual adjustment in the national insurance base rate, annual adjustment of pensions, average turnover and death rates. Based on the natural long-term nature of these obligations, such estimates entail a large degree of uncertainty. Previously the return on the plan assets was calculated by using a long-term expected return on the plan assets. As a result of applying IAS 19R, the net interest costs for the period is now calculated by using the discount rate for the liability at the beginning of the period. As such the net interest cost consists of interest on the liability and the return on the plan assets, whereas both have been calculated by using the discount rate. Changes in net pension liabilities as a result of payments of premiums and pension payments have been taken into consideration. The difference between the actual return and the accounted return is recognised continuously through other comprehensive income.

Further details are provided in note 16. The book value of pension obligations as of December 31, 2013 and 2012 was USD 10,090,000 and USD 9,146,000 respectively.

Share based payments

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013. For several years prior to 2013, Nordic Semiconductor ASA provided all employees with performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year. The Board implemented a change to this program in 2013, which enabled performance-based compensation to be awarded through a stock option grant as an alternative to the existing cash bonus program.

The group measures the cost of share based payments at the date which they are granted. The fair value of options granted in 2013 was USD 0.5 (NOK 3.00) per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company.



Development costs:

Development costs are capitalized in accordance with the principles in Note 2.9. In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, discount rates and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefit, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. The carrying amount of capitalized development costs as of December 31, 2013 and 2012 was USD 7,498,000 and USD 3,471,000 respectively.

Revenue recognition

Management has made an estimate of future credits to be given to distributors based on components sold in 2012 and 2013, if the following scenarios are met:

If a distributor sells components to specified customer accounts, the distributor will receive an additional discount after the sale is made, Ship & Debit. An estimate for this discount is provided in the accounts, reducing the revenue and increasing the current liabilities. See note 2.12 for further details.

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

2.3 Changes in accounting principles

In 2013 the company implemented the latest amendments to IFRS 13 Fair value measurements and IAS 19 Employee Benefits in its financial reporting. The accounts were not affected by the changes to IFRS 13.

The accounts were affected by the changes to IAS 19 which regulate defined benefit pension accounting. Due to the changes, the comparative financial amount for 2012 has been restated in accordance with the new regulation. The transition from calculating gross liabilities to net liabilities has caused the net pension liability to increase by MUSD 9 as of January 1, 2012.

The reason for the change is that the value of the pension assets is now calculated based on an expected return equal to the discount rate used to calculate the liability. The increase is caused by the fact that we in prior periods have calculated the expected return on the pension assets which has been higher than the discount rate on the liabilities. We expect that actual return will be higher than the one used in the calculation of the liabilities. The effect of the differ-

ence between actual return on the pension assets and the discount rate will be recognised in other comprehensive income in the statement of comprehensive income in accordance with the new regulation in IAS 19.

Accrued actuarial gains and losses which were not recognised as of January 1, 2012 have been recognised in equity. In total this has resulted in a decrease of the equity balance of MUSD 6.6 as of January 1, 2012. In addition the pension cost changed due to actuarial gains and losses of MUSD -4.2 which were recognised in 2012 in other comprehensive income. The total effect on the pension cost in 2012 is MUSD 0.25 and the total effect on the equity was MUSD 3.6.

2.4 Foreign currency

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

2.5 Cash and cash equivalents

Cash includes cash balances and bank deposits. Cash equivalents are short-term liquid investments which do not involve significant risk factors and are convertible into a known amount of cash within three months.

2.6 Accounts receivable

Accounts receivable are valued at amortized cost, less impairment. Losses arising from impairment are recognized in the income statement.

2.7 Hedging

Hedge accounting is not employed. Efforts are made to reduce foreign currency risk by matching revenues and costs in the various currencies. Financial derivatives that are not designated as hedging instruments are recognized at fair value through profit or loss.

2.8 Inventory

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



2.9 Non-current assets

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

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

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

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

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

The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if necessary.

Financial leases

The Company does not have any significant financial leases.

Operational leases

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

2.10 Research and development

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

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

Costs which were expensed in prior accounting periods will not be capitalized.

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

The fair value of capitalized development costs will be estimated when there is an indication of a decline in value or that the need for impairment charged in prior periods no longer exists.

2.11 Provision

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

2.12 Revenue recognition

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

Revenue from sales of components is recognized at the time of delivery to distributor or end customer. The time of delivery is usually the time when the goods are transferred to the transport carrier. Certain provisions have been made for credits to distributors based on the estimates described in Note 2.2.

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

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

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



2.13 Employee benefits

Defined benefit pension plans

The Company offers a defined benefit pension plan to its employees who were hired before December 31, 2007.

As of January 1, 2013 the Company applied IAS 19 Employee Benefits and changed the basis for calculating the pension liability and costs. The Company previously used the corridor approach when recognizing unamortized changes in accounting estimates. The corridor approach is no longer accepted and all changes in accounting estimates shall be recognized in other comprehensive income in accordance with IAS 19R. See Note 2.3

Net liability is calculated on the basis of the present value of future pension benefits which an employee has earned as of the balance sheet due date, after deduction of the actual value of pension assets. The discount rate corresponds to covered bonds (OMF) with the allowance to take the term into account. The Company believes that the marked for covered bonds is sufficiently deep and the pricing reliable. The interest rate for covered bonds is calculated on the basis of bonds with maturities over 14 years, which fit the remaining maturity for the Company pension liability. The calculations were performed by a qualified actuary.

Defined contribution pension

Employees in Norway hired after January 1, 2008 have a defined contribution pension plan described in note 15.

Share based payments

The Group has a share option program for its employees. The options are measured at fair value at the date of the grant. The fair value of the options is expensed over the vesting period which in this case is one year. This transaction is recognised as personnel cost in the income statement and in other paid-in capital on the balance sheet.

Social security tax on options is recorded as a liability based on the share price on the balance sheet date until the option is exercised. See note 16.

2.14 Government grants

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

2.15 Income taxes

Income tax expenses consist of taxes due and changes to the deferred tax. Deferred tax and tax credits are calculated based on all differences between the financial accounts and the value for tax purposes of assets and liabilities. Deferred tax credits are recognized to the extent that it is probable that the individual company will have sufficient taxable in-

come in later periods to utilize the tax credit. Similarly, the company will reduce recognition of the deferred tax benefit to the extent the company no longer deems it probable that it will. Deferred tax liabilities are accounted for at the nominal value and classified as long-term obligations in the balance sheet.

Taxes payable and deferred taxes are recognized directly to equity to the extent that the tax loss carryforwards relate to equity transactions.

2.16 Segments

The Company has only one operating segment. The group does not report or monitor profitability on a lower level, but breaks down its revenue into the following end product areas: PC/tablet accessories, Mobile/wearable devices, Home electronic devices, Installed sensor networks, ASIC components and Consulting services. The Group's secondary segment is the geographical market areas in which its products are sold. See note 3.

2.17 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 Company's financial position as of the balance sheet date, but that will affect the Company's financial position in the future, are disclosed if they are significant. See note 20.

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 Equity

Treasury shares

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

2.20 Approved standards and interpretations not yet in effect

The company has determined that none of the changes in standards and interpretations will affect the financial statements.



Note 3: Revenues

All figures in USD 1000.

Segment information, primary:

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

Revenue classified by end product applications:

The Company focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: PC/tablet accessories, Home electronic devices, Mobile/wearable devices and Installed sensor networks. In 2013, wireless components accounted for 90% of sales versus 87% in 2012.

In addition to standard components, the Company sells customer-specific ASIC components (Application Specific Integrated Circuits) and related consulting services.

	2013	2012
Revenue		
PC/tablet accessories	68 509	84 461
Home electronic devices	5 305	6 399
Mobile/wearable devices	26 181	17 822
Installed sensor networks	12 259	6 607
Wireless components	112 255	115 290
ASIC components	10 401	15 501
Consulting services	2 089	1 369
Total revenues	124 745	132 159

Revenue classified by customers' location:

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

	2013	2012
Europe	16 229	20 337
Americas	8 090	7 462
Asia / Pacific	100 427	104 360
Total revenues	124 745	132 159

Revenue in Asia/Pacific is primarily from Taiwan, which represented MUS\$ 67.4 in 2013 and MUS\$ 81.1 in 2012.

The company 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. Two distributors represented more than 10% of the company's total revenues in 2013. These two distributors represented 37% and 17% of the company's total revenues respectively. In comparison, two distributors represented more than 10% of the company's total revenues in 2012, with 35% and 27% of revenues respectively. These distributors are based in Asia.

Note 4 Cost of materials / inventory

All figures in USD 1000.

	2013	2012
Cost of goods, gross	72 259	52 057
Changes in inventory	-10 419	12 834
Cost of goods, net	61 840	64 891
	2013	2012
Finished goods		
At net realizable value	20 287	11 758
At cost price	10 065	5 928
Total Finished goods	10 065	5 928
Work in progress, at cost	12 102	5 820
Total inventory	22 167	11 748
Amount written down:	683	702



Note 5 - Other operating expenses

All figures in USD 1000.

	2013	2012
Service and maintenance	3 289	2 993
Other consultancy fees	4 301	3 215
Office rental expenses	2 041	1 794
Office equipment	539	574
Material and components	1 020	1 508
Capitalized development expenses	-571	-554
Travel and meeting expenses	1 440	1 484
Other operating expenses	4 205	3 768
Total other operating expenses	16 264	14 782

Auditor remuneration

Fees to the auditor are included in consultancy fees above.

	2013	2012
Statutory audit services	50	50
Tax advisory services	8	3
Other non-audit services	45	29
Total	103	82

Note 6: Net financial items

All figures in USD 1000.

	2013	2012
Interest income	91	133
Customer dividend	10	8
Interest expenses	-3	-41
Changes in money market fund, reported in the income statement	232	292
Financial income	330	391
Foreign exchange loss (net)	-266	-573
Financial expenses	-266	-573

Note 7: Tax

All figures in USD 1000.

Tax expense consists of:	2013	2012
Tax payable	-4 785	-6 562
Adjustment in prior year		-234
Change in deferred tax / tax benefit	324	581
Changes in tax rate	-108	
Tax expense	-4 568	-6 215
Reconciliation of taxes payable in balance sheet and income statement	2013	2012
Taxes payable for year, in the balance sheet	-4 805	-6 854
Adjustment to prior year tax, in the balance sheet		-234
Currency effect from translation to USD	120	292
Taxes payable in income statement	-4 785	-6 796



Reconciliation of nominal and actual tax expense	2013	2012
Profit before tax	14 102	23 893
Tax at nominal rate (28%)	-3 949	-6 690
Adjustment in prior year		-234
Tax effect of permanent differences	393	1 160
Effect of change in tax rate*	-108	
Actuarial gains of OCI	-349	-1 124
Currency effect from translation to USD	-556	640
Tax expense	-4 568	-6 215

	2013	2012
Earnings before tax	14 102	23 893
Government grants	-163	-170
Non-taxable changes in fair value		-23
Non-deductible other expenses	44	65
Actuarial gain/loss pension	-1 292	-4 014
Change in temporary differences	2 400	5 988
Currency effect of translation to USD	1 998	-2 302
Basis for payable tax	17 089	23 436
Payable tax on earnings (28%)	-4 785	-6 562

Deferred tax and deferred tax benefits:	Balance Sheet		Income Statement		Other Comp. Income	
	2013	2012	2013	2012	2013	2012
Deferred tax benefit						
Inventory	683	702	42	299		
Fixed assets	1 745	591	355	420		
Accounts receivable	2	22	20	26		
Pension obligation	10 090	9 146	444	805	1 292	-4 967
Deferred tax benefit – gross	12 520	10 460	821	1 550	1 292	-4 967
Deferred tax obligation						
Intangible assets						
Gain and loss account	-1 342	-1 694	-336	-423		
Accounts receivable						
Deferred tax obligation – gross	-1 342	-1 694	-336	-423		
Currency effect of translation to USD	218	198	-350	105		
Total temporary differences	11 396	8 964	807	2 079	1 292	-4 967
Net deferred tax obligation/benefit	3 077	2 510				
Change in deferred tax obligation/benefit			218	582	349	-1 391

Reconciliation of net deferred tax liability:	2013	2012
Opening balance as of 1.1	2 510	778
Effect changes in accounting policies, pension	-	2 454
Tax expense/income recognised in profit and loss	217	581
Tax expense/income recognised in other comprehensive income	349	-1 391
Currency effect from translation to USD	1	88
Net deferred tax obligation/benefit	3 077	2 510

Net deferred tax liability as of 31.12:	2013	2012
Net gain/(loss) on actuarial gains and losses	362	-1 391
Effect of changes in tax rates	-13	-
Total tax OCI	349	-1 391

* As of January 1, 2014, the tax rate in Norway was reduced to 27%. Deferred tax liability and deferred tax assets as of December 31, 2013 has been calculated with a tax rate of 27%. The effect on the current year's tax expense is USD 108,000 and is recognized in other comprehensive income.



Note 8: Payroll expenses

All figures in USD 1000.

Combined expenses for salary and other compensation are distributed as follows:

	2013	2012
Salary and vacation pay	20 471	19 843
Other compensation	5 385	3 226
Payroll tax	4 316	2 891
Defined benefit pension	1 402	1 887
Defined contribution pension	569	483
Capitalized development expenses (hourly costs)	-4 808	-3080
Total	27 336	25 251
Weighted average number of full-time employees	196	160

Company's employees as of December 31, are distributed as follows:

	2013	2012
Norway	173	158
China	9	9
South Korea	2	2
USA	2	2
Taiwan	1	1
Japan	1	2
Philippines	15	13
Switzerland	1	1
Total	204	188

Note 9: Compensation to Company management and Board

All figures in USD 1000.

Total compensation paid to Board members

	2013	2012
Tore Engebretsen, chairman of the board	68	60
Terje Rogne, vice chairman of the board.	51	33
Anne Cecilie Fagerlie, board member	37	40
Arnhild Schia, board member	37	32
Karsten Rønner, board member	37	17
Kjell Bråthen, former board member		7
Markus Bakka Hjertø, employee representative	10	10
Thomas Ulleberg, employee representative	10	
John Helge Nistad, employee representative		10

**Total compensation earned by the CEO and other executives:**

2013	Salary	Bonus	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	452	468	2,8	33	956
Robert Giori, CFO	297	213	2,5	13	525
Svein Egil Nielsen, CTO	199	19	2,6	12	233
Bertel-Eivind Flaten, R&D Director	190	213	2,0	38	442
Ebbe Rømcke, Quality Director	167	106	2,7	19	295
Geir Langeland, Sales & Marketing Director	241	213	2,5	21	477
Total	1 546	1 231	15,1	136	2 928

2012	Salary	Bonus	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	455	387	3	33	877
Robert Giori, CFO	298	172	3	11	484
Bertel-Eivind Flaten, R&D Director	191	172	2	22	387
Ebbe Rømcke, Quality Director	168	86	3	35	292
Geir Langeland, Sales & Marketing Director	235	172	11	31	449
Total	1 346	989	22	132	2 488

Several members of the executive team have entered loan agreements with the company. Interest accumulates on these loans according to the applicable minimum rate on employee loans (normrente). The loans are secured with the employees' holdings of Nordic Semiconductor shares.

Loans to executives:	2013	2012	Repayment terms
Svenn-Tore Larsen	571	791	To be repaid in installments of USD 234 thousand on January 20, 2014 and USD 337 thousand on January 20, 2015
Geir Langeland	163	288	To be repaid in installments of USD 163 thousand on January 20, 2014

Compensation agreement - CEO

In 2011, the company entered into a retention bonus agreement with the CEO, which provides the CEO with additional compensation in the event that the CEO is still employed with the company for each of the four years ending December 31, 2011 - 2014. The retention bonus is paid annually in increasing sums following each of the calendar years, and totals MNOK 10 for the entire four-year term. In the event that the company is acquired during the term, the remainder of the unpaid retention bonuses will be paid to the CEO following the closing of the acquisition. As of December 31, 2013, 3.75 MNOK of this retention bonus had not yet been earned by the CEO and would be earned in the final year of the agreement, if the employment conditions are reached.

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

Policy for executive compensation

The company's policy on salaries and other remuneration to the CEO and other senior employees (in accordance with the Public Limited Companies Act § 6-16a) is the following:

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

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

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



Options program - 2013

For 2013, the Board has decided to grant stock options to senior executives as a form of performance based compensation. In exchange, the executive team will not receive an annual performance bonus paid in cash for their work during 2013.

The options were granted on February 18, 2013. The options vest after one year if the executive has not resigned his position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 17.15. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the Company's share price exceeds a cap of NOK 37.00, the Company may settle the option grant by compensating the employee the difference between the cap and the strike price.

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

Svenn-Tore Larsen, CEO:	375,000 stock options
Robert Giori, CFO:	250,000 stock options
Geir Langeland, Sales Director:	250,000 stock options
Bertel-Eivind Flaten, R&D Director:	250,000 stock options
Ebbe Rømcke, Quality Director:	125,000 stock options
Markus Bakke Hjertø, Board:	20,000 stock options
Thomas Ulleberg, Board:	23,800 stock options

Options program - 2014

For 2014, the Board has decided to grant stock options to senior executives as a form of performance based compensation. In exchange, the executive team will not receive an annual performance bonus paid in cash for their work during 2014.

The options were granted on February 18, 2014. The options vest after one year if the executive has not resigned his position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 38.43. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the Company's share price exceeds a cap of NOK 150.00, the Company may settle the option grant by compensating the employee the difference between the cap and the strike price.

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

Svenn-Tore Larsen, CEO:	575,000 stock options
Robert Giori, CFO:	350,000 stock options
Geir Langeland, Sales Director:	350,000 stock options
Svein Egil Nielsen, CTO:	350,000 stock options
Ebbe Rømcke, Quality Director:	200,000 stock options
Markus Bakke Hjertø, Board:	20,000 stock options
Thomas Ulleberg, Board:	23,800 stock options

**Note 10: Fixed assets**

All figures in USD 1000.

2013	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	2 536	11 723	488	333	15 082
Additions	422	5 545	220		6 187
Sale / disposal of assets					
Acquisition cost as of 31.12	2 958	17 268	708	333	21 269
Accumulated depreciation					
Opening balance	1 661	8 411	417		10 489
Depreciation expenses	440	2 268	42		2 750
Sale / disposal of assets					
Accumulated depreciation as of 31.12	2 101	10 679	459	0	13 239
Net carrying value as of 31.12	857	6 589	249	333	8 030
Fully depreciated fixed assets, which are still in use	796	4 971	393		
2012	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	1 894	10 673	423	333	13 323
Additions	672	1 050	65		1 787
Sale / disposal of assets					
Acquisition cost as of 31.12	2 536	11 723	488	333	15 080
Accumulated depreciation					
Opening balance	1 308	6 919	383		8 610
Depreciation expenses	352	1 493	33		1 878
Sale / disposal of assets					
Accumulated depreciation as of 31.12	1 660	8 412	416	0	10 488
Net carrying value as of 31.12	876	3311	72	333	4 592
Fully depreciated fixed assets, which are still in use	796	4 971	393		
Estimated useful life	3 – 5 years	3 - 4 years	5 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Not depreciated	
Annual lease of non-recognized capital assets	0	32	0	0	

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

Non-depreciable real property assets:

The company has an apartment in Trondheim for use by employees from 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 entered 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 Company has no capital assets that are temporarily out of operation.

Leased equipment

The Company does not have any leased equipment.

Write-offs

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

Change in depreciation periods

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

**Note 11: Intangible assets**

All figures in USD 1000.

2013	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	6 592	12 295	18 888
Additions	2 267	5 410	7 676
Sale / disposal of assets			
Accumulated cost as of 12.31	8 859	17 705	26 564
Accumulated depreciation			
Opening balance	4 746	8 825	13 571
Depreciation expenses	661	1 382	2 043
Sale / disposal of assets			
Total accumulated depreciation as of 12.31	5 407	10 206	15 614
Net carrying amount	3 451	7 498	10 950
Fully depreciated fixed assets, which are still in use	336	7 156	
Non-capitalized R&D expenses:			
Personnel expenses		10 629	10 629
Other operating expenses		4 216	4 216
Total cost recognized in income statement		14 845	14 845
Total expenses for R&D		20 255	20 255

2012	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	6 390	8 651	15 041
Additions	203	3 644	3 847
Sale / disposal of assets			
Accumulated cost as of 12.31	6 593	12 295	18 888
Accumulated depreciation			
Opening balance	4 273	8 347	12 620
Depreciation expenses	474	477	951
Sale / disposal of assets			
Total accumulated depreciation as of 12.31	4 747	8 824	13 571
Net carrying amount	1 846	3 471	5 317
Fully depreciated fixed assets, which are still in use	336	7 156	
Non-capitalized R&D expenses:			
Personnel expenses		11 763	11 763
Other operating expenses		4 257	4 257
Total cost recognized in income statement		16 020	16 020
Total expenses for R&D		19 664	19 664

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

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



Note 12: Accounts Receivable

All figures in USD 1000.

	2013	2012
Gross receivables	30 049	26 092
Provision for doubtful accounts	-2	-23
Accounts Receivable, net	30 047	26 069

The provision for loss on debt receivables covers approx. 0.01% of the accounts receivable in 2013 compared with 0.08% in 2012.

Note 13: Cash and cash equivalents

All figures in USD 1000.

Cash and cash equivalents as of the balance sheet date were as follows:

	2013	2012
Cash holdings	16 181	29 987
Tax deduction account (restricted funds)	869	887
Short-term investments (money market fund)	8 785	9 355
Cash and cash equivalents in consolidated statement of financial position	25 836	40 230
Cash and cash equivalents in consolidated statement of cash flows	25 836	40 230

Note 14: Share capital and shareholder information

All figures in USD 1000.

Share capital

The share capital in Nordic Semiconductor as of December 31, 2013 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,634,406. 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:

	Number of shares		Share capital		Treasury shares		Share premium	
	2013	2012	2013	2012	2013	2012	2013	2012
Ordinary shares, issued and paid								
Holdings as of 1.1	16 440 600	168 736 600	283	292	-2	-9	14 253	14 253
Purchase of treasury shares					-2	-2		
Cancellation of treasury shares		-5 296 000		-9		9		
Holdings as of 31.12	163 440 600	163 440 600	283	283	-4	-2	14 253	14 253

Dividend

No dividend was paid during 2012 or 2013.

Authority to issue shares

The Board of the company, based on a resolution from the annual general meeting on April 19, 2013, has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a par value of NOK 163,000. The shareholders' pre-emptive right may be waived according to the Norwegian Private Limited Companies Act §10-4. This authority is valid until the company's annual general meeting in 2014, and by June 30, 2014 the latest. The resolution covers the issue of shares in connection with a merger.

Treasury shares

The Company owned 2,391,000 treasury shares on December 31, 2013. During 2012, the Company purchased 980,000 treasury shares through brokers at an average price of USD 2.44. During 2013, the Company purchased an additional 1,411,000 treasury shares through brokers at an average price of USD 2.79. Based on a resolution of the annual general meeting of April 19, 2013, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 163,000 through one or more transactions. This authority is limited to 9.97% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2014, and by June 30, 2014 the latest.



Stock Option Grant

On February 18, 2013, the Board approved a grant of 3,960,470 share options to employees. The options vest after one year if the employee is in an unresigned position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 17.15. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the company's share price exceeds a cap of NOK 37.00, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

On February 18, 2014, the Board approved a grant of 5,843,712 share options to employees. The options vest after one year if the employee is in an unresigned position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 38.43. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the company's share price exceeds a cap of NOK 150.00, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2013:

Shares held by the Board of directors and Executive management were as follows as of December 31, 2013.

Shareholder	Shares	Percentage	Name	Shares
			Board of directors	
ACCELERATOR LTD	17 332 950	10.61%	Tore Engebretsen	7 687 500
FOLKETRYGDFONDET	15 145 837	9.27%	Terje Rogne	1 250 000
ENGBRETSSEN TORE	7 537 500	4.61%	Anne Cecilie Fagerlie	0
ALDEN AS	5 750 000	3.52%	Arnhold Schia	0
KLP AKSJE NORGE VPF	4 100 000	2.51%	Karsten Rønner	30 000
MP PENSJON PK	4 100 000	2.51%	Thomas Ulleberg	0
STATOIL PENSJON	3 923 178	2.40%	Markus Bakka Hjertø	0
INAK 3 AS	3 400 000	2.08%		
VERDIPAPIRFONDET DNB NORGE (IV)	3 329 762	2.04%		
GOLDMAN SACHS INT.	3 230 000	1.98%		
SKANDINAVIA ENSKILDA BANKEN AB	2 930 000	1.79%		
KOMMUNAL LANDSPENSJONSKASSE	2 800 000	1.71%	Management	
TVENGE TORSTEIN INGVALD	2 500 000	1.53%	Svenn-Tore Larsen	2 640 400
AWILCO INVEST AS	2 400 000	1.47%	Robert Giori	66 400
NORDIC SEMICONDUCTOR ASA	2 391 000	1.46%	Geir Langeland	177 700
MÆLAND ARNE KRISTIAN	2 340 000	1.43%	Bertel-Eivind Flaten	1 037 900
FOUGNER INVEST AS	2 335 806	1.43%	Ebbe Rømcke	58 900
CANICA AS	2 329 200	1.43%	Svein Egil Nielsen	15 000
TTC INVEST AS	2 200 000	1.35%		
HAADEM INVEST AS	2 152 920	1.32%		
Total for the 20 largest shareholders	92 228 153	56.43%	Total	12 964 800
Other shareholders	71 212 447	43.57%		
Total shares outstanding	163 440 600	100.00%		



Note 15: Pensions and other long-term employee benefits

All figures in USD 1000.

The Norwegian company is required to have mandatory employment pension, for Norwegian employees, according to the Mandatory Employment Pension Act. As of January 1, 2008, the Company has chosen to have both a defined benefit and a defined contribution pension plan. Both pension plans satisfy the requirements of the law. Individual employees hired before January 1, 2008, could choose between retaining the original defined benefit pension plan, or moving to a defined contribution pension plan. All new employees after January 1, 2008 automatically enter the defined contribution pension plan. The two different types of pensions are described below:

The employee will receive 66% of salary based on 30 years of employment at the company. The plan includes disability pension. As of December 31, 2013 the plan had 65 members.

The pension fund is managed by DNB Life Insurance ASA. At the end of 2013 the value of the pension fund was USD 8,601,000.

The portfolio was invested as follows:

	2013	2012
Equities	6,8%	10,2%
Alternative investments	3,5%	0,0%
Bonds	17,0%	15,2%
Money market	22,0%	17,5%
Bonds held to maturity	35,2%	37,1%
Property	14,3%	18,6%
Other	1,1%	1,4%
Total	100%	100%

Pension expense for the year was calculated as follows:

	2013	2012
Current service cost	963	1 334
Interest expense	548	435
Expected return on plan assets	-296	-176
Administration fee	14	61
Total pension expense excl. social security tax	1 229	1 654
Social security tax	173	233
Total pension expense incl. social security tax	1 402	1 887

Net pension obligation for the year was calculated as follows:

	2013	2012
Pension obligations	17 444	16 374
Plan assets	8 601	8 358
Estimated net pension obligations	-8 843	-8 016
Social security tax	-1 247	-1 130
Total actual net obligation incl. social security tax	-10 090	-9 146

Movement in pension obligations:

	2013	2012
Net pension obligation 1.1	14 982	18 721
Current service cost	985	1 489
Interest expense	610	486
Actuarial gain / loss	931	-4 260
Pension payments	-75	-62
Currency effect on translation to USD	12	
Pension obligation 12.31	17 444	16 374

**Movement in pension assets:**

	2013	2012
Pension assets 1.1	7 648	7 091
Expected return on plan assets	315	311
Actuarial gain / loss	-203	-22
Administration fee	-15	-69
Employer contribution	932	1 109
Pension payment	-75	-62
Pension assets 31.12.	8 601	8 358

Other Comprehensive Income from Actuarial gains / losses:

	2013	2012
Remeasurements loss (gain) - change in discount rate	(365)	3 583
Remeasurements loss (gain) - change in other financial assumptions	745	(16)
Remeasurements loss (gain) - change in mortality table	848	-
Remeasurements loss (gain) - change in other demographic assumptions	-	-
Remeasurements loss (gain) - experience DBO	(238)	(8 572)
Remeasurements loss (gain) - experience Assets	211	39
Investment management cost	91	-
OCI losses (gains) during period	1 292	(4 967)

The following assumptions have been used as a basis for the calculation of pension expense and net pension obligation:

	2013	2012
Discount rate	4,0%	3,9%
Expected return on plan assets	4,0%	3,9%
Expected future salary increase	3.75%	3.5%
Expected future increase in base amount	3.50%	3.25%
Expected future increase in pensions	3.50%	3.25%
Average turnover	2.2%	2.2%

In the insurance company, risk of death and disability is distributed among all the insurance customers, and therefore this is the relevant indicator for future disability and life expectancy. Risk tables for death (mortality table K2013) and disability are based on general tables in Norway updated with historic data from the population of the insurance company. This data involves an adjustment of available tables in the form of increased life expectancy and increased probability of disability. The average life expectancy for all age groups in the tables is 85 years for men and 88 years for women. Extracts from the tables are shown below. The table shows life expectancy and probably for disability and death respectively within one year for various age groups.

Remaining life expectancy			Probability of death		
Age	Men	Women	Age	Men	Women
20	63.3	66.7	20	0.02%	0.01%
40	43.7	46.9	40	0.06%	0.04%
60	24.7	27.7	60	0.45%	0.30%
80	9.4	11.4	80	4.46%	3.08%

The average duration for the defined benefit obligation at the end of the reporting period is 17.27 years (17.54 in 2012). Expected contribution to the plan in 2014 is: USD 967,000.

Sensitivity in the pension liability calculation when the assumptions are changed:

The table below is giving an estimate of potential effects of changes to certain assumptions for defined benefit schemes in Norway. Other assumptions are not considered to be significant. The estimates are based on facts and circumstances as of 31.12.2013. Actual results may deviate significantly from these estimates.

Discount rate		Wage growth in %		Life expectancy	
0.5%	2 208	0.5%	-1 843	+1 year	-819
-0.5%	-2 571	-0.5%	1 846	-1 year	750

Defined contribution pension:

Some employees in Norway have a defined contribution pension plan. The main benefit is a contribution of 5% of salary between 1 and 6 basis points and 8% of salary between 6 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 30 years of full employment. In 2013, the cost of the defined contribution pension was USD 569,000. As of December 31, 2013 the plan had 101 members.



Note 16: Stock options

All figures in USD 1000.

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013.

For several years prior to 2013, Nordic Semiconductor ASA provided all employees with performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year.

The Board implemented a change to this program in 2013, which enabled performance-based compensation to be awarded through a stock option grant as an alternative to the existing cash bonus program.

On February 18, 2013, Nordic Semiconductor granted 3,960,470 share options to 132 employees. The options are exercisable after one year, and expire after three years. The options were granted at a strike price of USD 2.82 (NOK 17.15). If the company's share price exceeds a cap of USD 6.08 (NOK 37.00) the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

A summary of share option transactions during 2013 is below. There were no share option transactions during 2012.

	2013	2012
Outstanding options 1.1	0	0
Options granted	3 960 470	0
Options forfeited	-20 000	0
Options exercised	0	0
Options expired	0	0
Outstanding options 31.12	3 940 470	0
Of which exercisable	0	0

The fair value of the options is set on the grant date and expensed over the vesting period. USD 1,703,000 was expensed during 2013. The recognised share option programme liability is related to social security tax USD 2,659,000 as of 31.12.13. for the parent company only.

The fair value of options granted in 2013 was USD 0.5 (NOK 3.00) per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company.

The calculations are based on the following assumptions:

Share price on the grant date

The share price is set to the value weighted average price of shares traded on the grant date, which was USD 2.56 (NOK 15.59) on the date of grant in 2013.

Strike price

The strike price is the share price on the grant date * 110%.

Cap price

The cap price on the options granted is NOK 37. 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 equalled 49.32% on the date of grant in 2013.

Average option term

It is assumed that all employees will exercise the options once they are exercisable. The options are expected to have an average term of 2 years (between the minimum vesting period of one year and the maximum exercise period of three years).

Dividend

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

Risk-free interest rate

The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2013, i.e. 1.64 %.



Note 17: Current liabilities

All figures in USD 1000.

	2013	2012
Accounts payable	6 261	2 481
Taxes payable	4 806	7 088
Social security tax	2 405	1 374
Holiday pay	2 380	2 303
Allocation ship and debit	2 340	1 758
Accrued expenses	3 452	4 182
Total Current liabilities	21 644	19 186

See note 19 liquidity risk

Note 18: Leases

All figures in USD 1000.

Operating leases:

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

The lease expenses consist of the following:

	2013	2012
Office lease	1 500	1 354
Lease of machinery	32	33
Total lease expense	1 532	1 387

As of December 31, 2013, the Group leased offices in Trondheim, Oslo, Hong Kong, Seoul, Tokyo, and Manila. The lease amounts are fixed with index regulation based on Statistics Norway's consumer price index.

Conditions for major leases are:

Trondheim office: The office lease was renewed January 1, 2013, and expires on December 31, 2017 without notice of termination. Nordic Semiconductor has a pre-emptive right to renew the lease if the lessor does not wish to make use of the premises.

Oslo office: The office lease was renewed January 1, 2014, and expires on December 31, 2015, without notice of termination.

Japan office: The office lease has a 3 months notice of termination.

Hong Kong office: The office lease has a 6 months notice of termination.

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

Within 1 year	1 301
1 to 5 years	2 884
After 5 years	0
Total non-cancellable leases	4 186

Note 19: 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 Company's requirements for ongoing operations and for new investments. Management believes that it is especially important for a small company to retain a strong credit rating and significant liquidity as the Company competes in a global market against larger companies.

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, the company must 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 2013.



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

	2013	2012
Total equity	71 891	65 568
Total assets	103 625	93 900
Equity share	70%	70%

The Company has a credit agreement with a bank, which makes it possible to borrow up to MUS\$ 20 at any time with an interest rate equal to LIBOR + 1.15%. The line of credit agreement expires in October 2014. As of December 31, 2013, the company has no loan from the line of credit. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories USD 11,748,000, accounts receivable USD 26,069,000 and operating equipment USD 4,211,000. The remainder of the company's financing is made through short-term, non-interest-bearing debt. This financing typically consists of debt to suppliers, the public sector, employees or others.

Classification of financial assets and liabilities 2013:

	Fair value	Amortized cost	Total
	Money market fund	Receivables and loans	Other financial obligations
Cash and cash equivalents	8 785	17 050	25 836
Receivables and other short-term receivables		32 800	32 800
Long-term receivables		759	759
Total financial assets	8 785	50 609	59 394
Accounts payable and other short-term debt			21 644
Total financial liabilities			21 644

Classification of financial assets and liabilities 2012:

	Fair value	Amortized cost	Total
	Money market fund	Receivables and loans	Other financial obligations
Cash and cash equivalents	9 355	30 875	40 230
Receivables and other short-term receivables		28 365	28 365
Long-term receivables		1 133	1 133
Total financial assets	9 355	60 373	69 728
Accounts payable and other short-term debt			19 186
Total financial liabilities			19 186

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

Financial risk

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

(i) Credit risk

The company's sale of components takes place through its distribution partners within defined geographic regions. The number of invoice recipients is thereby significantly lower than the end customer base, which increases the credit risk on customer receivables.

In order to manage credit risk, the company has established guidelines to ensure that each customer's outstanding receivables do not exceed established credit limits and that sales are only made to customers who have not had significant problems with previous payments. In the event of the bankruptcy of a distribution partner, end customer demand will be unchanged and a new distribution channel will have to be established. In 2013, 47% of revenues went through the largest distribution partner, compared to 40% in 2012.



Age distribution of customer receivables was:

	2013		2012	
	Gross Total	Provision for doubtful accounts	Gross Total	Provision for doubtful accounts
Not due	29 122		25 469	
Past due 0-30 days	789		1 274	
Past due 31-120 days	135		-710	
Over 120 days	1	2	60	22
Total	30 047	2	26 093	22

Based on its experience, it is not deemed necessary for the company to make a provision for accounts receivable that are not due (97% of receivables). Receivables to which interest applies are set aside in their entirety, as these receivables are generally difficult to collect. For the remaining receivables, loss provisions have been estimated based on the age of the receivables and the customer's payment history.

	2013	2012
January 1	22	5
Change in estimated loss provision	-20	17
December 31	2	22

The book value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk on the balance sheet date was:

	2013	2012
Accounts receivable and other short-term receivables	32 800	28 365
Cash and cash equivalents	25 836	40 230
Total	58 635	68 594

(ii) Liquidity risk

Overall, the Company seeks to minimize risk when investing its cash balance. Investments can only be made in securities which have been approved by the Board. As of December 31, 2012, the Company had invested USD 8,785 thousand as short-term deposits in money market funds with a broad distribution of high-quality issuers, floating earnings and no set maturity. An additional USD 16,181 thousand was deposited in the bank.

The Company has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Company has the following due dates with regard to contracts for financial obligations as of December 31, 2013:

	Entered amount	Contractual cash flows	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years
Supplier debt and other short-term debt	21 498	-21 498	-13 488	-8 011			
Other contractual obligations	0	-4 186	-325	-325	-651	-1 301	-1 583

(iii) Interest rate risk

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

The Group has a line of credit agreement with its bank, which allows it to borrow up to MUS\$ 20 at an interest rate of LIBOR + 1.15%. The line of credit agreement expires in October 2014.

Below is a sensitivity analysis of changes in general interest rate levels on Profit before tax:

	Profit before tax
Interest rate level +/- 0.25%	65

**(iv) Foreign currency risk**

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

The table below shows sales in the most significant currencies:

	2013				2012		
	Local currency	USD (1000)	Share of total revenues in %		Local currency	USD (1000)	Share of total revenues in %
USD	123 207	123 207	98.8 %		129 003	129 003	97.6 %
EUR	1 435	1 915	1.5 %		2 020	2 606	2.0 %
NOK	-2 263	-384	-0.3 %		3 127	550	0.4 %
Total		124 745	100.0 %			132 159	100.0 %

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

Profit before tax	
NOK exchange rate +/- 10%	3 666

(v) Determination of fair value

As of December 31, 2013 the company had no financial assets where there is considered to be a difference between book value and fair value. The following financial instruments are not recognized at fair value: customer receivables and other short-term receivables.

The book value of Money market fund is approximately equal to fair market value, as it has ultra-short collection cycle with low inherent risk.

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

	2013			2012	
	Book value	Fair market value		Book value	Fair market value
Financial assets					
Cash and bank deposits	17 050	17 050		30 875	30 875
Money market fund	8 785	8 785		9 355	9 355
Accounts receivable	30 047	30 047		26 069	26 069
Financial debt liabilities					
Accounts payable	6 261	6 261		2 841	2 841

Note 20: Events after the balance sheet date

On February 18, 2014, Nordic Semiconductor ASA granted 5,843,712 stock options to employees of the Group, including Company executives and Employee board members. The stock option grant is described in Notes 10 and 15.

On February 18, 2014, employees of the Group exercised 2,190,366 stock options in Nordic Semiconductor ASA which had been granted during 2013. The closing share price on the exercise date was NOK 36.00, which was just below the cap on the share options of NOK 37.00.

One primary insider exercised options and sold shares in Nordic Semiconductor ASA on February 18. Thomas Ulleberg, employee representative on the board of directors, exercised 23,800 options and sold these shares at a price of NOK 34.50.

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

**Note 21: Related party transactions**

The Company has the following related parties:

Management: See note 10, where the members of the Board and management group are listed.

Nordic Semiconductor Inc.: Internal Group transactions between Nordic Semiconductor ASA and its Nordic Semiconductor Inc. subsidiary consist of marketing and sales promotion which the subsidiary conducts on behalf of the Parent Company, as well as management, administration and accounting which the Parent Company undertakes on behalf of the subsidiary. These transactions are made on normal business terms.

In December 2013, Nordic Semiconductor ASA set up a new fully-owned operating subsidiary, Nordic Semiconductor Poland Sp. z o.o. The new subsidiary will commence operations in 2014 as an extension of the existing R&D operations of the company.



STANDARDS OF CORPORATE GOVERNANCE

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

Nordic Semiconductor's standards for corporate governance provide a critical foundation for the company's management. These principles must be viewed in conjunction with the company's efforts to constantly promote a sound corporate culture throughout the organization. The company's core values of respect, trust, accountability and equal treatment are central to the Board's and management's efforts to build confidence in the company, both internally and externally. Nordic Semiconductor promotes principles of corporate social responsibility according to the guidelines of the Electronics Industry Citizenship Coalition (EICC) code of conduct.

Nordic Semiconductor's principles for corporate governance are based on Norwegian law, regulations by the Oslo Stock Exchange and the Norwegian Code of Practice for corporate governance published on October 23, 2012. The company's policy on corporate governance are published each year in the annual report, and described in detail below.

Activities

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

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

Equity and dividends

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

The company aims to provide shareholders with returns in the form of dividends based on surplus cash generated by the company. This assumes that the company's needs for financial strength relative to operational requirements and new investments are addressed. The company's dividend policy is reviewed each year by the Board of Directors.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held April 19, 2013, has been authorized to buy back up to 16,300,000 own shares for a total par value of NOK 163,000.00 in one or more transactions. The authorization is limited to 10 percent of the company's share capital, and the price per share which the company may pay for shares acquired in this manner shall not be less than the par value nor greater than NOK 200. This power of attorney will remain in effect until the company's ordinary annual general meeting in 2014.

In accordance with the decision passed at the general meeting held April 19, 2013, the Board of Directors has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a total par value of NOK 163,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including to strengthen 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 2014, and can be implemented through a private placement, rights issue or public offering.

Equal treatment of shareholders and transactions with related parties

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' pre-emptive 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 2014.

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



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

Freely negotiable shares

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

Annual General Meeting

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

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

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

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

- Approval of the profit and loss account and balance sheet, including the allocation of annual profits and payment of dividends
- Appointment of members of the Board of Directors and nomination committee
- Determination of remuneration for Board members and the Auditor's fee
- Any other matters mentioned in the meeting notice

Nomination Committee

Nordic Semiconductor has a Nomination Committee which is elected with a defined mandate during the Annual General Meeting. The Nomination Committee's duties are to represent the interests of the shareholders in general, and to propose qualified candidates for the Annual General Meeting's election of the Board of Directors as well as to propose

the remuneration to the Board of Directors. The Nomination Committee will provide reasons for its recommendation in the notice for the AGM, including information on the candidates' competence, capacity and independence.

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

The members of the Nomination Committee are:

- John Harald Henriksen
- Bjørnar Olsen
- Thomas Raaschou

The composition and independence of the Board of Directors

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

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

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

The work of the Board of Directors

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

Each year, the Board of Directors adopts a specific meeting and activity plan for the following year. This plan covers strategic planning, monitoring of the business, and other



relevant business issues. The Board's activity plan for 2014 stipulates eight meetings, two of which were scheduled for all day meetings to discuss and explore strategy and technology-specific issues.

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

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

The Board acts as the Audit Committee for the purpose of identifying, understanding and evaluating operational and financial risks. In order for the entire Board of Directors to be directly involved in evaluating the company's financial reporting, audit, and control procedures, the Board has received shareholder approval to function as the Company's audit committee, in accordance with the Public Companies Act § 6-42 (3). The Board holds biannual meetings with the company's appointed Auditor, one in the fall to discuss the preparations for the annual accounts and company audit, and one in the spring to discuss the final accounts and other findings.

Risk Management and internal control

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

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

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

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

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

Remuneration of the Board of Directors

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

Members of the Board of Directors do not receive additional remuneration from the company beyond the compensation awarded to Board members. The remuneration to Board members is not performance based, and the company does not provide share options to Board members.

Remuneration of the Executive Management

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

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

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

Information and Communications

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

Nordic Semiconductor's financial reporting calendar for 2014 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 website.



tor's websites together with the quarterly and annual reports. A comprehensive and detailed presentation of other information, reports and documents may also be found on Nordic Semiconductor's websites. The company always ensures that all shareholders are treated equally as regards access to financial information.

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

Takeovers

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

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

aside from normal legal and advisory fees.

Auditor

Ernst & Young 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 reported at the Annual General Meeting.

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

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



AUDITOR OPINION LETTER



Statsautoriserte revisorer
Ernst & Young AS

Havnegt. 9, NO-7010 Trondheim
Postboks 1299 Pircenteret, NO-7462 Trondheim

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 73 54 68 00
Fax: +47 73 54 68 01

www.ey.no
Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Nordic Semiconductor ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Nordic Semiconductor ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2013, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.



Opinion

In our opinion, the financial statements of Nordic Semiconductor ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements


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

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

Opinion on registration and documentation

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

Trondheim, 19 March 2014
ERNST & YOUNG AS


John Christian Løvaas
State Authorised Public Accountant (Norway)



SALES & MARKETING

Nordic Semiconductor has a world-class sales organization composed of regional sales directors, technical sales managers, and local application engineers, headquartered in Norway with sales offices in the US, China, Japan, and Korea.

The sales organization works directly with Nordic's largest customers to build awareness and adoption of Nordic's solutions within these high-volume accounts. The Company uses a network of leading electronic component distributors for sales to small- and medium-size customers in the different sales regions. In addition, the Company outsources responsibility for all direct distribution to its distributors, including all warehousing, end-customer invoicing and logistics within the regions.

The sales process generally runs through a number of phases before volume shipments of a component can begin.

1. Evaluation of technology:

Nordic Semiconductor's components are compared with components from three or four other suppliers.

2. Prototyping:

The customer makes a first model with components from Nordic Semiconductor, often based on modules or an evaluation kit.

3. Pilot production:

A smaller series is produced to test the end product from a marketing perspective or with key customers.

4. Regulatory Approval:

All end products must be approved in accordance with national and/or regional regulation for sales of electronics and radio frequency products.

5. Volume production:

This is first achieved after the steps above have been completed and after the project has passed the internal product release criteria of customers.

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

Once a product is released with a Nordic Semiconductor wireless solution, customers are generally interested in building a platform for future releases of related products. This progress is an advantage to the Company as it speeds up development of subsequent products, and it also gives Nordic Semiconductor the opportunity to develop more application-specific solutions to serve the needs of the customer.

Nordic Semiconductor expects demand for its wireless solutions to grow dramatically in the coming years, as the "internet of things" expands and as wireless connectivity becomes a standard feature in many new products. The company believes that its *Bluetooth* Smart technology will be a core technology behind the coming wave of wireless products, as it will enable



Geir Langeland
Sales and Marketing Director

“Bluetooth Smart will be a core technology behind the coming wave of wireless products.”

the products to connect a huge and growing ecosystem of existing smartphones, PC's, tablets and TV's.

In particular, the company expects the following growth opportunities to emerge across its key business segments:

PC (& tablet) accessories:

PC accessories are the company's largest business segment, and represented 55% of the company's annual revenue in 2013. Despite recent weakness in the PC market, Nordic continues to view the market for PC accessories as a business opportunity, as wireless accessories grow in popularity. The company estimates that only approximately 20% of PC buyers are purchasing a wireless mouse/keyboard with a new PC (including aftermarket purchases), leaving a large unaddressed market for wireless accessories among PC users.

In addition to PC accessories, *Bluetooth* Smart technology also creates new opportunities for Nordic to address the tablet accessory market. Currently, many tablets cannot connect with ultra-low power wireless accessories, as they do not contain ports for inserting a proprietary 2.4 GHz USB dongle. Therefore, they are limited to communicating with established wireless standards such as Basic Data Rate ("classic") *Bluetooth* or WiFi. Due to significantly higher power consumption, these wireless standards are not optimal for connecting with small battery-powered sensor applications such as wireless keyboards.

As tablets implement *Bluetooth* Smart Ready technology, these devices will soon connect with ultra-low power *Bluetooth* Smart keyboards and other accessories. These keyboards will enable tablets to be used much more effectively for productivity applications (such as writing or work activities) in addition to more casual use.



Mobile/wearable devices

(includes wearable electronics such as sports / health monitoring devices and hearing aids, and portable electronics such as mobile phone accessories, and proximity sensors):

Nordic considers the market for mobile/wearable technology to be its largest business opportunity during the next few years based on the explosive growth of Smartphones and related applications. The Smartphone is an ideal device to connect with wireless accessories due to its huge market volumes, portability, compatibility with wireless standards, highly functional screen and touch interface, and ease of downloading new software ("apps") for interacting with a wireless device.

As Smartphones adopt *Bluetooth* Smart Ready technology, many new *Bluetooth* Smart wireless accessories are being released to connect with this growing installed base of compatible devices. The potential applications for these *Bluetooth* Smart mobile accessories ("app-cessories") are nearly endless, as they encompass any sensor which can transmit data to the Smartphone, or any device which the Smartphone can control.

For example, the healthcare industry is promoting medical devices with *Bluetooth* Smart technology to enable cost-effective monitoring of a growing elderly population as well as patients with chronic illness. With these devices, patients with conditions such as high blood pressure, diabetes or heart ailments can monitor their condition through a body-worn health sensor connected wirelessly to a mobile handset. The handset can also transfer medical data further (via web services) to a healthcare provider to follow up on the patient's condition.

In addition to health sensors, many other new low-power wireless applications are currently being developed to connect mobile handsets to watches, ID/security tags, fitness and gaming accessories, to name only a few applications.

Home electronics devices

(includes wireless solutions for appliances such as TV's / set-top boxes, gaming, toys and wireless charging units):

Wireless solutions are currently being implemented in a broad range of home electronic appliances to enable users to interact with these devices via a Smartphone or other remote control unit. *Bluetooth* Smart is an ideal wireless solution for many of these embedded applications.

For example, new generations of home media centers (called Connected TV's) are increasingly providing internet-based services and software apps in addition to the television offering, and will require remote controls with advanced navigation functionality similar to a mouse/keyboard/motion control device to search for content. *Bluetooth* Smart technology provides an excellent remote control solution for Connected TV's, enabling advanced navigation functionality with high performance and ultra-low power consumption.

In addition to next generation remote controls, *Bluetooth* Smart will allow many other appliances throughout the home to wirelessly connect with users and with each other. Examples in-

clude new generations of wireless toys, game controllers and home automation solutions for common household items.

Even battery charging units are now implementing wireless technology. Recently, the Alliance for Wireless Power consortium (A4WP) has developed a standard for a small charging appliance which can wirelessly recharge batteries on a broad range of electronic devices. This standard (called Rezence™) relies on *Bluetooth* Smart technology to wirelessly transfer critical information such as battery type and charge status from the electronic device to the charger. This enables the charger to manage the charge session between the charger and the device. Nordic Semiconductor is an active member of the A4WP consortium, along with mobile phone industry giants such as Samsung, LG and HTC.

Installed sensor networks

(i.e., RFID / security systems, building sensors, industrial automation, automotive sensors): Installed sensor networks were Nordic's fastest growing area during 2013, and represent the largest and most diverse market opportunity in the longer term.

Wireless sensor networks are increasingly being utilized for identifying people and products, and for managing the efficient use of resources and public goods. Examples of such applications include access control, indoor mapping and location services, logistics, and energy management systems for homes and offices.

In addition, sensor networks can provide information about a device's internal operations and its external environment to ensure that problems are quickly identified. Wireless sensors for autos and home appliances, and sensors to manage factory processes are all emerging examples of such applications.

Wireless sensor networks are sometimes referred to as "machine-to-machine" (or "M-to-M") technologies, as they often collect and distribute information from objects rather than people. While this market is still in its earliest stages of development, the potential applications are so numerous that they are impossible to quantify. *Bluetooth* Smart provides a very attractive standard for building these wireless sensor networks, based on its compatibility with a huge existing installed base of Smartphones and other devices.

One example of a *Bluetooth* Smart-based sensor network which has gained recent attention is the location beacon (frequently called "iBeacon"). Location beacons featuring *Bluetooth* Smart technology can detect when a user's Smartphone is in range and activate information both on the user's Smartphone and at the location which has installed the beacons.

For example, location beacons positioned at a retail store can enable customers to upload targeted information on their Smartphone such as product information, promotions, and an indoor positioning map when they approach the beacon. In return, the retailer can capture information regarding its customers and their shopping patterns. Finally, information gathered by location beacons can be used to expedite mobile payments between the customer's Smartphone and the retail location.



PRODUCT DEVELOPMENT

Nordic Semiconductor's R&D department consists of a highly qualified team of engineers, which develops world-leading technology for wireless applications. The company's primary focus is on ultra-low power wireless solutions, based on proprietary 2.4 GHz RF and *Bluetooth* Smart technologies (aka Bluetooth low energy, Bluetooth 4.0).

Bluetooth Smart is the first wireless standard to combine interoperability and a "light" protocol optimized for ultra-low power consumption. The Bluetooth Smart standard makes it possible for small peripheral devices such as watches and health sensors to communicate wirelessly with mobile telephones and PCs equipped with Bluetooth technology.

The following core activities are involved in developing and supplying wireless solutions to customers:

1. **Radio Frequency Integrated Circuit (RFIC) Design**
2. **System on Chip Integration**
3. **Embedded Firmware Design**
4. **Application Design**
5. **Production**
6. **Testing**

Radio Frequency Integrated Circuit (RFIC) Design

Nordic Semiconductor began its development of short-range wireless solutions with low power consumption in 1996, based on research originating at NTNU university in Trondheim, Norway. Based on this expertise, the company has since 2002 sold wireless solutions within the 2.4 GHz frequency band to vendors of high volume consumer electronics products. Standard components from Nordic Semiconductor have been developed in collaboration with key customers and markets. The result of this development activity is a state-of-the-art RFIC design which provides excellent performance for data transfer, coexistence and ultra-low power consumption.

Maintaining a competitive advantage within integrated circuit technology for wireless communications requires a sustained focus on design methodology, production technology and the use of CAD tools. Nordic Semiconductor continues to develop its design methodology for mixed-mode design in collaboration with the world's leading semiconductor producer, Taiwan Semiconductor Manufacturing Company (TSMC). The Company also actively cooperates with major tool vendors and IEEE work groups to enhance the industry's methodologies and productivity for low-power design.

Competence within production technology is also an important source of competitive advantage in integrated circuit design. Nordic Semiconductor focuses its R&D efforts on developing standard wireless components with cost-effective CMOS production technology. In order to improve wireless performance while maintaining low production costs, Nordic Semiconductor's design team concentrates



Svein-Egil Nielsen
Chief Technology Officer

on exploiting CMOS technology in new and unique ways.

System on Chip Integration

The integration of Nordic Semiconductor's transceivers with other electronics components is a critical factor for maximizing the performance and reducing the total cost of the end product applications. In recent years, Nordic Semiconductor has created integrated system-on-chip solutions for customers, developing a single wireless component which combines Nordic's wireless transceivers with microcontrollers, memory, protocols and application peripheral software in an optimal and cost-efficient manner.

In 2012, Nordic released the latest generation of its system-on-chip platform, called the nRF51 series. The nRF51 series improves upon the industry-leading specifications of the previous generation of Nordic's products, reducing power consumption by up to 50%. In addition, the nRF51 offers a powerful ARM Cortex M0 processor which provides up to 10X more processing power for system-on-chips than the previous generation. Finally, the nRF51 provides a very easy-to-use platform for application development, with a software architecture that cleanly separates the application and protocol stacks and a hardware architecture that facilitates maximum reuse across product designs. The new system-on-chip platform has been very well-received by customers, and many new products featuring the nRF51 have been released.

Embedded Firmware Design

Nordic Semiconductor provides application peripheral software and protocols for its system-on-chip solutions. The Company places particular focus on developing protocols to minimize energy consumption and to protect its units against disturbance from other radio equipment such as WLAN and Bluetooth. *Gazell™* is Nordic Semiconductor's own proprietary protocol, and is customized for wireless mice, keyboards and remote control units. This protocol



provides the lowest possible energy consumption and can coexist with other 2.4 GHz systems.

In addition to Nordic's proprietary protocol, Nordic Semiconductor has implemented the Bluetooth Smart protocol in its firmware. This ultra-low power implementation offers the customers all the functionality and performance of the Bluetooth Smart technology, while reducing the impact of the complexity of the underlying protocol on the system's performance.

Application Design

Nordic Semiconductor works closely with the manufacturers of end product applications in its strategic segments. In order to reduce time and cost requirements to design Nordic's technology into end products, a full suite of development tools has been created for Nordic's wireless solutions. This development suite includes a complete hardware and software development kit, as well as reference designs for end product applications.

New reference designs are being developed that are tailored to selected applications for each new component. This means that the customer receives a complete sample product design from Nordic, including hardware and circuit board layout as well as microcontroller software and protocols, so that the customer can test and build an application around an existing reference solution from Nordic. This results in shorter design time for Nordic Semiconductor's customers and ensures the highest possible quality of the end product.

During the last year, Nordic Semiconductor has released reference designs for some of the most popular Bluetooth Smart applications, including wireless mouse / keyboard, remote control, and proximity sensors, to complement third-party product designs in areas such as sports and health.

In addition, Nordic Semiconductor has released the Demo App, which provides developers with an ideal starting point to develop Bluetooth Smart accessories for smartphones and tablets. The Demo App is a fully functional software application that will work with a broad range of Bluetooth Smart accessories for the mobile phone including wireless heart rate belts, foot pods, temperature, proximity tags, weight scales, and blood pressure monitors. Developers receive complete source code and documentation for the Demo App, enabling them to accelerate development of Bluetooth Smart accessories for smartphones and tablets by building on top of a ready-built design framework with proven code for ultra-low power wireless connectivity.

Production

Nordic Semiconductor manufactures its components through specialist subcontractors. Taiwan Semiconductor Manufacturing Company (TSMC) is Nordic Semiconductor's main wafer supplier, while Advanced Semiconductor

Engineering (ASE) and Amkor Technology manages encapsulation and testing.

These suppliers are the largest in their fields. Because of their size, these companies are able to provide world-class manufacturing facilities as well as technological expertise and flexibility to support Nordic Semiconductor's growth and production requirements. Nordic Semiconductor's suppliers use well-established and documented methods for process control and are certified in accordance with all relevant industrial standards, including ISO 9001:2008 and ISO/TS 16949.

The manufacturing process begins with the production of a raw silicon wafer. The raw silicon wafer is refined through layered processing until there are a number of functional circuits, called integrated circuits (IC), spread over the surface. There can be hundreds or thousands of circuits on a single wafer. Processing takes place in what is referred to as a "wafer-fab". Modern wafer-fabs are characterized by complex technology, and the cost of such facilities may be in the billions of dollars. The production capacity of such units is often in the range of hundreds of thousands of wafers per month.

The next stage after processing is encapsulation. The main purpose of encapsulation is to connect the integrated circuit to the surroundings in a reliable manner. The processed wafer is cut and each individual circuit is positioned in a form of basic frame. The main function of the frame is to adapt the electrical connection to the specification of the manufacturer of the printed circuit board. The electrical connection is made in this example by connecting a thin gold thread from the connection point on the circuit to the equivalent points on the frame. Finally, the whole structure is molded into a protective cover, resulting in a mechanically robust unit.

Testing

The final stage of the production process for a semiconductor component is an electrical test, various other quality checks, and finally packing for dispatch. Management at Nordic Semiconductor believes testing capacity to be critical to avoid production bottlenecks, and has acquired its own operational testers to support its production requirements.

In addition to testing, Nordic Semiconductor regularly monitors and optimizes process-related factors that can improve production quality. The Company also carries out test chip measurements to ensure the quality of technology models. These quality assurance activities enable Nordic Semiconductor to manage its production with high yields and to avoid costly redesigns.



SHAREHOLDER RELATIONS

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

- The shareholders of the Company will over time achieve a competitive return relative to the underlying risk of the Company's operations. The return for shareholders will be a combination of appreciation and dividend.
- The company aims to provide shareholders with returns in the form of dividends based on surplus cash generated by the company. This assumes that the company's needs for financial strength relative to operational requirements and new investments are addressed.
- In order to follow its growth philosophy and make substantial investments in research and development, the Company will endeavor to maintain a high proportion of equity and significant liquidity.
- The Company will create circumstances to increase the liquidity of Nordic Semiconductor's shares, not least through an open, transparent and reliable information policy.



Robert Giori
Chief Financial Officer

“Nordic Semiconductor prioritizes open communication with investors and financial markets.”

Financial Reporting and Investor Relations

Nordic Semiconductor will publish financial reports for 2014 as follows:

Interim Report Q1 2014	April 10, 2014
Interim Report Q2 2014	July 11, 2014
Interim Report Q3 2014	October 16, 2014
Interim Report Q4 2014	February 10, 2015

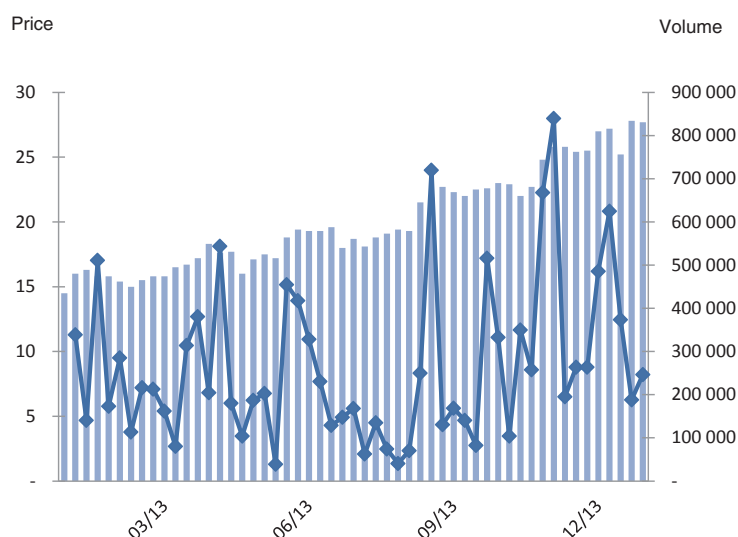
The regularly scheduled General Meeting of Shareholders of the Company is planned to be held following the

Q1 financial presentation in Oslo, at 9:00 am, on Thursday April 10, 2014.

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

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

Weekly share price and volume trend 2013



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



Share Capital

The registered share capital in Nordic Semiconductor as of December 31, 2013 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, so that the total share capital is NOK 1,634,406. Each share grants the same rights in the company. The Company's shares are registered in the Norwegian Central Securities Depository (VPS) under VPS No. ISIN NO 000 3055501. The evolution of the share capital is as shown in the table below.

Changes	Date	Change in number of shares	Par value (NOK)	Changes in share capital (NOK)	New share capital (NOK)	Shares issued
Status	Jan 1996	-	1,00	-	1 000 000	1 000 000
New share issue	Mar 1996	175 000	1,00	175 000	1 175 000	1 175 000
New share issue	Feb 1997	117 000	1,00	117 000	1 292 000	1 292 000
Share split (1:4)	Apr 1997	3 876 000	0,25	-	1 292 000	5 168 000
Conversion	Sep 1997	141 119	0,25	35 280	1 327 280	5 309 119
Conversion	Sep 1998	127 461	0,25	31 865	1 359 145	5 436 580
Conversion	Jun 1999	30 791	0,25	7 698	1 366 843	5 467 371
Conversion	Apr 2000	32 957	0,25	8 239	1 375 082	5 500 328
Option exercise	Jun 2000	16 666	0,25	4 167	1 379 249	5 516 994
New share issue	Oct 2000	550 000	0,25	137 500	1 516 749	6 066 994
Conversion	Apr 2001	28 127	0,25	7 032	1 523 780	6 095 121
Option exercise	Jun 2001	6 834	0,25	1 709	1 525 489	6 101 955
Option exercise	Jun 2002	4 270	0,25	1 068	1 526 556	6 106 225
Share split (1:5)	Apr 2004	24 424 900	0,05	-	1 526 556	30 531 125
Option exercise	May 2004	601 938	0,05	30 097	1 556 653	31 133 063
Option exercise	Jul 2004	600 000	0,05	30 000	1 586 653	31 733 063
Option exercise	Apr 2005	200 000	0,05	10 000	1 596 653	31 933 063
Option exercise	Apr 2005	400 000	0,05	20 000	1 616 653	32 333 063
Option exercise	May 2005	756 837	0,05	37 842	1 654 495	33 089 900
Option exercise	Feb 2006	2 044 220	0,05	102 211	1 756 706	35 134 120
Cancellation of shares	Sep 2009	(1 386 800)	0,05	(69 340)	1 687 366	33 747 320
Share split (1:5)	Jun 2010	134 989 280	0,01	-	1 687 366	168 736 600
Cancellation of shares	Oct 2012	(5 296 000)	0,01	(52 960)	1 634 406	163 440 600

Shareholder Structure

As of December 31, 2013, Nordic Semiconductor had 1,590 shareholders. The company had 131 foreign shareholders, which owned a total of 25% of the Company's shares. Nordic Semiconductor also owned 1.5% of its own shares which were repurchased during 2012 and 2013. Based on the number of shares, the composition of shareholders is as follows:

Top 20 shareholders	31.12.2013 Shareholding	Percent	31.12.2012 Shareholding	Percent
Accelerator Ltd	17 332 950	10.6 %	17 332 950	10.6 %
Folketrygdfondet	15 145 837	9.3 %	9 919 024	6.1 %
Tore Engebretsen	7 537 500	4.6 %	7 537 500	4.6 %
Alden AS	5 750 000	3.5 %	5 750 000	3.5 %
KLP Aksje Norge	4 100 000	2.5 %	4 193 205	2.6 %
MP Pensjon	4 100 000	2.5 %	4 500 000	2.8 %
Statoil Pensjonskassen	3 923 178	2.4 %	3 553 268	2.2 %
INAK 3 AS	3 400 000	2.1 %	5 140 000	3.1 %
Verdipapirfondet DNB Norge (IV)	3 329 762	2.0 %	1 094 249	0.7 %
Goldman Sachs Int. Equity (nominee account)	3 230 000	2.0 %	4 980 190	3.0 %
Skandinaviska Enskilda Banken AB	2 930 000	1.8 %	2 015 013	1.2 %
Kommunal Landspensjonskasse	2 800 000	1.7 %	3 200 000	2.0 %
Torstein Tvenge	2 400 000	1.5 %	2 500 000	1.5 %
Awilco Invest AS	2 900 000	1.5 %	5 121 000	3.1 %
Nordic Semiconductor ASA	2 391 000	1.5 %	383 000	0.2 %
Arne-Kristian Mæland	2 340 000	1.4 %	2 805 000	1.7 %
Fougner Invest AS	2 335 806	1.4 %	2 900 000	1.8 %
Canica AS	2 329 200	1.4 %	2 015 013	1.2 %
TTC Invest AS	2 200 000	1.3 %	2 200 000	1.3 %
Haadem Invest AS	2 152 920	1.3 %	1 880 000	1.2 %
Total for the 20 largest shareholders*	92 228 153	56.4 %	98 859 586	60.5 %
Other shareholders	71 212 447	43.6 %	64 581 014	39.5 %
Total shares outstanding	163 440 600	100.0 %	163 440 600	100.0 %

* Reflects total shareholding of the 20 largest shareholders as of 31.12.13 and 31.12.12. Several of the largest shareholders as of 31.12.12 do not appear on the list of the 20 largest shareholders as of 31.12.13.



BOARD OF DIRECTORS

Tore Engebretsen (1951) - shareholder elected



Chairman of the Board

Tore Engebretsen has a cand. real. degree from the University of Oslo, with a major in theoretical physics (1978). He was one of the founders of VMETRO ASA, and served as its CEO from the company's founding in 1986 until 2003 and its Chairman from 2003 until 2008. Engebretsen has been Chairman of Nordic Semiconductor since 2001. He has also been a board member in the companies Ferd Venture ASA, Profdoc ASA and Nera ASA. Engebretsen is a partner in the investment company Nunatak AS, and is a Chairman of the Board in the associated portfolio companies Elliptic Labs AS, Squarehead Technologies AS, Media Network Services AS and Transpacket AS. Holdings in the company: 7 687 500 shares.

Terje Rogne (1960) - shareholder elected



Vice-Chairman of the Board

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

Anne-Cecilie Fagerlie (1958) - shareholder elected



Board member

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

Arnhild Schia (1963) - shareholder elected



Board member

Arnhild Schia has a Master in Computer Science degree from Strathclyde University and a Business degree from BI. She has 20 years experience from the IT, Software and Telecommunication industries and has since 2011 been the CCO of T-VIPS / Nevion. Schia has previously served as Senior Vice President for Comptel Corporation, as CEO for EDB Telecom, as CEO for Incatel AS, as Executive Vice President of Telesciences Inc. and as IT director for Telenor.

Karsten Rönner (1960) - shareholder elected



Board member

Dr. Karsten Rönner has a PhD in Electrical Engineering and a MSc. in Physics from University of Hannover, Germany. He has 17 years experience from the semiconductor and electronics industries at Siemens, Infineon and Systemonic. During this time he worked for several years in Japan and in Silicon Valley. In addition, Dr. Rönner has more than seven years of experience in corporate finance as managing director and co-owner of Sardis Capital. He is a German citizen, and has been managing partner of the Startbahn venture fund in Dresden, Germany since 2011. Holdings in the company: 30 000 shares.

Thomas Ulleberg (1976) - employee representative



Board member

Thomas Ulleberg has a Masters degree in Production and Quality from NTNU (2005) and a Bachelor degree in Electronics from HIST. He has been employed at Nordic Semiconductor since 2010, and currently works as manager for the system architect group. Prior to joining Nordic, he was employed by SINTEF conducting research on sensory electronics and robotics for automated production processes. Holdings in the company: 23 800 share options.

Markus Bakka Hjertø (1977) - employee representative



Board member

Markus Bakka Hjertø has a Master of Science degree in Electrical engineering from NTNU and the University of Adelaide. He has been employed in Nordic Semiconductor since 2005, first within quality assurance and now as a Senior R&D Engineer in Oslo. Holdings in the company: 40 000 share options.



EXECUTIVE MANAGEMENT

Svenn-Tore Larsen (1959)



Chief Executive Officer

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

Holdings in the company: 2 640 400 shares and 950 000 share options

Robert Giori (1970)



Chief Financial Officer

Robert Giori has an MBA from Harvard University and a Bachelors degree in International Relations from Stanford University. Mr. Giori was appointed Chief Financial Officer of Nordic Semiconductor in June 2009, and is also responsible for the administration functions within the company. Prior to joining Nordic Semiconductor, Mr. Giori has held positions as Chief Financial Officer of TeleComputing ASA, as Finance Director of Dell Norway, and as a consultant with McKinsey & Company.

Holdings in the company: 66 400 shares and 600 000 share options

Geir Langeland (1970)



Sales and Marketing Director

Geir Langeland has a B.eng Honours degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He was appointed Product Manager Standard Components at Nordic Semiconductor in October 1999, before being appointed to Director Sales and Marketing September 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/Applications Engineer in Memec

Norway, a leading global electronic components distribution company.

Holdings in the company: 177 700 shares and 600 000 share options

Svein-Egil Nielsen (1969)



Chief Technology Officer

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

Holdings in the company: 15 000 shares and 350 000 share options

Ebbe Rømcke (1964)



Quality Director

Ebbe Rømcke has a M.Sc. degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). He was appointed Quality Director of Nordic Semiconductor in 2002. Prior to this Mr. Rømcke worked eight years in the company as Digital Designer, Project Manager and Group Manager. He has also experience from Digital Design and Project Management in Normarc AS

(now Park Air Systems), a leading manufacturer of aviation systems.

Holdings in the company: 58 400 shares and 325 000 share options



Trondheim

Otto Nielsens veg 12
7004 Trondheim
Norway

Telephone: +47 72 89 89 00

Oslo

Karenslyst Allé 5
0213 Oslo
Norway

Telephone: +47 22 51 10 50

China

66/F, The Center
99 Queen's Road Central, Central
Hong Kong

Telephone: +852 3965 3230

Japan

Bureau Shinagawa
4-1-6 Konan
Minato-ku, Tokyo 108-0075
Japan

Telephone: +81 3 6807 8580

Korea

30F, Asem tower, 159-1 Samsung-dong,
Kangnam-ku, Seoul 135-798
Korea

Telephone: +82 2 6001 3056

Philippines

Philippines Representative Office
c/o Amkor Technology Philippines, Inc.
119 North Science Ave.
SEPZ, Laguna Technopark
Binan, Laguna, 4024
PH - Philippines

Poland

ul. Szlak 67
31-153 Kraków
Poland

USA

1250 Oakmead Pkwy
Suite 210
Sunnyvale, CA 94085-4037
USA

Telephone: +1 (408) 437 7751

Taiwan

Taiwan Representative Office
Shi Dong Rd. Lane 91, No 18, 7F
Taipei 111, Shih Lin District
TW - Taiwan