



## Nordic Semiconductor 2nd Quarter 2014

- Total Revenue of MUSD 41.4
- Operating Profit of MUSD 5.7
- Net Profit after tax of MUSD 4.1
- Order Inflow of MUSD 47.8
- Order Backlog of MUSD 37.9

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## Q2 2014 Financial Summary

Amounts in USD million (unaudited)	2nd quarter		Change
	2014	2013	
Revenue	41.4	28.8	44%
Order inflow	47.8	42.5	13%
Gross Margin %	48%	48%	
Operating Profit (EBIT)	5.7	2.8	106%
Operating Profit % (EBIT %)	14%	10%	
Net profit after tax	4.1	2.0	106%
Cash flow from operations	-9.7	-6.8	N/A
Cash and cash equivalents	19.4	18.8	

Nordic Semiconductor reported strong revenue growth across all of its market segments during the second quarter of 2014. Sales of *Bluetooth* Smart solutions continued to grow at an exceptionally rapid rate.

Total revenue in Q2 2014 was MUS\$ 41.4, compared with MUS\$ 28.8 in Q2 2013. Sales of *Bluetooth* Smart solutions increased to MUS\$ 12.2, or 30% of total revenue during Q2 2014, compared with MUS\$ 3.5, or 12% of revenue in Q2 2013.

Gross profit was MUS\$ 20.0, or 48% of revenue, compared with MUS\$ 13.7, or 48% of revenue during Q2 2013. Gross margin fell from the last few quarters as demand shifted from Nordic's first to second generation (NRF 51) *Bluetooth* Smart product line. This product presently has a higher selling price, but lower gross margin than Nordic's first generation *Bluetooth* Smart solution.

Total operating expenses including depreciation were MUS\$ 14.3 in Q2 2014, compared with MUS\$ 10.9 in Q2 2013. Total operating expenses (non-IFRS) before options and net capitalized R&D expenses were MUS\$ 13.0 in Q2 2014, compared with MUS\$ 11.8 in Q2 2013. Options costs (including related payroll taxes) were MUS\$ 1.3 in Q2 2014, compared with MUS\$ 0.5 in Q2 2013. R&D capitalization and related depreciation had a net accounting impact of MUS\$ 0.0 on operating expense in Q2 2014, compared with a net impact of MUS\$ -1.3 on operating expense in Q2 2013.

Based on higher revenue, the company's Operating Profit (EBIT) grew to MUS\$ 5.7, compared with MUS\$ 2.8 in Q2 2013. Net financial items were a gain of approximately MUS\$ 0.1 in both Q2 2014 and Q2 2013.

Profit before tax was MUS\$ 5.9, compared with MUS\$ 2.9 in Q2 2013. Income tax expense was MUS\$ 1.7, or 29% of pretax profit, during Q2 2014. The base tax rate for the group is 27%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the parent company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK).

Net profit after tax was MUS\$ 4.1 in Q2 2014, compared with MUS\$ 2.0 in Q2 2013. The company's basic earnings per share were USD 0.025 in Q2 2014, compared with USD 0.012 in Q2 2013.



## Market segments

Market Segment	2nd quarter				01.01.-30.06				Year 2013	
Amounts in USD thousand	2014		2013		2014		2013		2013	
PC/tablet accessories	21,767	52.5 %	18,560	64.5 %	35,712	49.0 %	31,909	59.7 %	68,509	55.1 %
Mobile/wearable devices	10,375	25.0 %	4,322	15.0 %	21,752	29.8 %	8,196	15.3 %	26,181	21.0 %
Home electronic devices	2,739	6.6 %	1,340	4.7 %	3,835	5.3 %	2,416	4.5 %	5,305	4.3 %
Installed Sensor networks	3,657	8.8 %	2,780	9.7 %	6,894	9.5 %	5,061	9.5 %	12,259	9.9 %
<b>Wireless Components</b>	<b>38,538</b>	<b>93.0 %</b>	<b>27,001</b>	<b>93.9 %</b>	<b>68,193</b>	<b>93.5 %</b>	<b>47,582</b>	<b>89.0 %</b>	<b>112,255</b>	<b>90.2 %</b>
ASIC components	2,888	7.0 %	1,681	5.8 %	4,703	6.4 %	4,246	7.9 %	10,401	8.4 %
Consulting services	17	0.0 %	79	0.3 %	19	0.0 %	1,623	3.0 %	1,734	1.4 %
<b>Total</b>	<b>41,443</b>	<b>100.0 %</b>	<b>28,761</b>	<b>100.0 %</b>	<b>72,915</b>	<b>100.0 %</b>	<b>53,451</b>	<b>100.0 %</b>	<b>124,390</b>	<b>100.0 %</b>

Technology	2nd quarter				01.01.-30.06				Year 2013	
Amounts in USD thousand	2014		2013		2014		2013		2013	
Proprietary wireless	26,298	63.5 %	23,475	81.6 %	46,662	64.0 %	42,149	78.9 %	91,110	73.2 %
Bluetooth Smart	12,240	29.5 %	3,526	12.3 %	21,531	29.5 %	5,433	10.2 %	21,145	17.0 %
ASIC components	2,888	7.0 %	1,681	5.8 %	4,703	6.4 %	4,246	7.9 %	10,401	8.4 %
Consulting services	17	0.0 %	79	0.3 %	19	0.0 %	1,623	3.0 %	1,734	1.4 %
<b>Total</b>	<b>41,443</b>	<b>100.0 %</b>	<b>28,761</b>	<b>100.0 %</b>	<b>72,915</b>	<b>100.0 %</b>	<b>53,451</b>	<b>100.0 %</b>	<b>124,390</b>	<b>100.0 %</b>

Nordic Semiconductor's total revenue increased by 44% to MUSD 41.4 in Q2 2014, with strong performance across all market segments and technologies. Sales of *Bluetooth* Smart technology to the mobile/wearable device category continued to grow at an exceptionally rapid rate.

### PC/tablet accessories

Sales to the PC/tablet accessory segment (i.e., wireless mice / keyboards, presentation tools) were MUSD 21.8, compared with MUSD 18.6 in Q2 2013. The company has seen demand from PC accessories customers stabilize during the last few quarters, while shipping its first large volumes of *Bluetooth* Smart solutions to the tablet accessories market.

### Mobile/wearable devices

Revenue from the mobile/wearable device segment (i.e., portable electronics such as sports / health monitoring devices, hearing aids, mobile phone accessories, proximity tags and smartwatches) was MUSD 10.4, an increase of 140% from last year. The segment has benefited greatly by growing demand for wearable electronics featuring *Bluetooth* Smart technology.

### Home electronic devices

Sales within Home electronic devices (i.e., wireless solutions for appliances such as TV's / set-top box remotes, game controllers, toys and charging units) was MUSD 2.7, compared with MUSD 1.3 last year. New product releases within *Bluetooth* Smart toys and home media devices have contributed to drive growth in this segment.

### Installed sensor networks

Revenue from Installed sensor networks (i.e., RFID / security systems, industrial automation, automotive sensors) increased by 32% to a record high MUSD 3.7. Very strong growth in sales of RFID solutions (access control) drove revenue during the quarter.

### ASIC components / consulting

ASIC components and consulting revenue was MUSD 2.9, compared with MUSD 1.8 in the prior year. Nordic Semiconductor has made a strategic decision not to invest further in acquiring new customers within this segment, and is currently fulfilling demand from existing customers only.



## First Half 2014 Financial Summary

Amounts in USD million (unaudited)	01.01-30.06		Change
	2014	2013	
Revenue	72.9	53.5	36%
Order inflow	87.5	65.8	33%
Gross Margin %	50%	47%	
Operating Profit (EBIT)	6.5	3.5	87%
Operating Profit % (EBIT %)	9%	7%	
Net profit after tax	4.8	2.3	106%
Cash flow from operations	-5.6	-7.5	N/A
Cash and cash equivalents	19.4	18.8	

A summary of the first half of 2014 is prepared according to the half-year reporting requirements of the Norwegian Securities Trading Act.

Nordic Semiconductor reported strong growth in component sales during the first half of 2014, as the company expanded its presence in new markets based on sales of its *Bluetooth* Smart solutions.

Total revenue in the first half of 2014 was MUSD 72.9, compared with MUSD 53.5 in the prior year. Sales of *Bluetooth* Smart solutions increased to MUSD 21.5, or 30% of total revenue during the first half of 2014, compared with MUSD 5.4, or 10% of revenue during the first half of 2013.

Gross profit was MUSD 36.2, or 50% of revenue, compared with MUSD 25.3, or 47% of revenue during the first half of 2013. This increase in gross margin was due to a change in the revenue mix toward smaller new customers.

Total operating expenses including depreciation were MUSD 29.7 in the first half of 2014, compared with MUSD 21.8 in the prior year. Total operating expenses (non-IFRS) before options and net capitalized R&D expenses were MUSD 26.8 in 1H 2014, compared with MUSD 23.9 in 1H 2013. Options costs (including related payroll taxes) were MUSD 3.0 in 1H 2014, compared with MUSD 0.9 in the prior year. R&D capitalization and related depreciation had a net accounting impact of MUSD -0.2 on operating expenses in 1H 2014, compared with a net impact of MUSD -3.0 on operating expense in 1H 2013.

Based on higher revenue, the company's Operating Profit (EBIT) grew to MUSD 6.5 in the first half of 2014, compared with MUSD 3.5 in 1H 2013. Net financial items were a gain of approximately MUSD 0.2 in the first half of 2014, compared with a gain of MUSD 0.4 in 1H 2013. The difference was primarily driven by a positive impact of exchange rates on foreign currency items in 1H 2013.

Profit before tax was MUSD 6.7, compared with MUSD 3.9 in 1H 2013. Income tax expense was MUSD 1.9, or 29% of pretax profit, during the first half of 2014. The base tax rate for the group is 27%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the parent company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK).

Net profit after tax was MUSD 4.8 in 1H 2014, compared with MUSD 2.3 in 1H 2013. The company's basic earnings per share were USD 0.029 in 1H 2014, compared with USD 0.014 in 1H 2013.

## Balance Sheet and Cash Flow

As of 30 June 2014, Nordic Semiconductor had total assets of MUSD 111.2, of which MUSD 86.9 were current assets. Total liabilities were MUSD 35.7, of which MUSD 25.9 were current liabilities. Total Shareholders' equity was MUSD 75.5, which represents an equity ratio of 68%.

Cash flow from operations was an outflow of MUSD -9.7 in Q2 2014, compared with an outflow of MUSD -6.8 in Q2 2013. Cash flow from operations is typically negative in the second quarter, due to: (a) a large annual payment of income taxes in Q2 from the Norwegian parent company, and (b) the seasonality of demand for Nordic's components. Demand for Nordic's components is seasonally higher in Q2 than Q1, but collections of Q2 component sales are typically not received until the third quarter of the year.

Cash flow from investments was an outflow of MUSD -2.3, compared with an outflow of MUSD -5.9 in Q2 2013. Capital expenditures were MUSD 1.8, driven by the acquisition of technology licenses. Capitalized development expenses were MUSD 0.6, compared with MUSD 1.7 last year, as the company shifted its R&D efforts from development of current product lines to research activities on future wireless solutions.

Cash flow from financing activities was a net outflow of MUSD -2.0, as the company reduced its number of shares outstanding while borrowing on its line of credit. The company used MUSD -4.2 to repurchase 839,366 shares during the quarter through a share buyback program. In addition, the company used MUSD -5.8 to settle contracts for 1,748,034 employee share options in cash without issuing new shares. The settlement was based on a "cap" clause in the employee share option contracts which allowed the company to settle the contracts in cash at a "cap" price which was discounted to the value of the options on the settlement date.

In order to finance the share buyback and options settlement, the company borrowed MUSD 8.0 from its line of credit. The company has a line of credit agreement with its primary bank where it may borrow up to MUSD 20 at any time with a rate of LIBOR + 1.15%. This loan facility expires in September 2015.

The company had a cash balance of MUSD 19.4 at the balance sheet date. The company had total borrowing of MUSD 8.0 on its MUSD 20 line of credit as of the balance sheet date.

## Business Outlook

Nordic Semiconductor is a pioneer and market leader within ultra-low power wireless technology, with 200 million IC units sold last year. Nordic's *Bluetooth* Smart and proprietary 2.4 GHz RF solutions enable wireless accessories (e.g., sensors and controls) to operate for up to years of battery life with an ordinary AA, AAA or coin cell battery pack as power source.

The company expects the market for its ultra-low power technology to grow dramatically in the coming years, as wireless connectivity becomes a standard feature in a growing range of electronic devices. 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* is a new protocol for ultra-low power wireless communication which is part of the new Bluetooth 4.0 wireless standard, and which Nordic has been closely involved in developing. *Bluetooth Smart* can enable 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 over one billion PC’s, handsets and tablets. By 2015, over two billion mobile phones, PC’s, tablets, 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, and has released a *Bluetooth Smart* solution with industry-leading specifications.

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.

The Board and Chairman positions present an excellent opportunity for Nordic Semiconductor to help drive the development of the Bluetooth standard and to profile the company as it markets its *Bluetooth Smart* technology to new customers.

Based on its *Bluetooth Smart* and proprietary 2.4 GHz wireless solutions, the company expects the following growth opportunities to emerge across its key market segments:

- PC/tablet accessories: 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 20-25% 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. As tablets implement *Bluetooth Smart Ready* technology, these devices are now able to connect with ultra-low power *Bluetooth Smart* keyboards and other accessories. *Bluetooth Smart* offers much longer battery lifetime for tablet keyboards than traditional Bluetooth technology, and will enable tablets to be used more effectively for productivity applications in addition to casual use.

The tablet accessory market has just begun to convert from traditional Bluetooth technology to *Bluetooth Smart* technology. Nordic Semiconductor had its first large shipments on *Bluetooth Smart* components to the tablet accessory market in the second quarter of 2014.





- 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 include 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 growth 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 handle mobile payments between the customer's smartphone and the retail location.

In sum, 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 *Bluetooth* Smart technology will be a core technology behind the coming wave of wireless products, as it will enable the products to connect a huge and growing ecosystem of existing *Bluetooth* Smart Ready smartphones, PC's, tablets and TV's.

Nordic Semiconductor has been a pioneer in the field of ultra-low power wireless solutions since 2002, and was one of the founding members of the Nokia initiative which created the *Bluetooth* Smart standard. Today, Nordic Semiconductor is by far the market leader within the ultra-low power





wireless segment, with 200 million wireless components sold last year. The company also serves as Chairman of the Board of the Bluetooth SIG.

In 2012, Nordic released the latest generation of its ultra-low power wireless solutions, called the nRF51 series. The nRF51 series improves upon the industry-leading specifications of the previous generation of Nordic's products -- with lower power consumption and a unique system-on-chip architecture which simplifies application development and improves processing power. The company has had great success with a broad range of new customers including world-leading consumer electronics companies following the launch of the nRF51 product, and expects to see many new product designs come to market with the nRF51 during the course of 2014.

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.



## Condensed financial information for the six months ended 30 June 2014

### Consolidated Income Statement

Amounts in USD thousand (unaudited)	2nd quarter		01.01 - 30.06		Year 2013
	2014	2013	2014	2013	
<b>Total Revenue</b>	<b>41,443</b>	<b>28,761</b>	<b>72,915</b>	<b>53,451</b>	<b>124,390</b>
Cost of materials	(21,415)	(15,013)	(36,711)	(27,006)	(61,840)
Direct project costs	(0)	(25)	(0)	(1,113)	(1,006)
<b>Gross profit</b>	<b>20,028</b>	<b>13,723</b>	<b>36,204</b>	<b>25,332</b>	<b>61,543</b>
Payroll expenses	(8,683)	(6,261)	(18,419)	(13,416)	(28,741)
Other operating expenses	(3,919)	(3,503)	(7,980)	(6,448)	(14,393)
<b>EBITDA</b>	<b>7,426</b>	<b>3,959</b>	<b>9,804</b>	<b>5,468</b>	<b>18,409</b>
Depreciation	(1,696)	(1,183)	(3,276)	(1,974)	(4,802)
<b>Operating Profit (EBIT)</b>	<b>5,730</b>	<b>2,776</b>	<b>6,528</b>	<b>3,494</b>	<b>13,607</b>
Net interest	63	83	147	179	330
Net foreign exchange gains (losses)	57	55	32	225	231
<b>Profit before tax</b>	<b>5,850</b>	<b>2,914</b>	<b>6,706</b>	<b>3,897</b>	<b>14,168</b>
Income tax expense	(1,724)	(914)	(1,919)	(1,568)	(4,590)
<b>Net profit after tax</b>	<b>4,125</b>	<b>2,000</b>	<b>4,787</b>	<b>2,329</b>	<b>9,577</b>
<b>Earnings per share</b>					
Basic	0.025	0.012	0.029	0.014	0.059
Fully Diluted	0.025	0.012	0.029	0.014	0.059
<b>Weighted average number of shares (in '000)</b>					
Basic	162,949	161,105	162,441	161,489	161,268
Fully Diluted	163,141	161,328	164,060	161,489	161,854

### Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	2nd quarter		01.01 - 30.06		Year 2013
	2014	2013	2014	2013	
Net profit after tax	4,125	2,000	4,787	2,329	9,577
Actuarial gain/loss recognized in equity	-	-	-	-	(943)
<b>Comprehensive income for the period</b>	<b>4,125</b>	<b>2,000</b>	<b>4,787</b>	<b>2,329</b>	<b>8,634</b>



## Consolidated statement of financial position

Amounts in USD thousand (unaudited)	30.06.14	31.12.13	30.06.13
Capitalized development expenses	7,658	7,498	6,431
Software and other intangible assets	4,175	3,451	2,709
Deferred tax assets	3,077	3,077	2,510
Property assets	800	583	459
Equipment	8,251	7,464	8,359
Other long-term assets	373	759	758
<b>Non-current assets</b>	<b>24,333</b>	<b>22,832</b>	<b>21,225</b>
Inventory	24,539	22,167	19,297
Accounts receivable	39,010	30,047	29,240
Other short term receivables	3,871	2,703	3,165
Cash and cash equivalents	19,442	26,082	18,847
<b>Current assets</b>	<b>86,862</b>	<b>81,000</b>	<b>70,549</b>
<b>TOTAL ASSETS</b>	<b>111,195</b>	<b>103,832</b>	<b>91,774</b>
<b>Shareholders' equity</b>	<b>75,497</b>	<b>72,244</b>	<b>64,941</b>
Pension liability	9,761	10,090	8,344
<b>Non-current liabilities</b>	<b>9,761</b>	<b>10,090</b>	<b>8,344</b>
Accounts payable	8,499	6,261	9,090
Income taxes payable	259	4,822	1,828
Public duties	1,576	2,405	1,491
Short-term loan facility	8,000	-	-
Other short-term liabilities	7,603	8,011	6,081
<b>Current liabilities</b>	<b>25,937</b>	<b>21,498</b>	<b>18,490</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111,195</b>	<b>103,832</b>	<b>91,774</b>

## Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	2nd quarter		01.01 - 30.06	
	2014	2013	2014	2013
<b>Equity at beginning of period</b>	<b>80,050</b>	<b>63,138</b>	<b>72,244</b>	<b>65,826</b>
Net profit for the period	4,125	2,000	4,787	2,329
Purchase of treasury shares	(4,221)	(700)	(4,221)	(3,975)
Sale of treasury shares on options exercise	-	-	6,154	-
Share-based compensation	1,353	503	2,344	760
Cash settlement of options contract	(5,810)	-	(5,810)	-
Actuarial gain/loss recognized in equity	-	-	-	-
<b>Equity at end of period</b>	<b>75,497</b>	<b>64,941</b>	<b>75,497</b>	<b>64,941</b>



## Consolidated cash flow statement

Amounts in USD thousand (unaudited)	2nd quarter		01.01 - 30.06		Year 2013
	2014	2013	2014	2013	
Profit before tax	5,850	2,914	6,706	3,897	14,168
Taxes paid for the period	(3,320)	(2,815)	(6,578)	(6,808)	(7,041)
Depreciation	1,696	1,183	3,276	1,974	4,802
Change in inventories, trade receivables and payables	(12,346)	(7,771)	(9,096)	(4,112)	(10,617)
Share-based compensation expense	377	535	1,411	899	2,690
Movement in pensions	99	64	(329)	(802)	(566)
Other operations related adjustments	(2,102)	(927)	(992)	(2,578)	137
<b>Net cash flows from operating activities</b>	<b>(9,746)</b>	<b>(6,818)</b>	<b>(5,600)</b>	<b>(7,530)</b>	<b>3,572</b>
Capital expenditures (including software)	(1,760)	(4,193)	(3,880)	(6,526)	(8,456)
Capitalized development expenses	(580)	(1,709)	(1,282)	(3,473)	(5,410)
<b>Net cash flows from investing activities</b>	<b>(2,340)</b>	<b>(5,902)</b>	<b>(5,163)</b>	<b>(9,999)</b>	<b>(13,866)</b>
Dividends paid to shareholders	-	-	-	-	-
Changes in Treasury stock	(4,221)	(700)	1,933	(3,975)	(3,975)
Cash settlement of options contract	(5,810)	-	(5,810)	-	-
Short-term loan facility	8,000	-	8,000	-	-
<b>Net cash flows from financing activities</b>	<b>(2,031)</b>	<b>(700)</b>	<b>4,123</b>	<b>(3,975)</b>	<b>(3,975)</b>
<b>Net change in cash and cash equivalents</b>	<b>(14,118)</b>	<b>(13,419)</b>	<b>(6,640)</b>	<b>(21,503)</b>	<b>(14,268)</b>
Cash and cash equivalents at start of period	33,560	32,266	26,082	40,350	40,350
<b>Cash and cash equivalents at end of period</b>	<b>19,442</b>	<b>18,847</b>	<b>19,442</b>	<b>18,847</b>	<b>26,082</b>

## Notes to the consolidated interim financial statements

### **Note 1: General**

The condensed second quarter interim financial statements for the six months ended 30 June 2014 were approved for publication by the Board of Directors on July 10, 2014.

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

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

### **Note 2: Confirmation of the financial framework**

The Group accounts for Nordic Semiconductor ASA and its wholly-owned subsidiaries, together called "the Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for 2014 do not include all the information required for the full year financial statements and shall be read in conjunction with the Group annual accounts for 2013.

### **Note 3: Important accounting principles**

Major accounting principles are described in the Group annual accounts for 2013. The group accounts for 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

### **Note 4: Use of estimates**

In the interim financial statements for 2014, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2014 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2013.

### **Note 5: Seasonality of operations**

Nordic Semiconductor's revenues are affected by the seasonality of consumer demand for electronics products which integrate Nordic components. In previous years, this factor has driven higher shipments to distribution during Q2 and Q3 in advance of the winter holiday season. However, in many years, other business or economic factors have been more important than seasonal factors in determining the spread of revenue across quarters.



## **Note 6: Segment information**

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

The Group classifies its revenues into the following market segments: Wireless components, ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the product category ("hub") with which its components communicate. These include: PC/tablet accessories, Home electronics devices, Mobile/wearable devices, and Installed Sensor networks.

The Group also reports its Wireless component revenue by technology, including proprietary wireless and *Bluetooth* Smart protocols. Detailed reporting by market segment can be found on page 3 in this document.

## **Note 7: Share option grant**

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 NOK 17.15. 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.

All of the options granted in 2013 have since been exercised or have expired. 20,000 of these options expired in 2013 before the vesting date. 2,192,436 options were exercised in February 2014, of which 2,070 were settled in cash at the share price on the date of exercise. The remaining 1,748,034 options were exercised in April 2014, all of which were settled in cash at the "cap" price – as the company's share price exceeded the "cap" price on the exercise date.

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 176 employees. The options are exercisable after one year, and expire after three years. The options were granted at a strike price of NOK 38.43. 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. Of the share options granted in 2014, 350,000 have expired, and the remaining 5,493,712 options are still unvested.

According to the Black-Scholes option pricing model, the fair value of options granted in 2013 was NOK 3.000 per option, and the fair value of the options granted in 2014 was NOK 6.153 per option. The Black-Scholes valuation of the option program was conducted by an independent advisory company. The options are expensed over the vesting period, in accordance with IFRS.

## **Note 8: Risk management**

A description of risk factors can be found in Note 20 of Nordic Semiconductor's 2013 annual report. The company does not anticipate material changes to its risk profile during the remainder of 2014.

## **Note 9: Events after the balance sheet date**

Nothing has happened since the end of the second quarter of 2014 that affects the evaluation of the submitted accounts.

## Board and Management confirmation

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2014, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

**The Board of Directors and Chief Executive Officer of Nordic Semiconductor ASA**  
Oslo, July 10, 2014




Terje Rogne  
Chairman



Anne-Cecilie Fagerlie  
Board member



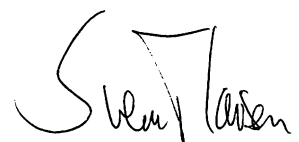
Karsten Rønner  
Board member



Arnhild Schia  
Board member



Tore Valderhaug  
Board member



Svenn-Tore Larsen  
Chief Executive Officer



Joakim Ferm  
Board member



Markus Bakka Hjertø  
Board member



Anne Strand  
Board member