



Nordic Semiconductor 3rd Quarter 2014

- Record high total Revenue of MUSD 49.0
- Operating Profit of MUSD 9.8
- Net Profit after tax of MUSD 7
- Order Inflow of MUSD 43.7
- Order Backlog of MUSD 32.6

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Q3 2014 Financial Summary

Amounts in USD million (unaudited)	3rd quarter		Change
	2014	2013	
Revenue	49,0	35,4	38 %
Order inflow	43,7	31,0	41 %
Gross Margin %	51 %	49 %	
Operating Profit (EBIT)	9,8	5,5	79 %
Operating Profit % (EBIT %)	20 %	16 %	
Net profit after tax	7,0	4,0	77 %
Cash flow from operations	15,5	11,2	N/A
Cash and cash equivalents	24,4	28,5	

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

Total revenue in Q3 2014 was MUSD 49.0, compared with MUSD 35.4 in Q3 2013. Sales of *Bluetooth* Smart solutions increased to MUSD 18.4, or 37.6% of total revenue during Q3 2014, compared with MUSD 5.9, or 16.8% of revenue in Q3 2013.

Gross profit was MUSD 24.9, or 50.8% of revenue, compared with MUSD 17.2, or 48.7% of revenue during Q3 2013. Gross margin increased from previous quarters as a result of higher share of *Bluetooth* Smart and a mix in between *Bluetooth* Smart products.

Total operating expenses including depreciation were MUSD 15.1 in Q3 2014, compared with MUSD 11.7 in Q3 2013. Total operating expenses (excluding depreciation) before options and net capitalized R&D expenses were MUSD 12.1 in Q3 2014, compared with MUSD 10.3 in Q3 2013. The higher spending is explained by higher number of R&D employees (increased by 30).

Based on higher revenue, the company's Operating Profit (EBIT) grew to MUSD 9.8, compared with MUSD 5.5 in Q3 2013. Net financial items were a gain of approximately MUSD 0.4 in Q3 2014 and MUSD 0 in Q3 2013.

Profit before tax was MUSD 10.2, compared with MUSD 5.5 in Q3 2013. Income tax expense was MUSD 3.2, or 31% of pretax profit. 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 7.0 in Q3 2014, compared with MUSD 4.0 in Q3 2013. The company's basic earnings per share were USD 0.043 in Q3 2014, compared with USD 0.025 in Q3 2013.



Market segments

Market Segment	3rd quarter				01.01.-30.09				Year 2013	
Amounts in USD thousand	2014		2013		2014		2013		2013	
PC/tablet accessories	21 512	43,9 %	19 143	54,1 %	57 225	47,0 %	51 052	57,5 %	68 509	55,1 %
Mobile/wearable devices	18 974	38,8 %	7 479	21,2 %	40 726	33,4 %	15 674	17,7 %	26 181	21,0 %
Home electronic devices	2 438	5,0 %	1 885	5,3 %	6 273	5,1 %	4 300	4,8 %	5 305	4,3 %
Installed Sensor networks	3 325	6,8 %	3 607	10,2 %	10 219	8,4 %	8 668	9,8 %	12 259	9,9 %
Wireless Components	46 250	94,5 %	32 114	90,8 %	114 443	93,9 %	79 695	89,7 %	112 255	90,2 %
ASIC components	2 454	5,0 %	3 233	9,1 %	7 157	5,9 %	7 479	8,4 %	10 401	8,4 %
Consulting services	248	0,5 %	5	0,0 %	267	0,2 %	1 629	1,8 %	1 734	1,4 %
Total	48 952	100,0 %	35 352	100,0 %	121 867	100,0 %	88 803	100,0 %	124 390	100,0 %

Technology	3rd quarter				01.01.-30.09				Year 2013	
Amounts in USD thousand	2014		2013		2014		2013		2013	
Proprietary wireless	27 823	56,8 %	26 174	74,0 %	74 485	61,1 %	68 323	76,9 %	91 110	73,2 %
Bluetooth Smart	18 427	37,6 %	5 939	16,8 %	39 958	32,8 %	11 372	12,8 %	21 145	17,0 %
ASIC components	2 454	5,0 %	3 233	9,1 %	7 157	5,9 %	7 479	8,4 %	10 401	8,4 %
Consulting services	248	0,5 %	5	0,0 %	267	0,2 %	1 629	1,8 %	1 734	1,4 %
Total	48 952	100,0 %	35 352	100,0 %	121 867	100,0 %	88 803	100,0 %	124 390	100,0 %

Nordic Semiconductor's total revenue increased by 38% to MUSD 49.0 in Q3 2014, with strong performance across all targeted market segments and technologies.

PC/tablet accessories

Sales to the PC/tablet accessory segment (i.e., wireless mice / keyboards, presentation tools) were MUSD 21.5, compared with MUSD 19.1 in Q3 2013. The company has seen demand from PC accessories customers improving during the last two quarters reflecting returning growth in the PC market as well as shipping of the 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 19.0, an increase of 154% from last year. The segment has benefited greatly by growing demand for wearable electronics featuring *Bluetooth* Smart technology. The growth is a result of new customers with large volumes as well as one leading customer that has released new products.

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 2.4, compared with MUSD 1.9 last year. New product releases within *Bluetooth* Smart toys and home media devices have contributed to drive growth in this segment. Nordic had its first large shipment of more than 1million units per quarter to producers of interactive toys connected to the internet. In total close to 2 Million units were shipped in Q3.

Installed sensor networks

Revenue from Installed sensor networks (i.e., RFID / security systems, industrial automation, automotive sensors) decreased by 7.8% to MUSD 3.3. This drop in revenue is explained by issues related to delays for one customer but Nordic has very positive expectations for this segment.

ASIC components / consulting

ASIC components and consulting revenue was MUSD 2.7, compared with MUSD 3.2 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. The level in Q3 is comparable to the last 24 months rolling average.

Balance Sheet and Cash Flow

As of 30 September 2014, Nordic Semiconductor had total assets of MUSD 113, of which MUSD 88.9 were current assets. Total liabilities were MUSD 30.1, of which MUSD 20.9 were current liabilities. Total Shareholders' equity was MUSD 82.9, which represents an equity ratio of 73%.

Cash flow from operations was MUSD 15.5 in Q3 2014, compared with MUSD 11.2 in Q3 2013. The positive cash flow is explained by high profits and reduced working capital mainly as a result of record low inventories. Higher allocated production capacity at vendors has made Nordic able to reduce inventories despite increased revenues.

Cash flow from investments was an outflow of MUSD 1.6, compared with an outflow of MUSD 1.5 in Q3 2013. Capital expenditures were MUSD 1.3, driven by the acquisition of technology licenses. Capitalized development expenses were MUSD 0.2, compared with MUSD 0.8 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 8.9. As a result of the positive cash development in Q3 the company repaid the MUSD 8.0 that was borrowed from its line of credit in Q2. 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 used MUSD 0.9 to repurchase 180,000 shares during the quarter through a share buyback program.

The company had a cash balance of MUSD 24.4 at the balance sheet date.

Organization

As of 30 September 2014, Nordic Semiconductor had 248 employees, compared to 208 at September 30, 2013. Of these, 173 work within Research and Development representing an increase of 30 compared to 30 September 2013.

Nordic Semiconductor will continue to strengthen its R&D team. On September 26, 2014, Nordic Semiconductor announced that it will open a R&D office in Oulu, Finland. Nordic will hire professionals that have been made redundant in connection with the layoffs recently announced by several large technology companies in Oulu. The size of the office will depend on the skill of the talents identified in Oulu. The team in Oulu will work closely with R&D teams in Trondheim and Krakow to ensure Nordic's leadership position as a "Connectivity Company".



Market

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 at a high rate 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, and 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 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 and into 2015.

Business Outlook

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.

Sales of Bluetooth Smart to triple in 2014 compared to 2013 (i.e. more than MUSD 63 in revenue). This growth is enabled through continued growth in wearable fitness monitors in addition to many new designs in emerging product categories.

Gross margins are expected to stabilize at approximately 50%. However operating expenses is expected to increase in 2015 as a result of higher R&D spending in order to take advantage of upcoming complementary standards.



Condensed financial information for the nine months ended 30 September 2014

Consolidated Income Statement

Amounts in USD thousand (unaudited)	3rd quarter		01.01 - 30.09		Year 2013
	2014	2013	2014	2013	
Total Revenue	48 952	35 352	121 867	88 803	124 390
Cost of materials	(24 014)	(18 131)	(60 725)	(45 137)	(61 840)
Direct project costs	(62)	-	(63)	(1 113)	(1 006)
Gross profit	24 875	17 221	61 079	42 553	61 543
Payroll expenses	(9 201)	(7 095)	(27 621)	(20 511)	(28 741)
Other operating expenses	(4 080)	(3 246)	(12 060)	(9 694)	(14 393)
EBITDA	11 594	6 880	21 398	12 348	18 409
Depreciation	(1 769)	(1 380)	(5 046)	(3 354)	(4 802)
Operating Profit (EBIT)	9 825	5 501	16 353	8 994	13 607
Net interest	24	80	170	258	330
Net foreign exchange gains (losses)	364	(49)	396	176	231
Profit before tax	10 212	5 532	16 919	9 429	14 168
Income tax expense	(3 196)	(1 569)	(5 115)	(3 137)	(4 590)
Net profit after tax	7 016	3 963	11 803	6 292	9 577
Earnings per share					
Basic	0,043	0,025	0,073	0,039	0,059
Fully Diluted	0,043	0,024	0,072	0,039	0,059
Weighted average number of shares (in '000)					
Basic	162 255	161 050	162 426	161 341	161 268
Fully Diluted	162 255	161 759	163 452	161 610	161 854

Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	3rd quarter		01.01 - 30.09		Year 2013
	2014	2013	2014	2013	
Net profit after tax	7 016	3 963	11 803	6 292	9 577
Actuarial gain/loss recognized in equity	-	-	-	-	(943)
Difference with translation to USD	(6)	-	(0)	0	0
Comprehensive income for the period	7 010	3 963	11 803	6 292	8 634



Consolidated statement of financial position

Amounts in USD thousand (unaudited)	30.09.14	30.09.13	31.12.13
Capitalized development expenses	7 349	6 942	7 498
Software and other intangible assets	4 436	2 525	3 451
Deferred tax assets	3 077	2 510	3 077
Property assets	795	588	583
Equipment	8 099	8 049	7 464
Other long-term assets	328	765	759
Non-current assets	24 085	21 380	22 832
Inventory	20 563	19 346	22 167
Accounts receivable	41 108	24 182	30 047
Other short term receivables	2 807	3 196	2 703
Cash and cash equivalents	24 415	28 479	26 082
Current assets	88 892	75 203	81 000
TOTAL ASSETS	112 977	96 583	103 832
Shareholders' equity	82 883	69 398	72 244
Pension liability	9 189	8 560	10 090
Non-current liabilities	9 189	8 560	10 090
Accounts payable	8 850	6 225	6 261
Income taxes payable	3 413	3 399	4 822
Public duties	1 265	1 487	2 405
Other short-term liabilities	7 378	7 515	8 011
Current liabilities	20 905	18 626	21 498
TOTAL EQUITY AND LIABILITIES	112 977	96 583	103 832

Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	3rd quarter		01.01 - 30.09	
	2014	2013	2014	2013
Equity at beginning of period	75 497	64 941	72 244	65 826
Net profit for the period	7 016	3 963	11 803	6 292
Purchase of treasury shares	(948)	-	(5 170)	(3 975)
Sale of treasury shares on options exercise	-	-	6 154	-
Share-based compensation	1 323	494	3 667	1 254
Cash settlement of options contract	-	-	(5 810)	-
Actuarial gain/loss recognized in equity	-	-	-	-
Difference with translation to USD	(6)	-	(6)	0
Equity at end of period	82 883	69 398	82 883	69 398



Consolidated cash flow statement

Amounts in USD thousand (unaudited)	3rd quarter		01.01 - 30.09		Year 2013
	2014	2013	2014	2013	
Profit before tax	10 212	5 532	16 919	9 429	14 168
Taxes paid for the period	-	(5)	(6 578)	(6 813)	(7 041)
Depreciation	1 769	1 380	5 046	3 354	4 802
Change in inventories, trade receivables and payables	2 228	2 144	(6 868)	(1 967)	(10 617)
Share-based compensation expense	1 323	908	2 735	1 807	2 690
Movement in pensions	(572)	216	(901)	(586)	(566)
Other operations related adjustments	525	985	(466)	(1 593)	137
Net cash flows from operating activities	15 486	11 160	9 886	3 630	3 572
Capital expenditures (including software)	(1 259)	(600)	(5 140)	(7 126)	(8 456)
Capitalized development expenses	(306)	(927)	(1 589)	(4 400)	(5 410)
Net cash flows from investing activities	(1 566)	(1 528)	(6 728)	(11 526)	(13 866)
Dividends paid to shareholders	-	-	-	-	-
Changes in Treasury stock	(948)	-	984	(3 975)	(3 975)
Cash settlement of options contract	-	-	(5 810)	-	-
Short-term loan facility	(8 000)	-	-	-	-
Net cash flows from financing activities	(8 948)	-	(4 825)	(3 975)	(3 975)
Net change in cash and cash equivalents	4 973	9 632	(1 668)	(11 871)	(14 268)
Cash and cash equivalents at start of period	19 442	18 847	26 082	40 350	40 350
Cash and cash equivalents at end of period	24 415	28 479	24 415	28 479	26 082

Notes to the consolidated interim financial statements

Note 1: General

The condensed third quarter interim financial statements for the nine months ended 30 September 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.

The financial statements are presented in thousand USD, unless otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements may not add up to the total of that row or column.

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: 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 6: Share options

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 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 7: 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 8: Events after the balance sheet date

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