



Nordic Semiconductor 4th Quarter 2014 and preliminary annual results 2014

- Revenue of MUSD 45.2 (27% increase from Q4 2013), with growth across all key market areas
- BT Smart sales increases of MUSD 22.9, a 24.5% increase from last quarter
- 2014 Total Revenue of MUSD 167 with Bluetooth Smart revenue of MUSD 62.9. First year with total revenue in excess of NOK 1 Billion
- Successfully launched operations in Finland
- Design activity for Bluetooth Smart will continue to drive high growth



Q4 2014 Financial Summary

Amounts in USD million (unaudited)	4th quarter		Change
	2014	2013	
Revenue	45,2	35,6	26,9 %
Order inflow	32,9	27,7	18,8 %
Gross Margin %	52,4 %	53,4 %	
Operating Profit (EBIT)	6,3	4,6	36,5 %
Operating Profit % (EBIT %)	13,9 %	13,0 %	
Net profit after tax	6,7	3,3	105,3 %
Cash flow from operations	11,1	-0,1	
Cash and cash equivalents	34,1	26,1	

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

Total revenue in Q4 2014 was MUSD 45.2, compared with MUSD 35.6 in Q4 2013. Sales of *Bluetooth* Smart solutions increased to MUSD 22.9, or 50.7% of total revenue during Q4 2014, compared with MUSD 9.8, or 27.5% of revenue in Q4 2013. Total *Bluetooth* Smart revenue tripled in 2014 to MUSD 62.9 from MUSD 21.1 in 2013.

Gross profit was MUSD 23.6, or 52.4% of revenue, compared with MUSD 19.0, or 53.4% of revenue during Q4 2013. Gross margin increased from previous quarters during 2014 as a result of higher share of *Bluetooth* Smart and a mix in between *Bluetooth* Smart products.

Total operating expenses including depreciation were MUSD 17.4 in Q4 2014, compared with MUSD 14.4 in Q4 2013. Total operating expenses (excluding depreciation) before options and net capitalized R&D expenses were MUSD 13.7 in Q4 2014, compared with MUSD 13.1 in Q4 2013. The higher spending is explained by higher number of R&D employees (increased by 30).

Based on higher revenue partly offset by higher operating expenses, the company's Operating Profit (EBIT) grew to MUSD 6.3, compared with MUSD 4.6 in Q4 2013. Net financial items were a gain of approximately MUSD 1.3 in Q4 2014 and MUSD 0.1 in Q4 2013.

Profit before tax was MUSD 7.6, compared with MUSD 4.7 in Q4 2013. Income tax expense was MUSD 0.9, or 11.5% 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). In addition Nordic Semiconductor has recognized a deferred tax asset related to option expenses recognized during 2014 in the fourth quarter.

Net profit after tax was MUSD 6.7 in Q4 2014, compared with MUSD 3.3 in Q4 2013. The company's basic earnings per share were USD 0.042 in Q4 2014, compared with USD 0.020 in Q4 2013.



2014 Preliminary Annual Results Financial Summary

Amounts in USD million (unaudited)	<u>01.01-31.12</u>		Change
	2014	2013	
Revenue	167,0	124,4	34,3 %
Order inflow	164,1	124,6	31,7 %
Gross Margin %	50,7 %	49,5 %	
Operating Profit (EBIT)	22,6	13,6	66,4 %
Operating Profit % (EBIT %)	13,6 %	10,9 %	
Net profit after tax	18,5	9,6	93,7 %
Cash flow from operations	21,0	3,6	
Cash and cash equivalents	34,1	26,1	

Nordic Semiconductor reported strong revenue growth across all of its targeted market segments during 2014. Total revenue in 2014 was MUSD 167.0, compared with MUSD 124.4 in 2013. Sales of *Bluetooth* Smart tripled in 2014 to MUSD 62.9 from MUSD 21.1 in 2013.

Gross profit was MUSD 84.7, or 50.7% of revenue, compared with MUSD 61.5, or 49.5% of revenue during 2013. Gross margin increased from previous year as a result of higher share of *Bluetooth* Smart and a mix in between *Bluetooth* Smart products.

Total operating expenses including depreciation were MUSD 62.1 in 2014, compared with MUSD 47.9 in 2013. The higher spending is explained by higher number of R&D employees, higher options expenses and less capitalized R&D expenses, offset partly by a weaker NOK/USD currency rate. In 2014 Nordic capitalized USD 1.8 million versus USD 5.4 million in 2013.

Based on higher revenue partly offset by higher operating expenses, the company's Operating Profit (EBIT) grew to MUSD 22.6, compared with MUSD 13.6 in 2013.

Net profit after tax was MUSD 18.5 in 2014, compared with MUSD 9.6 in 2013.



Market segments

Market Segment	4th quarter				01.01.-31.12			
	2014		2013		2014		2013	
PC/tablet accessories	18 406	40,8 %	17 457	49,1 %	75 631	45,3 %	68 509	55,1 %
Mobile/wearable devices	18 135	40,2 %	10 507	29,5 %	58 861	35,2 %	26 181	21,0 %
Home electronic devices	2 626	5,8 %	1 005	2,8 %	8 899	5,3 %	5 305	4,3 %
Installed Sensor networks	3 702	8,2 %	3 591	10,1 %	13 921	8,3 %	12 259	9,9 %
Wireless Components	42 869	94,9 %	32 559	91,5 %	157 312	94,2 %	112 255	90,2 %
ASIC components	1 970	4,4 %	2 922	8,2 %	9 126	5,5 %	10 401	8,4 %
Consulting services	324	0,7 %	105	0,3 %	591	0,4 %	1 734	1,4 %
Total	45 163	100,0 %	35 587	100,0 %	167 029	100,0 %	124 390	100,0 %

Technology	4th quarter				01.01.-31.12			
	2014		2013		2014		2013	
Proprietary wireless	19 957	44,2 %	22 787	64,0 %	94 442	56,5 %	91 110	73,2 %
Bluetooth Smart	22 912	50,7 %	9 773	27,5 %	62 870	37,6 %	21 145	17,0 %
ASIC components	1 970	4,4 %	2 922	8,2 %	9 126	5,5 %	10 401	8,4 %
Consulting services	324	0,7 %	105	0,3 %	591	0,4 %	1 734	1,4 %
Total	45 163	100,0 %	35 587	100,0 %	167 029	100,0 %	124 390	100,0 %

PC/tablet accessories

Sales to the PC/tablet accessory segment (i.e., wireless mice / keyboards, presentation tools) were MUSD 18.4, compared with MUSD 17.5 in Q4 2013. The company has seen a steady growth in this segment in all quarters of 2014 compared to 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 18.1, an increase of 72.6% 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 2.6, compared with MUSD 1.0 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, and automotive sensors) was MUS\$ 3.7 an increase of 2.8% compared to last year. Strong growth in Beacons and stable sales to large RFID customer

ASIC components / consulting

ASIC components and consulting revenue was MUS\$ 2.3, compared with MUS\$ 3.0 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 Q4 is comparable to the last 24 months rolling average, with a slight negative variance.

Balance Sheet and Cash Flow

As of 31 December 2014, Nordic Semiconductor had total assets of MUS\$ 130.5, of which MUS\$ 104.5 were current assets. Total liabilities were MUS\$ 42.1, of which MUS\$ 30.6 were current liabilities. Total Shareholders' equity was MUS\$ 88.6, which represents an equity ratio of 67.8%.

Cash flow from operations was MUS\$ 11.1 in Q4 2014, compared with an outflow of MUS\$ 0.1 in Q4 2013. The positive cash flow is explained by high profits and reduced working capital.

Cash flow from investments was an outflow of MUS\$ 1.4, compared with an outflow of MUS\$ 2.3 in Q4 2013. Capital expenditures were MUS\$ 1.2, driven by the acquisition of technology licenses and new testing equipment. Capitalized development expenses were MUS\$ 0.2, compared with MUS\$ 1.0 last year, as the company shifted its R&D efforts from development of current product lines to research activities on future wireless solutions.

The company had no cash flows related to financing activities during the quarter. The company has a line of credit agreement with its primary bank where it may borrow up to MUS\$ 20 at any time with a rate of LIBOR + 1.15%. This loan facility expires in September 2015.

As a result of a positive cash flow of MUS\$ 8 during 2014 the company increased its cash balance from MUS\$ 26.1 in 2013 to MUS\$ 34.1 at December 31, 2014.

Organization

As of 31 December 2014, Nordic Semiconductor had 273 employees, compared to 248 at September 30, 2014. Of these, 195 work within Research and Development representing an increase of 22 compared to 30 September 2014.

Recent years have proven the importance of technological leadership. Nordic is now starting to see results of being an innovator in BLE. Nordic has taken advantage of available talents in Oulu, Finland to set up an R & D center and invest in a related field with enormous market potential. In fierce competition with other technology giants, Nordic secured the best talent available.



Nordic is planning to hire approximately 100 employees in Finland (of which approximately 60 had signed at December 31, 2014), with an expected operating cost of MUSD 5 per quarter. As the team in Finland will work on new products within the LTE field, it is expected that time to market is approximately 3-4 years.

The project is based on Nordic's existing technology platform coupled with the unique experience and skill within LTE of the Finnish engineers.

Market

The world is witnessing a wireless revolution on a scale never before experienced in global technology industry and on-trend to break all previous growth and adoption rate records.

It is being driven by the evolution of Bluetooth Smart® (formerly known as Bluetooth low energy) ultra-low power wireless technology leveraging the ubiquity, computing power and user interfacing simplicity of modern smartphones and apps, and the on-going growth of the Internet including rapidly-expanding high-speed cellular networks (3G and 4G) and cloud and connected services.

Ultra low power and Bluetooth Smart wireless technology is changing how entire industries work, and enabling brand new applications and products, such as wearables, that even a few years ago would have been technologically or commercially impossible. It's also being embedded into quite literally everything: a trend that has been dubbed 'The Internet of Things' (or 'IoT' for short).

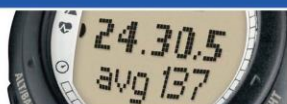
And sitting right in the middle of it all, with the world's leading range of ultra-low power (ULP) proprietary and Bluetooth Smart wireless solutions is Nordic Semiconductor that has sold over 1.25 billion ULP wireless chips to date.

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 an important business segment, although the overall market is stable. 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 and we have observed several successful product launches from our customers.



- 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.

The problem with such gateways is that they tend to be fixed in location, private (unless the user has the login details), complicated (for consumers in particular) to set-up, and of limited range.

The evolution of *Bluetooth Smart* wireless technology, however, is changing all of that. Now any *Bluetooth Smart Ready* smartphone and indeed tablet or computer (*Bluetooth Smart Ready* simply means native compatibility with any *Bluetooth Smart* wireless device) can act as a wireless Internet gateway for any *Bluetooth Smart* enabled device anywhere, anytime, at low cost, and with minimal to zero set-up complexity. This means almost any 'thing' can now become connected to the Internet.

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 is a fast growing market, and represent the largest and most diverse market opportunity in the longer term.

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. Focusing on this opportunity is part of Nordic’s overall IOT strategy to move from “My Things” to “Things around us”.

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.

During 2014 we have seen several large scale implementations of beacon based positions systems, including in major retail high streets and major international airports, all based on beacons utilizing by Nordic’s chips. Nordic also received extensive publicity during Q4 when Aftenposten (Norway’s main newspaper) had a detailed series of articles describing amongst others the use of beacons in a large shopping mall in Oslo.

One example of Nordic’s drive for innovation is the nRF51 IoT Software Development Kit (SDK) that was launched in December 2014. This is a complete IPv6-ready Internet Protocol Suite for Nordic’s market-leading nRF51 Series Bluetooth Smart SoCs. The SDK enables native and interoperable IP-based connectivity between a Bluetooth Smart ‘thing’ and a cloud service. It also enables Bluetooth Smart to be used in large, distributed, cloud-connected, heterogeneous networks such as home, industrial, and enterprise automation.

Native IP means that Bluetooth Smart ‘things’ can communicate with each other via ‘headless’ routers and the Internet. It also means that a Bluetooth Smart ‘thing’ can communicate with things using other IPv6-enabled wired or wireless technologies, such as Wi-Fi, Ethernet, ZigBee IP, and Thread, to form a heterogeneous network. In contrast to other IoT solutions based on proxies or proprietary Internet gateway bridges, the nRF51 IoT SDK is based entirely on open standards and extends IP addressing all the way to the ‘thing’ and thus enabling ‘headless routers’



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 profitable growth as the wireless market expands into many new product categories.

Sales of Bluetooth Smart tripled in 2014 compared to 2013 (i.e. close to 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. We expect continued strong growth for Bluetooth Smart in 2015.

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

Oslo, February 9, 2015
Board of Directors

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Financial Calendar 2015

Apr 17th, 2015	1st Quarter 2015 results
Jul 13th, 2015	2nd Quarter 2015 results
Oct 16th, 2015	3rd Quarter 2015 results
Feb 12th, 2016	4th Quarter/preliminary annual 2015 results

The Annual General Meeting will be held on April 17th 2015.



Condensed financial information for the twelve months ended 31 December 2014

Consolidated Income Statement

Amounts in USD thousand (unaudited)	4th quarter		01.01 - 31.12	
	2014	2013	2014	2013
Total Revenue	45 163	35 587	167 029	124 390
Cost of materials	(21 375)	(16 703)	(82 101)	(61 840)
Direct project costs	(125)	106	(188)	(1 006)
Gross profit	23 662	18 990	84 741	61 543
Payroll expenses	(11 032)	(8 230)	(38 653)	(28 741)
Other operating expenses	(4 506)	(4 699)	(16 566)	(14 393)
EBITDA	8 124	6 061	29 522	18 409
Depreciation	(1 828)	(1 448)	(6 873)	(4 802)
Operating Profit (EBIT)	6 296	4 613	22 648	13 607
Net interest	56	72	226	330
Net foreign exchange gains (losses)	1 267	54	1 663	231
Profit before tax	7 619	4 739	24 537	14 168
Income tax expense	(873)	(1 453)	(5 988)	(4 590)
Net profit after tax	6 746	3 285	18 549	9 577
Earnings per share				
Basic	0,042	0,020	0,114	0,059
Fully Diluted	0,042	0,020	0,113	0,059
Weighted average number of shares (in '000)				
Basic	162 241	161 050	162 379	161 268
Fully Diluted	162 402	162 320	163 452	161 854

Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	4th quarter		01.01 - 31.12	
	2014	2013	2014	2013
Net profit after tax	6 746	3 285	18 549	9 577
Actuarial gain/loss recognized in equity	(2 105)	(943)	(2 105)	(943)
Difference with translation to USD	(95)	0	(101)	0
Comprehensive income for the period	4 546	2 342	16 343	8 634



Consolidated statement of financial position

Amounts in USD thousand (unaudited)	31.12.14	30.09.14	31.12.13
Capitalized development expenses	6 928	7 349	7 498
Software and other intangible assets	4 485	4 436	3 451
Deferred tax assets	5 363	3 077	3 077
Property assets	773	795	583
Equipment	8 172	8 099	7 464
Other long-term assets	281	328	759
Non-current assets	26 001	24 085	22 832
Inventory	27 910	20 563	22 167
Accounts receivable	39 288	41 108	30 047
Other short term receivables	3 257	2 807	2 703
Cash and cash equivalents	34 080	24 415	26 082
Current assets	104 536	88 892	81 000
TOTAL ASSETS	130 537	112 977	103 832
Shareholders' equity	88 522	82 883	72 244
Pension liability	11 455	9 189	10 090
Non-current liabilities	11 455	9 189	10 090
Accounts payable	12 929	8 850	6 261
Income taxes payable	6 690	3 413	4 822
Public duties	2 263	1 265	2 405
Short-term loan facility	-	-	-
Other short-term liabilities	8 678	7 378	8 011
Current liabilities	30 559	20 905	21 498
TOTAL EQUITY AND LIABILITIES	130 537	112 977	103 832

Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	4th quarter		01.01 - 31.12	
	2014	2013	2014	2013
Equity at beginning of period	82 883	69 398	72 244	65 826
Net profit for the period	6 746	3 285	18 549	9 577
Purchase of treasury shares	-	-	(5 170)	(3 975)
Sale of treasury shares on options exercise	-	-	6 154	-
Share-based compensation	1 094	504	4 761	1 758
Cash settlement of options contract	-	-	(5 810)	-
Actuarial gain/loss recognized in equity	(2 105)	(943)	(2 105)	(943)
Difference with translation to USD	(95)	0	(101)	0
Equity at end of period	88 522	72 244	88 522	72 244



Consolidated cash flow statement

Amounts in USD thousand (unaudited)	4th quarter		01.01 - 31.12	
	2014	2013	2014	2013
Profit before tax	7 619	4 739	24 537	14 168
Profit before tax, discontinued operations				
Taxes paid for the period	1 546	(228)	(5 037)	(7 041)
Depreciation	1 828	1 448	6 873	4 802
Gain on sale of equipment	-	-	-	-
Change in inventories, trade receivables and payables	(1 448)	(8 650)	(8 316)	(10 617)
Share-based compensation expense	1 958	883	4 692	2 690
Movement in pensions	(2 211)	20	(3 112)	(566)
Other operations related adjustments	1 802	1 730	1 341	137
Net cash flows from operating activities	11 093	(58)	20 979	3 572
Capital expenditures (including software)	(1 200)	(1 330)	(6 339)	(8 456)
Proceeds from sales of equipment	-	-	-	-
Capitalized development expenses	(213)	(1 009)	(1 802)	(5 410)
Net cash flows from investing activities	(1 413)	(2 339)	(8 141)	(13 866)
Dividends paid to shareholders	-	-	-	-
Changes in Treasury stock	-	-	984	(3 975)
Cash settlement of options contract	-	-	(5 810)	-
Short-term loan facility	-	-	-	-
Other financing related adjustments	-	-	-	-
Net cash flows from financing activities	-	-	4 123	(3 975)
Effect of changes in currency rates	-	-	-	-
Net change in cash and cash equivalents	9 665	(2 397)	7 998	(14 268)
Net change in cash and cash equivalents from discontinued operations				
Cash and cash equivalents at start of period	24 415	28 479	26 082	40 350
Cash and cash equivalents at end of period	34 080	26 082	34 080	26 082

Notes to the consolidated interim financial statements

Note 1: General

The condensed fourth quarter interim financial statements for the twelve months ended 31 December 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.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Company is currently evaluating the impact of the new standard.

Note 4: Use of estimates

In the interim financial statements for 2014, judgments, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 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.

At 31 December 2014, the share options had a value of NOK 8.77 per option. A total NOK 6.8 million has been accrued for social security taxes on the outstanding options.

Note 7: Risk management

A description of risk factors can be found in Note 20 of Nordic Semiconductor’s 2013 annual report.

Note 8: Events after the balance sheet date

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