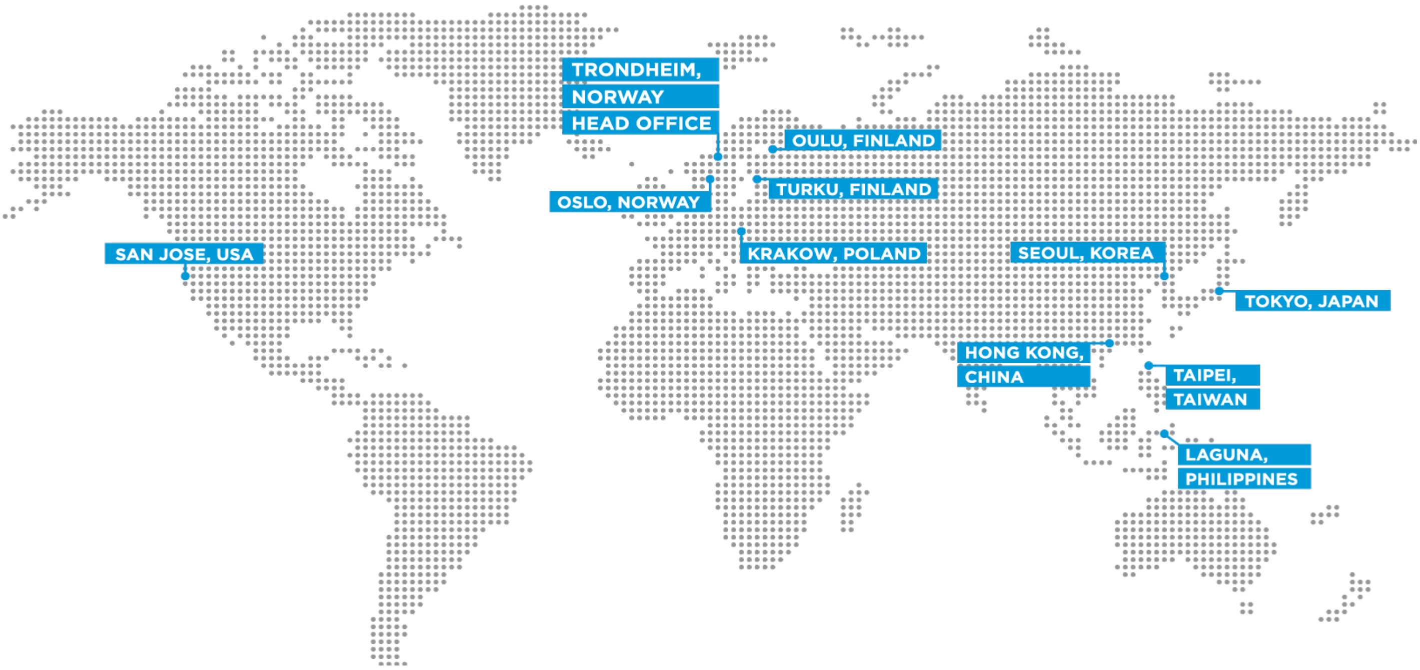
NORDIC
SEMICONDUCTOR





# ANNUAL REPORT /2014

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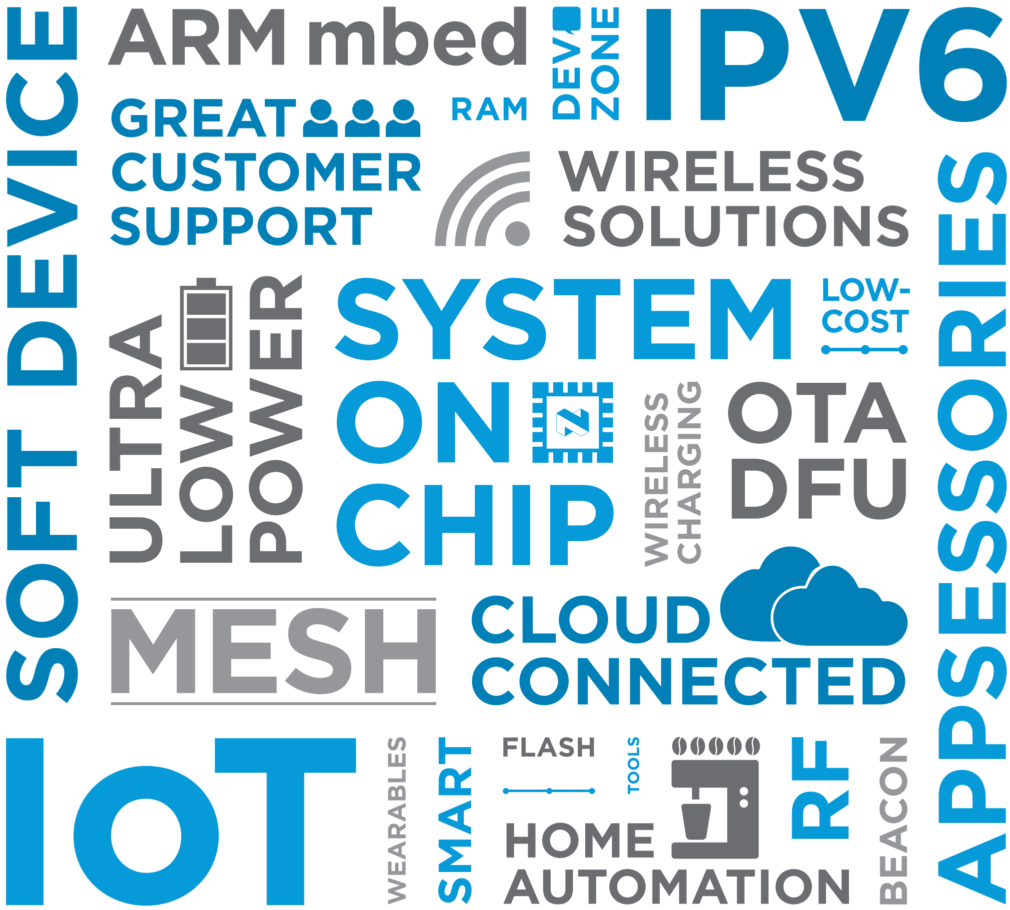



## THIS IS NORDIC SEMICONDUCTOR

### A global leader in Bluetooth Smart wireless solutions

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 1.3 Billion ulp wireless chips to date.

How did a norwegian company come to occupy such a coveted position? Well the reality is, it never really lost it, having almost single-handedly pioneered the development of ultra low power wireless during the early 2000s, and later becoming a key contributor in the creation and evolution of the ultra low power Bluetooth Smart wireless standard.

Since then nordic has worked tirelessly to continually define and re-define the leading edge of the ulp wireless market with each successive new product generation launch, culminating in its latest nRF51 series single chip Bluetooth Smart solution which even three years after its launch no competitor has yet managed to match.

Learn more about us at www.nordicsemi.com

# LETTER FROM THE CEO

2014 was another hugely successful year for Nordic Semiconductor. During the year the company sold 250 million semiconductor units and grew its revenue to MUSD 167. To support its continued growth the company opened two new R&D centers in Finland and Poland to further expand its pool of in-house, world-class R&D engineering talent, plus its first local sales and support office in Taiwan, to help support record levels of new customer and Bluetooth Smart enquiries in Asia-Pacific and the rest of the world. The company also recruited 62 additional employees worldwide to bring its total workforce to 273, of which 193 work in R&D.

In addition to achieving high sales volumes and expanding both its number of staff and office locations, Nordic successfully introduced a number of key product and development tool enhancements designed to make its 2.4GHz proprietary and Bluetooth Smart wireless semiconductor chips even easier to design into the widest range of applications, including the wearables and Internet of Things (IoT) markets.

During 2014 Nordic Semiconductor was also ranked third in a list of "15 Tech Companies That Will Define 2014" by the highly influential financial services company The Motley Fool. Other companies in The Motely Fool rankings included Broadcom (14th), Sony (13th), Apple (10th), Netflix (9th), Qualcomm (7th), Amazon (5th), and Google (2nd). "Nordic might not be on investors' radar," said Erik Bleeker of The Motley Fool, "[but] its focus on ultra-low power wireless communications makes it one of the most intriguing ways to invest in 'The Internet of Things'."

And in another separate Awards program and ceremony in Norway, Nordic's CEO, Svenn-Tore Larsen, was named "Technology Leader of the Year" by top Norwegian technology magazine Teknisk Ukeblad (TU).

Nordic's stated mission is to become the leader of connectivity and to secure at least 40 percent market share of all Bluetooth Smart devices sold. By 2020, with the market forecast to expand to 25 billion Bluetooth Smart devices, that would translate to around 10 billion Nordic semiconductor units. It's a big number but that's what Nordic Semiconductor is aiming for.

Bluetooth Smart is both an exciting new technology being designed into a wide range of 'early adopter' applications and also one that is now shifting into high volume mainstream markets, including those in which Nordic has been traditionally very strong such as PC peripherals (wireless mice and keyboards), sports and fitness, remote controls, toys, 'appcessories' (wireless smartphone accessories) and consumer health. Notable more recent additions include beacons, smart watches, and activity monitors, representing markets that didn't even exist a couple of years ago but in which Nordic has taken an early lead in terms of successful design wins.

But it is the emergence and growth of wearables (things we wear and carry) and the IoT (things around us) that has got the world's leading technology and business press sitting up and taking notice of both new markets in a big way.

**Svenn-Tore Larsen**
*Chief Executive Officer*

> *Nordic's stated mission is to become the leader of connectivity.*

What's changed is that to give a 'thing' the ability to go online requires what's called an 'Internet gateway' such as a familiar home broadband and Wi-Fi router box.

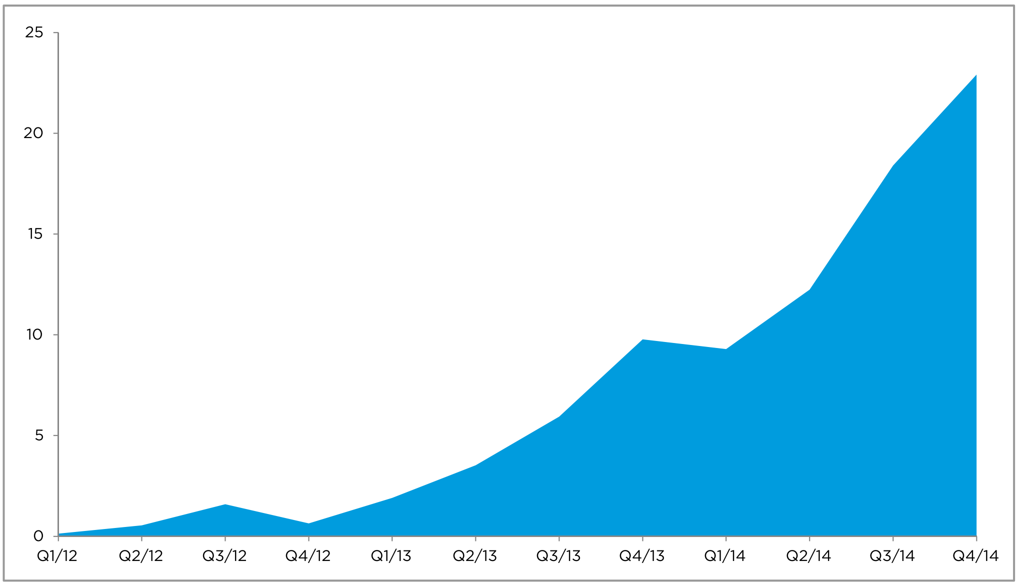
The problem with such gateways is that they tend to be fixed in location, private (unless the user has the login details), complicated (for consumers in particular) to setup, and of limited range.

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.

Making traditionally isolated or standalone things connected and able to communicate with cloud services enables manufactures to make them more useful and easier for their customers to use (e.g. by using Bluetooth Smart wireless technology to enable smartphone app control and monitoring for example). This adds value, differentiation and or cost savings, and therefore the potential to significantly expand a company's customer base.

Where Bluetooth Smart differs from traditional (or 'Classic') Bluetooth wireless technology is that it consumes very little power (hence the term 'ultra low power') and so allows the use of very small batteries (down to watch battery coin cells) that users don't have to replace for many months or years (a critical requirement for mass-market adoption).

Bluetooth Smart Revenue (MUSD)




The Bluetooth Smart standard started as a research collaboration with Nokia, focused on for connecting mobile phones with a broad range of new battery powered electronics. Nordic was the first company to partner with Nokia on this initiative starting in 2005, and continued its full support for the initiative when it was absorbed within the Bluetooth SIG in 2007 by contributing core ultra low power wireless technology and expertise to the construction of the wireless standard.

Nordic was also the first company to launch a Bluetooth Smart chip in 2011.

The Nokia initiative was later rebranded 'Bluetooth Smart' by the Bluetooth SIG and formally released with Bluetooth 4.0 in 2010. Apple began supporting the new Bluetooth Smart standard in 2011, enabling its iPhones, iPads and Macs to communicate with Bluetooth Smart wireless accessories. Microsoft followed in 2012, providing native support for Bluetooth Smart accessories within its Windows 8 operating system. Finally, Google began supporting Bluetooth Smart accessories with an update to its Android operating system in 2013.

Today, all major operating systems contain Bluetooth Smart support, and the majority of new smartphone and tablet product releases. As such the installed base of Bluetooth Smart Ready devices was 1.3 billion in 2013, and forecast to rise to 3.3 billion by 2016.

Based on Nordic's contribution to the Bluetooth Smart standard, the company was appointed to the Board of the Bluetooth SIG in 2011. From December 2012 to December 2014, Nordic's Chief Technology Officer Svein-Egil Nielsen was the Chairman of the Bluetooth SIG Board. Nordic currently participates with Apple, Intel, Lenovo, Nokia, Microsoft, Ericsson AB, Toshiba, LG and Qualcomm on the Board of Directors.

Nordic has benefited greatly from the growth in demand for Bluetooth Smart accessories during 2014. During the past year, the company's sales of Bluetooth Smart solutions grew from MUSD 21.1 in 2013 to MUSD 62.9 in 2014, Representing nearly 38% of the total revenue in 2014. The company expects that sales of Bluetooth Smart solutions will continue to accelerate in 2015 and beyond.

Nordic Semiconductor confidently expects the market for its ultra-low power wireless solutions to grow dramatically in 2015 and beyond, as wireless connectivity becomes a standard feature in an ever-growing range of electronic devices. Nordic is well positioned for the vast market opportunity within the expanding wearables and Internet of Things markets based on its long-term leadership in ultra-low power wireless technology, including Bluetooth Smart wireless technology. Today, we are accelerating our efforts in developing breakthrough new technologies and complete solutions for our customers to implement wireless connectivity across a broad range of new products.

We at Nordic Semiconductor are proud of our market leadership within Bluetooth Smart and ultra-low power wireless technology, and of the over 1.3 billion units we have sold to date. Our team has demonstrated the vision and competence to design solutions on the leading edge of our industry. With the talent and drive of our organization supporting us and the market opportunity ahead, I am confident that we will shortly reach our second billionth unit sold and that this will still just be the beginning of a journey that in the longer term will grow to reach trillions of units.

# REPORT FROM THE BOARD OF DIRECTORS

**Nordic Semiconductor's Bluetooth Smart products revenue grew rapidly with tripling of revenue in 2014 compared to 2013. The company's revenues grew each quarter during the year, setting a new record for Nordic with a total of MUSD 167 in revenues. 2014 represented the first year with more than NOK 1 billion in revenue. The company had strong growth in emerging product categories, driven by accelerating demand for its new Bluetooth Smart wireless products. Nordic continued to invest in future growth by successfully launching operations in Finland and Poland.**

## Company Overview

Nordic Semiconductor is a fabless semiconductor company which designs, sells and delivers integrated circuits and related intellectual property for use in short-range wireless applications. The company specializes in ultra-low power wireless solutions, based on its proprietary 2.4 GHz RF and Bluetooth Smart technology. Nordic Semiconductor is a pioneer and market leader in ultra-low power wireless technology, with 250 million units sold last year.

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

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

## Financial Summary

### Income Statement

Nordic Semiconductor's total revenue in 2014 grew by 34.3% to MUSD 167.0 (MUSD 124.4) and by that turned a 2 year negative revenue trend. The turnaround is attributed to a PC market which has returned to growth after a long period of declining sales and due to the increased sales of Bluetooth smart. These sales totaled MUSD 63 and are becoming the largest revenue stream of the company. In total, Bluetooth Smart sales represented close to 38% of total revenue.

In the fourth quarter of 2014, the company's revenue grew by 26.9% from the prior year, and sales of Bluetooth Smart solutions represented 50.7% of revenue (compared with 27.5% in the fourth quarter of 2013).

Gross margins in 2014 increased to 50.7% (49.5%). Gross margins were solid all year, dropping below 50% only during one quarter. The positive margin trend originated from the increased revenues from Bluetooth Smart coupled with Nordic's change of customer mix. In the fourth quarter of 2014, the company had a gross margin of 52.4%.

Operating expenses including depreciation increased by 29.5% to MUSD 62.1 (MUSD 47.9), or 37.2% (38.5%) of revenue. During 2014, the company invested heavily in developing and releasing new wireless product platforms to enhance its competitive position within Bluetooth Smart technology. The company added 62 new employees during 2014, and increased its spending on product development and marketing-related activities. The company also opened an office in Finland were key management was successfully on board in late 2014. Increases in expenses as a result of more employees were partly offset by lower USD expenses as a result of the weakening of the NOK compared to USD.

Development of new wireless components is essential to the company's continued competitiveness in a rapidly evolving market. At the end of 2014, R&D personnel represented 71.4% of the Group's employees. During 2014, Nordic invested 20% (16%) of its revenues in R&D. With the investment in Finland this percentage will increase further in 2015.

During 2014, R&D activities were focused on developing enhancements to the company's existing product platforms, as well as on conducting research and early stage development on its future product platforms. In accordance with IAS 38 criteria, this resulted in capitalized R&D costs of MUSD 1.8 (MUSD 5.4), which fell sequentially during the course of the year as resources shifted from development to research activities.

As a result of strong financial performance Nordic Semiconductor's operating profit in 2014 increased by 66.4% to MUSD 22.6 (MUSD 13.6).

Net financial items in 2014 were a gain of MUSD 1.9 (MUSD 0.6). This gain was primarily the result of exchange rate changes on foreign currency balance sheet items.

Profit before tax in 2014 was MUSD 24.5 (MUSD 14.2). Net profit after tax was MUSD 18.5 (MUSD 9.6), generating a basic earnings per share of USD 0.114 (USD 0.059).

## Cash Flow and Balance Sheet

Cash inflow from operations totaled MUSD 21.0 (MUSD 3.6). The increase in operating cash flow was caused by higher operating profits, as well as improved working capital in percentage of sales. It is expected that working capital requirement will increase during 2015 in connection with increased sales. Cash outflow for investments were MUSD 8.1 (MUSD 13.9), driven by investments in new test capacity to address further growth in 2015 in addition to setting up operations in Finland. Cash outflows for financing activities were MUSD 4.1 (MUSD 4.0), mainly related to cash settlement of the 2013 employee stock option plan.

In total, Nordic Semiconductor's cash balance increased by MUSD 8 during 2014. The Group had a cash balance of MUSD 34.1 and no interest bearing debt at the end of the year. The remainder of the Group's balance sheet primarily consists of non-current assets such as equipment, software and capitalized R&D and net working capital items, which grew as the company prepared for stronger sales in 2015 and beyond.

## Accounting Principles

The financial statements for 2014 have been prepared and presented in accordance with International Financial Reporting Standards and the Norwegian Accounting Act. A summary of internal controls related to the accounting process can be found in the Corporate Governance section of this annual report.

## Financial Risk

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

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

Nordic Semiconductor's liquidity risk is low. The company maintained a cash balance of MUSD 34.1 and had no interest bearing debt at the end of 2014. The company has an open revolving credit facility of MUSD 20 available for short-term borrowing needs. As the company holds no interest-bearing debt, the company's exposure to risk associated with interest rate fluctuations is also limited.

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

Finally, the company is exposed to credit risk, although this has historically not resulted in significant losses. The company sells its components to leading international distributors of electronics components, primarily based in Asia. The company's receivables are not credit insured, but credit monitoring routines are in place for setting up credit lines, providing security (payment guarantees) and demanding advance payments when required. The company's losses on accounts receivables were less than 1% during the last year

## Personnel and Organization

At the end of 2014, Nordic Semiconductor had 273 (211) employees of whom 63 (37) were employed outside of Norway. Cooperation between management and the employee representatives functions well and makes a valuable contribution to addressing the challenges faced by the company.

There were 37 (31) female employees at the end of 2014, corresponding to 14% (15%) of total employees. There were 210 full-time employees in Norway, including 28 women. There were 63 full-time employees in Finland, China, Hong Kong, South Korea, Japan, the Philippines, Taiwan, Switzerland, Poland and the USA, including 9 women. The average salary for women was 74% of the average salary for men (excluding executive management). Gender differences in employee salary are driven by both the location and function of the employees, with a larger proportion of women in administration functions and based in the Philippines. Gender equality is a fundamental principle of the company, and efforts are being made to ensure that there is no gender imbalance when recruiting for positions within the company. Executive management consists of 6 men, however in the Board of directors 3 members are female, of which one is an employee representative.

Absence due to illness was 1.94% in 2014, compared with 1.4% in 2013. No occupational illnesses or injuries were reported in 2014.

## Environmental Statement

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

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

## Corporate Social Responsibility

Nordic Semiconductor has established standards for Corporate Social Responsibility (CSR), including policies for supporting human rights, the rights of workers, the environment and anticorruption practices in its business strategy and daily operations. A description of the company's CSR policies, results and execution plans is published on the company's website, in accordance with the Norwegian Accounting Act §3-3.

## Corporate Governance

Nordic Semiconductor's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 30 October 2014, as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and Securities Trading Act.

The guidelines are included separately in this annual report.

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

## Allocation of Net Profit
Nordic Semiconductor ASA, the parent company of the Group, reported a net profit for the year of MUSD 18.5 during 2014. The net profit has been transferred in its entirety to other equity.

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

Based on the current cash balance and interest in preserving cash to pursue its growth strategy in the coming years, the Board has determined not to propose a dividend payment at its Annual General Meeting in April.

## Future Outlook
Nordic Semiconductor is by far the market leader within ultra-low power wireless technology, with 250 million wireless components sold last year. Based on market trends and current design activity with customers, the company expects strong growth in demand for its ultra-low power wireless solutions during the coming years.

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

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

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

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

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

## Directors and CEO confirm that:

- to the best of our knowledge, the financial statements for 2014 have been prepared in accordance with current accounting standards and give a true and fair view of the company and the group's assets, liabilities, financial position and results of the operations, and that

- the report by the Board of Directors provides a fair overview of the company and its development, financial results and position, and describes the company's key risks and uncertainties

Oslo, 17 March 2015

| | | |
|---|---|---|
| **Terje Rogne**<br>*Chairman* | **Anne-Cecilie Fagerlie**<br>*Board member* | **Karsten Rönner**<br>*Board member* |
| **Arnhild Schia**<br>*Board member* | **Tore Valderhaug**<br>*Board member* | **Markus Bakka Hjertø**<br>*Board member, employee* |
| **Joakim Ferm**<br>*Board member, employee* | **Anne Strand**<br>*Board member, employee* | **Svenn-Tore Larsen**<br>*Chief Executive Officer* |

# Nordic Semiconductor Group

## Consolidated income statement
for the year ended 31 December 2014

| Amount in USD 1000 | Note | 2014 | 2013 |
|---|---|---|---|
| **Total Revenue** | 3 | 167 029 | 124 390 |
| Cost of materials | 4 | -82 101 | -61 840 |
| Direct project costs | | -188 | -1 006 |
| **Gross profit** | | 84 741 | 61 543 |
| Payroll expenses | 9/10/12/16 | -38 653 | -28 741 |
| Other operating expenses | 5/12/19 | -16 566 | -14 393 |
| Depreciation | 11/12 | -6 873 | -4 802 |
| **Operating profit** | | 22 648 | 13 607 |
| Financial income | 6/20 | 259 | 334 |
| Financial expenses | 6/20 | -33 | -4 |
| Net foreign exchange gains (losses) | 6/20 | 1 663 | 231 |
| **Profit before tax** | | 24 537 | 14 168 |
| Income tax expense | 7 | -5 988 | -4 590 |
| **Net profit after tax** | | 18 549 | 9 577 |
| **Attributable to** | | | |
| Equity holders of the parent | | 18 549 | 9 577 |
| **Earnings per share** | | | |
| Ordinary earnings per share (USD) | 8 | 0,11 | 0,06 |
| Fully diluted earnings per share (USD) | 8 | 0,11 | 0,06 |

| Comprehensive Income | 2014 | 2013 |
|---|---|---|
| **Net profit after tax** | 18 549 | 9 577 |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods:** | | |
| Actuarial gains (losses) on defined benefit plans (before tax) | -3 001 | -1 292 |
| Income tax effect | 810 | 349 |
| **Total Comprehensive Income** | 16 358 | 8 634 |

## Consolidated statement of financial position
as of 31 December 2014

| Amount in USD 1000 | Note | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Capitalized development expenses | 12 | 6 928 | 7 498 |
| Software and other intangible assets | 12 | 4 485 | 3 451 |
| Deferred tax assets | 7 | 5 363 | 3 077 |
| Property assets | 11 | 773 | 583 |
| Equipment | 11/20 | 8 172 | 7 464 |
| Other long term assets | 10 | 281 | 759 |
| Total non-current assets | | 26 001 | 22 832 |
| **Current assets** | | | |
| Inventory | 4/20 | 27 910 | 22 167 |
| Accounts receivable | 13/20 | 39 288 | 30 047 |
| Other short-term receivables | | 3 257 | 2 703 |
| Cash and cash equivalents | 14/20 | 34 080 | 26 082 |
| Total current assets | | 104 536 | 81 000 |
| **TOTAL ASSETS** | | **130 537** | **103 832** |
| **EQUITY** | | | |
| Share capital | 15 | 283 | 283 |
| Treasury shares | 15 | -2 | -4 |
| Share Premium | 15 | 14 253 | 14 253 |
| Other paid in capital | | 709 | 1 757 |
| Retained earnings | | 73 279 | 55 954 |
| **TOTAL EQUITY** | | **88 522** | **72 244** |
| **LIABILITIES** | | | |
| **Non-current assets** | | | |
| Pension liability | 16 | 11 455 | 10 090 |
| Total non-current liabilities | | 11 455 | 10 090 |
| **Current liabilities** | | | |
| Accounts payable | 18/20 | 12 929 | 6 261 |
| Income taxes payable | 7 | 6 690 | 4 822 |
| Public duties | 18 | 2 263 | 2 405 |
| Other short-term debt | 18 | 8 678 | 8 011 |
| Total current liabilities | | 30 559 | 21 498 |
| **TOTAL LIABILITIES** | | **42 014** | **31 588** |
| **TOTAL EQUITY AND LIABILITY** | | **130 537** | **103 832** |

Oslo, 17 March 2015

**Terje Rogne**
*Chairman*

**Anne-Cecilie Fagerlie**
*Board member*

**Karsten Rönner**
*Board member*

**Arnhild Schia**
*Board member*

**Tore Valderhaug**
*Board member*

**Markus Bakka Hjertø**
*Board member, employee*

**Joakim Ferm**
*Board member, employee*

**Anne Strand**
*Board member, employee*

**Svenn-Tore Larsen**
*Chief Executive Officer*

# Nordic Semiconductor Group

## Consolidated statement of changes in equity

for the year ended 31 December 2014

| Amount in USD 1000 | Share capital | Treasury shares | Share premium | Other paid in capital | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| Equity as of 01.01.2013 | 283 | -2 | 14 253 | | 51 292 | 65 826 |
| Net profit for the period | | | | | 9 577 | 9 577 |
| Actuarial gain/loss recognised in equity | | | | | -943 | -943 |
| Purchase of treasury shares | | -2 | | | -3 975 | -3977 |
| Share based compensation | | | | 1 758 | | 1 758 |
| Equity as of 31.12.2013 | 283 | -4 | 14 253 | 1 758 | 55 954 | 72 244 |
| Net profit for the period | | | | | 18 549 | 18 549 |
| Actuarial gain/loss recognised in equity | | | | | -2 191 | -2 191 |
| Purchase of treasury shares | | -2 | | | -5 168 | -5 170 |
| Sale of treasury shares, option exercise | | 4 | | | 6 150 | 6 154 |
| Share based compensation | | | | 4 761 | | 4 761 |
| Cash settlement of options contract | | | | -5 810 | | -5 810 |
| Difference with translation to USD | | | | | -15 | -15 |
| Equity as of 31.12.2014 | 283 | -2 | 14 253 | 709 | 73 279 | 88 522 |

# Nordic Semiconductor Group

## Consolidated statement of cash flows
for the year ended 31 December 2014

| Amount in USD 1000 | Note | 2014 | 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 24 537 | 14 168 |
| Taxes paid for the period | 7 | -5 037 | -7 041 |
| Depreciation | 11/12 | 6 873 | 4 802 |
| Change in inventories, trade receivables and payables | 4/13/18/20 | -8 316 | -10 617 |
| Share-based compensation | | 4 692 | 2 690 |
| Movement in pensions | | -3 112 | -566 |
| Other operations related adjustments | | 1 341 | 137 |
| **Net cash flows from operating activities** | | **20 979** | **3 573** |
| **Cash flows from investing activities** | | | |
| Capital expenditures (including software) | 11/12 | -6 339 | -8 546 |
| Capitalized development expenses | 12 | -1 802 | -5 410 |
| **Net cash flows from investing activities** | | **-8 141** | **-13 866** |
| **Cash flows from financing activities** | | | |
| Sale of treasyry stock | 15 | 6 154 | |
| Purchase of treasury stock | 15 | -5 170 | -3 975 |
| Cash settlemet of options contract | | -5 810 | |
| **Net cash flows from financing activities** | | **-4 825** | **-3 975** |
| **Net change in cash and cash equivalents** | | **7 998** | **-14 268** |
| Cash and cash equivalents as of 1.1. | | 26 082 | 40 350 |
| **Cash and cash equivalents as of 31.12.** | **14/20** | **34 080** | **26 082** |
| **Cash and cash equivalents as of 31.12. which is restricted cash** | | **852** | **869** |

## Note 1: General

Nordic Semiconductor ASA is a public limited company whose shares are listed on the Oslo Stock Exchange. The Group's head office is located at Otto Nielsens vei 12, 7052 Trondheim, Norway. The Group includes the parent company Nordic Semiconductor ASA and three wholly-owned subsidiarys, Nordic Semiconductor Inc., Nordic Semiconductor Poland Sp. z o.o. and Nordic Semiconductor Finland OY.

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

The financial accounts were approved for publication by the Board of Directors on March 17, 2015, and will be presented for approval at the Annual General Meeting on April 17, 2015.

## Note 2: Accounting Principles

### 2.1 Basis for preparation

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

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

The financial accounts are based on the principles of historic cost accounting, with the exception of the following asset:

Financial instruments (money market fund) are measured at fair value, with changes in value recognized on the income statement.

**Basis of consolidation:**

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

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

### 2.2 Significant accounting judgements, estimates and assumptions

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

**Revenue recognition**

Revenue recognition principles are described in 2.11.

Management has made an estimate of future credits to be given to distributors based on components sold in 2014 and 2013, if the following scenarios are met:

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

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

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

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

**Pensions**

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

Further details are provided in note 16. The book value of pension obligations as of December 31, 2014 and 2013 was USD 11,455,000 and USD 10,090,000 respectively.

### Share based payments

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013. For several years prior to 2013, Nordic Semiconductor ASA provided all employees with performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year. The Board implemented a change to this program in 2013, which enabled performance-based compensation to be awarded through a stock option grant as an alternative to the existing cash bonus program. This Program was continued for 2014.

The group measures the cost of share based payments at the date which they are granted. The fair value of options granted in 2014 was USD 1.0 (NOK 6.15) per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company. See Note 17.

### Development cost

Development costs are capitalized in accordance with the principles in Note 2.9. In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, discount rates and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefit, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. The carrying amount of capitalized development costs as of December 31, 2014 and 2013 was USD 6,928,000 and USD 7,498,000 respectively.

## 2.3 Changes in accounting principles

IFRS 10 replaced the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities. The changes introduced by IFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In the standard an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard did not have any significant effect for the Group

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. The new disclosures will assist the users of the financial statements to make their own assessment of the financial impact in cases were management were to reach a different conclusion regarding consolidation — by providing more information about unconsolidated entities. The standard did not have any significant effect for the Group.

## 2.4 Foreign currency

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

## 2.5 Cash and cash equivalents

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

## 2.6 Accounts receivable

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

## 2.7 Inventory

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

## 2.8 Non-current assets

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

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

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

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

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

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

**Financial leases**
The Group does not have any significant financial leases.

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

### 2.9 Research and development

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

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

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

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

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

### 2.10 Provision

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

### 2.11 Revenue recognition

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

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

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

### 2.12 Employee benefits

**Defined benefit pension plans**
The Group offers a defined benefit pension plan to its employees who were hired before December 31, 2007. The group has also established a similar plan for employees in the Philliphines. Pension plan assets are valued at their fair value.

Net liability is calculated on the basis of the present value of future pension benefits which an employee has earned as of the balance sheet due date, after deduction of the actual value of pension assets. The discount rate corresponds to covered bonds (OMF) with the allowance to take the term into account. The Group believes that the market for covered bonds is sufficiently deep and the pricing reliable. The interest rate for covered bonds is calculated on the basis of bonds with maturities over 14 years, which fit the remaining maturity for the Groups pension liability. The calculations were performed by a qualified actuary. All changes in accounting estimates shall be recognized in other comprehensive income in accordance with IAS 19R. See Note 2.3

**Defined contribution pension**
Employees hired after January 1, 2008 have a defined contribution pension plan described in Note 16.

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

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

### 2.13 Government grants

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

### 2.14 Income taxes

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

Deferred tax credits are recognized to the extent that it is probable that the individual company will have sufficient taxable income in later periods to utilize the tax credit. Similarly, the company will reduce recognition of the deferred tax benefit to the extent the company no longer deems it probable that it will be able to utilize such tax benefits.

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

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

### 2.15 Segments

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

### 2.16 Events after the balance sheet date

Information available after the balance sheet date and applicable to conditions existing at the balance sheet date is included in the preparation of the financial statements.

Events after the balance sheet date that do not affect the Group's financial position as of the balance sheet date, but that will affect the Group's financial position in the future, are disclosed if they are significant. See note 21.

### 2.17 Cash flow statement

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

### 2.18 Equity

#### Treasury shares

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

### 2.19 Approved standards and interpretations not yet in effect

IFRS 15 was issued May 2014 and establishes a new five step model that will apply to revenue arising from contract with customers. Under IFRS 15 revenue is recognised at amount that reflects the consideration to which a entity expects to be entitled to in exchange for gods or service to a customer. The principles in IFRS 15 provide a more structured to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods begining on or after 1 January 2017 with early adoption premitted. The group is currently assessing the impact of IFRS 15 and plans to adopt the new standart on the required effective date.

## Note 3: Revenues

All figures in USD 1000.

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

**Revenue classified by end product applications:**
The Group focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: PC/tablet accessories, Home electronic devices, Mobile/wearable devices and Installed sensor networks. In 2014, wireless components accounted for 94.2% of sales versus 90.2% in 2013.

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

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | | |
| PC/tablet accessories | 75 631 | 68 509 |
| Home electronic devices | 8 899 | 5 305 |
| Mobile/wearable devices | 58 861 | 26 181 |
| Installed sensor networks | 13 921 | 12 259 |
| **Wireless components** | **157 312** | **112 255** |
| ASIC components | 9 126 | 10 401 |
| Consulting services | 591 | 1 734 |
| **Total revenues** | **167 029** | **124 390** |

**Revenue classified by customers' location:**
The Group also classifies its revenues on a geographical basis according to its customers' location.

| | 2014 | 2013 |
|---|---|---|
| Europe | 13 493 | 16 229 |
| Americas | 21 460 | 7 735 |
| Asia/Pacific | 132 076 | 100 427 |
| **Total revenues** | **167 029** | **124 390** |

Revenue in Asia/Pacific is primarily from Taiwan, which represented MUSD 75.4 in 2014 and MUSD 67.4 in 2013.

The Group sells its components to distributors, which then sell components onward to electronics manufacturers which build end products and sell them to customers across the world. Four distributors represented more than 10% of the Group's total revenues in 2014 (in total 71%). These four distributors represented 30%, 15%, 15% and 11% of the Group's total revenues respectively. In comparison, two distributors represented more than 10% of the Group's total revenues in 2013, with 37% and 17% of revenues respectively. These distributors are based in Asia.

## Note 4: Cost of materials / inventory

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Cost of goods, gross | 87 844 | 72 259 |
| Changes in inventory | -5 743 | -10 419 |
| **Cost of goods, net** | **82 101** | **61 840** |

| | 2014 | 2013 |
|---|---|---|
| **Finished goods** | | |
| At net realizable value | 25 262 | 20 287 |
| At cost price | 8 492 | 10 065 |
| **Total Finished goods** | **8 492** | **10 065** |
| Work in progress, at cost | 19 417 | 12 102 |
| **Total inventory** | **27 910** | **22 167** |
| Amount written down | 466 | 683 |

## Note 5: Other operating expenses

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Service and maintenance | 3 674 | 3 289 |
| Other consultancy fees | 4 157 | 4 326 |
| Office rental expenses | 2 251 | 2 083 |
| Office equipment | 607 | 571 |
| Material and components | 1 289 | 1 024 |
| Capitalized development expenses | -244 | -571 |
| Travel and meeting expenses | 2 041 | 1 672 |
| Other operating expenses | 2 781 | 1 999 |
| **Total other operating expenses** | **16 556** | **14 393** |

**Auditor remuneration**

Fees to the auditor are included in consultancy fees above.

| | 2014 | 2013 |
|---|---|---|
| Statutory audit servces | 40 | 50 |
| Tax advisory services | 5 | 8 |
| Other non-audit services | 88 | 45 |
| **Total** | **133** | **103** |

## Note 6: Net financial items

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Interest income | 106 | 91 |
| Other financial income | 17 | 10 |
| Interest expenses | -33 | -3 |
| Changes in money market fund, reported in the income statement | 136 | 232 |
| **Financial income** | **226** | **330** |
| Foreign exchange loss (net) | 1663 | 231 |
| **Financial expenses** | **1663** | **231** |

## Note 7: Tax

All figures in USD 1000.

| Tax expense consists of | 2014 | 2013 |
|---|---|---|
| Tax payable | -7 464 | -4 808 |
| Change in deferred tax / tax benefit | 1 476 | 330 |
| Changes in tax rate | 0 | -112 |
| **Tax expense** | **-5 988** | **-4 590** |

| Reconciliation of taxes payable in balance sheet and income statement | 2014 | 2013 |
|---|---|---|
| Taxes payable for year, in the balance sheet | -6 690 | -4 822 |
| Currency effect from translation to USD | -774 | 14 |
| **Taxes payable in income statement** | **-7 464** | **-4 808** |

| Reconciliation of nominal and actual tax expense | 2014 | 2013 |
|---|---|---|
| Profit before tax | 24 537 | 14 168 |
| **Tax at nominal rate 27 % 2014 (28% 2013)** | **-6 625** | **-3 967** |
| | | |
| **Tax effect permanent differences** | **3 488** | **409** |
| | | |
| Effect of change in tax rate | | -112 |
| Actuarial gains | -810 | -349 |
| Currency effect from translation to USD | -2 041 | -571 |
| **Tax expense** | **-5 988** | **-4 590** |

| | 2014 | 2013 |
|---|---|---|
| **Earnings before tax** | **24 537** | **14 168** |
| Government grants | -227 | -163 |
| Settlement options | -9 323 | |
| Interest on tax | -11 | |
| Non-deductible other expenses | 184 | 46 |
| Actuarial gain/loss pension | -3 001 | -1 292 |
| Change in temporary differences | 8 468 | 2 495 |
| Currency effect of translation to USD | 7 019 | 1 917 |
| **Basis for payable tax** | **27 644** | **17 171** |
| **Payable tax on earnings 27 % 2014 (28% 2013)** | **-7 464** | **-4 808** |

| Deferred tax and deferred tax benefits: | Balance Sheet 2014 | Balance Sheet 2013 | Income Statement 2014 | Income Statement 2013 | Other Comp. income 2014 | Other Comp. income 2013 |
|---|---|---|---|---|---|---|
| **Deferred tax benefit** | | | | | | |
| Inventory | 463 | 683 | -220 | 42 | | |
| Fixed assets | 1 998 | 1 745 | 235 | 355 | | |
| Accounts receivable | | 2 | -2 | -20 | | |
| Options | 4 761 | | 4 761 | | | |
| Pension obligation | 11 426 | 10 090 | -1 665 | 444 | 3 001 | 1 292 |
| **Deferred tax benefit – gross** | **19 330** | **12 520** | **3 127** | **821** | **3 001** | **1 292** |
| **Deferred tax obligation** | | | | | | |
| Intangible assets | | | | | | |
| Gain and loss account | -994 | -1 342 | -348 | -336 | | |
| Accounts receivable | | | | | | |
| **Deferred tax obligation – gross** | **-994** | **-1 342** | **-348** | **-336** | | |
| Currency effect of translation to USD | 1 527 | 218 | 2 688 | -350 | | |
| **Total temporary differences** | **19 863** | **11 396** | **5 467** | **807** | **3 001** | **1 292** |
| Net deferred tax obligation/benefit | 5 363 | 3 077 | | | | |
| Change in deferred tax obligation/benefit | | | 1 476 | 218 | 810 | 349 |

| Reconciliation of net deferred tax liability: | 2014 | 2013 |
|---|---|---|
| Opening balance as of 1.1 | 3 077 | 2 510 |
| Effect changes in accounting policies, pension | - | - |
| Tax expense/income recognised in profit and loss | 1 476 | 217 |
| Tax expense/income recognised in other comprehensive income | 810 | 349 |
| Currency effect from translation to USD | | 1 |
| **Net deferred tax obligation/benefit** | **5 363** | **3 077** |

| Net deferred tax liability as of 31.12: | 2014 | 2013 |
|---|---|---|
| Net gain/(loss) on actuarial gains and losses | 810 | 362 |
| Effect of changes in tax rates | | -13 |
| **Total tax OCI** | **810** | **349** |

## Note 8: Shares outstanding

| | 2014 | 2013 |
|---|---|---|
| **Basis for calculation of basic earnings per share** | | |
| Earnings for the year (USD '000) | 18 549 | 9 577 |
| Weighted average number of outstanding shares ('000) | 162 379 | 161 268 |
| **Earnings per share (USD)** | **0.11** | **0.06** |
| **Basis for calculation of fully diluted earnings per share** | | |
| Earnings for the year (USD '000) | 18 549 | 9 577 |
| Weighted average number of outstanding shares ('000) | 163 146 | 161 854 |
| **Earnings per share (USD)** | **0.11** | **0.06** |
| **Reconciliation of average number of ordinary shares ('000)** | | |
| Weighted average number of outstanding shares | 163 146 | 163 441 |
| Weighted average number of treasury shares | 767 | 2 173 |
| **Weighted average number of outstanding shares, corrected for treasury shares** | **162 379** | **161 268** |

The number of shares was as follows:

| Date | | Number of shares issued | Shares outstanding |
|---|---|---|---|
| 2014-01-01 | Balance at beginning of period | 163 440 600 | 161 049 600 |
| 2014-12-31 | Balance at end of period | 163 440 600 | 162 240 600 |

## Note 9: Payroll expenses

All figures in USD 1000.

| **Combined expenses for salary and other compensation are distributed as follows:** | 2014 | 2013 |
|---|---|---|
| Salary and vacation pay | 23 922 | 21 709 |
| Other compensation | 8 989 | 5 553 |
| Payroll tax | 4 992 | 4 316 |
| Defined benefit pension | 1 495 | 1 402 |
| Defined contribution pension | 802 | 569 |
| Capitalized development expenses (hourly costs) | -1 548 | -4 808 |
| **Total** | **38 653** | **28 741** |
| Weighted average number of full-time employees | 245 | 202 |

| **Company's employees as of December 31, are distributed as follows:** | 2014 | 2013 |
|---|---|---|
| Norway | 210 | 173 |
| China | 11 | 9 |
| South Korea | 3 | 2 |
| USA | 9 | 9 |
| Taiwan | 3 | 1 |
| Japan | 1 | 1 |
| Philippines | 15 | 15 |
| Switzerland | 1 | 1 |
| Poland | 11 | |
| Finland | 9 | |
| **Total** | **273** | **211** |

## Note 10: Compensation to Group management and Board

All figures in USD 1000.

| **Total compensation expensed for Board members** | 2014 | 2013 |
|---|---|---|
| Tore Engebretsen, Former Chairman of the Board | 24 | 70 |
| Terje Rogne, Chairman of the Board | 66 | 54 |
| Anne Cecilie Fagerlie, Board member | 39 | 38 |
| Arnhild Schia, Board member | 39 | 38 |
| Karsten Rönner, Board member | 39 | 38 |
| Tore Valderhaug, Board Member | 26 | |
| Markus Bakka Hjertø, employee representative *(Board remuneration only)* | 9 | 10 |
| Thomas Ulleberg, former employee representative *(Board remuneration only)* | 3 | 10 |
| Anne Strand, employee representative *(Board remuneration only)* | 6 | |
| Joakim Ferm, employee representative *(Board remuneration only)* | 6 | |

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

| 2014 | Salary | Bonus | Options | Other compensation | Pension expenses | Total |
|---|---|---|---|---|---|---|
| Svenn-Tore Larsen, CEO | 436 | 512 | 497 | 2 | 37 | **1 485** |
| Robert Giori, CFO (January-August) | 168 | | 14 | 1 | 8 | **192** |
| Pål Elstad, CFO (September-December) | 84 | | | 1 | 3 | **88** |
| Svein Egil Nielsen, CTO | 236 | | 289 | 2 | 11 | **539** |
| Geir Langeland, Sales & Marketing Director | 236 | | 304 | 2 | 25 | **567** |
| Ebbe Rømcke, Quality Director | 165 | | 111 | 1 | 51 | **328** |
| Ole Fredrik Morken, Supply Chain Director | 249 | | 105 | 1 | 11 | **366** |
| Total | 1 574 | 512 | 1 321 | 10 | 146 | 3 564 |

| 2013 | Salary | Bonus | Options | Other compensation | Pension expenses | Total |
|---|---|---|---|---|---|---|
| Svenn-Tore Larsen, CEO | 452 | 468 | 155 | 3 | 33 | 1 111 |
| Robert Giori, CFO | 297 | 213 | 103 | 2 | 13 | 628 |
| Svein Egil Nielsen, CTO | 199 | 19 | | 3 | 12 | 233 |
| Bertel-Eivind Flaten, R&D Director | 190 | 213 | 103 | 3 | 38 | 545 |
| Ebbe Rømcke, Quality Director | 167 | 106 | 52 | 3 | 19 | 347 |
| Geir Langeland, Sales & Marketing Director | 241 | 213 | 103 | 2 | 21 | 580 |
| Total | 1 546 | 1 231 | 516 | 15 | 136 | 3 444 |

The CEO has entered a loan agreement with the company. Interest accumulates on this loan according to the applicable minimum rate on employee loans (normrente). The loan where secured with the employees' holdings of Nordic Semiconductor shares. The loan has been repaid in January 2015.

| Loans to executives: | 2014 | 2013 | Repayment terms |
|---|---|---|---|
| Svenn-Tore Larsen | 337 | 571 | Installments of USD 234 thousand was made on January 20, 2014 and USD 337 thousand on January 20, 2015 |

**Compensation agreement - CEO**

In 2011, the company entered into a retention bonus agreement with the CEO, which provides the CEO with additional compensation in the event that the CEO is still employed with the company for each of the four years ending December 31, 2011 - 2014. The retention bonus is paid annually in increasing sums following each of the calendar years, and totals MNOK 10 for the entire four-year term. In the event that the company is acquired during the term, the remainder of the unpaid retention bonuses will be paid to the CEO following the closing of the acquisition. As of December 31, 2014, The last of the MNOK 10 was earned.

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

**Policy for executive compensation**

The company's policy on salaries and other remuneration to the CEO and other senior employees (in accordance with the Public Limited Companies Act § 6-16a) is the following:The main principle in the Company's policy for remuneration and compensation is that the leading employees shall be offered competitive terms, so as to achieve the desired competence and incentives in the Company's executive management team. Salary and other benefits for executive management will during the next year be established in accordance with the above-mentioned main principle.

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

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

The Company's Chief Executive Officer has agreed to a 6 month mutual resignation period, except that the resignation period increases to 12 months in the event that the company is acquired or merged with another company.

The guidelines for determination of salary and other compensation for leading employees as outlined for the Annual General Meeting in 2014 have been complied with for 2015 with the exception of performance bonus program that only will be awarded as a direct cash payment. No options will be granted in 2015. The guidelines are found in Note 9 to the 2013 Financial Statements.

### Options program - 2014

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

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

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

| | |
|---|---|
| Svenn-Tore Larsen, CEO | *575 000 stock options* |
| Geir Langeland, Sales Director | *350 000 stock options* |
| Svein Egil Nielsen, CTO | *350 000 stock options* |
| Ebbe Rømcke, Quality Director | *200 000 stock options* |
| Ole Fredrik Morken, Supply Chain Director | *125 000 stock options* |
| Markus Bakke Hjertø, Board member | *20 000 stock options* |
| Joakim Ferm, Board member | *20 000 stock options* |
| Anne Strand, Board member | *20 000 stock options* |

## Note 11: Fixed assets

All figures in USD 1000.

| 2014 | Office and lab equipment | Computer equipment and machinery | Fixture and fittings | Property | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 2 974 | 17 290 | 709 | 333 | 21 307 |
| Additions | 999 | 3 275 | 304 | | 4 578 |
| Sale / disposal of assets | | | | | |
| **Acquisition cost as of 31.12** | **3 973** | **20 566** | **1 013** | **333** | **25 884** |
| **Accumulated depreciation** | | | | | |
| Opening balance | 2 102 | 10 698 | 459 | | 13 259 |
| Depreciation expenses | 527 | 3 039 | 114 | | 3 679 |
| Sale / disposal of assets | | | | | |
| **Accumulated depreciation as of 31.12** | **2 629** | **13 736** | **573** | **0** | **16 938** |
| | | | | | |
| **Net carrying value as of 31.12** | **1 344** | **6 829** | **440** | **333** | **8 946** |

| 2013 | Office and lab equipment | Computer equipment and machinery | Fixture and fittings | Property | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 2 553 | 11 742 | 488 | 333 | 15 116 |
| Additions | 422 | 5 548 | 220 | | 6 190 |
| Sale / disposal of assets | | | | | |
| **Acquisition cost as of 31.12** | **2 974** | **17 290** | **709** | **333** | **21 306** |
| **Accumulated depreciation** | | | | | |
| Opening balance | 1 662 | 8 422 | 416 | | 10 500 |
| Depreciation expenses | 440 | 2 276 | 42 | | 2 759 |
| Sale / disposal of assets | | | | | |
| **Accumulated depreciation as of 31.12** | **2 102** | **10 698** | **459** | **0** | **13 259** |
| | | | | | |
| **Net carrying value as of 31.12** | **872** | **6 592** | **249** | **333** | **8 047** |

| | | | | |
|---|---|---|---|---|
| Estimated useful life | 3 – 5 years | 3 - 4 years | 5 years | |
| Depreciation method | Straight-line | Straight-line | Straight-line | Not depreciated |
| Annual lease of non-recognized capital assets | 0 | 32 | 0 | 0 |

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

**Non-depreciable real property assets:**
The Parent company has an apartment in Trondheim for use by employees in the Oslo office while in Trondheim. The apartment is assessed at acquisition cost. The residual value is expected to be at least equal to the entered value.

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

**Capital assets temporarily out of operation**
The Group has no capital assets that are temporarily out of operation.

**Leased equipment**
The Group does not have any leased equipment.

**Write-offs**
There are no indicators that assets need to be written off.

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

## Note 12: Intangible assets

All figures in USD 1000.

| 2014 | Purchased Software | Capitalized Development costs | Total |
|---|---|---|---|
| **Acquisition cost** | | | |
| Opening balance | 8 859 | 17 705 | 26 564 |
| Additions | 1 854 | 1 802 | 3 656 |
| Sale / disposal of assets | | | |
| **Accumulated cost as of 12.31** | **10 713** | **19 507** | **30 220** |
| **Accumulated depreciation** | | | |
| Opening balance | 5 407 | 10 206 | 15 614 |
| Depreciation expenses | 821 | 2 372 | 3 193 |
| Sale / disposal of assets | | | |
| **Total accumulated depreciation as of 12.31** | **6 228** | **12 579** | **18 807** |
| **Net carrying amount** | **4 485** | **6 928** | **11 413** |
| **Non-capitalized R&D expenses:** | | | |
| Personnel expenses | | 23 284 | 23 284 |
| Other operating expenses | | 7 709 | 7 709 |
| **Total cost recognized in income statement** | | **30 993** | **30 993** |
| **Total expenses for R&D** | | **32 796** | **32 796** |

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

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

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

## Note 13: Accounts Receivable

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Gross receivables | 39 288 | 30 049 |
| Provision for doubtful accounts | 0 | -2 |
| **Accounts Receivable, net** | **39 288** | **30 047** |

## Note 14: Cash and cash equivalents

All figures in USD 1000.

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

| | 2014 | 2013 |
|---|---|---|
| Cash holdings | 29 960 | 16 428 |
| Tax deduction account (restricted funds) | 852 | 869 |
| Short-term investments (money market fund) | 3 268 | 8 785 |
| **Cash and cash equivalents in consolidated statement of financial position** | **34 080** | **26 082** |
| **Cash and cash equivalents in consolidated statement of cash flows** | **34 080** | **26 082** |

## Note 15: Share capital and shareholder information

All figures in USD 1000.

**Share capital**

The share capital in Nordic Semiconductor as of December 31, 2014 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,634,406. Each share grants the same rights in the company, and in the event of any increase in capital existing shareholders have pre-emptive rights for any new shares.

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

| | Number of shares | | Share capital | | Treasury shares | | Share premium | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Ordinary shares, issued and paid** | | | | | | | | |
| Holdings as of 1.1 | 163 440 600 | 168 440 600 | 283 | 283 | -4 | -2 | 14 253 | 14 253 |
| Purchase of treasury shares | | | | | -2 | -2 | | |
| Sale of treasury shares | | | | | 4 | | | |
| **Holdings as of 31.12** | **163 440 600** | **163 440 600** | **283** | **283** | **-2** | **-4** | **14 253** | **14 253** |

**Dividend**

No dividend was paid during 2013 or 2014.

**Authority to issue shares**

The Board of the Parent company, based on a resolution from the annual general meeting on April 10, 2014, has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a par value of NOK 163,000. The shareholders' pre-emptive right may be waived according to the Norwegian Private Limited Companies Act §10-4. This authority is valid until the company's annual general meeting in 2015, and by June 30, 2015 the latest. The resolution covers the issue of shares in connection with a merger.

**Treasury shares**

The Company owned 1,200,000 treasury shares on December 31, 2014. During 2013, the Company purchased 980,000 treasury shares through brokers at an average price of NOK 15,22. During 2014, the Company purchased an additional 999,360 treasury shares through brokers at an average price of NOK 31,47. In 2014 the company sold 2,190,366 shares as a part of the employee option program. Based on a resolution of the annual general meeting of April 10, 2014, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 163,000 through one or more transactions. This authority is limited to 9.97% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2015, and by June 30, 2015 the latest.

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

No new grant has been approved for 2015, new evaluation will be made for 2016.

**Shareholder overview**
The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2014:

| Shareholder | Shares | Percentage |
|---|---|---|
| Accelerator Ltd | 17 332 950 | 10.61% |
| Folketrygdfondet | 14 290 837 | 8.74% |
| Tore Engebretsen | 6 587 500 | 4.03% |
| Alden AS | 4 500 000 | 2.75% |
| Verdipapirfondet DNB Norge (IV) | 4 403 208 | 2.69% |
| Skandinaviska Enskilda Banken | 4 000 000 | 2.45% |
| Goldman Sachs Int. Equity | 3 989 205 | 2.44% |
| Statoil Pensjon | 3 805 754 | 2.33% |
| KLP Aksje Norge VPF | 3 598 422 | 2.20% |
| Svenska Handelsbanken AB | 3 130 000 | 1.92% |
| MP Pensjon PK | 3 049 460 | 1.87% |
| DNB NOR BANK ASA | 2 631 585 | 1.61% |
| INAK 3 AS | 2 500 000 | 1.53% |
| Kommunal Landspensjonskasse | 2 286 297 | 1.39% |
| Torstein Tvenge | 2 000 000 | 1.22% |
| Arne Blystad | 2 000 000 | 1.22% |
| JPMorgan Chase Bank, N.A | 1 834 389 | 1.12% |
| TTC Invest AS | 1 750 000 | 1.07% |
| Scan Chemicals AS | 1 690 000 | 1.03% |
| State Street Bank and Trust Co. | 1 594 139 | 0.98% |
| **Total for the 20 largest shareholders** | **86 955 746** | **53.20%** |
| Other shareholders | 76 484 854 | 46.80% |
| **Total shares outstanding** | **163 440 600** | **100.00%** |

Shares held by the Board of directors and Executive management were as follows as of December 31, 2014.

| Name | Shares |
|---|---|
| **Board of directors** | |
| Terje Rogne | 1 250 000 |
| Anne Cecilie Fagerlie | 0 |
| Karsten Rönner | 30 000 |
| Arnhild Schia | 0 |
| Tore Valderhaug | 0 |
| Joakim Ferm | 0 |
| Markus Bakka Hjertø | 0 |
| Anne Strand | 7 160 |
| | |
| **Management** | |
| Svenn-Tore Larsen | 2 640 400 |
| Pål Elstad | 0 |
| Geir Langeland | 177 700 |
| Svein Egil Nielsen | 15 000 |
| Ebbe Rømcke | 58 900 |
| Ole Fredrik Morken | 140 000 |
| **Total** | **4 319 160** |

## Note 16: Pensions and other long-term employee benefits

The pension liability for the company consists of liability in Norway, The Phillipines and in Finland

The company has set up a pension plan for the Philippine office as of January 2014. The retirement plan is non-contributory and of the defined benefit type which provides a retirement benefit eaqual to 100% of plan salary for every year credited service. At the end of 2014 the pension liability was USD 73.000.

For the Company in Finland pensions are financed by contributions from the insured employees and employers.

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

Some employees in Norway have a defined benefit pension plan. The employee will receive 66% of salary based on 30 years of employment at the company. The plan includes disability pension. As of December 31, 2014 the plan had 65 members. The pension fund is managed by DNB Life Insurance ASA. At the end of 2014 the value of the pension fund was USD 8,520,000. The below table is for the defined benefit pension plan for Norwegian employees.

The portfolio was invested as follows:

| | 2014 | 2013 |
|---|---|---|
| Equities | 7.2% | 6.8% |
| Alternative investments | 4.0% | 3.5% |
| Bonds | 15.3% | 17.0% |
| Money market | 23.5% | 22.0% |
| Bonds held to maturity | 32.6% | 35.2% |
| Property | 14.2% | 14.3% |
| Other | 3.3% | 1.1% |
| **Total** | **100%** | **100%** |

**Pension expense for the year was calculated as follows:**

| | 2014 | 2013 |
|---|---|---|
| Current service cost | 934 | 963 |
| Interest expense | 575 | 548 |
| Expected return on plan assets | -305 | -296 |
| Administration fee | 13 | 14 |
| **Total pension expense excl. social security tax** | **1 216** | **1 229** |
| Social security tax | 172 | 173 |
| **Total pension expense incl. social security tax** | **1 388** | **1 402** |

**Net pension obligation for the year was calculated as follows:**

| | 2014 | 2013 |
|---|---|---|
| Pension obligations | 18 534 | 17 444 |
| Plan assets | 8 520 | 8 601 |
| **Estimated net pension obligations** | **-10 014** | **-8 843** |
| Social security tax | -1 338 | -1 247 |
| **Total actual net obligation incl. social security tax** | **-11 352** | **-10 090** |

**Movement in pension obligations:**

| | 2014 | 2013 |
|---|---|---|
| Net pension obligation 1.1 | 17 444 | 14 982 |
| Current service cost | 892 | 985 |
| Interest expense | 613 | 610 |
| Actuarial gain / loss | 2 735 | 931 |
| Pension payments | -75 | -75 |
| Currency effect of translation to USD | -3 074 | 12 |
| **Pension obligation 12.31** | **18 534** | **17 444** |

**Movement in pension assets:**

| | 2014 | 2013 |
|---|---|---|
| Pension assets 1.1 | 7 085 | 7 648 |
| Expected return on plan assets | 304 | 315 |
| Actuarial gain / loss | 87 | -203 |
| Administration fee | -13 | -15 |
| Employer contribution | 1 132 | 932 |
| Pension payment | -76 | -75 |
| **Pension assets 31.12.** | **8 520** | **8 601** |

**Other Comprehensive Income from Actuarial gains / losses:**

| | 2014 | 2013 |
|---|---|---|
| Remeasurements loss (gain) - change in discount rate | 5 355 | (365) |
| Remeasurements loss (gain) - change in other financial assumptions | (2143) | 745 |
| Remeasurements loss (gain) - change in mortality table | | 848 |
| Remeasurements loss (gain) - change in other financial assumption assets | 141 | - |
| Remeasurements loss (gain) - experience DBO | (124) | (238) |
| Remeasurements loss (gain) - experience Assets | (318) | 211 |
| Investment management cost | 91 | 91 |
| **OCI losses (gains) during period** | **3 001** | **1 292** |

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

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 2.30% | 4.00% |
| Expected return on plan assets | 2.30% | 4.00% |
| Expected future salary increase | 2.75% | 3.75% |
| Expected future increase in base amount | 2.50% | 3.50% |
| Expected future increase in pensions | 2.50% | 3.50% |
| Average turnover | 2.20% | 2.20% |

In the insurance company, risk of death and disability is distributed among all the insurance customers, and therefore this is the relevant indicator for future disability and life expectancy. Risk tables for death (mortality table K2013 ) and disability are based on general tables in Norway updated with historic data from the population of the insurance company. This data involves an adjustment of available tables in the form of increased life expectancy and increased probability of disability. The average life expectancy for all age groups in the tables is 86 years for men and 89 years for women. Extracts from the tables are shown below. The table shows life expectancy and probably for disability and death respectively within one year for various age groups.

**Remaining life expectancy**

| Age | Men | Women |
|---|---|---|
| 20 | 68.6 | 72.4 |
| 40 | 47.0 | 50.6 |
| 60 | 26.0 | 29.4 |
| 80 | 9.3 | 11.6 |

**Probability of death**

| Age | Men | Women |
|---|---|---|
| 20 | 0.02% | 0.01% |
| 40 | 0.06% | 0.04% |
| 60 | 0.46% | 0.31% |
| 80 | 4.45% | 3.18% |

The average duration for the defined benefit obligation at the end of the reporting period is 16,54 years (17.27in 2013)
Expected contribution to the plan in 2014 is: USD 1,166,000

**Sensitivity in the pension liability calculation when the assumptions are changed:** The table below is giving an estimate of potential effects of changes to certain assumptions for defined benefit schemes in Norway. Other assumptions are not considered to be significant. The estimates are based on facts and circumstances as of 31.12.2014. Actual results may deviate significantly from these estimates.

| Discount rate | | Wage growth in % | | Life expectancy | |
|---|---|---|---|---|---|
| 0.5% | 2 560 | 1% | -2 242 | +1 year | -1 042 |
| -0.5 | -2 973 | -1% | 2 255 | -1 year | 926 |

**Defined contribution pension:**
Some employees in Norway have a defined contribution pension plan. The main benefit is a contribution of 5% of salary between 1 and 6 basis points and 8% of salary between 6 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 30 years of full employment. In 2014, the cost of the defined contribution pension was USD 671,000. As of December 31, 2014 the plan had 158 members.

## Note 17: Stock options

All figures in USD 1000.

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013, which was continued for 2014.

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

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 177 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.

All 2013 options are setteled trough exercise in February 2014, and cash settlement of remaining options in April 2014 due to share price reaching the cap of NOK 37.00. The exercise in February where setteled by sale of company shares.

A summary of share option transactions during 2014 is below.

| | 2014 | 2013 |
|---|---|---|
| **Outstanding options 1.1** | **3 940 470** | **0** |
| Options granted | 5 843 712 | 3 960 470 |
| Options forfeited | -411 467 | -20 000 |
| Options exercised | 3 940 470 | 0 |
| Options expired | 0 | 0 |
| **Outstanding options 31.12** | **5 432 245** | **3 940 470** |
| Of which exercisable | 0 | 0 |

The fair value of the options is set on the grant date and expensed over the vesting period. USD 4,761,000 was expensed during 2014. The recognised share option programme liability is related to social security tax USD 864,000 as of 31.12.14. for the parent company only.

The fair value of options granted in 2014 was NOK 6.15 per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company.

The calculations are based on the following assumptions:

**Share price on the grant date**
The share price is set to the value weighted average price of shares traded on the grant date, which was USD NOK 34.94 on the date of grant in 2014.

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

**Cap price**
The cap price on the options granted is NOK 150. At this price, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. When calculating the value of the stock option, the value of the cap is calculated through the Black Scholes model, and deducted from the uncapped value of the option to the employee.

**Volatility**
It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equalled 36.17% on the date of grant in 2014.

**Average option term**
The options are expected to have an average term of 2 years (between the minimum vesting period of one year and the maximum exercise period of three years).

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

**Risk-free interest rate**
The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2014, i.e. 1.54 %.

## Note 18: Current liabilities

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Accounts payable | 12 929 | 6 261 |
| Taxes payable | 6 690 | 4 822 |
| Social security tax | 2 263 | 2 405 |
| Holiday pay | 2 225 | 2 380 |
| Allocation ship and debit | 2 936 | 2 340 |
| Accrued expenses | 3 516 | 3 290 |
| **Total Current liabilities** | **30 559** | **21 498** |

## Note 19: Leases

All figures in USD 1000.

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

The lease expenses consist of the following:

| | 2014 | 2013 |
|---|---|---|
| Office lease | 1 639 | 1 500 |
| Lease of machinery | 32 | 32 |
| **Total lease expense** | **1 671** | **1 532** |

As of December 31, 2014, the Group leased offices in Trondheim, Oslo, Hong Kong, Seoul, Tokyo, Manila, Taiwan, Krakow, Oulu and San Jose, California (USA). The lease amounts are fixed with index regulation based on Statistics Norway's consumer price index.

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

| | |
|---|---|
| Within 1 year | 1 252 |
| 1 to 5 years | 1 078 |
| After 5 years | 0 |
| **Total non-cancellable leases** | **2 330** |

## Note 20: Financial instruments

All figures in USD 1000.

**Capital structure**

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

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, the company may purchase its own shares on the market, pay dividends to shareholders, pay back capital to shareholders or issue new shares. No changes were made in procedures or processes in the course of 2014.

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

| | 2014 | 2013 |
|---|---|---|
| Total equity | 88 522 | 72 244 |
| Total assets | 130 537 | 103 832 |
| **Equity share** | **68%** | **70%** |

The Group has a credit agreement with a bank, which makes it possible to borrow up to MUSD 20 at any time with an interest rate equal to LIBOR + 1.15%. The line of credit agreement expires in October 2015. As of December 31, 2014, the company has not drawn on the line of credit. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories USD 27 910 000, accounts receivable USD 39 288 000 and operating equipment USD 8 172 000. The remainder of the company's financing is made through short-term, non-interest-bearing debt. This financing typically consists of debt to suppliers, the public sector, employees or others.

**Classification of financial assets and liabilities 2014:**

| | Fair value | Amortized cost | | Total |
|---|---|---|---|---|
| | Money market fund | Receivables and loans | Other financial obligations | |
| Cash and cash equivalents | 3 268 | 30 812 | | **34 080** |
| Receivables and other short-term receivables | | 39 288 | | **39 288** |
| Long-term receivables | | 281 | | **281** |
| **Total financial assets** | **3 268** | **70 381** | | **73 649** |
| Accounts payable and other short-term debt | | | 30 559 | **30 559** |
| **Total financial liabilities** | | | **30 559** | **30 559** |

**Classification of financial assets and liabilities 2013:**

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

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

**Financial risk**

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

### (i) Credit risk

The company's sale of components takes place through its distribution partners within defined geographic regions. The number of invoice recipients is thereby significantly lower than the end customer base, which increases the credit risk on customer receivables. In order to manage credit risk, the company has established guidelines to ensure that each customer's outstanding receivables do not exceed established credit limits and that sales are only made to customers who have not had significant problems with previous payments. Although the credit risk exists, in the event of the bankruptcy of a distribution partner, end customer demand will be unchanged and a new distribution channel will have to be established. In 2014, 30% of revenues went through the largest distribution partner, compared to 47% in 2013.

Age distribution of customer receivables was:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Gross total | Provision for doubtful accounts | Gross total | Provision for doubtful accounts |
| Not due | 38 169 | | 29 215 | |
| Past due 0-30 days | 872 | | 789 | |
| Past due 31-120 days | 246 | | 135 | |
| Over 120 days | 1 | | 1 | 2 |
| **Total** | **39 288** | | **30 140** | **2** |

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

| | 2014 | 2013 |
|---|---|---|
| January 1 | 2 | 22 |
| Change in estimated loss provision | -2 | -20 |
| **December 31** | **0** | **2** |

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

| | 2014 | 2013 |
|---|---|---|
| Accounts receivable and other short-term receivables | 42 545 | 32 750 |
| Cash and cash equivalents | 34 080 | 26 082 |
| **Total** | **76 625** | **58 832** |

### (ii) Liquidity risk

Overall, the group seeks to minimize risk when investing its cash balance. Investments can only be made in securities which have been approved by the Board. As of December 31, 2014, the Group had invested USD 3 268 thousand as short-term deposits in money market funds with a broad distribution of high-quality issuers, floating earnings and no set maturity. An additional USD 30 812 thousand was deposited in the bank.

The Group has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Group has the following due dates with regard to contracts for financial obligations as of December 31, 2014:

| | Entered amount | Contractual cash flow | 0-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|---|
| Supplier debt and other short-term debt | 30 559 | 30 559 | 21 881 | 8 678 | | | |
| Other contractual obligations | 0 | 4 030 | 313 | 313 | 626 | 1 225 | 1 553 |

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

The Group has a line of credit agreement with its bank, which allows it to borrow up to MUSD 20 at an interest rate of LIBOR + 1.15%. The line of credit agreement expires in October 2015.

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

The table below shows sales in the most significant currencies:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Local currency | USD (1000) | Share of total revenues in % | Local currency | USD (1000) | Share of total revenues in % |
| USD | 164 794 | 164 794 | 98,7% | 122 823 | 122 823 | 98.5% |
| EUR | 1 673 | 2 235 | 1.3% | 1 435 | 1 915 | 1.5% |
| **Total** | | **167 029** | **100.0%** | | **124 390** | **100.0%** |

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

| | Profit before tax |
|---|---|
| NOK exchange rate +/- 10% | 3 450 |

**(v) Determination of fair value**
As of December 31, 2014 the company had no financial assets where there is considered to be a difference between book value and fair value. The following financial instruments are not recognized at fair value: customer receivables and other short-term receivables.

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

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Book value | Fair market value | Book value | Fair market value |
| **Financial assets** | | | | |
| Cash and bank deposits | 30 812 | 30 812 | 17 297 | 17 297 |
| Money market fund | 3 268 | 3 268 | 8 785 | 8 785 |
| Accounts receivable | 39 288 | 39 288 | 30 047 | 30 047 |
| **Financial liabilities** | | | | |
| Accounts payable | 12 929 | 12 929 | 6 261 | 6 261 |

## Note 21: Events after the balance sheet date

On February 18, 2015, employees of the Group exercised 1,307,575 stock options in Nordic Semiconductor ASA which had been granted during 2014. The closing share price on the exercise date was NOK 52.00, which was below the cap on the share options of NOK 150.00.

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

## Note 22: Related party transactions

The Group has the following related parties:

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

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

Nordic Semiconductor Poland Sp. z o.o. Established at the end of 2013. Internal Group transactions between Nordic Semiconductor ASA and Nordic Semiconductor Poland Sp. z o.o. Subsidiary consists of R&D development on behalf of the Parent Company. These transactions are made on normal business terms.

Nordic Semiconductor Finland OY, Established at the end of 2014 and will start its activities in 2015. The purpose of the subsidiary is to perform R&D activities on behalf of the parent company.

# Nordic Semiconductor ASA

## Income statement

for the year ended 31 December 2014

| Amount in USD 1000 | Note | 2014 | 2013 |
|---|---|---|---|
| **Total Revenue** | 3 | 167 221 | 124 745 |
| Cost of materials | 4 | -82 101 | -61 840 |
| Direct project costs | | -188 | -1 006 |
| Gross profit | | 84 932 | 61 899 |
| Payroll expenses | 8/9/11/15 | -36 214 | -27 336 |
| Other operating expenses | 5/11/18 | -19 308 | -16 264 |
| Depreciation | 10/11 | -6 854 | -4 793 |
| **Operating profit** | | **22 557** | **13 506** |
| Financial income | 6/19 | 259 | 323 |
| Financial expenses | 6/19 | -33 | 7 |
| Net foreign exchange gains (losses) | 6/19 | 1 663 | 266 |
| **Profit before tax** | | **24 446** | **14 102** |
| Income tax expense | 7 | -5 924 | -4 568 |
| **Net profit after tax** | | **18 522** | **9 534** |
| **Attributable to** | | | |
| Equity holders of the parent | | 18 522 | 9 534 |
| **Earnings per share** | | | |
| Ordinary earnings per share (USD) | | 0,11 | 0,06 |
| Fully diluted earnings per share (USD) | | 0,11 | 0,06 |

| Comprehensive Income | 2014 | 2013 |
|---|---|---|
| **Net profit after tax** | **18 522** | **9 534** |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | |
| Actuarial gains (losses) on defined benefit plans (before tax) | -3 001 | -1 292 |
| Income Tax effect | 810 | 349 |
| **Total Comprehensive Income** | **16 331** | **8 590** |

## Statement of financial position
as of 31 December 2014

| Amount in USD 1000 | Note | 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Capitalized development expenses | 11 | 6 928 | 7 498 |
| Software and other intangible assets | 11 | 4 484 | 3 451 |
| Deferred tax assets | 7 | 5 363 | 3 077 |
| Property assets | 10 | 773 | 583 |
| Equipment | 10/18 | 8 126 | 7 447 |
| Shares in subsidiary | 1 | **10** | **7** |
| Other long term assets | 9 | 281 | 759 |
| **Total non-current assets** | | **25 964** | **22 822** |
| **Current assets** | | | |
| Inventory | 4/19 | 27 910 | 22 167 |
| Accounts receivable | 12/19 | 39 288 | 30 047 |
| Other short-term receivables | | 3 623 | 2 753 |
| Cash and cash equivalents | 13/19 | 33 527 | 25 836 |
| **Total current assets** | | **104 348** | **80 802** |
| **TOTAL ASSETS** | | **130 312** | **103 625** |
| **EQUITY** | | | |
| Share capital | 14 | 283 | 283 |
| Treasury shares | 14 | -2 | -4 |
| Share Premium | 14 | 14 253 | 14 253 |
| Other paid in capital | | 535 | 1 703 |
| Retained earnings | | 72 969 | 55 656 |
| **TOTAL EQUITY** | | **88 039** | **71 891** |
| **LIABILITIES** | | | |
| **Non-current assets** | | | |
| Pension liability | 15 | 11 426 | 10 090 |
| **Total non-current liabilities** | | **11 426** | **10 090** |
| **Current liabilities** | | | |
| Accounts payable | 17/19 | 12 907 | 6 261 |
| Income taxes payable | 7 | 6 677 | 4 806 |
| Public duties | 17 | 2 204 | 2 405 |
| Other short-term debt | 17 | 9 058 | 8 172 |
| **Total current liabilities** | | **30 847** | **21 644** |
| **TOTAL LIABILITIES** | | **42 273** | **31 734** |
| **TOTAL EQUITY AND LIABILITY** | | **130 312** | **103 625** |

Oslo, 17 March 2015

**Terje Rogne**
*Chairman*

**Anne-Cecilie Fagerlie**
*Board member*

**Karsten Rönner**
*Board member*

**Arnhild Schia**
*Board member*

**Tore Valderhaug**
*Board member*

**Markus Bakka Hjertø**
*Board member, employee*

**Joakim Ferm**
*Board member, employee*

**Anne Strand**
*Board member, employee*

**Svenn-Tore Larsen**
*Chief Executive Officer*

# Nordic Semiconductor ASA

## Consolidated statement of changes in equity

for the year ended 31 December 2014

| Amount in USD 1000 | Share capital | Treasury shares | Share premium | Other paid in capital | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Equity as of 01.01.2013** | 283 | -2 | 14 253 | | 51 034 | 65 568 |
| Net profit for the period | | | | | 9 534 | 9 534 |
| Share based compensation | | | | 1 703 | | 1 703 |
| Actuarial gain/loss recognised in quity | | | | | -943 | -943 |
| Purchase of treasury shares | | -2 | | | -3 970 | -3 972 |
| **Equity as of 31.12.2013** | 283 | -4 | 14 253 | 1 703 | 55 656 | 71 891 |
| Net profit for the period | | | | | 18 522 | 18 522 |
| Actuarial gain/loss recognised in equity | | | | | -2 191 | -2 191 |
| Purchase of treasury shares | | -2 | | | -5 168 | -5 170 |
| Sale of treasury shares | | 4 | | | 6 150 | 6 154 |
| Share based compensation | | | | 4 642 | | 4 642 |
| Cash settlement of options contract | | | | -5 810 | | -5 810 |
| **Equity as of 31.12.2014** | 283 | -2 | 14 253 | 535 | 72 969 | 88 038 |

# Nordic Semiconductor ASA

## Consolidated statement of cash flows

for the year ended 31 December 2014

| Amount in USD 1000 | Note | 2014 | 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 24 446 | 14 102 |
| Taxes paid for the period | 7 | -5 037 | -7 041 |
| Depreciation | 10/11 | 6 854 | 4 793 |
| Change in inventories, trade receivables and payables | 4/12/17/19 | -8 338 | -10 617 |
| Share-based compensation | | 4 574 | 2 635 |
| Movement in pensions | 15 | -3 141 | -566 |
| Other operations related adjustments | | 1 251 | 135 |
| **Net cash flows from operating activities** | | **20 609** | **3 439** |
| **Cash flows from investing activities** | | | |
| Capital expenditures (including software) | 10/11 | -6 290 | -8 453 |
| Capitalized development expenses | 11 | -1 802 | -5 410 |
| **Net cash flows from investing activities** | | **-8 093** | **-13 863** |
| **Cash flows from financing activities** | | | |
| Purchase of treasury stock | 14 | -5 170 | -3 970 |
| Sale of treasury stock | 14 | 6 154 | |
| Repayment short-term loan | 19 | -5 810 | |
| **Net cash flows from financing activities** | | **-4 825** | **-3 970** |
| **Net change in cash and cash equivalents** | | **7 691** | **-14 394** |
| Cash and cash equivalents as of 1.1. | | 25 836 | 40 230 |
| **Cash and cash equivalents as of 31.12.** | **13/19** | **33 527** | **25 836** |
| Cash and cash equivalents as of 31.12. which is restricted cash | | 852 | 869 |

## Note 1 General

Nordic Semiconductor ASA is a public limited company whose shares are listed on the Oslo Stock Exchange. The company's head office is located at Otto Nielsens vei 12, 7052 Trondheim, Norway. The company has three wholly-owned subsidiaries, Nordic Semiconductor Inc., Nordic Semiconductor Poland Sp. z o.o. and Nordic Semiconductor Finland OY.

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

The financial accounts were approved for publication by the Board of Directors on March 17, 2015, and will be presented for approval at the Annual General Meeting on April 17, 2015.

## Note 2 Accounting Principles

### 2.1 Basis for preparation

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

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

The financial accounts are based on the principles of historic cost accounting, with the exception of the following asset:

Financial instruments (money market fund) are measured at fair value, with changes in value recognized on the income statement.

**Basis of consolidation:**

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

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

### 2.2 Significant accounting judgements, estimates and assumptions

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

**Revenue recognition**

Revenue recognition principles are described in section 2.11.

Management has made an estimate of future credits to be given to distributors based on components sold in 2014 and 2013, if the following scenarios are met:

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

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

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

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

**Pensions**

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

Further details are provided in note 16. The book value of pension obligations as of December 31, 2014 and 2013 was USD 11,455,000 and USD 10,090,000 respectively.

### Share based payments
Nordic Semiconductor implemented a stock option program for employees on February 18, 2013. For several years prior to 2013, Nordic Semiconductor ASA provided all employees with performance-based compensation through an annual cash bonus tied to the achievement of targets for group revenue and operating profits for the year. The Board implemented a change to this program in 2013, which enabled performance-based compensation to be awarded through a stock option grant as an alternative to the existing cash bonus program. This program was continued in 2014

The group measures the cost of share based payments at the date which they are granted. The fair value of options granted in 2014 was USD 0.5 (NOK 3.00) per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company. See Note 17

### Development costs:
Development costs are capitalized in accordance with the principles in Note 2.9. In order to determine the amount to be capitalized, it is necessary for management to make assumptions regarding expected future cash flow, discount rates and the expected period of benefits. Capitalized development costs are subject to amortization on a straight-line basis over the period of expected future benefit, normally 3-5 years. Uncertainty exists with respect to the estimated period of expected future benefit, as this depends on the future technological development in the market. The carrying amount of capitalized development costs as of December 31, 2014 and 2013 was USD 6,928,000 and USD 7,498,000 respectively.

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

## 2.3 Changes in accounting principles
IFRS 10 replaced the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities. The changes introduced by IFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In the standard an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard did not have any significant effect for the Group

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. The new disclosures will assist the users of the financial statements to make their own assessment of the financial impact in cases were management were to reach a different conclusion regarding consolidation — by providing more information about unconsolidated entities. The standard did not have any significant effect for the Group.

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

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

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

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

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

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

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

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

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

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

**Financial leases**
The Company does not have any significant financial leases.

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

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

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

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

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

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

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

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

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

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

### 2.12 Employee benefits
**Defined benefit pension plans**
The Company offers a defined benefit pension plan to its employees who were hired before December 31, 2007. There is also established a new plan for employees working in the Phillipines. Pension plan assets are valiued at their fair value

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

**Defined contribution pension**
Employees hired after January 1, 2008 have a defined contribution pension plan described in Note 15.

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

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

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

### 2.14 Income taxes
Income tax expenses consist of taxes due and changes to the deferred tax. Deferred tax and tax credits are calculated based on all differences between the financial accounts and the value for tax purposes of assets and liabilities. Deferred tax credits are recognized to the extent that it is probable that the individual company will have sufficient taxable income in later periods to utilize the tax credit. Similarly, the company will reduce recognition of the deferred tax benefit to the extent the company no longer deems it probable that it will Deferred tax liabilities are accounted for at the nominal value and classified as long-term obligations in the balance sheet.

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

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

### 2.16 Events after the balance sheet date
Information available after the balance sheet date and applicable to conditions existing at the balance sheet date is included in the preparation of the financial statements. Events after the balance sheet date that do not affect the Company's financial position as of the balance sheet date, but that will affect the Company's financial position in the future, are disclosed if they are significant. See note 20.

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

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

### 2.19 Approved standards and interpretations not yet in effect
IFRS 15 was issued May 2014 and establishes a new five step model that will apply to revenue arising from contract with customers. Under IFRS 15 revenue is recognised at amount that reflects the consideration to which a entity expects to be entitled to in exchange for gods or service to a customer. The principles in IFRS 15 provide a more structured to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods begining on or after 1 January 2017 with early adoption premitted. The group is currently assessing the impact of IFRS 15 and plans to adopt the new standart on the required effective date.

## Note 3: Revenues

All figures in USD 1000.

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

**Revenue classified by end product applications:**
The Company focuses on the sale of standard components for wireless communication. These wireless components are broken into the following end product areas: PC/tablet accessories, Home electronic devices, Mobile/wearable devices and Installes sensor networks. In 2014, wireless components accounted for 94.2% of sales versus 90.2% in 2013.

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

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | | |
| PC/tablet accessories | 75 654 | 68 509 |
| Home electronic devices | 8 900 | 5 305 |
| Mobile/wearable devices | 58 874 | 26 181 |
| Installed sensor networks | 13 924 | 12 259 |
| **Wireless components** | **157 351** | **112 255** |
| ASIC components | 9 126 | 10 401 |
| Consulting services | 743 | 2 089 |
| **Total revenues** | **167 221** | **124 745** |

**Revenue classified by customers' location:**
The Company also classifies its revenues on a geographical basis according to its customers' location.

| | 2014 | 2013 |
|---|---|---|
| Europe | 13 493 | 16 229 |
| Americas | 21 652 | 8 090 |
| Asia/Pacific | 132 076 | 100 427 |
| **Total revenues** | **167 221** | **124 745** |

Revenue in Asia/Pacific is primarily from Taiwan, which represented MUSD 75.4 in 2014 and MUSD 67.4 in 2013.

The company sells its components to distributors, which then sell components onward to electronics manufacturers which build end products and sell them to customers across the world. Four distributors represented more than 10% of the company's total revenues in 2014. These two distributors represented 30%, 15%, 15% and 11% of the company's total revenues respectively. In comparison, two distributors represented more than 10% of the company's total revenues in 2013, with 37% and 17% of revenues respectively. These distributors are based in Asia.

## Note 4: Cost of materials / inventory

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Cost of goods, gross | 87 844 | 72 259 |
| Changes in inventory | -5 743 | -10 419 |
| **Cost of goods, net** | **82 101** | **61 840** |

| | 2014 | 2013 |
|---|---|---|
| **Finished goods** | | |
| At net realizable value | 25 262 | 20 287 |
| At cost price | 8 492 | 10 065 |
| **Total Finished goods** | **8 492** | **10 065** |
| Work in progress, at cost | 19 417 | 12 102 |
| **Total inventory** | **27 910** | **22 167** |
| Amount written down: | 466 | 683 |

## Note 5: Other operating expenses

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Service and maintenance | 3 672 | 3 289 |
| Other consultancy fees | 4 096 | 4 301 |
| Office rental expenses | 2 173 | 2 041 |
| Office equipment | 556 | 539 |
| Material and components | 1 274 | 1 020 |
| Capitalized development expenses | -244 | -571 |
| Travel and meeting expenses | 1 756 | 1 440 |
| Other operating expenses | 6 025 | 4 205 |
| **Total other operating expenses** | **19 308** | **16 264** |

**Auditor remuneration**

Fees to the auditor are included in consultancy fees above.

| | 2014 | 2013 |
|---|---|---|
| Statutory audit servces | 40 | 50 |
| Tax advisory services | 5 | 8 |
| Other non-audit services | 88 | 45 |
| **Total** | **133** | **103** |

## Note 6: Net financial items

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Interest income | 106 | 91 |
| Other financial income | 17 | 10 |
| Interest expenses | -33 | -3 |
| Changes in money market fund, reported in the income statement | 136 | 232 |
| **Financial income** | **226** | **330** |
| Foreign exchange loss (net) | 1663 | -266 |
| **Financial expenses** | **1663** | **-266** |

## Note 7: Tax

All figures in USD 1000.

| Tax expense consists of | 2014 | 2013 |
|---|---|---|
| Tax payable | -7 400 | -4 785 |
| Adjustment in prior year | | |
| Change in deferred tax / tax benefit | 1 476 | 324 |
| Changes in tax rate | | -108 |
| **Tax expense** | **-5 924** | **-4 568** |

| Reconciliation of taxes payable in balance sheet and income statement | 2014 | 2013 |
|---|---|---|
| Taxes payable for year, in the balance sheet | -6 677 | -4 805 |
| Currency effect from translation to USD | -723 | 120 |
| **Taxes payable in income statement** | **-7 400** | **-4 785** |

| Reconciliation of nominal and actual tax expense | 2014 | 2013 |
|---|---|---|
| Profit before tax | 24 446 | 14 102 |
| **Tax at nominal rate 27% 2014 (28% 2013)** | **-6 600** | **-3 949** |
| | | |
| **Tax effect permanent differences** | **3 488** | **393** |
| Effect of change in tax rate* | | -108 |
| Actuarial gains of OCI | -810 | -349 |
| Currency effect from translation to USD | -2 001 | -556 |
| **Tax expense** | **-5 924** | **-4 568** |

| | 2014 | 2013 |
|---|---|---|
| **Earnings before tax** | **24 446** | **14 102** |
| Government grants | -227 | -163 |
| Settlement options | -9 323 | |
| Interest on tax | -11 | |
| Non-deductible other expenses | 184 | 44 |
| Actuarial gain/loss pension | -3 001 | -1 292 |
| Change in temporary differences | 8 464 | 2 400 |
| Currency effect of translation to USD | 6 873 | 1 998 |
| **Basis for payable tax** | **27 407** | **17 089** |
| **Payable tax on earnings 27% 2014 (28% 2013)** | **-7 400** | **-4 785** |

| Deferred tax and deferred tax benefits: | Balance Sheet | | Income Statement | | Other Comp. income | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Deferred tax benefit** | | | | | | |
| Inventory | 463 | 683 | -220 | 42 | | |
| Fixed assets | 1 998 | 1 745 | 253 | 355 | | |
| Accounts receivable | | 2 | -2 | 20 | | |
| Options | 4 761 | | 4 761 | | | |
| Pension obligation | 11 426 | 10 090 | -1 665 | 444 | 3 001 | 1 292 |
| **Deferred tax benefit – gross** | **19 330** | **12 520** | **3 127** | **821** | **3 001** | **1 292** |
| **Deferred tax obligation** | | | | | | |
| Intangible assets | | | | | | |
| Gain and loss account | -994 | -1 342 | -348 | -336 | | |
| Accounts receivable | | | | | | |
| **Deferred tax obligation – gross** | **-994** | **-1 342** | **-348** | **-336** | | |
| Currency effect of translation to USD | 1 527 | 218 | 2 688 | -350 | | |
| **Total temporary differences** | **19 863** | **11 396** | **5 467** | **807** | **3 001** | **1 292** |
| Net deferred tax obligation/benefit | 5 363 | 3 077 | | | | |
| Change in deferred tax obligation/benefit | | | 1 476 | 218 | 810 | 349 |

| Reconciliation of net deferred tax liability: | 2014 | 2013 |
|---|---|---|
| Opening balance as of 1.1 | 3 077 | 2 510 |
| Effect changes in accounting policies, pension | - | - |
| Tax expense/income recognised in profit and loss | 1 476 | 217 |
| Tax expense/income recognised in other comprehensive income | 810 | 349 |
| Currency effect from translation to USD | | 1 |
| **Net deferred tax obligation/benefit** | **5 363** | **3 077** |

| Net deferred tax liability as of 31.12: | 2014 | 2013 |
|---|---|---|
| Net gain/(loss) on actuarial gains and losses | 810 | 362 |
| Effect of changes in tax rates | | -13 |
| **Total tax OCI** | **810** | **349** |

## Note 8: Payroll expenses

All figures in USD 1000.

| Combined expenses for salary and other compensation are distributed as follows: | 2014 | 2013 |
|---|---|---|
| Salary and vacation pay | 21 957 | 20 471 |
| Other compensation | 8 708 | 5 385 |
| Payroll tax | 4 931 | 4 316 |
| Defined benefit pension | 1 495 | 1 402 |
| Defined contribution pension | 671 | 569 |
| Capitalized development expenses (hourly costs) | -1 548 | -4 808 |
| **Total** | **36 214** | **27 336** |
| Weighted average number of full-time employees | 224 | 196 |

| Company's employees as of December 31, are distributed as follows: | 2014 | 2013 |
|---|---|---|
| Norway | 210 | 173 |
| China | 11 | 9 |
| South Korea | 3 | 2 |
| USA | 1 | 2 |
| Taiwan | 3 | 1 |
| Japan | 1 | 1 |
| Philippines | 15 | 13 |
| Switzerland | 1 | 1 |
| **Total** | **245** | **204** |

## Note 9: Compensation to Company management and Board

All figures in USD 1000.

| Total compensation expensed for Board members | 2014 | 2013 |
|---|---|---|
| Tore Engebretsen, Former Chairman of the Board | 24 | 70 |
| Terje Rogne, Chairman of the Board | 66 | 54 |
| Anne Cecilie Fagerlie, Board member | 39 | 38 |
| Arnhild Schia, Board member | 39 | 38 |
| Karsten Rönner, Board member | 39 | 38 |
| Tore Valderhaug, Board Member | 26 | |
| Markus Bakka Hjertø, employee representative *(Board remuneration only)* | 9 | 10 |
| Thomas Ulleberg, former employee representative *(Board remuneration only)* | 3 | 10 |
| Anne Strand, employee representative *(Board remuneration only)* | 6 | |
| Joakim Ferm, employee representative *(Board remuneration only)* | 6 | |

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

| 2014 | Salary | Bonus | Options | Other compensation | Pension expenses | Total |
|---|---|---|---|---|---|---|
| Svenn-Tore Larsen, CEO | 436 | 512 | 497 | 2 | 37 | **1 485** |
| Robert Giori, CFO (January-August) | 168 | | 15 | 1 | 8 | **192** |
| Pål Elstad, CFO (September-December) | 84 | | | 1 | 3 | **88** |
| Svein Egil Nielsen, CTO | 236 | | 289 | 2 | 11 | **539** |
| Geir Langeland, Sales & Marketing Director | 236 | | 304 | 2 | 25 | **567** |
| Ebbe Rømcke, Quality Director | 165 | | 111 | 1 | 51 | **328** |
| Ole Fredrik Morken, Supply Chain Director | 249 | | 105 | 1 | 11 | **366** |
| **Total** | **1 574** | **512** | 1 321 | **10** | **147** | **3 564** |

| 2013 | Salary | Bonus | Options | Other compensation | Pension expenses | Total |
|---|---|---|---|---|---|---|
| Svenn-Tore Larsen, CEO | 452 | 468 | 155 | 3 | 33 | 1 111 |
| Robert Giori, CFO | 297 | 213 | 103 | 2 | 13 | 628 |
| Svein Egil Nielsen, CTO | 199 | 19 | | 3 | 12 | 233 |
| Bertel-Eivind Flaten, R&D Director | 190 | 213 | 103 | 3 | 38 | 545 |
| Ebbe Rømcke, Quality Director | 167 | 106 | 52 | 3 | 19 | 347 |
| Geir Langeland, Sales & Marketing Director | 241 | 213 | 103 | 2 | 21 | 580 |
| **Total** | **1 546** | **1 231** | 516 | **15** | **136** | **3 444** |

The CEO has entered a loan agreements with the company. Interest accumulates on these loans according to the applicable minimum rate on employee loans (normrente). The loans are secured with the employees' holdings of Nordic Semiconductor shares. The loan has been repaid in January 2015.

| Loans to executives: | 2014 | 2013 | Repayment terms |
|---|---|---|---|
| Svenn-Tore Larsen | 337 | 571 | Installments of USD 234 thousand was made on January 20, 2014 and USD 337 thousand on January 20, 2015 |

**Compensation agreement - CEO**
In 2011, the company entered into a retention bonus agreement with the CEO, which provides the CEO with additional compensation in the event that the CEO is still employed with the company for each of the four years ending December 31, 2011 - 2014. The retention bonus is paid annually in increasing sums following each of the calendar years, and totals MNOK 10 for the entire four-year term. In the event that the company is acquired during the term, the remainder of the unpaid retention bonuses will be paid to the CEO following the closing of the acquisition. As of December 31, 2014, The last of the MNOK 10 was earned.

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

**Policy for executive compensation**
The company's policy on salaries and other remuneration to the CEO and other senior employees (in accordance with the Public Limited Companies Act § 6-16a) is the following:The main principle in the Company's policy for remuneration and compensation is that the leading employees shall be offered competitive terms, so as to achieve the desired competence and incentives in the Company's executive management team. Salary and other benefits for executive management will during the next year be established in accordance with the above-mentioned main principle.

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

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

The Company's Chief Executive Officer has agreed to a 6 month mutual resignation period, except that the resignation period increases to 12 months in the event that the company is acquired or merged with another company.

The guidelines for determination of salary and other compensation for leading employees as outlined for the Annual General Meeting in 2014 have been complied with for 2015 with the exception of performance bonus program that only will be awarded as a direct cash payment. No options will be granted in 2015. The guidelines are found in Note 9 to the 2013 Financial Statements

### Options program - 2014

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

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

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

| | |
|---|---|
| Svenn-Tore Larsen, CEO | *575 000 stock options* |
| Geir Langeland, Sales Director | *350 000 stock options* |
| Svein Egil Nielsen, CTO | *350 000 stock options* |
| Ebbe Rømcke, Quality Director | *200 000 stock options* |
| Ole Fredrik Morken, Supply Chain Director | *125 000 stock options* |
| Markus Bakke Hjertø, Board member | *20 000 stock options* |
| Joakim Ferm, Board member | *20 000 stock options* |
| Anne Strand, Board member | *20 000 stock options* |

## Note 10: Fixed assets

All figures in USD 1000.

| 2014 | Office and lab equipment | Computer equipment and machinery | Fixture and fittings | Property | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 2 958 | 17 268 | 708 | 333 | 21 269 |
| Additions | 900 | 3 326 | 304 | | 4 529 |
| Sale / disposal of assets | | | | | |
| **Acquisition cost as of 31.12** | **3 858** | **20 594** | **1 013** | **333** | **25 798** |
| **Accumulated depreciation** | | | | | |
| Opening balance | 2 101 | 10 679 | 459 | | 13 239 |
| Depreciation expenses | 525 | 3021 | 114 | | 3 661 |
| Sale / disposal of assets | | | | | |
| **Accumulated depreciation as of 31.12** | **2 626** | **13 700** | **573** | **0** | **16 900** |
| | | | | | |
| **Net carrying value as of 31.12** | **1 232** | **6 894** | **440** | **333** | **8 899** |

| 2013 | Office and lab equipment | Computer equipment and machinery | Fixture and fittings | Property | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Opening balance | 2 536 | 11 723 | 488 | 333 | 15 082 |
| Additions | 422 | 5 545 | 220 | | 6 187 |
| Sale / disposal of assets | | | | | |
| **Acquisition cost as of 31.12** | **2 958** | **17 268** | **708** | **333** | **21 269** |
| **Accumulated depreciation** | | | | | |
| Opening balance | 1 661 | 8 411 | 417 | | 10 489 |
| Depreciation expenses | 440 | 2 268 | 42 | | 2 750 |
| Sale / disposal of assets | | | | | |
| **Accumulated depreciation as of 31.12** | **2 101** | **10 679** | **459** | **0** | **13 239** |
| | | | | | |
| **Net carrying value as of 31.12** | **857** | **6 589** | **249** | **333** | **8 030** |

| | | | | |
|---|---|---|---|---|
| Estimated useful life | 3 – 5 years | 3 - 4 years | 5 years | |
| Depreciation method | Straight-line | Straight-line | Straight-line | Not depreciated |
| Annual lease of non-recognized capital assets | 0 | 32 | 0 | 0 |

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

**Non-depreciable real property assets:**
The Parent company has an apartment in Trondheim for use by employees in the Oslo office while in Trondheim. The apartment is assessed at acquisition cost. The residual value is expected to be at least equal to the entered value.

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

**Capital assets temporarily out of operation**
The Group has no capital assets that are temporarily out of operation.

**Leased equipment**
The Group does not have any leased equipment.

**Write-offs**
There are no indicators that assets need to be written off.

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

## Note 11: Intangible assets

All figures in USD 1000.

| 2014 | Purchased Software | Capitalized Development costs | Total |
|---|---|---|---|
| **Acquisition cost** | | | |
| Opening balance | 8 859 | 17 705 | 26 564 |
| Additions | 1 854 | 1 802 | 3 656 |
| Sale / disposal of assets | | | |
| **Accumulated cost as of 12.31** | **10 713** | **19 507** | **30 220** |
| **Accumulated depreciation** | | | |
| Opening balance | 5 407 | 10 206 | 15 614 |
| Depreciation expenses | 821 | 2 372 | 3 193 |
| Sale / disposal of assets | | | |
| **Total accumulated depreciation as of 12.31** | **6 228** | **12 579** | **18 807** |
| **Net carrying amount** | **4 484** | **6 928** | **11 413** |
| **Non-capitalized R&D expenses:** | | | |
| Personnel expenses | | 18 433 | 18 433 |
| Other operating expenses | | 4 851 | 4 851 |
| **Total cost recognized in income statement** | | **23 284** | **23 284** |
| **Total expenses for R&D** | | **25 086** | **25 086** |

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

Total depreciation expenses consist of depreciation of intangible assets and depreciation of fixed assets (note 10).

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

## Note 12: Accounts Receivable

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Gross receivables | 39 288 | 30 049 |
| Provision for doubtful accounts | 0 | -2 |
| **Accounts Receivable, net** | **39 288** | **30 047** |

## Note 13: Cash and cash equivalents

All figures in USD 1000.

| Cash and cash equivalents as of the balance sheet date were as follows: | 2014 | 2013 |
|---|---|---|
| Cash holdings | 29 406 | 16 181 |
| Tax deduction account (restricted funds) | 852 | 869 |
| Short-term investments (money market fund) | 3 268 | 8 785 |
| **Cash and cash equivalents in consolidated statement of financial position** | **33 527** | **25 836** |
| **Cash and cash equivalents in consolidated statement of cash flows** | **33 527** | **25 836** |

## Note 14: Share capital and shareholder information

All figures in USD 1000.

### Share capital

The share capital in Nordic Semiconductor as of December 31, 2014, consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,634,406. Each share grants the same rights in the company, and in the event of any increase in capital existing shareholders have pre-emptive rights for any new shares.

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

| | Number of shares | | Share capital | | Treasury shares | | Share premium | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Ordinary shares, issued and paid** | | | | | | | | |
| Holdings as of 1.1 | 163 440 600 | 168 440 600 | 283 | 283 | -4 | -2 | 14 253 | 14 253 |
| Purchase of treasury shares | | | | | -2 | -2 | | |
| Cancellation of treasury shares | | | | | 4 | | | |
| **Holdings as of 31.12** | **163 440 600** | **163 440 600** | **283** | **283** | **-2** | **-4** | **14 253** | **14 253** |

### Dividend

No dividend was paid during 2013 or 2014.

### Authority to issue shares

The Board of the Parent company, based on a resolution from the annual general meeting on April 10, 2014, has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a par value of NOK 163,000. The shareholders' pre-emptive right may be waived according to the Norwegian Private Limited Companies Act §10-4. This authority is valid until the company's annual general meeting in 2015, and by June 30, 2015 the latest. The resolution covers the issue of shares in connection with a merger.

### Treasury shares

The Company owned 1,200,000 treasury shares on December 31, 2014. During 2013, the Company purchased 980,000 treasury shares through brokers at an average price of NOK 15,22. During 2014, the Company purchased an additional 999,360 treasury shares through brokers at an average price of NOK 31,47. In 2014 the company sold 2,190,366 shares as a part of the employee option program. Based on a resolution of the annual general meeting of April 10, 2014, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 163,000 through one or more transactions. This authority is limited to 9.97% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2015, and by June 30, 2015 the latest.

### Stock Option Grant

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

No new grant has been approved for 2015, new evaluation will be made for 2016.

### Shareholder overview

Refer to Note 15 in the Group Financial Statements.

## Note 15: Pensions and other long-term employee benefits

The pension liability for the company consists of liability in Norway and in the Phillipines.

The company has set up a pension plan for the Philippine office as of January 2014. The retirement plan is non-contributory and of the defined benefit type which provides a retirement benefit eaqual to 100% of plan salary for every year credited service. At the end of 2014 the pension liability was USD 73.000.

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

Some employees in Norway have a defined benefit pension plan. The employee will receive 66% of salary based on 30 years of employment at the company. The plan includes disability pension. As of December 31, 2014 the plan had 65 members. The pension fund is managed by DNB Life Insurance ASA. At the end of 2014 the value of the pension fund was USD 8,520,000. The below table is for the defined benefit pension plan for Norwegian employees.

The portfolio was invested as follows:

| | 2014 | 2013 |
|---|---|---|
| Equities | 7.2% | 6.8% |
| Alternative investments | 4.0% | 3.5% |
| Bonds | 15.3% | 17.0% |
| Money market | 23.5% | 22.0% |
| Bonds held to maturity | 32.6% | 35.2% |
| Property | 14.2% | 14.3% |
| Other | 3.3% | 1.1% |
| **Total** | **100%** | **100%** |

**Pension expense for the year was calculated as follows:**

| | 2014 | 2013 |
|---|---|---|
| Current service cost | 934 | 963 |
| Interest expense | 575 | 548 |
| Expected return on plan assets | -305 | -296 |
| Administration fee | 13 | 14 |
| **Total pension expense excl. social security tax** | **1 216** | **1 229** |
| Social security tax | 172 | 173 |
| **Total pension expense incl. social security tax** | **1 388** | **1 402** |

**Net pension obligation for the year was calculated as follows:**

| | 2014 | 2013 |
|---|---|---|
| Pension obligations | 18 534 | 17 444 |
| Plan assets | 8 520 | 8 601 |
| **Estimated net pension obligations** | **-10 014** | **-8 843** |
| Social security tax | -1 338 | -1 247 |
| **Total actual net obligation incl. social security tax** | **-11 353** | **-10 090** |

**Movement in pension obligations:**

| | 2014 | 2013 |
|---|---|---|
| Net pension obligation 1.1 | 17 444 | 14 982 |
| Current service cost | 892 | 985 |
| Interest expense | 613 | 610 |
| Actuarial gain / loss | 2 735 | 931 |
| Pension payments | -75 | -75 |
| Currency effect of translation to USD | -3074 | 12 |
| **Pension obligation 12.31** | **18 534** | **17 444** |

**Movement in pension assets:**

| | 2014 | 2013 |
|---|---|---|
| Pension assets 1.1 | 7 085 | 7 648 |
| Expected return on plan assets | 304 | 315 |
| Actuarial gain / loss | 87 | -203 |
| Administration fee | -13 | -15 |
| Employer contribution | 1 132 | 932 |
| Pension payment | -75 | -75 |
| **Pension assets 31.12.** | **8 520** | **8 601** |

**Other Comprehensive Income from Actuarial gains / losses:**

| | 2014 | 2013 |
|---|---|---|
| Remeasurements loss (gain) - change in discount rate | 5 355 | (365) |
| Remeasurements loss (gain) - change in other financial assumptions | (2143) | 745 |
| Remeasurements loss (gain) - change in mortality table | | 848 |
| Remeasurements loss (gain) - change in other financial assumption assets | 141 | - |
| Remeasurements loss (gain) - experience DBO | (124) | (238) |
| Remeasurements loss (gain) - experience Assets | (318) | 211 |
| Investment management cost | 91 | 91 |
| **OCI losses (gains) during period** | **3 001** | **1 292** |

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

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 2.30% | 4.00% |
| Expected return on plan assets | 2.30% | 4.00% |
| Expected future salary increase | 2.75% | 3.75% |
| Expected future increase in base amount | 2.50% | 3.50% |
| Expected future increase in pensions | 2.50% | 3.50% |
| Average turnover | 2.20% | 2.20% |

In the insurance company, risk of death and disability is distributed among all the insurance customers, and therefore this is the relevant indicator for future disability and life expectancy. Risk tables for death (mortality table K2013 ) and disability are based on general tables in Norway updated with historic data from the population of the insurance company. This data involves an adjustment of available tables in the form of increased life expectancy and increased probability of disability. The average life expectancy for all age groups in the tables is 86 years for men and 89 years for women. Extracts from the tables are shown below. The table shows life expectancy and probably for disability and death respectively within one year for various age groups.

**Remaining life expectancy**

| Age | Men | Women |
|---|---|---|
| 20 | 68.6 | 72.4 |
| 40 | 47.0 | 50.6 |
| 60 | 26.0 | 29.4 |
| 80 | 9.3 | 11.6 |

**Probability of death**

| Age | Men | Women |
|---|---|---|
| 20 | 0.02% | 0.01% |
| 40 | 0.06% | 0.04% |
| 60 | 0.46% | 0.31% |
| 80 | 4.45% | 3.88% |

The average duration for the defined benefit obligation at the end of the reporting period is 16,54 years (17.27 in 2013)
Expected contribution to the plan in 2014 is: USD 1,166,000.

**Sensitivity in the pension liability calculation when the assumptions are changed:**
The table below is giving an estimate of potential effects of changes to certain assumptions for defined benefit schemes in Norway. Other assumptions are not considered to be significant. The estimates are based on facts and circumstances as of 31.12.2014. Actual results may deviate significantly from these estimates.

| Discount rate | | Wage growth in % | | Life expectancy | |
|---|---|---|---|---|---|
| 0.5% | 2 560 | 1% | -2 242 | +1 year | -1 042 |
| -0.5 | -2 973 | -1% | 2 255 | -1 year | 926 |

**Defined contribution pension:**
Some employees in Norway have a defined contribution pension plan. The main benefit is a contribution of 5% of salary between 1 and 6 basis points and 8% of salary between 6 and 12 basis points. Along with this the company has a disability pension of approximately 66% of salary including estimated social security based on 30 years of full employment. In 2014, the cost of the defined contribution pension was USD 671,000. As of December 31, 2014 the plan had 158 members.

## Note 16: Stock options

All figures in USD 1000.

Nordic Semiconductor implemented a stock option program for employees on February 18, 2013, which was continued for 2014.

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

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 177 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.

All 2013 options are setteled trough exercise in February 2014, and cash settlement of remaining options in April 2014 due to share price reaching the cap of NOK 37.00. The exercise in February where setteled by sale of company shares.

A summary of share option transactions during 2014 is below.

| | 2014 | 2013 |
|---|---|---|
| **Outstanding options 1.1** | **3 940 470** | **0** |
| Options granted | 5 843 712 | 3 960 470 |
| Options forfeited | -411 467 | -20 000 |
| Options exercised | 3 940 470 | 0 |
| Options expired | 391 467 | 0 |
| **Outstanding options 31.12** | **5 452 245** | **3 940 470** |
| Of which exercisable | 0 | 0 |

The fair value of the options is set on the grant date and expensed over the vesting period. USD 4,761,000 was expensed during 2014. The recognised share option programme liability is related to social security tax USD 864,000 as of 31.12.14. for the parent company only.

The fair value of options granted in 2014 was NOK 6.15 per option, according to the Black & Scholes option-pricing model. The Black & Scholes valuation of the option program was conducted by an independent advisory company.

The calculations are based on the following assumptions:

**Share price on the grant date**
The share price is set to the value weighted average price of shares traded on the grant date, which was NOK 34.94 on the date of grant in 2014.

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

**Cap price**
The cap price on the options granted is NOK 150. At this price, the company may settle the option grant by compensating the employee the difference between the cap and the strike price. When calculating the value of the stock option, the value of the cap is calculated through the Black Scholes model, and deducted from the uncapped value of the option to the employee.

**Volatility**
It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equalled 36.17% on the date of grant in 2014.

**Average option term**
The options are expected to have an average term of 2 years (between the minimum vesting period of one year and the maximum exercise period of three years).

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

**Risk-free interest rate**
The risk-free interest rate is set equal to the relevant interest rate on government bonds on the date of grant in 2014, i.e. 1.54 %.

## Note 17: Current liabilities

All figures in USD 1000.

| | 2014 | 2013 |
|---|---|---|
| Accounts payable | 12 907 | 6 261 |
| Taxes payable | 6 677 | 4 806 |
| Social security tax | 2 204 | 2 405 |
| Holiday pay | 2 225 | 2 380 |
| Allocation ship and debit | 2 936 | 2 340 |
| Accrued expenses | 3 898 | 3 452 |
| **Total Current liabilities** | **30 847** | **21 644** |

## Note 18: Leases

All figures in USD 1000.

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

The lease expenses consist of the following:

| | 2014 | 2013 |
|---|---|---|
| Office lease | 1 639 | 1 500 |
| Lease of machinery | 32 | 32 |
| **Total lease expense** | **1 671** | **1 532** |

As of December 31, 2014, the Group leased offices in Trondheim, Oslo, Hong Kong, Seoul, Tokyo, Manila and Taiwan. The lease amounts are fixed with index regulation based on Statistics Norway's consumer price index.

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

| | |
|---|---|
| Within 1 year | 1 252 |
| 1 to 5 years | 1 078 |
| After 5 years | 0 |
| **Total non-cancellable leases** | **2 330** |

## Note 19: Financial instruments

All figures in USD 1000.

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

Nordic Semiconductor manages its capital structure and makes revisions in light of changes in the overall economy and its operating assumptions. In order to maintain or amend the capital structure, the company may purchase its own shares on the market, pay dividends to shareholders, pay back capital to shareholders or issue new shares. No changes were made in procedures or processes in the course of 2014.

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

| | 2014 | 2013 |
|---|---|---|
| Total equity | 88 039 | 71 891 |
| Total assets | 130 312 | 103 625 |
| **Equity share** | **68%** | **70%** |

The Company has a credit agreement with a bank, which enables it to borrow up to MUSD 20 at any time with an interest rate equal to LIBOR + 1.15%. The line of credit agreement expires in October 2015. As of December 31, 2014, the company has not drawn on the line of credit. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories USD 27 910 000, accounts receivable USD 39 288 000 and operating equipment USD 8 126 000. The remainder of the company's financing is made through short-term, non-interest-bearing debt. This financing typically consists of debt to suppliers, the public sector, employees or others.

**Classification of financial assets and liabilities 2014:**

| | Fair value | Amortized cost | | Total |
|---|---|---|---|---|
| | Money market fund | Receivables and loans | Other financial obligations | |
| Cash and cash equivalents | 3 269 | 30 258 | | **33 527** |
| Receivables and other short-term receivables | | 42 911 | | **42 911** |
| Long-term receivables | | 281 | | **281** |
| **Total financial assets** | **3 269** | **73 450** | | **76 719** |
| Accounts payable and other short-term debt | | | 30 847 | **30 847** |
| **Total financial liabilities** | | | **30 847** | **30 847** |

**Classification of financial assets and liabilities 2013:**

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

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

**Financial risk**

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

**(i) Credit risk**

The company's sale of components takes place through its distribution partners within defined geographic regions. The number of invoice recipients is thereby significantly lower than the end customer base, which increases the credit risk on customer receivables. In order to manage credit risk, the company has established guidelines to ensure that each customer's outstanding receivables do not exceed established credit limits and that sales are only made to customers who have not had significant problems with previous payments.

Age distribution of customer receivables was:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Gross total | Provision for doubtful accounts | Gross total | Provision for doubtful accounts |
| Not due | 38 169 | | 29 122 | |
| Past due 0-30 days | 872 | | 789 | |
| Past due 31-120 days | 246 | | 135 | |
| Over 120 days | 1 | | 1 | 2 |
| **Total** | **39 288** | | **30 047** | **2** |

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

| | 2014 | 2013 |
|---|---|---|
| January 1 | 2 | 22 |
| Change in estimated loss provision | -2 | -20 |
| **December 31** | **0** | **2** |

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

| | 2014 | 2013 |
|---|---|---|
| Accounts receivable and other short-term receivables | 42 911 | 32 800 |
| Cash and cash equivalents | 33 527 | 25 836 |
| **Total** | **76 438** | **58 635** |

**(ii) Liquidity risk**

Overall, the Company seeks to minimize risk when investing its cash balance. Investments can only be made in securities which have been approved by the Board.

The Company has no externally imposed capital requirements or agreements, and has no contracts or legal requirements which are not being upheld. The Company has the following due dates with regard to contracts for financial obligations as of December 31, 2014:

| | Entered amount | Contractual cash flow | 0-3 months | 3-6 months | 6-12 months | 1-2 years | 2-5 years |
|---|---|---|---|---|---|---|---|
| Supplier debt and other short-term debt | 30 847 | 30 847 | 21 789 | 9 058 | | | |
| Other contractual obligations | 0 | 4 057 | 313 | 313 | 626 | 1 252 | 1 553 |

**(iii) Interest rate risk**

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

The Group has a line of credit agreement with its bank, which allows it to borrow up to MUSD 20 at an interest rate of LIBOR + 1.15%. The line of credit agreement expires in October 2015.

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

The table below shows sales in the most significant currencies:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Local currency | USD (1000) | Share of total revenues in % | Local currency | USD (1000) | Share of total revenues in % |
| USD | 165 271 | 165 271 | 98.7% | 123 207 | 122 823 | 98.5% |
| EUR | 1 435 | 1 915 | 1.3% | 1 435 | 1 915 | 1.5% |
| **Total** | | **167 196** | **100.0%** | | **124 745** | **100.0%** |

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

| | Profit before tax |
|---|---|
| NOK exchange rate +/- 10% | 3 450 |

**(v) Determination of fair value**
As of December 31, 2014 the company had no financial assets where there is considered to be a difference between book value and fair value. The following financial instruments are not recognized at fair value: customer receivables and other short-term receivables.

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

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Book value | Fair market value | Book value | Fair market value |
| **Financial assets** | | | | |
| Cash and bank deposits | 30 259 | 30 259 | 17 050 | 17 050 |
| Money market fund | 3 268 | 3 268 | 8 785 | 8 785 |
| Accounts receivable | 29 288 | 39 288 | 30 047 | 30 047 |
| | | | | |
| **Financial liabilities** | | | | |
| Accounts payable | 12 907 | 12 907 | 6 261 | 6 261 |

## Note 20: Events after the balance sheet date

On February 18, 2015, employees of the Group exercised 1,307,575 stock options in Nordic Semiconductor ASA which had been granted during 2014. The closing share price on the exercise date was NOK 52.00, which was below the cap on the share options of NOK 150.00.

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

## Note 21: Related party transactions

The Group has the following related parties:

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

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

Nordic Semiconductor Poland Sp. z o.o. Established at the end of 2013. Internal Group transactions between Nordic Semiconductor ASA and Nordic Semiconductor Poland Sp. z o.o. Subsidiary consists of R&D development on behalf of the Parent Company. These transactions are made on normal business terms.

Nordic Semiconductor Finland OY, Established at the end of 2014 and will start its activities in 2015. The purpose of the subsidiary is to perform R&D activities on behalf of the parent company.

# STANDARDS OF CORPORATE GOVERNANCE

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

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

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

### Activities

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

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

### Equity and dividends

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

The company aims primarily to provide shareholders with returns in the form of appreciation of the shares and has a long term goal to pay dividends based on surplus cash generated by the company. This assumes that the company's needs for financial strength relative to operational requirements and new investments are addressed. The company's dividend policy is reviewed each year by the Board of Directors. The Annual General Meeting can mandate the Board the authorization to pay dividends based on the latest approved Annual Report. The justification for this authorization needs to be explained and should reflect the company's dividend policy.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held April 10, 2014, has been authorized to buy back up to 16,300,000 own shares for a total par value of NOK 163,000.00 in one or more transactions. The authorization is limited to 10 percent of the company's share capital, and the price per share which the company may pay for shares acquired in this manner shall not be less than the par value nor greater than NOK 200. This power of attorney will remain in effect until the company's ordinary annual general meeting in 2015.

In accordance with the decision passed at the general meeting held April 10, 2014, the Board of Directors has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a total par value of NOK 163,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including strengthening the company's shareholder's equity, to execute share capital increases with one or more strategic partners, or to complete a merger or acquisition using shares or cash. This power of attorney will remain in effect until the company's annual general meeting in 2014, and can be implemented through a private placement, rights issue or public offering.

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

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

Such capital increases shall be executed at or near the current stock price listed on the Oslo Stock Exchange. This authorization remains valid until the company's ordinary annual general meeting in 2015.

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

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

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

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

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

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

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

- Approval of the profit and loss account and balance sheet, including the allocation of annual profits and payment of dividends
- Appointment of members of the Board of Directors and nomination committee
- Determination of remuneration for Board members and the Auditor's fee
- Remuneration of executive management. The remuneration of executive management should be a separate appendix to the agenda for the annual general meeting and separate votes should be held on these aspects.
- Any other matters mentioned in the meeting notice

#### Nomination Committee
Nordic Semiconductor has a Nomination Committee which is elected with a defined mandate during the Annual General Meeting. The Nomination Committee's duties are to represent the interests of the shareholders in general, and to propose qualified candidates for the Annual General Meeting's election of the Board of Directors as well as to propose the remuneration to the Board of Directors. The Nomination Committee will provide reasons for its recommendation in the notice for the AGM, including information on the candidates' competence, capacity and independence. The nomination committee holds regular meetings with major shareholders as well as management. In addition, all shareholders can submit suggestions to the nomination committee through a link an Nordic's webpage.

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

The members of the Nomination Committee are:

- John Harald Henriksen
- Bjørnar Olsen
- Thomas Raaschou

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

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

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

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

Each year, the Board of Directors adopts a specific meeting and activity plan for the following year. This plan covers strategic planning, monitoring of the business, and other relevant business issues. The Board's activity plan for 2015 stipulates eight meetings, two of which were scheduled for all day meetings to discuss and explore strategy and technology-specific issues.

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

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

In 2014, the Board established an Audit Committee. The Audit Committee consists of two members of the Board both of which are independent of Group Management. The Committee has collectively the competence required in the Public Limited Liability Companies Act § 6-42. Both members are independent according to § 6-42 Public Limited Liability Companies Act, and one member has the required qualifications within accounting and auditing.

The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings. It has no decision-making authority.

The Audit Committee held 3 meetings in 2014 and has been in regular contact with the Company's auditor regarding audits of the statutory accounts and it also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

### Risk Management and internal control

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

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

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

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

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

### Remuneration to the Board of Directors

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

Members of the Board of Directors receives remuneration for work related to Board committees. The remuneration to Board members is not performance based, and the company does not provide share options to Board members.

### Remuneration of the Executive Management

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

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

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

### Information and Communications

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

Nordic Semiconductor's financial reporting calendar for 2015 has been announced to the Oslo Stock Exchange and can be found on the company's website. The company's annual and quarterly reports contain extensive information about the various aspects of the company's activities. The company's quarterly presentations are transmitted directly on the internet and may be found on Nordic Semiconductor's websites together with the quarterly and annual reports. A comprehensive and detailed presentation of other information, reports and documents may also be found on Nordic Semiconductor's websites. The company always ensures that all shareholders are treated equally as regards access to financial information.

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

### Takeovers

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

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

### Auditor

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

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

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

# AUDITOR OPINION LETTER

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Nordic Semiconductor ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Nordic Semiconductor ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

*Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

2

*Opinion*

In our opinion, the financial statements of Nordic Semiconductor ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**Report on other legal and regulatory requirements**

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

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

*Opinion on registration and documentation*

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

Trondheim, 17 March 2015
ERNST & YOUNG AS

John Christian Løvaas
State Authorised Public Accountant (Norway)

# SALES & MARKETING

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

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

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

**1. Evaluation of technology:**
Nordic Semiconductor's components are compared with components from three or four other suppliers.

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

**3. Pilot production:**
A smaller series is produced to test the end product from a marketing perspective or with key customers.

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

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

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

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

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

**Geir Langeland**
*Sales and Marketing Director*

> *Bluetooth Smart will be a core technology behind the coming wave of wireless products.*

a huge and growing ecosystem of existing smartphones, PC's, tablets and TV's.

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

**PC (& tablet) accessories:**
PC accessories are the company's largest business segment, and represented 45% of the company's annual revenue in 2014. The company estimates that only approximately 20% of PC buyers are purchasing a wireless mouse/keyboard with a new PC (including aftermarket purchases), leaving a large unaddressed market for wireless accessories among PC users.

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

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

**Mobile/wearable devices**
Includes wearable electronics such as sports / health moni-

toring 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 growing area during 2013, and represent the largest and most diverse market opportunity in the longer term.

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

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

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

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

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

# PRODUCT DEVELOPMENT

Nordic Semiconductor's R&D department consists of highly-qualified teams of engineers, which develop world-leading technology for wireless connectivity applications. The company's primary focus is ultra low power wireless solutions, based on proprietary 2.4 GHz RF and Bluetooth Smart technologies (also known as Bluetooth low energy).

2014 was a significant year for the Nordic R&D department. In addition to seeing strong staff growth, we opened two new R&D centers in Finland and Poland. The R&D department delivered more new ICs, software solutions (protocol stacks, software development kits (SDKs) and tools), application examples and support than ever before.

During 2014 the Nordic R&D department expanded from 140 engineers to 190 by the end of the year, delivering products and services organized in four major categories.

- IC Development
- Software Development
- Application Development
- Support

**Svein-Egil Nielsen**
*Chief Technology Officer*

> *We recruit only the best engineers, ensuring a vibrant innovative environment.*

**IC Development:**
A major achievement in 2014 was the refresh of our award-winning nRF51 Series Systems-on-Chip (SoCs). The latest enhancements include variants with 32kB RAM, and 128kB Flash wafer level chip scale package (WLCSP) options. In addition, the operating temperature range of these devices was extended to target industrial applications.

We have been very successful with our 0.18µm CMOS technology node since 2002, but in 2014 we announced our collaboration with IC manufacturer TSMC on the selection of process technology for our upcoming nRF52 Series of ultra low power RF SoCs. The selection of the TSMC 55nm ULP platform for this family of devices will further improve our product portfolio's power consumption, processing power and memory options. This process is a key enabler for us to push the envelope on power consumption, performance and integration of the nRF52 Series to meet the future requirements of Wearable and Internet of Things (IoT) applications. The TSMC 55nm ULP platform is an ideal choice for Bluetooth Smart boasting a superior feature set, embedded Flash availability and the perfect balance of cost and performance.

We have streamlined operations and added staff to our IC development groups to allow us to concurrently develop three interleaved product families. This re-organization has, for example, allowed us to get underway on the development of a product family for release after the upcoming nRF52 Series. Never before have we had such a robust and scalable design environment.

**Software Development**
Software development continues to be of growing importance for Nordic Semiconductor and, over the last few years, we have built a strong software group. This group regularly delivers updated SoftDevices (protocol stacks for Bluetooth Smart and ANT) to our customers, enabling them to take advantage of the latest features and specifications. In addition to the SoftDevices, we provide our customers with robust SDKs, complete with example code (enabling our customers to reach the market quicker) and development tools to facilitate rapid development.

2014 saw a large number of SoftDevice releases. The S110, S120, S130, S210 and S310 address varying customer needs. A majority of releases are general releases to our entire customer base, but some releases are targeted at specific customers with very special needs. Most releases introduce new features, but a few address interoperability issues encountered by either our customers or us. Bluetooth interoperability issues are thankfully very rare, but when they do occur they can have serious consequences. With our flexible software architecture and ability to do firmware updates, we are often the customer's last resort when it comes to fixing problems. In 2014 we adapted our SoftDevices to address several issues caused by other devices/protocol stacks simply because Nordic Semiconductor's software is capable of being adapted and upgraded. Based on this experience, I wouldn't advise anyone to develop Bluetooth Smart or ANT products without being able to upgrade firmware — preferably over the air. Flexible and upgradeable solutions allow designers to reach the market more quickly with the confidence that any problems that arise later, such as interoperability, can be addressed when the product is in the field.

Approximately every quarter we have a major refresh of our nRF51 SDK. This involves adding support for new Profiles, addressing other updates and incorporating internal and customer feedback.

In addition to our regular nRF51 SDK, in 2014, we released two other SDKs:

- The A4WP SDK provides code that enables the Rezence wireless charging standard (developed by Alliance for Wireless Power (A4WP)) to run very successfully on our devices. The SDK has been updated several times to ensure compliance with the latest specification available from A4WP. The SDK has been widely adopted by the market due to its feature richness, robustness and the sophisticated development support it provides.
- We released the IoT SDK at the end of the year. This SDK is the first release of an IPv6 stack implementation running on an nR51 Series SoC. In an industry first, the SDK shows that IPv6 over Bluetooth Smart is practical and reliable.

### Application Development

The application group creates development kits, reference designs, demo designs and apps for iOS, Android and Windows Mobile. In 2014, as a result of our close collaboration with ARM, we launched the world's first ARM mbed development platform for Bluetooth Smart applications. To address the growing beacon market, we launched a highly successful reference design for Bluetooth Smart beacons. Our development kits continue to be very successful and the family was complemented by the launch of a low-cost development kit platform, the nRF51-DK, designed for fast, easy, and flexible development of Bluetooth Smart, ANT/ANT+ and 2.4GHz proprietary applications.

### Support

Nordic Semiconductor prides itself of providing the industry's best technical support to all customers through the availability of a large group of highly skilled and trained support engineers. Every customer, whether start up, medium sized or blue chip is treated equally by Nordic Semiconductor. We guarantee rapid response and well prepared solutions.

The majority of support has traditionally been handled by our technical support ticket system, but in 2014 we ramped up the Nordic Developer Zone, allowing us to experiment with a new way to support customers as well as providing a mechanism for them to support themselves. The Developer Zone is a forum where customers can ask questions and receive answers from fellow users or the Nordic staff that monitor the forum. The Developer Zone is easily searchable and it is simple for users to find answers to questions that have been posted by previous users.

We knew that customers prefer simple access to information and many like to contribute, but the response to the Developer Zone has far exceeded our expectations. Measuring the response to the Developer Zone also helps Nordic to scale the support team to address an ever-increasing customer base.

### Standardization

Beyond the development work with which our staff is engaged, we also contribute to standardization work. Nordic has for many years been an active contributor to the Bluetooth specification through its engagement in the Bluetooth Special Interest Group's (SIG) working group and committees. We have been particularly active in the development of Bluetooth core technology providing our insight into ultra low power wireless technology and customer needs. We are also involved in many other standards bodies, developing and influencing specifications. For example, we are active in the Rezence wireless charging standard developed by A4WP. We have been a part of A4WP since its inception, believing that this standard will eventually drive wireless charging into the mass market. Rezence technology is supported by leading industry heavyweights such as Qualcomm, Samsung and Intel and provides a slew of benefits over older legacy technologies. Tight coupling by our A4WP SDK team allows us to be a key partner to many companies developing wireless charging end products.

### Building the organization and scaling for the future

To fulfill our high ambitions to be a leader in connecting things-to-things and supplying infrastructure for the IoT, at the beginning of 2014 we established a new R&D center in Krakow, Poland. The R&D center was setup to provide a scalable, long-term solution that can grow as the company grows by drawing on a large pool of well-educated and generally highly-motivated local talent. As a university city with multiple direct flights from Norway, Krakow represent an excellent choice for the R&D center. Today the R&D center in Krakow is home to a sizeable group working closely with the software teams in Norway.

In the fall of 2014 we made our largest ever R&D business decision when we opted to establish a large R&D presence in Finland. To fulfill the company's growth ambitions we needed to significantly expand our R&D capabilities and we realized that would be a challenge in Norway considering that our existing Bluetooth Smart development team is already set to grow by 20 to 30% here. A great opportunity arose when major LTE players, Broadcom and Ericsson, decided to end their mobile chip set business making available a significant group of highly-skilled engineers in Finland. Because Finland and Norway have a similar work ethic and culture we were able to rapidly hire world-class engineers and a strong management team. The offices in Oulu (main office) and Turku became operational in early January, 2015. Development is based on Nordic`s existing technology platform coupled with the unique experience and knowledge of LTE — a high data rate standard for cellular communication — among the Finnish engineers.

Our R&D organization thrives by being an environment where everyone's contribution matters, everyone has a voice and everyone is involved in decisions. We are a lean organization, collaborative but challenging, with fast decision-making.

We recruit only the best engineers, ensuring a vibrant innovative environment, and we will not compromise on our high standards.

Nordic Semiconductor's R&D department employs a customer-focused approach and is committed to providing off-the-shelf solutions to thousands of customers. But at the same time the R&D department is able to develop targeted solutions for key application segments and support key customers with their special needs. With our flexible IC and software architecture, robust solutions, willingness to support customers and "whatever it takes" attitude, we will provide the ultimate peace of mind for any engineer and company working with our ultra low power wireless connectivity products.

# SHAREHOLDER RELATIONS

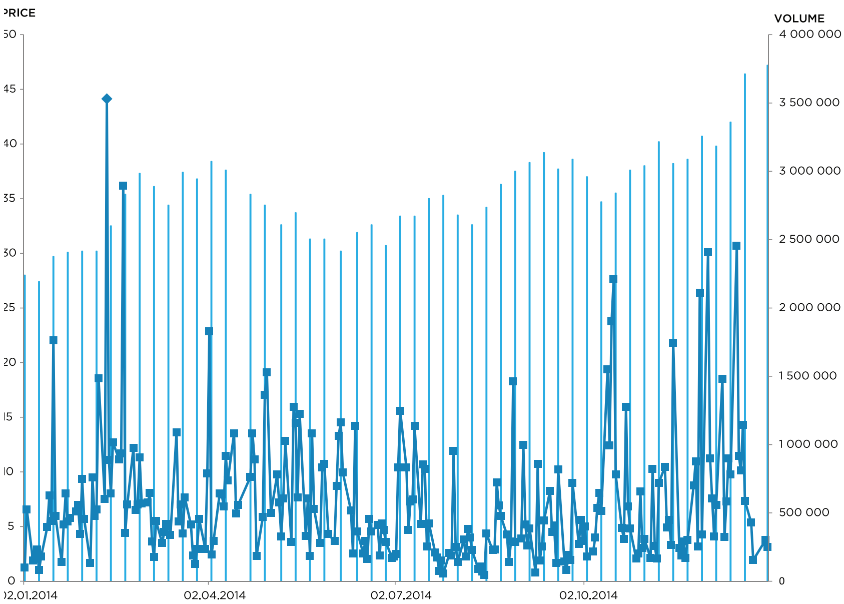
The main objectives of the shareholder policy of Nordic Semiconductor are the following:

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

**Financial Reporting and Investor Relations**
Nordic Semiconductor will publish financial reports for 2015 as follows:

| | |
|---|---|
| Interim Report Q1 2015 | April 17, 2015 |
| Interim Report Q2 2015 | July 13, 2015 |
| Interim Report Q3 2015 | October 16, 2015 |
| Interim Report Q4 2015 | February 12, 2016 |

The regularly scheduled General Meeting of Shareholders of the Company is planned to be held following the Q1 financial presentation in Oslo, at 9:00 am, on Thursday April 17, 2015.




**Pål Elstad**
*Chief Financial Officer*

> *As Nordic's reach escalates and the shareholder base expands - open communication across channels is recognised as being vital for maximising shareholder value.*

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

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

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

### Share Capital

The registered share capital in Nordic Semiconductor as of December 31, 2014 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, so that the total share capital is NOK 1,634,406. Each share grants the same rights in the company. The Company's shares are registered in the Norwegian Central Securities Depository (VPS) under VPS No. ISIN NO 000 3055501. The evolution of the share capital is as shown in the table below.

| Changes | Date | Change in number of shares | Par value (NOK) | Changes in share capital (NOK) | New share capital (NOK) | Share issued |
|---|---|---|---|---|---|---|
| Status | Jan 1996 | - | 1.00 | - | 1 000 000 | 1 000 000 |
| New share issue | Mar 1996 | 175 000 | 1.00 | 175 000 | 1 175 000 | 1 175 000 |
| New share issue | Feb 1997 | 117 000 | 1.00 | 117 000 | 1 292 000 | 1 292 000 |
| Share split (1:4) | Apr 1997 | 3 876 000 | 0.25 | - | 1 292 000 | 5 168 000 |
| Conversion | Sep 1997 | 141 119 | 0.25 | 35 280 | 1 327 280 | 5 309 119 |
| Conversion | Sep 1998 | 127 461 | 0.25 | 31 865 | 1 359 145 | 5 436 580 |
| Conversion | Jun 1999 | 30 791 | 0.25 | 7 698 | 1 366 843 | 5 467 371 |
| Conversion | Apr 2000 | 32 957 | 0.25 | 8 239 | 1 375 082 | 5 500 328 |
| Option exercise | Jun 2000 | 16 666 | 0.25 | 4 167 | 1 379 249 | 5 516 994 |
| New share issue | Oct 2000 | 550 000 | 0.25 | 137 500 | 1 516 749 | 6 066 994 |
| Conversion | Apr 2001 | 28 127 | 0.25 | 7 032 | 1 523 780 | 6 095 121 |
| Option exercise | Jun 2001 | 6 834 | 0.25 | 1 709 | 1 525 489 | 6 101 955 |
| Option exercise | Jun 2002 | 4 270 | 0.05 | 1 068 | 1 526 556 | 6 106 225 |
| Share split (1:5) | Apr 2004 | 24 424 900 | 0.05 | - | 1 526 556 | 30 531 125 |
| Option exercise | May 2004 | 601 938 | 0.05 | 30 097 | 1 556 653 | 31 133 063 |
| Option exercise | Jul 2004 | 600 000 | 0.05 | 30 000 | 1 586 653 | 31 733 063 |
| Option exercise | Apr 2005 | 200 000 | 0.05 | 10 000 | 1 596 653 | 31 933 063 |
| Option exercise | Apr 2005 | 400 000 | 0.05 | 20 000 | 1 616 653 | 32 333 063 |
| Option exercise | May 2005 | 756 837 | 0.05 | 37 842 | 1 654 495 | 33 089 900 |
| Option exercise | Feb 2006 | 2 044 220 | 0.05 | 102 211 | 1 756 706 | 35 134 120 |
| Cancellation of shares | Sep 2009 | (1 386 800) | 0.05 | (69 340) | 1 687 366 | 33 747 320 |
| Share split (1:5) | Jun 2010 | 134 989 280 | 0.01 | - | 1 687 366 | 168 736 600 |
| Cancellation of shares | Oct 2012 | (5 296 000) | 0.01 | (52 960) | 1 634 406 | 163 440 600 |

### Shareholder Structure

As of December 31, 2014, Nordic Semiconductor had 2,096 shareholders. The company had 210 foreign shareholders, which owned a total of 31,3% of the Company's shares, in comparison to December 31, 2013 were foreign shareholders owned a total of 24,7% of the company`s shares. Nordic Semiconductor also owned 0.7% of its own shares remaining after repurchases during 2014. Based on the number of shares, the composition of shareholders is as follows:

| Top 20 shareholders | 31.12.2014 Shareholding | Percent | 31.12.2013 Shareholding | Percent |
|---|---|---|---|---|
| Accelerator Ltd | 17 332 950 | 10,6 | 17 332 950 | 10,6 |
| Folketrygdfondet | 14 290 837 | 8,7 | 15 145 837 | 9,3 |
| Tore Engebretsen | 6 587 500 | 4,0 | 7 537 500 | 4,6 |
| Alden AS | 4 500 000 | 2,8 | 5 750 000 | 3,5 |
| Verdipapirfondet DNB Norge (IV) | 4 403 208 | 2,7 | 3 329 762 | 2,5 |
| Skandinaviska Enskilda Banken AB | 4 000 000 | 2,4 | 2 930 000 | 2,5 |
| Goldman Sachs Int. Equity | 3 989 205 | 2,4 | 3 230 000 | 2,4 |
| Statoil Pensjonskassen | 3 805 754 | 2,3 | 3 923 178 | 2,1 |
| KLP Aksje Norge | 3 598 422 | 2,2 | 4 100 000 | 2,0 |
| Svenska Handelsbanken AB | 3 130 000 | 1,9 | 1 656 566 | 2,0 |
| MP Pensjon | 3 049 460 | 1,9 | 4 100 000 | 1,8 |
| DNB NOR BANK ASA | 2 631 585 | 1,6% | 1 937 883 | 1,7% |
| INAK 3 | 2 500 000 | 1,5% | 3 400 000 | 1,5% |
| Kommunal Landspensjonskasse | 2 268 297 | 1,4% | 2 800 000 | 1,3% |
| Torstein Tvenge | 2 000 000 | 1,2% | 2 500 000 | 1,2% |
| Arne Blystad | 2 000 000 | 1,2% | 750 000 | 1,0% |
| JPMORGAN CHASE BANK | 1 834 389 | 1,1% | 0 | 0% |
| TTC Invest AS | 1 750 000 | 1,1% | 2 200 000 | 1,0% |
| Scan Chemicals AS | 1 690 000 | 1,0% | 1 670 000 | 0,9% |
| STATE STREET BANK AND TRUST CO. | 1 594 139 | 1,0% | 1 490 709 | 0,5% |
| | | | | |
| **Total for the 20 largest shareholders*** | **86 955 746** | **53.2%** | **85 784 385** | **52.5%** |
| Other shareholders | 76 484 854 | 46.8% | 77 656 215 | 47.5% |
| **Total shares outstanding** | **163 440 600** | **100.%** | **163 440 600** | **100.0%** |

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

# BOARD OF DIRECTORS

## Terje Rogne (1960) Chairman of the Board

*Shareholder elected*

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

## Anne-Cecilie Fagerlie (1958) Board member

*Shareholder elected*

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

## Karsten Rönner (1960) Board member

*Shareholder elected*

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

## Arnhild Schia (1963) Board member

*Shareholder elected*

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

## Tore Valderhaug (1960) Board member

*Shareholder elected*

Tore Valderhaug is a Norwegian State Authorized Public Accountant with ten years of audit experience mainly from Arthur Andersen & Co. He is currently Chief Financial Officer of PHARMAQ AS. He has held positions as finance director and CFO in several publicly listed companies, including Cermaq ASA, EDB Business Partner, ASK Proxima/InFocus, Ocean Rig and Unitor. Mr. Valderhaug has also worked within corporate finance and private equity firms.

## Markus Bakka Hjertø (1977) Board member

*Employee representative*

Markus Bakka Hjertø has a Master of Science degree in Electrical engineering from NTNU and the University of Adelaide. He has been employed in Nordic Semiconductor since 2005, first within quality assurance and now as a Senior R&D Engineer in Oslo. Holdings in the company: 20 000 share options.

## Joakim Ferm (1981) Board member

*Employee representative*

Joakim Ferm has a Master of Science degree in Electrical engineering from Chalmers, Gothenburg. Joakim has been employed at Nordic Semiconductor in Trondheim since 2008, he is a Senior R&D Engineer with experience from application design, digital design and project management. Holdings in the company: 20 000 share options.

## Anne Strand (1976) Board member

*Employee representative*

Anne Strand gained her Master of Business and Economics from Norwegian Business School BI in 2000. Same year she joined Nordic Semiconductor as a Marketing Coordinator in the company's Sales and Marketing Department. Over the years she has driven all marketing related activities, supported the global sales network and gained to raise the company's profile in the electronics design press. In 2012, she was promoted to her current position as Marketing Communications Manager, located in Oslo. Holdings in the company: 7 160 shares and 20 000 share options.

# EXECUTIVE MANAGEMENT

## Svenn-Tore Larsen (1959) Chief Executive Officer

Svenn-Tore Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor. Larsen was member of the Board of Nordic Semiconductor from 2000–2002. Holdings in the company: 2 640 400 shares and 575 000 share options

## Pål Elstad (1971) Chief Financial Officer

Pål Elstad has held several senior financial positions, most recently as investor relations responsible for REC Silicon ASA and Head of Finance for REC Solar in Singapore. In addition, he has extensive manufacturing and supply-chain experience from General Electric Healthcare. Mr. Elstad holds a Bachelor of Economics degree from the Norwegian Business School (BI) and is a State Authorized Public Accountant (CPA). Holdings in the company: 0 shares and 0 share options

## Geir Langeland (1970) Sales and Marketing Director

Geir Langeland has a B.eng Honours degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He was appointed Product Manager Standard Components at Nordic Semiconductor in October 1999, before being appointed to Director Sales and Marketing September 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/ Applications Engineer in Memec Norway, a leading global electronic components distribution company. Holdings in the company: 177 700 shares and 350 000 share options

## Svein-Egil Nielsen (1969) Chief Technology Officer

Svein-Egil Nielsen holds MBA from the Haas School of Business at the University of California, Berkeley and Bachelor of Engineering honors degree in Computer and Electronics Systems from University of Stathclyde. He joined nordic in 2001 as Director of Sales and Marketing. He also held a position as R&D director from 2005 to 2006 and Director of Emerging Technolgies and Strategic Partnerships from 2010 to 2012. Additionally, he served Innovation Norway as their Director of San Francisco and Houston offices where he was in charge of promoting Norwegian technology from 2007 to 2010. Prior to Nordic, he worked for Boston Consulting Group as a consultant. Holdings in the company: 15 000 shares and 350 000 share options

## Ebbe Rømcke (1964) Quality Director

Ebbe Rømcke has a M.Sc. degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). He was appointed Quality Director of Nordic Semiconductor in 2002. Prior to this Mr. Rømcke worked eight years in the company as Digital Designer, Project Manager and Group Manager. He has also experience from Digital Design and Project Management in Normarc AS (now Indra Navia), a leading manufacturer of aviation systems. Holdings in the company: 58 900 shares and 200 000 share options

## Ole Fredrik Morken (1970) Supply Chain Director

Mr. Morken joined the company as an Analog IC designer in 1994 and has since held numerous positions related to Project- and Supply Chain Management, including a brief employment for SensoNor ASA in 1999. He was appointed Supply Chain Director in 2010 and is currently based in Taipei. Mr. Morken holds a Master's degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). Holdings in the company: 140 000 shares and 125 000 share options

NORDIC
SEMICONDUCTOR

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