



## Nordic Semiconductor 1st Quarter 2015

- Revenue of MUSD 40.0 (27% increase from Q1 2014), with growth across all strategic market areas. Solid EBIT of MUSD 5.3
- BT Smart sales of MUSD 17.9, close to doubling compared to Q1 2014
- 35% increase in new large Bluetooth Smart customers during the Quarter, significantly improving Nordic's customer mix
- Large orders from new customers within gaming
- Commenced operations in Finland with 80 employees at March 31, 2015
- Launch date for nRF52 set to June 17<sup>th</sup>



## Q1 2015 Financial Summary

Amounts in USD million (unaudited)	<u>1st quarter</u>		Change
	2015	2014	
Revenue	40,0	31,5	27,2 %
Order inflow	53,3	39,7	34,1 %
Gross Margin %	54,6 %	51,4 %	
Operating Profit (EBIT)	5,3	0,8	564,0 %
Operating Profit % (EBIT %)	13,2 %	2,5 %	
Net profit after tax	4,1	0,7	513,6 %
Cash flow from operations	-8,6	4,1	
Cash and cash equivalents	25,3	33,6	

Nordic Semiconductor reported strong revenue across all of its targeted markets during the first quarter of 2015. Q1 2015 showed strong order inflows compared to Q4 2014 with several large orders in new markets.

Total revenue in Q1 2015 was MUS\$ 40.0, compared with MUS\$ 31.5 in Q1 2014, representing a growth of 27.2%. However, revenues from Wireless Components increase by 32.2% during the same period. The reduction compared to Q3 and Q4 2014 is explained by seasonal effects as Q1 normally is the weakest quarter.

Sales of *Bluetooth* Smart solutions ended at MUS\$ 17.9, or 44.7% of total revenue during Q1 2015, compared with MUS\$ 9.3, or 29.5% of revenue in Q1 2014. The reduction compared to Q4 2014 is mainly explained by a seasonal weaker Wearables market, where Nordic achieved exceptional high growth in Q3 and Q4 2014.

Gross profit was MUS\$ 21.9, or 54.6% of revenue, compared with MUS\$ 16.2, or 51.4% of revenue during Q1 2014. Gross margin increased from previous quarters during 2014 as a result of a change in the both the customer and product mix.

Total operating expenses including depreciation were MUS\$ 16.6 in Q1 2015, compared with MUS\$ 15.4 in Q1 2014. Total operating expenses (excluding depreciation) before options and net capitalized R&D expenses were MUS\$ 15.7 in Q1 2015, compared with MUS\$ 12.3 in Q1 2014. The comparable number in Q4 2014 was MUS\$ 13.7 representing an increase of MUS\$ 2.0 or 14.6%. Nordic has during the Quarter had a positive tailwind related to the weakening of the NOK compared to USD. Adjusted for changes in currency rates, the underlying increase in operating expenses is approximately MUS\$ 3.5, or 25.6%.

Q1 2015 is the first quarter with operations in Finland. Total costs for the Finland operations were MUS\$ 2.2, mainly related to headcount. Expenses will increase in Q2 2015 with more employees and higher R&D spending, including software licenses.

The remaining expense increase relates to increased headcount in both the Norwegian R&D organization and within sales and marketing as well as a change in performance based remuneration from options to cash bonus.



Nordic has during the first quarter capitalized MUS\$ 2.0 (compared to MUS\$ 0.2 in Q4 2014) related to internally developed products. The increase can be attributed to the next generation Bluetooth Smart platform nRF 52 that has moved to the final development stages prior to product launch in Q2.

Based on higher revenue and higher gross margin, partly offset by higher operating expenses, the company's Operating Profit (EBIT) grew to MUS\$ 5.3, compared with MUS\$ 0.8 in Q1 2014. Net financial items were a gain of approximately MUS\$ 1.1 in Q1 2015 and MUS\$ 0.1 in Q1 2014.

Profit before tax was MUS\$ 6.4, compared with MUS\$ 0.9 in Q1 2014. Income tax expense was MUS\$ 2.4, or 37.0% of pretax profit. The base tax rate for the group is 27%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the parent company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK).

Net profit after tax was MUS\$ 4.1 in Q1 2015, compared with MUS\$ 0.6 in Q1 2014. The company's basic earnings per share were USD 0.025 in Q1 2015, compared with USD 0.004 in Q1 2015.

## Revenue by Market

Revenue Markets Amounts in USD thousand	1st quarter					
	2015		2014		Year 2014	
Consumer Electronics	20 262	50,6 %	16 100	51,2 %	84 911	50,8 %
Wearables	15 360	38,4 %	10 024	31,9 %	55 846	33,4 %
Building/Retail	2 747	6,9 %	3 089	9,8 %	14 143	8,5 %
Healthcare	616	1,5 %	231	0,7 %	1 491	0,9 %
Others	242	0,6 %	211	0,7 %	951	0,6 %
<b>Wireless Components</b>	<b>39 227</b>	<b>98,0 %</b>	<b>29 655</b>	<b>94,2 %</b>	<b>157 312</b>	<b>94,2 %</b>
ASIC components	788	2,0 %	1 814	5,8 %	9 126	5,5 %
Consulting services	2	0,0 %	2	0,0 %	591	0,4 %
<b>Total</b>	<b>40 017</b>	<b>100,0 %</b>	<b>31 471</b>	<b>100,0 %</b>	<b>167 029</b>	<b>100,0 %</b>

Technology Amounts in USD thousand	1st quarter					
	2015		2014		Year 2014	
Proprietary wireless	21 324	53,3 %	20 364	64,7 %	94 442	56,5 %
Bluetooth Smart	17 903	44,7 %	9 291	29,5 %	62 870	37,6 %
ASIC components	788	2,0 %	1 814	5,8 %	9 126	5,5 %
Consulting services	2	0,0 %	2	0,0 %	591	0,4 %
<b>Total</b>	<b>40 017</b>	<b>100,0 %</b>	<b>31 471</b>	<b>100,0 %</b>	<b>167 029</b>	<b>100,0 %</b>

As described during presentation of the Q4 2014 results, Nordic Semiconductor has made improvements to its revenue split. The rationale behind this change is to align Nordic's reporting to what is seen as a common reporting for the leading market analysts. In addition, allocating between



the different old market segments was partly judgmental as products could fall in both categories. With the new markets, this will be improved.

### **Consumer Electronics**

Consumer Electronics consists of PC Accessories, Mobile Phone Accessories and Home Entertainment. This market segment has been dominated by PC Accessories however; we are seeing substantial growth for wireless solutions for appliances such as TV's / set-top box remotes, game controllers, toys and charging units. New product releases within Bluetooth Smart toys and home media devices have contributed to drive growth in this segment.

Sales to the Consumer Electronics Market segment were MUSD 20.3, compared with MUSD 16.1 in Q1 2014.

### **Wearable devices**

Revenue from the Wearable device segment (i.e., portable electronics such as sports monitoring devices, proximity tags and smartwatches) was MUSD 15.3, an increase of 69.8% from last year. The segment has benefited from greatly growing demand for wearable electronics featuring Bluetooth Smart technology. We have seen a drop in revenues from Q3 and Q4 2014. However, we see this as seasonal adjustment after a very strong growth during those periods.

### **Healthcare**

Healthcare is an emerging market for Nordic and therefore included as a separate market. Reported revenue relates to a few design wins, mainly within glucose monitoring and hearing aids.

Sales to the Healthcare market were MUSD 0.6, compared with MUSD 0.2 in Q1 2014.

### **Building and Retail**

The Building and Retail market consists of connectivity solutions for both Home and Industrial Applications, as well as retail solutions. Currently this market segment is dominated by retail solutions for one RFID customer that has been delivering steady volumes during the last 12-18 months. Beacons and smart homes (connected appliance and door locks) are expected to drive growth in the next 12 months.

Sales to the Building and Retail Market were MUSD 2.7, compared with MUSD 3.1 in Q1 2014.

### **ASIC components / consulting**

ASIC components and consulting revenue was MUSD 0.8, compared with MUSD 1.8 in the prior year. Nordic Semiconductor has made a strategic decision not to invest further in acquiring new customers within this market, and is currently only fulfilling demand from existing customers.



## Balance Sheet and Cash Flow

As of 31 March 2015, Nordic Semiconductor had total assets of MUSD 144.7, of which MUSD 112.7 were current assets. Non-Current assets increased from MUSD 26 in Q4 2014 to MUSD 32 in Q1 2015. This includes IP purchase related to Finland operations payable in the second half of MUSD 2.5. Total liabilities were MUSD 45.6, of which MUSD 35.4 were current liabilities. Total Shareholders' equity was MUSD 99.2, which represents an equity ratio of 68.5%.

Cash flow from operations was an outflow of MUSD 8.6 in Q1 2015, compared with a cash flow of MUSD 4.2 in Q1 2014. The negative cash flow is explained by a buildup of working capital mainly related to inventories of wafers to prepare for seasonal higher revenues in Q2 and Q3.

Cash flow from investments was an outflow of MUSD 6.2, compared with an outflow of MUSD 2.8 in Q1 2014. Capital expenditures were MUSD 4.2, driven by the acquisition of lab equipment for the operations in Finland as well as new test equipment. Capitalized development expenses were MUSD 2.0, compared with MUSD 0.7 last year, as the company shifted its R&D efforts to the final stages of the nRF 52.

The company received net MUSD 6 related to the settlement of employee share options by sale of treasury shares. The company has a line of credit agreement with its primary bank where it may borrow up to MUSD 20 at any time with a rate of LIBOR + 1.15%. The credit facility has a 3 year term.

As a result of a negative cash flow of MUSD 8.8 during Q1 2015 the company reduced its cash balance to MUSD 25.3 from MUSD 34.1 at December 31, 2014.

## Organization

As of 31 March 2015, Nordic Semiconductor had 360 employees, compared to 273 at December 31, 2014. Of these, 275 work within Research and Development representing an increase of 80 compared to 31 December 2014.

In the Finland operations a total of 79 employees had started as of March 31, 2015, an increase of 74 employees since December 31, 2014. The remaining 20 employees are expected to commence employment during Q2.

## Market

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

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



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

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

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

- Consumer Electronics

- PC/tablet accessories:

- PC/tablet accessories have been the backbone for Nordic over the last 10 years together with sports. The market has been based around proprietary 2.4GHz in the pc space.

Nordic continues to view the market for PC accessories as an important business segment, although the overall market is stable. The company estimates that only approximately 20-25% of PC buyers are purchasing a wireless mouse/keyboard with a new PC (including aftermarket purchases), leaving a large unaddressed market for wireless accessories among PC users.

In addition to PC accessories, *Bluetooth* Smart technology also creates new opportunities for Nordic to address the tablet accessory market. As tablets implement *Bluetooth* Smart Ready technology, these devices are now able to connect with ultra-low power *Bluetooth* Smart keyboards and other accessories. *Bluetooth* Smart offers much longer battery lifetime for tablet keyboards than traditional Bluetooth technology, and will enable tablets to be used more effectively for productivity applications in addition to casual use.

The tablet accessory market has just begun to convert from traditional Bluetooth technology to Bluetooth Smart technology and we have observed several successful product launches from our customers.

- Home electronics devices

- Includes wireless solutions for appliances such as TV's / set-top boxes, gaming, toys and wireless charging units. Wireless solutions are currently being implemented in a broad range of home electronic appliances to enable users to interact with these devices via a smartphone or other remote control unit. *Bluetooth* Smart is an ideal wireless solution for many of these embedded applications.

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

The evolution of Bluetooth Smart wireless technology, however, is changing all of that. Now any Bluetooth Smart Ready smartphone and indeed tablet or computer (Bluetooth Smart Ready simply means native compatibility with any Bluetooth Smart wireless device) can act as a wireless Internet gateway for any Bluetooth Smart enabled device anywhere, anytime,





at low cost, and with minimal to zero set-up complexity. This means almost any 'thing' can now become connected to the Internet.

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

- **Wearables**

Includes wearable electronics such as sports / fitness monitoring devices, portable electronics and proximity sensors.

Nordic considers the market for Wearable technology to be a major 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.

- **Healthcare**

This is an exciting market due to the diverse applications and motivation in the population. In the case of diabetes anything that can ease an afflicted person is of great value. Nordic sees that there are applications for strip meters that are connected to the cloud through a smart phone. This enables to user to upload his readings as well as getting advice on how much insulin should be injected. Further developments are done on remote controls and micro pumps. An entire ecosystems for managing glucose is being developed. Nordic has started to see revenue from the first movers.

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The demand from health conscious consumers is expected to focus more on monitoring serious illnesses and diseases. The above mentioned portable devices act as extensions of a smartphone; they gather data and transmit the information wirelessly, thus helping clinician's work more efficiently and extend care outside the hospital environment.

- **Building and Retail**

Includes amongst others RFID / security systems, building sensors, industrial automation, and beacons. Building and Retail is a fast growing market, and represent the largest and most diverse market opportunity in the longer term.



Building and Retail includes wireless sensor networks are sometimes referred to as “machine-to-machine” (or “M-to-M”) technologies, as they often collect and distribute information from objects rather than people. While this market is still in its earliest stages of development, the potential applications are so numerous that they are impossible to quantify. Bluetooth Smart provides a very attractive standard for building these wireless sensor networks, based on its compatibility with a huge existing installed base of smartphones and other devices. Focusing on this opportunity is part of Nordic’s overall IOT strategy to move from “My Things” to “Things around us”.

One example of a *Bluetooth* Smart-based sensor network which has gained recent attention is the location beacon (frequently called “iBeacon”(Apple TM)). Using location beacons featuring *Bluetooth* Smart technology, systems can detect when a user’s smartphone is in range and activate information both on the user’s smartphone and at the location which has installed the beacons.

For example, location beacons positioned at a retail store can enable customers to upload targeted information on their smartphone such as product information, promotions, and an indoor positioning map when they approach the beacon. In return, the retailer can capture information regarding its customers and their shopping patterns.

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

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

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

## Business Outlook

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





market expands into many new product categories. The planned launch of the next generation System-On-Chip on June 17, 2015 will further strengthen Nordic's position as technological market leader.

Sales of Bluetooth Smart tripled in 2014 compared to 2013 (i.e. close to MUSD 63 in revenue). This growth is enabled through continued growth in wearable fitness monitors in addition to many new designs in emerging product categories. We expect continued strong growth for Bluetooth Smart in 2015.

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

Oslo, April 16, 2015  
Board of Directors

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**Financial Calendar 2015**

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

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



## Condensed financial information for the three months ended 31 March 2015

### Consolidated Income Statement

Amounts in USD thousand (unaudited)	1st quarter		Year 2014
	2015	2014	
<b>Total Revenue</b>	<b>40 017</b>	<b>31 471</b>	<b>167 029</b>
Cost of materials	(18 142)	(15 296)	(82 101)
Direct project costs	(16)	(0)	(188)
<b>Gross profit</b>	<b>21 860</b>	<b>16 176</b>	<b>84 741</b>
Payroll expenses	(10 509)	(9 736)	(38 653)
Other operating expenses	(4 187)	(4 062)	(16 566)
<b>EBITDA</b>	<b>7 164</b>	<b>2 378</b>	<b>29 522</b>
Depreciation	(1 868)	(1 580)	(6 873)
<b>Operating Profit (EBIT)</b>	<b>5 296</b>	<b>798</b>	<b>22 648</b>
Net interest	16	84	226
Net foreign exchange gains (losses)	1 120	(24)	1 663
<b>Profit before tax</b>	<b>6 432</b>	<b>857</b>	<b>24 537</b>
Income tax expense	(2 370)	(195)	(5 988)
<b>Net profit after tax</b>	<b>4 063</b>	<b>662</b>	<b>18 549</b>
<b>Earnings per share</b>			
Basic	0,025	0,004	0,114
Fully Diluted	0,025	0,004	0,114
<b>Weighted average number of shares (in '000)</b>			
Basic	162 801	162 072	162 379
Fully Diluted	164 730	164 078	163 146

### Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	1st quarter		Year 2014
	2015	2014	
Net profit after tax	4 063	662	18 549
Actuarial gain/loss recognized in equity	-	-	(2 191)
Difference with translation to USD	28	-	(15)
<b>Comprehensive income for the period</b>	<b>4 091</b>	<b>662</b>	<b>16 343</b>



## Consolidated statement of financial position

Amounts in USD thousand (unaudited)	31.03.15	31.12.14	31.03.14
Capitalized development expenses	8 303	6 928	7 660
Software and other intangible assets	7 125	4 485	4 279
Deferred tax assets	5 363	5 363	3 077
Property assets	754	773	669
Equipment	10 483	8 172	7 631
Other long-term assets	6	281	384
<b>Non-current assets</b>	<b>32 034</b>	<b>26 001</b>	<b>23 699</b>
Inventory	41 956	27 910	24 253
Accounts receivable	40 258	39 288	27 109
Other short term receivables	5 211	3 257	3 532
Cash and cash equivalents	25 284	34 080	33 560
<b>Current assets</b>	<b>112 708</b>	<b>104 536</b>	<b>88 454</b>
<b>TOTAL ASSETS</b>	<b>144 742</b>	<b>130 537</b>	<b>112 153</b>
<b>Shareholders' equity</b>	<b>99 180</b>	<b>88 522</b>	<b>80 050</b>
Pension liability	10 181	11 455	9 662
<b>Non-current liabilities</b>	<b>10 181</b>	<b>11 455</b>	<b>9 662</b>
Accounts payable	13 406	12 929	8 659
Income taxes payable	6 758	6 690	1 785
Public duties	2 708	2 263	4 720
Short-term loan facility	-	-	-
Other short-term liabilities	12 509	8 678	7 277
<b>Current liabilities</b>	<b>35 382</b>	<b>30 559</b>	<b>22 441</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>144 742</b>	<b>130 537</b>	<b>112 153</b>

## Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	<u>1st quarter</u>		Year
	2015	2014	2014
<b>Equity at beginning of period</b>	<b>88 522</b>	<b>72 244</b>	<b>72 244</b>
Net profit for the period	4 063	662	18 549
Purchase of treasury shares	-	-	(5 170)
Sale of treasury shares on options exercise	6 015	6 154	6 154
Share-based compensation	551	990	4 761
Cash settlement of options contract	-	-	(5 810)
Actuarial gain/loss recognized in equity	-	-	(2 191)
Difference with translation to USD	28	-	(15)
<b>Equity at end of period</b>	<b>99 180</b>	<b>80 050</b>	<b>88 522</b>



## Consolidated cash flow statement

Amounts in USD thousand (unaudited)	1st quarter		Year 2014
	2015	2014	
Profit before tax	6 432	857	24 537
Profit before tax, discontinued operations			
Taxes paid for the period	(1 891)	(3 259)	(5 037)
Depreciation	1 868	1 580	6 873
Gain on sale of equipment	-	-	-
Change in inventories, trade receivables and payables	(14 539)	3 251	(8 316)
Share-based compensation expense	597	1 034	4 692
Movement in pensions	(1 274)	(428)	(3 112)
Other operations related adjustments	193	1 110	1 341
<b>Net cash flows from operating activities</b>	<b>(8 614)</b>	<b>4 146</b>	<b>20 979</b>
Capital expenditures (including software)	(4 202)	(2 121)	(6 339)
Proceeds from sales of equipment	-	-	-
Capitalized development expenses	(2 025)	(702)	(1 802)
<b>Net cash flows from investing activities</b>	<b>(6 226)</b>	<b>(2 823)</b>	<b>(8 141)</b>
Dividends paid to shareholders	-	-	-
Changes in Treasury stock	6 015	6 154	984
Cash settlement of options contract	-	-	(5 810)
Short-term loan facility	-	-	-
Other financing related adjustments	-	-	-
<b>Net cash flows from financing activities</b>	<b>6 015</b>	<b>6 154</b>	<b>(4 825)</b>
Effect of changes in currency rates	28	-	(15)
<b>Net change in cash and cash equivalents</b>	<b>(8 797)</b>	<b>7 478</b>	<b>7 998</b>
Net change in cash and cash equivalents from discontinued operations			
Cash and cash equivalents at start of period	34 080	26 082	26 082
<b>Cash and cash equivalents at end of period</b>	<b>25 284</b>	<b>33 560</b>	<b>34 080</b>

## Notes to the consolidated interim financial statements

### **Note 1: General**

The condensed first quarter interim financial statements for the three months ended 31 March 2015.

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

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

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

The Group accounts for Nordic Semiconductor ASA and its wholly-owned subsidiaries, together called "the Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for 2015 do not include all the information required for the full year financial statements and shall be read in conjunction with the Group annual accounts for 2014.

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

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

Major accounting principles are described in the Group annual accounts for 2014. The group accounts for 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

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

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

In the interim financial statements for 2015, judgments, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2015 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2014.

#### **Note 5: Segment information**

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

The Group classifies its revenues into the following revenue markets: Wireless components, ASIC components and consulting services. Within Wireless components, the Group reports its revenues based on the product category ("hub") with which its components communicate. These include: Consumer Electronics, Wearables, Healthcare, Building and Retail and Other.

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

#### **Note 6: Share options**

On February 18, 2014, Nordic Semiconductor granted 5,843,712 share options to 176 employees. The options are exercisable after one year, and expire after three years. The options were granted at a strike price of NOK 38.43. If the company's share price exceeds a "cap" of NOK 150.00, the company may settle the option grant by compensating the employee the difference between the "cap" and the strike price. Of the share options granted in 2014, 391,467 have expired, and 1,307,575 options were exercised on February 24, 2015. The remaining 4 144 670 options have vested and can be exercised quarterly until expiration on February 18, 2017.

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

#### **Note 7: Risk management**

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

#### **Note 8: Events after the balance sheet date**

No events have occurred since the end of the first quarter of 2015 that affects the evaluation of the submitted accounts.





## Appendix: Comparable Revenue Markets Split

### Old Markets Reporting

Market	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015
Amounts in USD thousand						
PC/tablet accessories	13 946	21 767	21 512	18 406	75 631	17 835
Mobile/wearable devices	11 377	10 375	18 974	18 135	58 861	16 820
Home electronic devices	1 096	2 739	2 438	2 626	8 899	1 825
Installed Sensor networks	3 237	3 657	3 325	3 702	13 921	2 747
<b>Wireless Components</b>	<b>29 655</b>	<b>38 538</b>	<b>46 250</b>	<b>42 869</b>	<b>157 312</b>	<b>39 227</b>
ASIC components	1 814	2 888	2 454	1 970	9 126	788
Consulting services	2	17	248	324	591	2
<b>Total</b>	<b>31 471</b>	<b>41 443</b>	<b>48 952</b>	<b>45 163</b>	<b>167 029</b>	<b>40 017</b>

### New Markets Reporting

Market	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015
Amounts in USD thousand						
Consumer Electronics	16 100	24 852	24 208	19 751	84 911	20 262
Wearables	10 024	9 629	17 794	18 399	55 846	15 360
Building/Retail	3 089	3 755	3 481	3 818	14 143	2 747
Healthcare	231	149	411	670	1 461	616
Others	211	153	356	231	951	242
<b>Wireless Components</b>	<b>29 655</b>	<b>38 538</b>	<b>46 250</b>	<b>42 869</b>	<b>157 312</b>	<b>39 227</b>
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