



## Nordic Semiconductor 3rd Quarter 2015

- Record MUSD 53.9 revenue in quarter despite the previously announced guidance
- Strong Bluetooth Smart Sales at MUSD 34.2
- Improvements in manufacturing drives margins above 50%
- nRF 52 progresses as planned with volume shipments expected in Q4 2015
- Strong design wins in Bluetooth Smart continues to drive growth



## Q3 2015 Financial Summary

Amounts in USD million (unaudited)	<u>3rd quarter</u>		Change
	2015	2014	
Revenue	53,9	49,0	10,1 %
Order inflow	43,1	43,7	-1,4 %
Gross Margin %	50,2 %	50,8 %	
Operating Profit (EBIT)	10,9	9,8	10,6 %
Operating Profit % (EBIT %)	20,2 %	20,1 %	
Net profit after tax	8,8	7,0	25,9 %
Free Cash Flow (Net cash flow excluding financing)	6,3	13,9	
Cash and cash equivalents	29,2	24,4	

### Revenue

Technology Amounts in USD thousand	<u>3rd quarter</u>				<u>01.01.-30.09</u>				<u>Year 2014</u>	
	2015		2014		2015		2014		2014	
Proprietary wireless	18 514	34,3 %	27 823	56,8 %	61 010	41,6 %	74 485	61,1 %	94 442	56,5 %
Bluetooth Smart	34 154	63,4 %	18 427	37,6 %	82 132	56,0 %	39 958	32,8 %	62 870	37,6 %
ASIC components	1 244	2,3 %	2 454	5,0 %	3 416	2,3 %	7 157	5,9 %	9 126	5,5 %
Consulting services	-	0,0 %	248	0,5 %	2	0,0 %	267	0,2 %	591	0,4 %
<b>Total</b>	<b>53 912</b>	<b>100,0 %</b>	<b>48 952</b>	<b>100,0 %</b>	<b>146 560</b>	<b>100,0 %</b>	<b>121 867</b>	<b>100,0 %</b>	<b>167 029</b>	<b>100,0 %</b>

Nordic Semiconductor reported record high revenue during the third quarter of 2015. The record revenue came despite the previously announced deviation to market expectations reported in September.

Total revenue in Q3 2015 was MUSD 53.9, compared with MUSD 49.0 in Q3 2014, representing a growth of 10.1%. Compared to Q2 2015, revenues increased by MUSD 1.3 or 2.5%. The increase from Q2 2015 is explained by stronger Bluetooth Smart sales offset by weaker proprietary sales.

Sales of *Bluetooth Smart* solutions ended at MUSD 34.2, or 63.4% of total revenue during Q3 2015, compared with MUSD 18.4, or 37.6% of revenue in Q3 2014. Increase of 13.6% from Q2 2015 is explained by strong revenues in consumer electronics including gaming and toys, strong momentum in wearables as well as growth in the emerging markets including building and retail and healthcare.

Gross profit was MUSD 27.1, or 50.2% of revenues, compared with MUSD 24.9, or 50.8% of revenue during Q3 2014. The reduction compared to last year can be explained by changes in the product mix. Gross margin increased compared to Q2 2015 (from 49.5% in Q2 2015) a result of improved manufacturing costs partly offset by changes in product mix.

Total operating expenses including depreciation were MUSD 16.2 in Q3 2015, compared with MUSD 15.1 in Q3 2014. Total cash operating expenses (excluding depreciation) before options and net capitalized R&D expenses were MUSD 17.0 in Q3 2015, compared with MUSD 12.3 in Q3 2014. The comparable number in Q2 2015 was MUSD 15.9. The increase from last year is driven by significantly higher number of employees, mainly related to the new operation in Finland. Hiring in Finland is according to plan and as of September 30, 2015 Nordic has 102 employees in Finland.

The increase from Q2 2015 is explained by more employees in Q3 2015 compared to Q2 2015 and higher marketing expenses [related to an increase in activity level around the nRF52 as well as the current nRF51 platform](#), including an agreement with BBC where Nordic Semiconductor ASA provided BBC with nRF 51 products for use for educational purposes.

The number of employees increased from 389 at the end of Q2 2015 to 430 at the end of Q3 2015, an increase of 10.5%. Compared to Q3 2014, number of employees has increased 67.3% from 257 employees. This increase mainly relates to operations in Finland with 102 employees at the end of Q3 2015. Total costs for the Finland operations were MUSD 3.4 in Q3 2015 compared to MUSD 3.2 in Q2 2015. Expenses will increase during the rest of 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 in order to support the future growth of the company.

Nordic has during the third quarter capitalized MUSD 2.4 (compared to MUSD 2.6 in Q2 2015) related to internally developed products. The capitalization can be attributed to the next generation Bluetooth Smart platform nRF 52 that has moved to the final development stages prior to commercial product launch in Q4. Capitalization in Q3 2015 includes salaries as well as final tape outs of products. Capitalized expenses are expected to be reduced to approximately MUSD 1 for the coming quarters.

Based on higher revenue, higher gross margins and capitalization of R&D expenses, partly offset by higher operating expenses, the company's Operating Profit (EBIT) increased to MUSD 10.9, compared with MUSD 9.8 in Q3 2014. Net financial items were a gain of approximately MUSD 1.8 in Q3 2015 and a gain of MUSD 0.4 in Q3 2014. The gain in Q3 2015 can be explained by the weakening of the NOK and recalculation of NOK liabilities related to taxes and pensions.

Profit before tax was MUSD 12.7, compared with MUSD 10.2 in Q3 2014. Income tax expense was MUSD 3.9, or 30.4% of pretax profit. The base tax rate for the group is 27%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the parent company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK).

Net profit after tax was MUSD 8.8 in Q3 2015, compared with MUSD 7.0 in Q3 2014. The company's basic earnings per share were USD 0.054 in Q3 2015, compared with USD 0.043 in Q3 2014.

## Revenue by Market

Revenue Markets Amounts in USD thousand	3rd quarter				01.01.-30.09				Year 2014	
	2015		2014		2015		2014		Year 2014	
Consumer Electronics	25 654	47,6 %	24 208	49,4 %	74 870	51,1 %	65 160	53,5 %	84 911	50,8 %
Wearables	17 642	32,7 %	17 794	36,3 %	49 298	33,6 %	37 447	30,7 %	55 846	33,4 %
Building/Retail	4 110	7,6 %	3 481	7,1 %	10 641	7,3 %	10 325	8,5 %	14 143	8,5 %
Healthcare	2 357	4,4 %	441	0,9 %	4 596	3,1 %	821	0,7 %	1 491	0,9 %
Others	2 905	5,4 %	356	0,7 %	3 737	2,5 %	720	0,6 %	951	0,6 %
<b>Wireless Components</b>	<b>52 668</b>	<b>97,7 %</b>	<b>46 280</b>	<b>94,5 %</b>	<b>143 142</b>	<b>97,7 %</b>	<b>114 473</b>	<b>93,9 %</b>	<b>157 312</b>	<b>94,2 %</b>
ASIC components	1 244	2,3 %	2 454	5,0 %	3 416	2,3 %	7 157	5,9 %	9 126	5,5 %
Consulting services	-	0,0 %	248	0,5 %	2	0,0 %	267	0,2 %	591	0,4 %
<b>Total</b>	<b>53 912</b>	<b>100,0 %</b>	<b>48 982</b>	<b>100,0 %</b>	<b>146 560</b>	<b>100,0 %</b>	<b>121 897</b>	<b>100,0 %</b>	<b>167 029</b>	<b>100,0 %</b>



Consumer Electronics continues to be the largest market for Nordic Semiconductor. The strong growth in Bluetooth Smart increases the growth rates in the emerging markets.

### **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 observing 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.

Compared to Q3 2014 this market grew by 6% from MUSD 24.2 to MUSD 25.7. The growth is driven by a large number of design wins within home entertainment and mobile phone accessories. This is offset by a weaker PC peripherals market. Compared to last quarter, revenue decreased 11.4% from MUSD 28.9. The decrease is explained by weaker sales of PC peripherals as well as in gaming solutions, offset by a large number of new design wins within Bluetooth Smart.

### **Wearable devices**

Revenue from the Wearable device segment (i.e., portable electronics such as sports monitoring devices and smartwatches) was MUSD 17.6, the same amount as last year. Compared to last quarter, revenues increased 8.2% from MUSD 16.3. This market saw exceptionally strong sales in 2H 2014. The segment has benefited from growing demand for wearable electronics featuring Bluetooth Smart technology. We have seen this market gain momentum again after a moderate start of 2015.

### **Healthcare**

Healthcare is an emerging market for Nordic and therefore included as a separate market. Reported revenue relates to design wins, mainly within glucose monitoring and hearing aids. From being a small market in 2014, Healthcare now reported a significant revenue increase during the quarter at MUSD 2.4 in Q3 2015 compared to MUSD 1.6 in Q2 2015.

### **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 4.1, compared with MUSD 3.5 in Q3 2014. Compared to last quarter, revenue increased 8.6% from MUSD 3.8.

### **Others**

Others consist of sales to module manufacturers as well as distribution sales where no final customer is reported. Revenues in these markets were in Q3 2015 MUSD 2.9, up from MUSD 0.4 in Q3 2014.



### ASIC components / consulting

ASIC components and consulting revenue was MUSD 1.2, compared with MUSD 2.7 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 30 September 2015, Nordic Semiconductor had total assets of MUSD 175.5, of which MUSD 136.0 were current assets. Non-Current assets increased from MUSD 36.4 in Q2 2015 to MUSD 39.5 in Q3 2015. Total liabilities were MUSD 63.0, of which MUSD 52.9 were current liabilities. Total Shareholders' equity was MUSD 112.5, which represents an equity ratio of 64.1%, up from 63.6% at the end of the previous quarter.

Cash flow from operating activities was MUSD 11.3 in Q3 2015, compared with a cash flow of MUSD 15.5 in Q3 2014. The reduction is explained by buildup of working capital mainly related to inventories. Inventories increased from MUSD 20 in Q3 2014 to MUSD 51 in Q3 2015. This inventory buildup is done in preparation for future growth and as a result of the unplanned reduction in proprietary sales in Q3 2015.

Cash flow from investments was an outflow of MUSD 5.0, compared with an outflow of MUSD 1.6 in Q3 2014. Capital expenditures were MUSD 2.6, driven by purchase of IP for Finland operations of MUSD 0.6 and Finland lab equipment of MUSD 1.1. The remainder relates mainly to other R&D software and equipment. Capitalized development expenses were MUSD 2.4, compared with MUSD 0.3 last year, as the company shifted its R&D efforts to the final stages of the nRF 52.

During Q3 2015, the company paid net MUSD 0.1 in relation to the settlement of employee share options through cash. 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. MUSD 10 of this facility was utilized during Q3 2015.

The Company purchased 520 000 treasury shares during Q3 2015. This is part of the share repurchase program approved by the Board on September 1, 2015.

As a result of a positive cash flow of MUSD 3.8 during Q3 2015 the cash balance increased to MUSD 29.2 from MUSD 25.4 at the end of Q2 2015.

## Organization

As of 30 September 2015, Nordic Semiconductor had 430 employees, compared to 389 employees at 30 June 2015. Of these, 334 employees work within Research and Development representing an increase of 32 employees compared to 30 June 2015.

In the Finland operations a total of 102 employees had started as of September 30, 2015, an increase of 9 employees since 30 June, 2015. Nordic targets to have approximately 100 employees in Finland.



## 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.





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 and, portable electronics.

Nordic considers the market for Wearable technology to be a major business opportunity during the next 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 as an illustrative example, 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 the 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.

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 to work more efficiently and extend care outside the hospital environment.

- **Building and Retail**  
This market segment 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 and 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.

## Business Outlook

Based on its market leadership in ultra-low power wireless solutions, its best-in-class product line including the new nRF52 platform and its highly experienced team of engineers and sales professionals, Nordic Semiconductor is very well-positioned to continue to generate profitable growth as the wireless market expands into new product categories.

Sales of Bluetooth Smart tripled in 2014 compared to 2013 and year to date in 2015 we have seen strong growth. Continuous growth is enabled through growth in wearables fitness monitors and a broad based growth into an accelerating number of new small and larger customers in a growing number of emerging categories.

Nordic will during Q4 embark on a World Tour presenting the nRF52 to a vast number of engineers worldwide representing small, medium sized and the largest technology companies in the world. More than 3000 engineers have signed up as of today. Furthermore, Nordic will during Q4 expand sales and support operations in mainland China by the establishment of local sales offices in Shanghai and Shenzhen.

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### Financial Calendar 2015

Feb 12th, 2016

4th Quarter/preliminary annual 2015 results





## Condensed financial information for the three months ended 30 September 2015

### Consolidated Income Statement

Amounts in USD thousand (unaudited)	3rd Quarter		01.01 - 30.09		Year 2014
	2015	2014	2015	2014	
<b>Total Revenue</b>	<b>53 912</b>	<b>48 952</b>	<b>146 560</b>	<b>121 867</b>	<b>167 029</b>
Cost of materials	(26 838)	(24 014)	(71 584)	(60 725)	(82 101)
Direct project costs	(4)	(62)	(20)	(63)	(188)
<b>Gross profit</b>	<b>27 070</b>	<b>24 875</b>	<b>74 956</b>	<b>61 079</b>	<b>84 741</b>
Payroll expenses	(9 176)	(9 201)	(28 569)	(27 621)	(38 653)
Other operating expenses	(4 671)	(4 080)	(13 353)	(12 060)	(16 566)
<b>EBITDA</b>	<b>13 223</b>	<b>11 594</b>	<b>33 034</b>	<b>21 398</b>	<b>29 522</b>
Depreciation	(2 356)	(1 769)	(6 227)	(5 046)	(6 873)
<b>Operating Profit (EBIT)</b>	<b>10 866</b>	<b>9 825</b>	<b>26 807</b>	<b>16 353</b>	<b>22 648</b>
Net interest	(28)	24	15	170	226
Net foreign exchange gains (losses)	1 845	363	2 431	396	1 663
<b>Profit before tax</b>	<b>12 684</b>	<b>10 212</b>	<b>29 252</b>	<b>16 919</b>	<b>24 537</b>
Income tax expense	(3 853)	(3 196)	(8 798)	(5 115)	(5 988)
<b>Net profit after tax</b>	<b>8 830</b>	<b>7 016</b>	<b>20 454</b>	<b>11 803</b>	<b>18 549</b>
<b>Earnings per share</b>					
Basic	0,054	0,043	0,125	0,073	0,114
Fully Diluted	0,054	0,043	0,125	0,072	0,114
<b>Weighted average number of shares (in '000)</b>					
Basic	163 360	162 255	163 122	162 426	162 379
Fully Diluted	162 992	162 255	163 485	163 452	163 146

### Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	3rd Quarter		01.01 - 30.09		Year 2014
	2015	2014	2015	2014	
Net profit after tax	8 830	7 016	20 454	11 803	18 549
Actuarial gain/loss recognized in equity	-	-	-	-	(2 191)
Difference with translation to USD	(20)	(6)	154	(6)	(15)
<b>Comprehensive income for the period</b>	<b>8 810</b>	<b>7 010</b>	<b>20 609</b>	<b>11 797</b>	<b>16 343</b>



## Consolidated statement of financial position

Amounts in USD thousand (unaudited)	30.09.15	30.06.15	31.12.14	30.09.14
Capitalized development expenses	11 949	10 260	6 928	7 349
Software and other intangible assets	9 031	8 780	4 485	4 436
Deferred tax assets	5 363	5 363	5 363	3 077
Property assets	952	814	773	795
Equipment	12 154	11 163	8 172	8 099
Other long-term assets	13	6	281	328
<b>Non-current assets</b>	<b>39 463</b>	<b>36 386</b>	<b>26 001</b>	<b>24 085</b>
Inventory	51 018	45 584	27 910	20 563
Accounts receivable	52 537	54 424	39 288	41 108
Other short term receivables	3 261	5 116	3 257	2 807
Cash and cash equivalents	29 190	25 360	34 080	24 415
<b>Current assets</b>	<b>136 007</b>	<b>130 484</b>	<b>104 536</b>	<b>88 892</b>
<b>TOTAL ASSETS</b>	<b>175 469</b>	<b>166 871</b>	<b>130 537</b>	<b>112 977</b>
<b>Shareholders' equity</b>	<b>112 513</b>	<b>106 164</b>	<b>88 522</b>	<b>82 883</b>
-	-	-	-	-
Pension liability	10 061	10 851	11 455	9 189
<b>Non-current liabilities</b>	<b>10 061</b>	<b>10 851</b>	<b>11 455</b>	<b>9 189</b>
Accounts payable	15 426	15 388	12 929	8 850
Income taxes payable	11 144	7 727	6 690	3 413
Public duties	1 404	2 547	2 263	1 265
Short-term loan facility	10 000	10 000	-	-
Other short-term liabilities	14 920	14 192	8 678	7 378
<b>Current liabilities</b>	<b>52 895</b>	<b>49 855</b>	<b>30 559</b>	<b>20 905</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>175 469</b>	<b>166 871</b>	<b>130 537</b>	<b>112 977</b>



## Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	3rd Quarter		01.01 - 30.09		Year 2014
	2015	2014	2015	2014	
<b>Equity at beginning of period</b>	<b>106 164</b>	<b>75 497</b>	<b>88 522</b>	<b>72 244</b>	<b>72 244</b>
Net profit for the period	8 830	7 016	20 454	11 803	18 549
Purchase of treasury shares	(2 403)	(948)	(2 403)	(5 170)	(5 170)
Sale of treasury shares on options exercise	-	-	6 015	6 154	6 154
Share-based compensation	(58)	1 323	(230)	3 667	4 761
Cash settlement of options contract	-	-	-	(5 810)	(5 810)
Actuarial gain/loss recognized in equity	-	-	-	-	(2 191)
Difference with translation to USD	(20)	(6)	154	(6)	(15)
<b>Equity at end of period</b>	<b>112 513</b>	<b>82 883</b>	<b>112 513</b>	<b>82 883</b>	<b>88 522</b>

## Consolidated cash flow statement

Amounts in USD thousand (unaudited)	3rd Quarter		01.01-30.09		2014
	2015	2014	2015	2014	
Profit before tax	12 684	10 212	29 252	16 919	24 537
Profit before tax, discontinued operations	-	-	-	-	-
Taxes paid for the period	-	(5)	(3 631)	(6 583)	(5 037)
Depreciation	2 356	1 769	6 227	5 046	6 873
Change in inventories, trade receivables and payables	(3 509)	2 228	(33 860)	(6 868)	(8 316)
Share-based compensation expense	(832)	1 323	(114)	2 735	4 692
Movement in pensions	(790)	(572)	(1 394)	(901)	(3 112)
Other operations related adjustments	1 395	531	3 080	(461)	1 341
<b>Net cash flows from operating activities</b>	<b>11 304</b>	<b>15 486</b>	<b>(440)</b>	<b>9 886</b>	<b>20 979</b>
Capital expenditures (including software)	(2 592)	(1 259)	(10 365)	(5 140)	(6 339)
Proceeds from sales of equipment	-	-	-	-	-
Capitalized development expenses	(2 401)	(306)	(7 071)	(1 589)	(1 802)
<b>Net cash flows from investing activities</b>	<b>(4 993)</b>	<b>(1 566)</b>	<b>(17 436)</b>	<b>(6 728)</b>	<b>(8 141)</b>
Changes in Treasury stock	(2 403)	(948)	3 613	984	984
Cash settlement of options contract	(58)	-	(781)	(5 810)	(5 810)
Short-term loan facility	(0)	(8 000)	10 000	-	-
Other financing related adjustments	-	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>(2 461)</b>	<b>(8 948)</b>	<b>12 832</b>	<b>(4 825)</b>	<b>(4 825)</b>
Effect of changes in currency rates	(20)	-	154	-	(15)
<b>Net change in cash and cash equivalents</b>	<b>3 830</b>	<b>4 973</b>	<b>(4 890)</b>	<b>(1 668)</b>	<b>7 998</b>
Net change in cash and cash equivalents from discontinued operations	-	-	-	-	-
Cash and cash equivalents at start of period	25 360	19 442	34 080	26 082	26 082
<b>Cash and cash equivalents at end of period</b>	<b>29 190</b>	<b>24 415</b>	<b>29 190</b>	<b>24 415</b>	<b>34 080</b>



## Notes to the consolidated interim financial statements

### **Note 1: General**

The condensed third quarter interim financial statements for the nine months ended 30 September 2015 were approved for publication by the Board of Directors on October 15, 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 Financial Statement 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 Financial Statements 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 Others.

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, 265,930 were exercised on April 24, 2015 and 35,200 were exercised on August 18, 2015. The remaining 3,843,540 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 2014 annual report.

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

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