

## Nordic Semiconductor 1st Quarter 2011

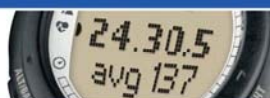
- Total Revenue of MUSD 33.5
- Operating Profit of MUSD 6.1 (18% EBIT margin)
- Order Inflow of MUSD 34.0
- Order Backlog of MUSD 36.7
- Earnings per share of USD 0.03

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## Q1 2011 Financial Summary

Amounts in USD million (unaudited)	1st quarter		Growth
	2011	2010	
Revenue	33,5	29,5	14 %
Order inflow	34,0	67,2	-49 %
Gross Margin %	46 %	55 %	
Operating Profit (EBIT)	6,1	8,2	-26 %
Operating Profit % (EBIT %)	18 %	28 %	
Net profit after tax	4,6	5,1	-9 %
Cash flow from operations	-11,5	-6,1	N/A
Cash and cash equivalents	19,6	21,7	-10 %

Nordic Semiconductor reported solid growth in revenue during the first quarter 2011. Total revenue in Q1 2011 was MUSD 33.5, representing a 14% growth rate from the prior year. Growth in the quarter was driven by recent product releases in the ASIC and Other Application segments, offsetting weakness in the traditional PC peripheral and sports/fitness product categories.

Gross profit was MUSD 15.2, or 46% of revenue, compared with MUSD 16.2, or 55% of revenue during Q1 2010. Several factors have led to the decline in gross profit margins in the past year, including: (a) changes to the company's customer / product mix, (b) price reductions as sales have grown, with volume discounts to the company's largest customers, and (c) cost of sales which has not decreased, due to a tight supply environment during 2010.

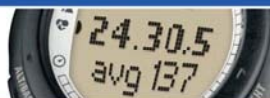
Total payroll expenses were MUSD 5.8 in Q1 2011, compared with MUSD 5.3 in Q1 2010. The growth in payroll expenses was driven by an increase in the number of employees from 125 to 140 during the past year as well as by ordinary salary adjustments.

Total other operating expenses were MUSD 2.2 in Q1 2011, compared with MUSD 1.5 in Q1 2010. The increase was due to a generally higher level of sales and R&D activity across the company, with the ongoing release of new products in 2011. Total depreciation expenses were MUSD 1.2 in Q1 2011 compared with MUSD 1.2 in the prior year. The company has not had significant new capital expenditures since the first half of 2010.

Due to a decline in the company's gross margin, Operating Profit (EBIT) was MUSD 6.1, compared with MUSD 8.2 in Q1 2010. Net financial items were a loss of MUSD 0.2 in Q1 2011, compared with a loss of MUSD 0.6 in the prior year, driven primarily by the impact of exchange rate changes on balance sheet items.

Profit before tax in Q1 2011 was MUSD 5.8, compared with MUSD 7.6 in Q1 2010. Income tax expense was MUSD 1.2 in Q1 2011, or 20% of pretax profit. The company's base tax rate is 28%, but the actual rate will fluctuate based on the effect of net financial items, as these items are calculated differently in the company's financial reporting (calculated in USD) and its tax reporting (calculated in NOK). Net profit after tax was MUSD 4.6 in Q1 2011, compared with MUSD 5.1 during Q1 2010.

Earnings per share was USD 0.03 in Q1 2011 compared with USD 0.03 in Q1 2010. On June 15, 2010, the Company completed a share split such that each existing share was split into five new shares with a par value of NOK 0.01. In accordance with IAS 33, the calculation of basic and diluted earnings per share has been adjusted for all periods retrospectively to reflect the share split.



## Market segments

Market Segment Amounts in USD thousand	1st quarter				01.01.-31.12			
	2011		2010		2010		2009	
<b>Components</b>								
PC / Media controllers	21 825	65,2 %	19 947	67,7 %	99 384	70,1 %	41 213	62,6 %
Sports / Health monitors	2 399	7,2 %	2 538	8,6 %	9 303	6,6 %	5 197	7,9 %
Audio devices	43	0,1 %	400	1,4 %	1 349	1,0 %	4 695	7,1 %
Other applications	4 565	13,6 %	3 555	12,1 %	14 244	10,0 %	5 947	9,0 %
<b>Standard components</b>	<b>28 833</b>	<b>86,1 %</b>	<b>26 439</b>	<b>89,8 %</b>	<b>124 280</b>	<b>87,7 %</b>	<b>57 052</b>	<b>86,6 %</b>
ASIC components	4 053	12,1 %	2 810	9,5 %	16 023	11,3 %	7 028	10,7 %
Consulting services	583	1,7 %	204	0,7 %	1 456	1,0 %	1 802	2,7 %
<b>Total</b>	<b>33 469</b>	<b>100,0 %</b>	<b>29 453</b>	<b>100,0 %</b>	<b>141 760</b>	<b>100,0 %</b>	<b>65 881</b>	<b>100,0 %</b>

Geography Amounts in USD thousand	1st quarter				01.01.-31.12			
	2011		2010		2010		2009	
Norway	-	0,0 %	5	0,0 %	5	0,0 %	1 299	2,0 %
Europe	5 042	15,1 %	3 089	10,5 %	17 327	12,2 %	7 607	11,5 %
USA / Canada	2 177	6,5 %	2 889	9,8 %	9 614	6,8 %	6 806	10,3 %
Apac	26 250	78,4 %	23 470	79,7 %	114 812	81,0 %	50 139	76,1 %
Other	-	0,0 %	-	0,0 %	2	0,0 %	29	0,0 %
<b>Total</b>	<b>33 469</b>	<b>100,0 %</b>	<b>29 453</b>	<b>100,0 %</b>	<b>141 760</b>	<b>100,0 %</b>	<b>65 881</b>	<b>100,0 %</b>

Revenue growth during Q1 2011 was driven by recent product releases in the ASIC and Other Applications business segments. Sales by business segment were as follows:

### PC / Media controllers

PC / Media controller sales were MUSD 21.8, compared with MUSD 19.9 in Q1 2010, an increase of 9%. The market for wireless mice and keyboards was weaker in the first quarter 2011 than in previous quarters, due to slowdown in growth in the PC market and a resulting inventory correction of PC peripheral devices in sales channels.

### Sports / Health monitors

Total revenue in Q1 2011 was MUSD 2.4, compared with MUSD 2.5 in Q1 2010. This segment may experience significant fluctuations in growth rates on a quarterly basis, as there is a high concentration of shipments to one large customer.

### Audio devices

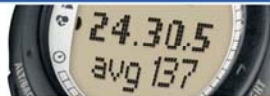
Sales of components to Audio devices were MUSD 0.0, compared with MUSD 0.4 in Q1 2010. The audio segment has been negatively affected by declining sales of wireless karaoke microphones.

### Other applications

Other application revenues totaled MUSD 4.6, compared with MUSD 3.6 last year, based on new product releases during the past year. Major products in this segment include toys, hearing aids, audience response systems, and RF-SIM cards for wireless payment applications in China.

### ASIC components / consulting

Revenue for customized ASIC components and consulting to the industrial segment was MUSD 4.6 in Q1 2011. The segment has grown substantially since 2010 following one customer's release of new products with a component from Nordic Semiconductor.



## Balance Sheet and Cash Flow

As of 31 March 2011, Nordic Semiconductor had total assets of MUSD 90.9, of which MUSD 80.8 were current assets. Total liabilities were MUSD 27.9, of which MUSD 25.0 were current liabilities. The company has no interest-bearing debt. Total Shareholders' equity was MUSD 62.9, which represents an equity ratio of 69%.

Cash flow from operations was an outflow of MUSD -11.5 in Q1 2011, compared with an outflow of MUSD -6.1 in Q1 2010. Cash flow from operations was abnormally low due to several factors, including (a) an temporary increase in inventories as the company manufactured buffer stock in advance of the peak seasonal demand period, (b) an increase in accounts receivable as most sales took place late in the quarter, (c) annual payments of employee bonuses and an installment of 2010 income taxes, and (d) a net reduction in other accounts payable during the period. Nearly 100% of accounts receivable as of 31 March 2011 were either not due, or less than 30 days past due.

Cash flow from investments was a net outflow of MUSD -0.5, primarily consisting of IT equipment and software purchases. In Q1 2010, cash flow from investments was a net outflow of MUSD -2.8, as the company acquired new testing equipment in order to increase production capacity.

There were no cash flows from financing activities in the first quarter of 2011 or 2010. The company's cash balance was MUSD 19.6 (22% of total assets) at the end of Q1 2011.

## Market Outlook

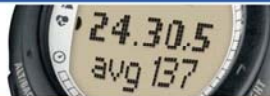
Nordic Semiconductor had exceptionally strong revenue growth during 2010, based on high growth in its key end product markets and due to the capture of market share from older radio frequency technologies, particularly within the wireless PC Peripherals (mouse / keyboard) product category.

In 2011, Nordic Semiconductor's revenues will remain heavily driven by the sales opportunity in the wireless PC peripherals product category, which represented approximately 70% of the company's revenue in 2010. The global market for wireless mice and keyboards has grown rapidly in the past year with the increased popularity of these devices, with estimated unit growth of approximately 35% during 2010 compared with unit growth of 14% in the total PC market. The category continues to have strong growth potential as over 90% of PC's are still sold with wired input devices.

During the fourth quarter of 2010, demand growth in the PC industry slowed, with unit sales of PC's growing by 3% compared with 18% during the previous three quarters, according to technology market research firm IDC. Demand for wireless PC peripheral products is affected by overall demand growth for PC's as these products are frequently purchased with a new PC.

By the end of Q4 2010, the slowdown in PC demand growth resulted in surplus inventory of wireless mice and keyboard products in distributor and sales channels. As this excess inventory is sold through to end customers in 1H 2011, Management expects a negative impact on sales within its largest business segment.

Following the inventory correction, the company expects sales to increase significantly during the remainder of 2011, based on strong underlying demand growth for ultra-low power wireless solutions and a "normal" seasonal demand pattern. For the full year 2011, the company expects



revenues of approximately MUS\$ 160 – 170. The company does not expect supply to limit growth during 2011, as available manufacturing capacity continues to expand.

The company expects a gross margin of 45-50% during the coming quarters. The company has implemented several initiatives to reduce production costs, which will lead to lower COGS expenses once older inventory has been sold through to customers. These include new manufacturing processes designed to reduce production cost and to improve yields, and new pricing from manufacturing subcontractors.

### **Business Outlook - longer term**

Over the longer-term, the company expects that its primary growth driver will shift from the PC peripherals product category toward other short-range connectivity hubs, including media centers, mobile devices and sensor networks. This includes the following major growth opportunities:

- **Home media centers** (includes TV's, set top boxes, game consoles and other media players): According to market research firm iSuppli, approximately 25-30 million internet-enabled TV's are projected to have been sold in 2010, growing to over 100 million TV's by 2013. This is in addition to approximately 70 million internet-connected game consoles and set top boxes which are expected to have been sold in 2010.

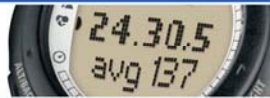
These internet-enabled home entertainment devices will increasingly require RF-based remote controls with keyboard/mouse functionality, as they integrate content search, apps, and internet-based services that cannot be effectively managed with infrared remote controls. The release of Google TV in October 2010 provides a strong example of how the functionality and input devices of connected TV's are evolving.

RF-based remote controls represent a major market opportunity for Nordic Semiconductor, as the product requirements of this category are very similar to that of PC peripherals. In addition to remote controls, new home entertainment devices also provide market opportunities for Nordic Semiconductor within game controllers, RF-based viewing glasses for 3D televisions, and audio streaming devices such as headsets and microphones.

- **Mobile devices** (includes mobile phones, watches, MP3 players and portable controllers for other wireless products): Mobile devices are increasingly being used as hubs for receiving information from ultra-low power sensors. Currently, the most popular products in this area are sports/health monitors (e.g., watches) for heart rate or speed-distance measurement.

In the coming years, the market for sports/health monitors will increasingly grow to include health monitoring for a growing elderly population as well as for patients with chronic health conditions such as high blood pressure, diabetes or heart conditions. Wireless technologies will enable these populations to be monitored in a closer and more cost-effective manner by transmitting data from a body-worn health sensor to a mobile phone monitor, and further (via web services) to a healthcare provider to identify abnormalities as needed.

In addition to health sensors, many new low-power wireless products are currently being developed to connect mobile handsets to ID, security, and payment applications. In March 2011, Casio announced the release of a watch designed to control and share data with the mobile handset, using an ultra-low power wireless component from Nordic Semiconductor.



With over 1 billion mobile handsets sold per year, the long-term opportunity to connect these and other mobile devices to new applications through short-range wireless technologies represents another major business opportunity for Nordic.

- Sensor networks (includes home / industrial meters, automotive sensors, sensors for cargo, road and public transport infrastructure): Ultra-low power sensor technologies are increasingly being utilized to manage resources and invoice for usage of utilities and public goods in a cost-effective manner. Examples of such applications include monitoring of transport systems, and energy management applications 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 security sensors, automotive sensors, sensors for home appliances, and sensors to manage factory processes are all emerging examples of such applications.

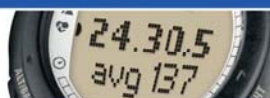
Large-scale sensor networks are often referred to as "the internet of things", as they collect and distribute information from objects rather than people. While this market is still in its earliest stages of development, the potential applications for linking devices to sensor networks are so numerous that the long-term market implications for ultra low power wireless technology are impossible to quantify.

The company expects that the *Bluetooth* low energy wireless standard will become a critical technology for enabling ultra-low power wireless communication across new short-range connectivity hubs. The *Bluetooth* low energy standard will open future generations of *Bluetooth*-enabled mobile handsets and devices for communication with low-energy sensors across a range of high-volume applications.

On July 6, 2010, the Bluetooth Special Interest Group formally adopted Bluetooth Version 4.0, with *Bluetooth* low energy as its hallmark technology. In January 2011, Nordic Semiconductor formally released its first single-mode *Bluetooth* low energy product, with industry-leading power efficiency and a low bill of materials cost.

With new growth opportunities for ultra-low power wireless solutions across a range of markets, Nordic Semiconductor plans to expand its Sales and R&D capabilities during 2011. In total, the company aims to increase its staffing by approximately 25% during the year. The additional sales resources are required for the company to expand its customer coverage to major key accounts across a variety of new segments. The investments in R&D will enable the company to release next-generation wireless product platforms with enhanced functionality and reduced power consumption in 2011 and beyond.

In sum, the market for ultra-low power wireless solutions is expected to grow rapidly in the coming years, with many new applications emerging across numerous connectivity platforms. Nordic Semiconductor is well-positioned to capture this market opportunity, based on its industry-leading short-range wireless products, strong existing market position in the wireless PC peripheral and fitness monitoring categories, highly competent R&D and Sales team, and extensive experience in ultra-low power RF technologies including the emerging *Bluetooth* low energy standard.



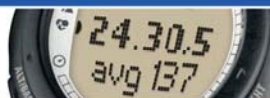
## Condensed financial information for the three months ended 31 March 2011

### Consolidated Income Statement

Amounts in USD thousand (unaudited)	1st quarter		01.01 - 31.12	
	2011	2010	2010	2009
<b>Total Revenue</b>	<b>33 469</b>	<b>29 453</b>	<b>141 760</b>	<b>65 881</b>
Cost of materials	(18 075)	(13 234)	(70 406)	(29 367)
Direct project costs	(147)	(54)	(666)	(910)
<b>Gross profit</b>	<b>15 247</b>	<b>16 166</b>	<b>70 688</b>	<b>35 604</b>
Payroll expenses	(5 758)	(5 276)	(20 948)	(14 947)
Other operating expenses	(2 248)	(1 493)	(7 386)	(6 087)
<b>EBITDA</b>	<b>7 241</b>	<b>9 397</b>	<b>42 354</b>	<b>14 570</b>
Depreciation	(1 190)	(1 224)	(4 733)	(2 616)
<b>Operating Profit (EBIT)</b>	<b>6 050</b>	<b>8 173</b>	<b>37 621</b>	<b>11 954</b>
Net interest	147	119	387	582
Net foreign exchange gains (losses)	(372)	(714)	(794)	(2 733)
<b>Profit before tax</b>	<b>5 825</b>	<b>7 579</b>	<b>37 214</b>	<b>9 803</b>
Income tax expense	(1 192)	(2 484)	(10 455)	(2 830)
<b>Net profit after tax</b>	<b>4 633</b>	<b>5 095</b>	<b>26 759</b>	<b>6 973</b>
<b>Earnings per share</b>				
Basic	0,03	0,03	0,15	0,04
Fully Diluted	0,03	0,03	0,15	0,04

### Consolidated statement of comprehensive income

Amounts in USD thousand (unaudited)	1st quarter		01.01 - 31.12	
	2011	2010	2010	2009
Net profit after tax	4 633	5 095	26 759	6 973
Difference with translation to USD	0	0	(0)	6 993
<b>Comprehensive income for the period</b>	<b>4 633</b>	<b>5 095</b>	<b>26 759</b>	<b>13 966</b>

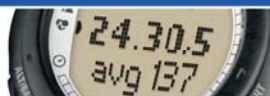


## Consolidated statement of financial position

Amounts in USD thousand (unaudited)	31.03.2011	31.12.2010	31.03.2010
Capitalized development expenses	1 419	2 011	3 562
Software and other intangible assets	2 206	1 984	1 693
Deferred tax assets	44	44	-
Property assets	419	437	465
Equipment	4 743	5 004	3 838
Other long-term assets	1 286	1 249	-
<b>Non-current assets</b>	<b>10 117</b>	<b>10 728</b>	<b>9 559</b>
Inventory	27 899	23 268	9 787
Accounts receivable	30 258	26 399	24 032
Other short term receivables	2 991	68	1 904
Cash and cash equivalents	19 593	31 675	21 654
<b>Current assets</b>	<b>80 741</b>	<b>81 409</b>	<b>57 376</b>
<b>TOTAL ASSETS</b>	<b>90 858</b>	<b>92 137</b>	<b>66 935</b>
<b>Shareholders' equity</b>	<b>62 910</b>	<b>58 278</b>	<b>47 002</b>
Pension liability	2 960	3 021	2 089
Deferred tax liability	-	-	816
<b>Non-current liabilities</b>	<b>2 960</b>	<b>3 021</b>	<b>2 905</b>
Accounts payable	7 241	9 911	6 695
Income taxes payable	12 238	11 879	3 882
Public duties	573	941	461
Dividend payable	-	-	-
Other short-term debt	4 935	8 109	5 991
<b>Current liabilities</b>	<b>24 987</b>	<b>30 839</b>	<b>17 028</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>90 858</b>	<b>92 137</b>	<b>66 935</b>

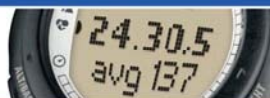
## Consolidated statement of changes in equity

Amounts in USD thousand (unaudited)	1st quarter		01.01 - 31.12	
	2011	2010	2010	2009
<b>Equity at beginning of period</b>	<b>58 278</b>	<b>41 907</b>	<b>41 907</b>	<b>33 908</b>
Net profit for the period	4 633	5 095	26 759	6 973
Purchase of treasury shares	-	-	-	(507)
Corrected exercise of employee options	-	-	-	(207)
Dividend to shareholders	-	-	(10 389)	(5 253)
Difference with translation to USD	0	0	(0)	6 993
<b>Equity at end of period</b>	<b>62 910</b>	<b>47 002</b>	<b>58 278</b>	<b>41 907</b>



## Consolidated cash flow statement

Amounts in USD thousand (unaudited)	1st quarter		01.01 - 31.12	
	2011	2010	2010	2009
Profit before tax	5 825	7 579	37 214	9 803
Taxes paid for the period	(1 477)	(1 453)	(2 743)	(3 035)
Depreciation	1 190	1 224	4 733	2 616
Gain on sale of equipment	-	-	-	-
Change in inventories, trade receivables and payables	(11 161)	(11 419)	(24 050)	(1 449)
Movement in pensions	(60)	(241)	690	388
Other operations related adjustments	(5 857)	(1 801)	1 427	5 566
<b>Net cash flows from operating activities</b>	<b>(11 540)</b>	<b>(6 112)</b>	<b>17 272</b>	<b>13 889</b>
Capital expenditures (including software)	(540)	(2 640)	(5 599)	(328)
Proceeds from sales of equipment	-	-	-	1 808
Capitalized development expenses	(2)	(173)	(603)	(2 421)
<b>Net cash flows from investing activities</b>	<b>(542)</b>	<b>(2 812)</b>	<b>(6 202)</b>	<b>(942)</b>
Dividends paid to shareholders	-	-	(9 972)	(5 192)
Changes in Treasury stock	-	-	-	(441)
Other financing related adjustments	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>(9 972)</b>	<b>(5 634)</b>
Effect of changes in currency rates	-	-	-	3 933
<b>Net change in cash and cash equivalents</b>	<b>(12 082)</b>	<b>(8 925)</b>	<b>1 097</b>	<b>11 247</b>
Cash and cash equivalents at start of period	31 675	30 578	30 578	19 331
<b>Cash and cash equivalents at end of period</b>	<b>19 593</b>	<b>21 654</b>	<b>31 675</b>	<b>30 578</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 2011 were approved for publication by the Board of Directors on April 13, 2011.

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 technology.

The Group 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 Niensens vei 12, 7052 Trondheim, Norway.

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

The Group accounts for Nordic Semiconductor ASA and its wholly-owned subsidiary, together called "the Group" have been prepared in accordance with IAS 34 Interim Financial Statements. The interim financial statements for 2011 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 2010.

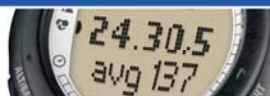
### **Note 3: Important accounting principles**

On June 15, 2010, the Company completed a share split such that each existing share in Nordic Semiconductor ASA at a par value of NOK 0.05 was split into five new shares with a par value of NOK 0.01. After the share split, the Company had 168,736,600 shares issued. In accordance with IAS 33, the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively to reflect the share split.

Other major accounting principles are described in the Group annual accounts for 2010. The group accounts for 2010 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, relevant interpretations of this, as well as additional Norwegian disclosure requirements described in the Norwegian GAAP and the Norwegian Securities Trading Act.

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

In the interim financial statements for 2011, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2011 and the major sources of uncertainty in the statements are similar to those found in the annual accounts for 2010.



#### **Note 5: Seasonality of operations**

Nordic Semiconductor's revenues are affected by the seasonality of consumer demand for electronics products which integrate Nordic components. This factor has historically driven higher shipments to distribution during Q3 in advance of the winter holiday season. In Q3 2010, supply constraints in the availability of semiconductor wafers for manufacturing offset the normal peak seasonality of revenues.

#### **Note 6: Segment information**

Detailed segment reporting is included on page 3 of this document.

Segments are reported in accordance with IFRS 8. The classification by segments has not changed as a result of the transition from IAS 14 to IFRS 8, as this classification is consistent with reporting to management. The Group has only one business, which is wireless components. The Company divides its revenues into categories based on the final products for the Group's customers: PC / Media controllers, Sports / Health monitors, Audio devices, ASIC components and Other applications as well as Consulting services.

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

A description of risk factors can be found in Note 19 of Nordic Semiconductor's 2009 annual report. The company does not anticipate material changes to its risk profile during the remainder of 2010.

#### **Note 8: Dividends paid**

In June 2010, the Annual General Meeting of shareholders approved a dividend of NOK 2.00 per share (before share split) or NOK 0.40 per share (after share split), for a total dividend payment of MUSD 10.4. The dividend was paid in July 2010.

#### **Note 9: Events after the balance sheet date**

Nothing has happened since the end of the first quarter of 2011 that affects the evaluation of the submitted accounts.