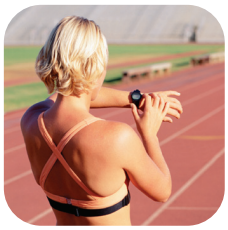
ANNUAL REPORT 2011

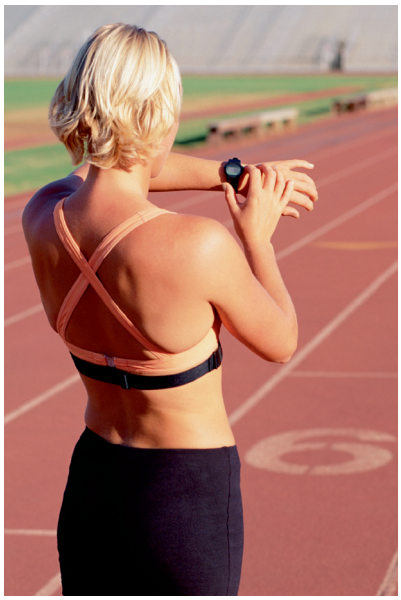


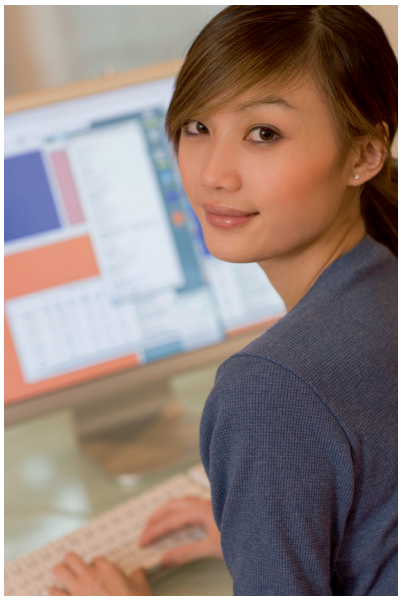





NORDIC SEMICONDUCTOR

TABLE OF CONTENTS: PAGE





ULTRA LOW POWER WIRELESS SOLUTIONS

What are you doing today?

Maybe you'll work or browse on a personal computer. Play a video game at home. Watch television from your living room. Or will you do something more active? Maybe you will ride your bicycle, or exercise at the park or gym – checking your overall performance with a sports monitor.

What do these activities have in common? In every case, you will interact with electronic devices nearby. And in every case, your experience can be enhanced with the freedom and flexibility of wireless communication.

A wireless keyboard to connect with your PC. A wireless controller for your TV or video game. A wireless device to monitor your fitness. Within each of these products is an integrated solution for short-range communication. And these solutions require speed, reliability and low power consumption.

This is where Nordic Semiconductor enters the picture. We are a global leader in wireless solutions for short-range communication between devices. Our wireless technology features high performance and ultra low power consumption. Our solutions can be found in PC peripherals, Audio and Media devices, Sports and Health monitors, Game controllers and Toys, among other applications. We are found in devices from leading global brands, the products that you use and trust every day.

Our company is a global team of specialists committed to developing leading edge wireless technology, and to helping our partners implement wireless solutions in their product lines. For more than ten years, we have been innovating and pushing the boundaries of wireless performance, serving our vision of being the preferred global vendor for ultra low power wireless solutions.

Sound interesting?

Learn more about us at www.nordicsemi.com.

NORDIC SEMICONDUCTOR

LETTER FROM THE CEO

Svenn-Tore Larsen
Chief Executive Officer

Dear Shareholders,

2011 was a year of contrast for Nordic Semiconductor. On the one hand, 2011 was a year in which sales of our proprietary 2.4 GHz wireless solutions slowed due to a weak PC market and global economic climate. On the other hand, 2011 was also a year in which *Bluetooth* Smart technology (formerly called *Bluetooth* low energy) made tremendous progress, further increasing our confidence in the company's long-term direction and growth prospects.

From a market perspective, our company faced a difficult economic climate in 2011, particularly within the PC peripherals segment. In 2011, global PC shipments grew by less than 2% compared with 14% in 2010, according to industry research firm IDC. This slowdown in PC market growth greatly impacted Nordic's sales of wireless components for PC accessories such as mice and keyboards, which is the company's largest product category and represented more than 60% of the company's revenue during the year.

The slowdown in the PC market resulted in surplus inventory of wireless mice and keyboard products in distributor and sales channels during 2011. In response to lower consumer demand, the company's distributors, manufacturers and retail channels reduced their inventories throughout the year. This trend toward lower inventory was further driven by economic uncertainty in Europe and North America during the second half of 2011.

As a result of slower PC peripheral demand and inventory corrections, Nordic Semiconductor's sales to its PC / Media controller segment fell by 8%, or from MUSD 99.4 in 2010 to MUSD 91.5 in 2011. This was partially offset by stronger growth in sales to other business segments, particularly to the Sports / Health segment, which grew by 40% during 2011.

However, due to the importance of the PC peripherals business within Nordic's revenue mix, the company's total revenue fell by 2% in 2011 to MUSD 139.1. And this, combined with lower gross margins in the first half of the year and higher operating expenses due to investments in R&D, caused our operating profits to decline from MUSD 37.6 in 2010 to MUSD 26.1 in 2011.

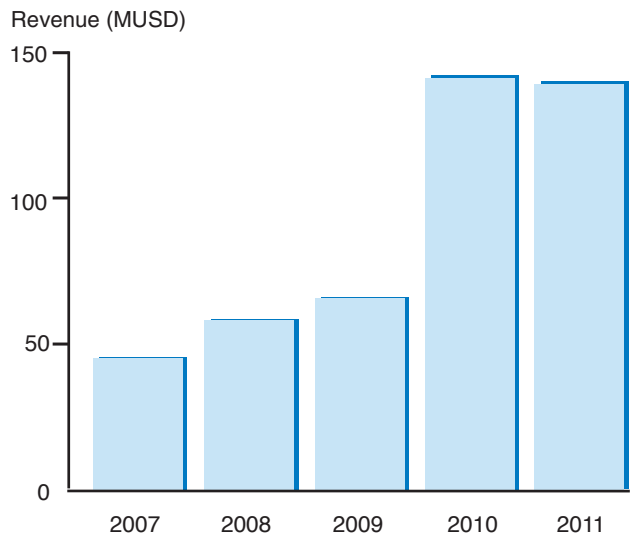
Looking forward, there are many positive signs of a healthier market for wireless components in 2012. The PC market is expected to improve significantly in the second half of 2012, as the economy continues to recover and the new Microsoft Windows 8 operating system is launched, and as supply constraints of hard disk drive storage which are currently affecting the PC industry are resolved. A recovery in the PC market will drive component sales for wireless mice and keyboards, which continue to grow in popularity among PC buyers.

Outside of the PC peripherals market, we expect to see continued growth in sales of our proprietary 2.4 GHz RF solutions to our other major product categories including sports / health monitors, home media controllers, RFID solutions and toys. These product categories performed well in 2011 despite a challenging economic environment, with many new designs released during the year that will continue to contribute revenue in 2012.

> "*Bluetooth* Smart technology made tremendous progress in 2011, further increasing our confidence in the company's growth prospects."

As I mentioned earlier, slower sales of proprietary 2.4 GHz solutions to wireless mice and keyboards were one important story in 2011, and were a drag on our financial results. The other important story in 2011 was the tremendous progress which was made within *Bluetooth* Smart technology (formerly known as *Bluetooth* low energy), far exceeding our expectations. Over the longer-term, we believe that this will be the most important outcome of 2011 for the future of our company.

Bluetooth Smart is a new standard for ultra-low power wireless communication which can connect small, low cost battery devices (e.g., sensors, remote controls) with traditional Bluetooth devices (mobile phones / PC's / home media centers). The *Bluetooth* Smart standard will enable ultra-low power wireless applications to communicate with a base of billions of mobile phones, PC's, media centers and other devices containing *Bluetooth* Smart Ready (Bluetooth version 4.0) technology. Based on this ability to connect small sensors or controls with billions of electronic devices, the *Bluetooth* Smart standard is expected to lead to dramatic growth in new applications for ultra-low power wireless solutions.



Nordic has been actively involved in the development of *Bluetooth* Smart since the start of the initiative, and has released an ultra-low power *Bluetooth* Smart solution for peripheral devices with industry leading specifications in power consumption, cost and reliability.

Back in 2006, when Nordic began working with other companies to create the *Bluetooth* Smart standard (then a research program within Nokia called Wibree), we had no idea whether this standard would become successful, or whether it would result in Nordic ever selling a single wireless unit. But we had a long-term vision of the enormous potential market which could become available to Nordic if we could connect our ultra-low power wireless solutions to an installed base of billions of mobile phones and other devices.

Over time, the Wibree initiative was absorbed within Bluetooth, and our company became deeply involved in what became a long specification and approval process in the Bluetooth SIG. As we continued to commit resources to this project, there were still many who doubted whether the standard would ever be approved. In addition, there were doubts that major companies were actually interested in using the standard. Finally, there were concerns whether a small company like Nordic Semiconductor could build awareness and differentiate itself within a major market such as Bluetooth, relative to the major wireless semiconductor vendors.

All of these doubts began to be dispelled in 2010, when the Bluetooth SIG formally adopted Bluetooth version 4.0, with *Bluetooth* Smart (then called *Bluetooth* low energy) as its hallmark feature. With this enormous step forward, we began to see the commitment of the entire Bluetooth organization to promoting the latest specification of the Bluetooth standard.

Since 2011, there has been tremendous momentum for *Bluetooth* Smart technology. Meanwhile, Nordic Semiconductor has established an early technology and market leadership position in this emerging standard. Some of the most important recent events are as follows:

- In January 2011, Nordic Semiconductor formally released its first *Bluetooth* Smart wireless component, the nRF 8001. The component is a highly integrated and easy-to-use solution with the lowest power consumption in the industry and a low bill-of-materials cost, and has proven to be very successful with developers working with *Bluetooth* Smart technology.

- In June 2011, Nordic Semiconductor was recognized for its contribution to *Bluetooth* Smart technology by being appointed to the Board of the Bluetooth SIG, joining Apple, Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, and Toshiba on the Board of Directors. The Board position provides an excellent opportunity for Nordic Semiconductor to help drive the development of the Bluetooth standard and to profile the company as it markets its *Bluetooth* Smart technology to new customers.

- In July 2011, Apple became the first PC manufacturer to implement *Bluetooth* Smart Ready (version 4.0) technology in its MacBook Air and Mac Mini PC's. The implementation of *Bluetooth* Smart Ready technology within PC's will mean that these devices are able to connect with accessories featuring *Bluetooth* Smart technology from companies such as Nordic.

  Shortly afterwards, Microsoft announced that its upcoming Windows 8 operating system would only support *Bluetooth* Smart Ready components (not Bluetooth versions prior to 4.0), and that its operating system would provide native support for connecting with accessories containing *Bluetooth* Smart technology.

- In August 2011, Panasonic, Samsung, Sony and XPAND announced that they would work with the Bluetooth SIG to develop a Bluetooth-based wireless standard for Active 3D Glasses. This was a highly significant decision as these companies had previously endorsed a competing wireless standard for low power connectivity called RF4CE.

  Afterward, a broad range of TV and set-top box manufacturers including LG, Samsung and Vizio released RF remote controls for their devices featuring Bluetooth technology. As leading television manufacturers build Bluetooth wireless technology inside their TVs and set top boxes, this creates a large market opportunity for a broad range of wireless peripherals including remote controls, 3D glasses, game controllers, and even sensors within the home to connect to the media center through *Bluetooth* Smart technology.

- In October 2011, Apple announced that its iPhone 4S would contain a *Bluetooth* Smart Ready solution, and that its iOS 5 (operating system for iPhones and iPads) would include native support for connecting with *Bluetooth* Smart devices. In addition, Apple has announced

a Core Bluetooth framework that allows developers to develop innovative new software apps for the iPhone to interact wirelessly with *Bluetooth* Smart accessories.

Apple's implementation of *Bluetooth* Smart technology in its mobile phones is expected to be quickly followed by other leading mobile phone manufacturers and software providers. The Bluetooth SIG estimates that by the end of 2012, nearly all smartphones will contain *Bluetooth* Smart Ready technology.

- In February 2012, Nordic Semiconductor announced its first large order (defined as over MUSD 1) for *Bluetooth* Smart components. The order was for a consumer health application to be worn on the body which would connect to the monitor on a *Bluetooth* Smart Ready mobile phone. The order was very significant, as it marked the first major order for *Bluetooth* Smart, and as it demonstrated the great opportunities for this wireless technology in the rapidly growing market for medical and consumer health monitoring devices.

Overall, Nordic's early and continuous support for the *Bluetooth* Smart initiative since 2006 has proven to be a very important strategic investment for the company. Now that leading vendors of PC's, TV's and mobile phones have announced their support for Bluetooth technology within ultra-low power connectivity applications, it is completely clear that *Bluetooth* Smart will represent a huge new growth opportunity within the ultra-low power wireless market. Meanwhile, Nordic Semiconductor has established itself as a technology and market leader within *Bluetooth* Smart technology and has been appointed to the Board of the *Bluetooth* SIG.

Nordic Semiconductor expects that 2012 will be the year in which the installed base of *Bluetooth* Smart Ready products expands dramatically to include many new PC's, tablets, mobile phones, and home media devices. It will also be the year in which the very first *Bluetooth* Smart accessories are released to connect with this ecosystem of *Bluetooth* Smart Ready products.

In order to build on our strong position in the emerging market for *Bluetooth* Smart applications, our company will focus on the following market strategy during the coming year:

- We will continue to enhance our technology leadership within ultra-low power 2.4 GHz wireless solutions, including the *Bluetooth* Smart standard. Nordic Semiconductor plans to release new *Bluetooth* Smart wireless solutions throughout 2012, further improving performance, power consumption and ease-of-use.

- We will release a broad new range of reference designs and software applications featuring *Bluetooth* Smart components. Since the start of 2012, we have released many complete reference designs, including those for wireless mice / keyboard and TV remote controls, which can significantly reduce the development time, cost and risk for manufacturers to develop these products.

  In addition, we have released an innovative new software app for connecting these and other devices including fitness, health, RFID and sensor applications, to the Apple iOS 5 operating system for the iPhone and iPad. We will continue to expand this end-to-end hardware and software support to cover new wireless applications, and transfer the app support to additional software platforms for PC's, TV's and mobile phones (e.g., Android, Windows) as these are launched.

- We will work closely with partners in electronics design and the semiconductor industry to promote *Bluetooth* Smart technology and accelerate time to market for new products. The objective is to quickly drive volumes by making it extremely easy for end customers to develop new products and migrate their existing designs to new, ultra-low power *Bluetooth* Smart components from Nordic Semiconductor.

Nordic Semiconductor believes that *Bluetooth* Smart represents a breakthrough technology for connecting small sensors and controls with billions of PC's, TV's, and mobile phones, and will ultimately be sold in enormous volumes.

By implementing our market strategy and investing in our people, products and customer support, we are confident that we will be able to take advantage of our current leadership position in *Bluetooth* Smart and capitalize on the coming wave of market growth for years to come.

REPORT FROM THE BOARD OF DIRECTORS

Nordic Semiconductor faced a challenging economic climate in 2011, particularly within its largest business segment of wireless PC peripherals. The company expects that its market for ultra-low power wireless solutions will substantially improve during the second half of 2012, based on renewed growth within its primary product categories and with the emergence of new market opportunities for *Bluetooth* Smart technology.

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. Nordic Semiconductor is a market leader in this segment, and has developed its own technology for radio communications with ultra-low power requirements.

Nordic Semiconductor's components are manufactured by world-class subcontractors and sold through electronics distributors to manufacturers of branded consumer goods across a wide range of product categories. These categories include PC peripherals, Media remote controls, Gaming controllers, Sports/Health monitors, Audio devices, Industrial products, and other applications.

The company is headquartered in Trondheim and Oslo, Norway, and has offices in the US, China, Korea, Japan, Taiwan, and the Philippines.

Financial Summary

Income Statement

Nordic Semiconductor's revenue in 2011 fell by 2% to MUSD 139.1 (MUSD 141.8). This decline in revenue was driven by a weaker market for PC's and a slowing economic environment in North America and Europe during the second half of the year.

The Group's PC / Media controller segment fell by 8% to MUSD 91.5 (MUSD 99.4), and represented 66% of the Group's annual sales. This segment is dominated by wireless components for PC peripherals such as wireless mice and keyboards. Demand for these products was impacted by slower PC sales growth during 2011, with global unit sales of PC's growing by less than 2% compared with 14% during 2010, according to technology market research firm IDC. As a result of slowing consumer demand, manufacturers of PC peripherals were faced with a surplus of inventory and reduced their orders for new wireless components.

Outside of the PC / Media controller market, other business segments grew by 12% in 2011 despite a challenging economic climate. Notably, the Sports/Health monitor segment grew by 40% to MUSD 13.0 (MUSD 9.3), as many new products were released and as the segment continued its transition from older 5 kHz technologies to Nordic's ultra-low power 2.4 GHz wireless solutions.

Gross margins fell to 47% (50%) for the full year 2011, but increased significantly from 44% in the first half of 2011 to 49% during the second half of the year. During the first half of the year, the company's gross margin was adversely affected by a higher proportion of sales and volume-related discounts to its largest customers. The Group's revenue mix shifted to smaller customers with lower volume-related discounts during the second half of the year, and manufacturing cost reduction initiatives resulted in a lower cost of goods.

Operating expenses including depreciation increased by 17% to MUSD 38.6 (MUSD 33.1), or 27.7% (23.3%) of revenue. During 2011, Nordic Semiconductor invested heavily in expanding its R&D team based in Trondheim, Norway. In addition, the Norwegian krone strengthened relative to the US dollar during 2011, resulting in higher operating expenses.

Development of new wireless components is essential to the company's continued competitiveness in a rapidly evolving market. At the end of 2011, R&D personnel represented over 66% of the Group's employees. During 2011, R&D activities were primarily related to primary research and early stage development of components based on the *Bluetooth* Smart standard (aka Bluetooth 4.0 / low energy) and the early stage development of new technology platforms for future wireless product releases. Due to the nature and economic risk related to this activity, nearly all R&D costs were expensed during 2011, in accordance with IAS 38.

As the Group's revenues and gross margins declined and its operating expenses increased, Nordic Semiconductor's operating profit in 2011 fell by 31% to MUSD 26.1 (MUSD 37.6). Net financial items were an expense of MUSD 0.2 in 2011, compared with an expense of MUSD 0.4 in 2010. These expenses were primarily the result of the impact of exchange rate changes on foreign currency balance sheet items.

Profit before tax in 2011 was MUSD 25.9 (MUSD 37.2). Net profit after tax was MUSD 18.9 (MUSD 26.8), generating an earnings per share of USD 0.11 (USD 0.16). 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 earnings per share has been adjusted for all periods retroactively to reflect the share split.

Cash Flow and Balance Sheet
Cash inflow from operations totaled MUSD 11.7 (MUSD 17.3). Cash flow was driven by the company's operating profits, partially offset by higher income taxes paid on earnings in 2010. Cash outflow for investments totaled MUSD 2.0 (MUSD 6.2), with lower investments in production-related equipment relative to 2010 when several new testers were purchased.

Cash outflows for financing activities were MUSD 17.6 (MUSD 10.0). The largest portion of this outflow in 2011 was a dividend payment of MUSD 12.5, or NOK 0.40 per share. In addition, the parent company repurchased 5,296,000 of its own shares for MUSD 11.0 during 2011. This share repurchase was partially financed by short-term borrowing of MUSD 6.0 from a line of credit which the company established with its primary bank during 2011.

Due to the dividend payment and share repurchase, Nordic Semiconductor's cash balance fell by MUSD 7.9 during 2011. The Group had a cash balance of MUSD 23.8 and interest bearing debt of MUSD 6.0 at the end of the year. The remainder of the Group's assets and liabilities primarily consists of its net working capital balance, which increased during 2011 as the company reduced its current liabilities for accounts payable and income taxes.

Accounting Principles
The financial statements for 2011 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. Despite strong growth in recent years, the market for short-range wireless solutions is still in its early stages of development. 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 very limited. The company maintained a cash balance of MUSD 23.8 at the end of 2011. In addition, the company has a line of credit agreement of MUSD 20 available for short-term borrowing needs, from which MUSD 6.0 had been borrowed at the balance sheet date. Due to the low amount of debt which the company holds relative to its profitability and liquidity, the company's exposure to risk associated with interest rate fluctuations is also very limited.

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 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 2011, Nordic Semiconductor had 161 (137) employees of whom 29 (23) were based 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 24 (19) female employees at the end of 2011, corresponding to 15% (14%) of total employees. There were 132 full-time employees in Norway, including 18 women, and 29 in Hong Kong, South Korea, Japan, the Philippines, Taiwan and the USA, including 6 women. The average salary for women was 67% of the average salary for men. 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.

Absence due to illness was 1.9% in 2011 compared to 2.1% in 2010. No occupational illnesses or injuries were reported in 2011.

The Board of Directors would like to thank all of the Group's employees for their contribution to the business during the year.

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. Consequently, there is little pollution associated with the company's operations. Nordic Semiconductor seeks to limit resource consumption, prevent unnecessary

environmental pollution and manage waste in an environment-friendly and resource-efficient manner.

The company has established routines to monitor these conditions, thereby meeting the requirements of ISO 9001:2000 certification. Nordic Semiconductor complies with all current laws and regulations, and all 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 Governance

Nordic Semiconductor's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 21 October 2010, 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 published in their own section of the 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 18.8 during 2011. The net profit has been transferred in its entirety to other equity. Unrestricted equity in the parent company amounted to MUSD 36.6 at year-end.

The company's financial management strategy is to preserve a high proportion of equity and liquidity, in order to ensure that significant resources are available for long-term R&D investments in a highly cyclical business environment. The company aims to provide an annual dividend, assuming that the needs of this financial management strategy are addressed.

In August 2011, the Board announced a share repurchase program following a decline in the company's share price, based on an assessment that the share price movement significantly undervalued the company's long-term growth opportunity in the ultra-low power wireless category. During the remainder of 2011, the parent company repurchased 5,296,000 of its own shares for MUSD 11.0. The share repurchase was partially financed by short-term borrowing of MUSD 6.0.

Following this share repurchase and the dividend payment at the prior AGM, the Board and Management have agreed that the company should preserve its cash to meet its strategic needs. For this reason, the Board will not propose a dividend payment at the Annual General Meeting in April.

Future Outlook

Nordic Semiconductor expects a return to stronger revenue growth in 2012 based on an improved economic outlook, a recovery in the PC market, and new product releases across multiple wireless categories.

Industry analysts project that growth in the PC market will accelerate in the second half of 2012, as the economic outlook improves and as global hard drive production capacity is restored following a disruption in supply due to devastating floods in Thailand in October 2011. Furthermore, the release of the Windows 8 operating system (projected in late-2012) and the increased popularity of the ultrabook category of notebook PC's is expected to renew consumer interest in the PC category. The release of a new operating system from Microsoft has historically stimulated a "refresh cycle" as consumers and business replace aging PC hardware.

As the PC business recovers, Nordic Semiconductor expects that its PC peripherals segment will return to significantly higher growth rates during the second half of 2012. Sales to the PC peripherals segment will be further enhanced by the growing popularity and cost efficiency of wireless solutions as a replacement for wired mice and keyboards, and with the need for sales channels to rebuild inventory levels as a result of increased demand.

Outside of the PC peripherals business, Nordic Semiconductor's revenue from other product segments grew by 12% in 2011 despite a challenging economic climate. The company expects to see strong growth continue from its non-PC peripherals markets during 2012, boosted by an improving economy and by new product designs.

While Nordic's traditional business for proprietary 2.4 GHz solutions will continue to be a growth opportunity during the coming years, the company expects that starting in the second half of 2012 its revenue mix will begin to shift from proprietary 2.4 GHz technology toward components featuring the new *Bluetooth* Smart wireless standard (previously called *Bluetooth* low energy, and released in July 2010 as the hallmark feature of Bluetooth version 4.0).

Bluetooth Smart is a new standard for ultra-low power wireless communication which can connect small, low cost battery devices (e.g., sensors, remote controls) with traditional Bluetooth devices (mobile phones / PC's / home media centers). The *Bluetooth* Smart standard will enable ultra-low power wireless applications to communicate with an installed base of mobile phones, PC's, media centers and other devices containing *Bluetooth* Smart Ready (*Bluetooth* version 4.0) technology.

During 2012, the company expects that many new mobile phones, PC's, and home media centers will implement *Bluetooth* Smart Ready (Bluetooth version 4.0) technology, enabling them to connect with small, low cost peripheral devices featuring ultra-low power *Bluetooth* Smart technology. Nordic has been actively involved in the development of *Bluetooth* Smart since the start of the initiative, and has released an ultra-low power *Bluetooth* Smart solution for peripheral devices with industry leading specifications in power consumption, cost and reliability.

In June 2011, Nordic was appointed to the Board of the Bluetooth SIG, joining Apple, Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, and Toshiba on the Board of Directors. The Board position presents an excellent opportunity for Nordic Semiconductor to help drive the development of the Bluetooth standard in order to maximize the market opportunity for *Bluetooth* Smart technology, and to profile the company as it markets its *Bluetooth* Smart technology to new customers.

Overall, Nordic Semiconductor expects the market for ultra-low power wireless solutions to grow rapidly for years to come. During 2012, revenue growth will be driven by the company's proprietary 2.4 GHz RF technology, with additional revenue contribution from *Bluetooth* Smart designs during the second half of the year. In the years following, the company expects that its revenue mix will increasingly shift to *Bluetooth* Smart technology as the standard becomes established and as the ecosystem of *Bluetooth* Smart Ready / Smart devices expands.

Nordic Semiconductor is well-positioned to capture the growth opportunity within proprietary 2.4 GHz and *Bluetooth* Smart wireless products based on its best-in-class technology, highly experienced R&D and Sales team, and established market leadership position in ultra-low power RF technologies including the new *Bluetooth* Smart standard.

The Board of Directors and CEO confirm that:

- to the best of our knowledge, the financial statements for 2011 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

Tore Engebretsen
Chairman

Anne-Cecilie Fagerlie
Vice Chairman

Karsten Rönner
Board member

Terje Rogne
Board member

Arnhild Schia
Board member

Markus Bakka Hjertø
Board member

Jon Helge Nistad
Board member

Svenn-Tore Larsen
Chief Executive Officer

Oslo, 28 March 2012

Nordic Semiconductor Group

Consolidated income statement

for the year ended 31 December 2011

Amount in USD 1000	Note	2011	2010
Total Revenue	**2.11/ 3**	**139 052**	**141 760**
Cost of materials	4	-74 023	-70 406
Direct project costs		-339	-666
Gross profit		**64 690**	**70 688**
Payroll expenses	9/10/12/16	-24 401	-20 948
Other operating expenses	5/12/18	-9 892	-7 386
Depreciation	11/12	-4 284	-4 733
Operating profit		**26 114**	**37 621**
Financial income	6/19	492	393
Financial expenses	6/19	-93	
Net foreign exchange gains (losses)	6/19	-608	-800
Profit before tax		**25 904**	**37 214**
Income tax expense	7	-7 049	-10 455
Net profit after tax		**18 856**	**26 759**
Attributable to			
Equity holders of the parent		18 856	26 759

Comprehensive Income	2011	2010
Net profit after tax	18 856	26 759
Total Comprehensive Income	**18 856**	**26 759**

Earnings per share			
Ordinary earnings per share (USD)	8	0,11	0,16
Fully diluted earnings per share (USD)	8	0,11	0,16

Nordic Semiconductor Group

Consolidated statement of financial position

as of 31 December 2011

Amount in USD 1000	Note	2011	2010
ASSETS			
Non-current assets			
Capitalized development expenses	2.9/12	305	2 011
Software and other intangible assets	2.9/12	2 117	1 984
Deferred tax assets	7	757	44
Property assets	2.8/11	373	437
Equipment	2.8/11	4 350	5 004
Other long term assets	10	1 208	1 249
Total non-current assets		**9 109**	**10 728**
Current assets			
Inventory	2.7/4	24 583	23 268
Accounts receivable	2.5/13	22 450	26 399
Other short-term receivables		2 166	68
Cash and cash equivalents	2.4/14	23 808	31 675
Total current assets		**73 006**	**81 409**
TOTAL ASSETS		**82 115**	**92 137**
EQUITY			
Share capital	15	292	292
Treasury shares	2.18/15	-9	
Share premium	15	14 253	14 253
Retained earnings		39 039	43 732
TOTAL EQUITY		**53 575**	**58 278**
LIABILITIES			
Non-current liabilities			
Pension liability	2.12/16	3 814	3 021
Total non-current liabilities		**3 814**	**3 021**
Current liabilities			
Short-term loan facility	19	6 000	
Accounts payable	17	3 266	9 911
Income taxes payable	7	7 363	11 879
Public duties	17	1 083	941
Other short-term debt	17	7 013	8 109
Total current liabilities		**24 726**	**30 839**
TOTAL LIABILITES		**28 540**	**33 860**
TOTAL EQUITY AND LIABILITIES		**82 115**	**92 137**

Tore Engebretsen
Chairman

Anne-Cecilie Fagerlie
Vice Chairman

Karsten Rönner
Board member

Terje Rogne
Board member

Arnhild Schia
Board member

Markus Bakka Hjertø
Board member

Jon Helge Nistad
Board member

Svenn-Tore Larsen
Chief Executive Officer

Oslo, 28 March 2012

Nordic Semiconductor Group

Consolidated statement of changes in equity

for the year ended 31 December 2011

	Note	Share capital	Treasury shares	Share premium	Retained earnings	Currency translation difference	Total equity
Amount in USD 1000							
Equity as of 01.01.2010		**292**	**0**	**14 253**	**26 946**	**416**	**41 907**
Net profit for the period					26 759		**26 759**
Dividend to shareholders	15				-10 389		**-10 389**
Currency difference with translation to USD					416	-416	**0**
Equity as of 31.12.2010		**292**	**0**	**14 253**	**43 732**	**0**	**58 278**
Net profit for the period					18 856		**18 856**
Dividend to shareholders	15				-12 526		**-12 526**
Purchase of treasury shares	2.18/15		-9		-11 023		**-11 032**
Equity as of 31.12.2011		**292**	**-9**	**14 253**	**39 039**	**0**	**53 575**

Nordic Semiconductor Group

Consolidated statement of cash flows

for the year ended 31 December 2011

Amount in USD 1000	2011	2010
Cash flows from operating activities		
Profit before tax	25 904	37 214
Taxes paid for the period	-12 344	-2 743
Depreciation	4 284	4 733
Change in inventories, trade receivables and payables	-4 011	-24 050
Movement in pensions	794	690
Other operations related adjustments	-2 943	1 427
Net cash flows from operating activities	**11 683**	**17 272**
Cash flows from investing activities		
Capital expenditures (including software)	-1 990	-5 599
Proceeds from sales of equipment		
Capitalized development expenses	-2	-603
Net cash flows from investing activities	**-1 992**	**-6 202**
Cash flows from financing activities		
Dividends paid to shareholders	-12 526	-9 972
Changes in treasury stock	-11 032	
Change in Short-term loan facility	6 000	
Net cash flows from financing activities	**-17 558**	**-9 972**
Net change in cash and cash equivalents	**-7 867**	**1 097**
Cash and cash equivalents as of 1.1.	31 675	30 578
Cash and cash equivalents as of 31.12.	**23 808**	**31 675**
Cash and cash equivalents as of 31.12. which is restricted cash	**675**	**579**

Note 1 General

Nordic Semiconductor 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 its wholly-owned subsidiary, Nordic Semiconductor Inc. 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 and *Bluetooth* Smart technology.

The financial accounts were approved for publication by the Board of Directors on March 28, 2012, and will be presented for approval at the Annual General Meeting on April 26, 2012.

Note 2 Accounting Principles

All figures are in thousands of US Dollars.

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.

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 assets:

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

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.

Accounting assessments:
Management has not made any significant accounting assessments, except for assessments regarding estimates stated below.

Estimates and assumptions:
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. Further details are provided in note 16. The book value of pension obligations as of December 31, 2011 and 2010 was USD 3,814,000 and USD 3,021,000 respectively.

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, 2011 and 2010 was USD 305,000 and USD 2,011,000 respectively.

Management has made an estimate of future credits to be given to distributors based on components sold in 2010 and 2011, if the following scenarios are met:

- *"Ship and debit":*
  If a distributor sells components to specified customer accounts, the distributor will receive an additional discount after the sale is made. An estimate for this discount is provided in the accounts.
- *"Price protection"*
  If the distributor's pricing to specific end customer accounts changes according to a previous agreement with Nordic Semiconductor, the distributor will receive a credit based on the difference between the old and new price. An estimate for this credit is provided in the accounts.
- *"Stock rotation"*
  In certain cases, distributors have the right to exchange inventory with Nordic Semiconductor. Provisions are made for this if necessary.

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.

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 Changes in accounting principles

Accounting principles have been applied consistently with the previous year, with the following exceptions:

The Group has applied the following new and amended IFRS and IFRIC interpretations throughout the year. The application of these amended standards and interpretations have had no effect on the Group's accounts, but may have resulted in an increase in supplementary information.

IAS 24 (change) Related Party Disclosures (effective January 1, 2011)

IAS 32 (change) Classification of Rights Issues (effective February 1, 2010)

Change in IFRIC 14 (to IAS 19) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 1, 2011)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010)

Annual improvement project 2010
In its annual improvement project for 2010, IASB has approved changes to the following standards:

- **IFRS 7 Financial Instruments: Disclosures**
- **IAS 1 Presentation of Financial Statements**
- **IAS 27 Consolidated and Separate Financial Statements**

2.3 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.

2.4 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.

2.5 Accounts receivable

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

2.6 Hedging

Hedge accounting is not employed. Efforts are made to reduce foreign currency risk by matching revenues and costs in the various currencies. Financial derivatives that are not designated as hedging instruments are recognized at fair value through profit or loss.

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. Non-current 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 building 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; and
- 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 from sales of components is recognized at the time of delivery. 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 2.1

Revenue from services is recognized as the services are rendered.

Royalties are recorded as revenue in accordance with royalty contracts.

Interest earned is recorded as income as it is accrued.

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.

Pension liabilities and pension costs are determined using a straight line formula which distributes future pension benefits on a straight line basis over the employment period and considers the pension rights earned by the employees in the course of a period as the pension cost for the year.

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 the rate on the 10-year government bond with an allowance to take the term into account. The calculations were performed by a qualified actuary.

Changes in pension assets and liabilities that are attributable to estimated changes and discrepancies from the calculation provisions are distributed over the assumed average residual vesting period if the deviation at the start of the year exceeds 10 percent of the greater of the gross pension obligations and pension funds (the corridor solution).

Defined contribution pension
Employees in Norway hired after January 1, 2008 have a defined contribution pension plan described in 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, whereas other public grants are accounted for as revenue.

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's has only one operating segment, but breaks down it's revenue to the following end product areas: PC / Media controllers, Sports / Health monitors, Audio devices, Other applications, ASIC components and Consulting services. The Group's secondary segment is 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 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 posted 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

Changes to the following standards and interpretations are not expected to have an effect on the group accounts:

- **IFRS 7 Financial Instruments - new disclosures**
- **IFRS 9 Financial Instruments**
- **IFRS 10 Consolidated Financial Statements**
- **IFRS 12 Disclosure of Interests in Other Entities**
- **IFRS 13 Fair Value Measurement**
- **IAS 1 Presentation of items of other comprehensive income**
- **IAS 12 Income Taxes**
- **IAS 27 Seperate Financial Statements**

The following change is expected to have an effect on the group accounts:

IAS 19 Employee Benefits

Following changes in 2011, IAS 19 does not allows the "corridor method" to be used for recognition of actuarial gains and losses. Actuarial gains and losses will now be recognized in full in the statement of comprehensive income in the period they arise. The change also means that the pension cost is split between ordinary income and other income and expenses. Expected return on plan assets is calculated using the discount rate calculated by the gross pension liability. Net accrued pension and net interest expense is presented during the regular results, while "remeasurements" like estimates are presented in other income and expense in comprehensive income.

Futhermore, the disclosure requirements related to defined benefit pension plans are changed. The changes apply with effect for financial years starting January 1, 2013 or later, but the EU has not approved the changes. Earlier application is permitted, if the EU approves the changes. The Group expects to apply the revised standard from January 1, 2013. The changes are expected to have an effect on the financial statements as of 2013. The change will mean that equity will be reduced accordingly to amortized actuarial gains and losses, and that the pension costs may increase when the return on plan assets must be estimated for the same discount rate as a liability.

Note 3: Segment information

All figures in USD 1000.

Segment information, primary:
The Group has only one segment which is the semiconductor. The Group classifies its revenues based on the end product applications in which the semiconductor is 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 / Media controllers, Sports / Health monitors, Audio devices, and Other applications. In 2011, wireless components accounted for 86% of sales versus 88% in 2010.

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

	2011	2010
Revenue		
PC / Media controllers	91 527	99 384
Sports / Health monitors	12 982	9 303
Audio / Media devices	988	1 349
Other components	14 341	14 244
Wireless components	**119 839**	**124 280**
ASIC components	18 294	16 023
Consulting services	919	1 456
Total revenues	**139 052**	**141 760**

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

	2011	2010
Norway		5
Europe	20 478	17 327
USA / Canada	10 750	9 614
Apac	107 824	114 812
Other		2
Total revenues	**139 052**	**141 760**

The Group has two customers that each represented more than 10% of the Group's total revenues in 2011. These two customers represented 45% and 16% of the Group's total revenues respectively. In comparison, three customers each provided more than 10% of the Group's total revenues in 2010, with 47%, 11% and 10% of revenues respectively. All of these customers are based in Asia. The customers act as the Group's distributors in the market and sell its products to end customers across the world.

Note 4 Cost of goods / component inventory

All figures in USD 1000.

	2011	2010
Cost of goods, gross	75 338	84 684
Changes in inventory	-1 315	-14 278
Cost of goods, net	**74 023**	**70 406**

	2011	2010
Finished goods		
At net realizable value	35 059	18 332
At cost price	18 452	9 166
Total Finished goods	**18 452**	**9 166**
Work in progress, at cost	6 131	14 102
Total inventory	**24 583**	**23 268**
Amount written down:	362	571

Note 5 - Other operating expenses

All figures in USD 1000.

	2011	2010
Service and maintenance	2 191	1 548
Other consultancy fees	2 199	1 588
Office rental expenses	1 662	1 481
Office equipment	511	454
Material and components	813	849
Capitalized development expenses		-241
Travel and meeting expenses	1 253	1 097
Other operating expenses	1 263	610
Total other operating expenses	**9 892**	**7 386**

Auditor remuneration

Fees to the auditor are included in consultancy fees above.

	2011	2010
Statutory audit servces	54	45
Attestation services		1
Tax advisory services	8	6
Other non-audit services	9	6
Total	**71**	**58**

Note 6: Net financial items

All figures in USD 1000.

	2011	2010
Interest income	210	163
Dividend	9	6
Changes in money market fund, reported in the income statement	273	224
Financial income	**492**	**393**
Interest expenses	-93	
Foreign exchange loss (net)	-608	-800
Financial expenses	**-701**	**-800**

Note 7: Tax

All figures in USD 1000.

Tax expense:

Tax expense consists of:	2011	2010
Tax payable	-7 761	-11 332
Adjustment in prior year		-5
Change in deferred tax / tax benefit	712	882
Tax expense	**-7 049**	**-10 455**

Reconciliation of taxes payable in balance sheet and income statement	2011	2010
Taxes payable for year, in the balance sheet	-7 363	-11 879
Adjustment to prior year tax		-5
Currency effect from translation to USD	-398	552
Taxes payable in income statement	**-7 761**	**-11 332**

Reconciliation of nominal and actual tax expense	2011	2010
Profit before tax	25 904	37 214
Tax at nominal rate (28%)	**-7 253**	**-10 420**
Tax expense	-7 049	-10 455
Difference between nominal tax expense and tax expense	**204**	**35**
Difference consists of:		
Tax effect of permanent differences	-135	-44
Change of tax previous year		5
Currency effect from translation to USD	-69	4
Difference	**0**	**0**

	2011	2010
Earnings before tax	**25 904**	**37 214**
Government grants		-164
Non-taxable changes in fair value	-596	-154
Dividend		-6
Non-taxable interest	86	-3
Non-deductible other expenses	28	45
Change in temporary differences	2 720	3 070
Currency effect of translation to USD	-1 846	2423
Basis for payable tax	**26 296**	**42 425**
Payable tax on earnings (28%)	**-7 363**	**-11 879**

Deferred tax and deferred tax benefits:	Balance Sheet		Income Statement	
	2011	**2010**	**2011**	**2010**
Deferred tax benefit				
Inventory	362	571	-209	269
Fixed assets	1 631	539	1 092	135
Shares				-36
Pension obligation	3 821	3 021	800	688
Deferred tax benefit – gross	**5 814**	**4 131**	**1 683**	**1 056**
Deferred tax obligation				
Intangible assets	-1 046	-1 334	288	1 018
Gain and loss account	-2 060	-2 630	570	707
Accounts receivable	-5	-9	4	1
Work in progress				398
Deferred tax obligation – gross	**-3 111**	**-3 973**	**862**	**2 124**
Currency effect of translation to USD			1	-48
Total temporary differences	**2 703**	**158**	**2 546**	**3 132**
Net deferred tax obligation/benefit	757	44		
Change in deferred tax obligation/benefit			-713	-877

Note 8: Shares outstanding

	2011	2010
Basis for calculation of basic earnings per share		
Earnings for the year (USD '000)	18 856	26 759
Weighted average number of outstanding shares ('000)	167 624	168 737
Earnings per share (USD)	**0,11**	**0,16**
Basis for calculation of fully diluted earnings per share		
Earnings for the year (USD '000)	18 856	26 759
Weighted average number of outstanding shares ('000)	167 624	168 737
Earnings per share (USD)	**0,11**	**0,16**
Reconciliation of average number of ordinary shares ('000)		
Weighted average number of outstanding shares	168 737	168 737
Weighted average number of treasury shares	1 113	
Weighted average number of outstanding shares, corrected for treasury shares	**167 624**	**168 737**

The number of shares was as follows:

Date		**Number of shares issued**	**Shares outstanding**
2010-01-01	Balance at beginning of period	33 747 320	**33 747 320**
2010-06-15	Split of shares (1/5)	134 989 280	**134 989 280**
2010-12-31	**Balance at end of period**	**168 736 600**	**168 736 600**

Note 9: Payroll expenses

All figures in USD 1000.

Combined expenses for salary and other compensation are distributed as follows:

	2011	2010
Salary and vacation pay	17 200	16 188
Other compensation	2 463	1 112
Payroll tax	2 553	2 125
Defined benefit pension	1 821	1 685
Defined contribution pension	366	194
Capitalized development expenses (hourly costs)	-2	-356
Total	**24 401**	**20 948**
Weighted average number of full-time employees	149	129

Company's employees as of December 31, are distributed as follows:

	2011	2010
Norway	132	114
China	8	7
South Korea	1	1
USA	7	5
Taiwan	1	1
Japan	1	1
Philippines	11	8
Total	**161**	**137**

Note 10: Compensation to Group management and Board

All figures in USD 1000.

Total compensation paid to Board members (including salary and bonus to employee representatives):

	2011	2010
Tore Engebretsen, chairman of the board	62	58
Anne Cecilie Fagerlie, board member	43	29
Arnhild Schia, board member	34	29
Terje Rogne, board member	34	31
Karsten Rönner, board member		
Kjell Bråthen, former board member	34	31
Markus Bakka Hjertø, employee representative	131	108
Jon Helge Nistad, employee representative	121	102

Total compensation earned by the CEO and other executives:

2011	Salary	Bonus	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	456	312	3	35	**806**
Robert Giori, CFO	300	134	3	11	**448**
Bertel-Eivind Flaten, R&D Director	193	134	3	38	**368**
Ebbe Rømcke, Quality Director	170	67	4	36	**277**
Geir Langeland, Sales & Marketing Director	245	134	11	32	**422**
Total	**1 364**	**781**	**24**	**152**	**2 321**

2010	Salary	Bonus	Other compensation	Pension expenses	Total
Svenn-Tore Larsen, CEO	405	397	2	31	**835**
Robert Giori, CFO	249	260	3	10	**522**
Bertel-Eivind Flaten, R&D Director	173	167	3	30	**373**
Ebbe Rømcke, Quality Director	148	146	3	28	**325**
Geir Langeland, Sales & Marketing Director	209	205	10	23	**447**
Total	**1 184**	**1 175**	**21**	**122**	**2 502**

Several members of the executive team have entered 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.

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Loans to executives:	2011	2010	Repayment terms
Svenn-Tore Larsen	846	860	To be repaid in installments of USD 149 thousand on January 20, 2012, USD 188 thousand on January 20, 2013, USD 229 thousand on January 20, 2014 and USD 280 thousand on January 20, 2015
Ebbe Rømke		46	Repaid on February 28, 2011
Geir Langeland	337	343	To be repaid in installments of USD 83 thousand on January 20, 2012, USD 111 thousand on January 20, 2013, and USD 143 thousand on January 20, 2014

Compensation agreement - CEO

In 2011 the CEO has had a performance bonus agreement tied to the achievement of annual targets for operating profit. The bonus is limited to one year's salary. For 2011 the conditions for bonus were not fulfilled. 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 31.12.2011, the Adm Dir had earned 1,75 MNOK of this retention bonus, which was paid in January 2012. The remainder of this bonus would be earned during the remaining three years of the agreement, if the employment conditions are reached.

The Group 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 Group is acquired or merged with another company.

Policy for executive compensation

In February 2012, an Extraordinary General Meeting amended 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. The guidelines are revised to read:

The main principle of Nordic Semiconductor ASA's executive remuneration policy is that senior executives will be offered competitive terms so that the company achieves the required expertise and incentives of the management team. Salary and other remuneration to the CEO and senior executives will this year take place in accordance with that principle.

Nordic Semiconductor ASA has established an annual performance bonus and a loyalty bonus scheme for senior management, in which the employee must remain in his position to the beginning of the following year to be eligible. Bonuses may be awarded through a cash payment or through the granting of stock options in the company. The performance bonus will be subject to an absolute limit and criteria for compliance, which shall be decided by the Board in its sole discretion.

The company offers a pension scheme for all employees, including senior executives. In addition, senior executives are given other limited benefits in kind, such as using a mobile phone.

The CEO has a 6 month notice period, except that the notice period shall be 12 months if the company is acquired or merged with another company.

Note 11: Fixed assets

All figures in USD 1000.

2011	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	1 516	9 729	416	333	**11 994**
Additions	380	1 074	7		**1 461**
Sale / disposal of assets		-118			**-118**
Acquisition cost as of 31.12	**1 896**	**10 685**	**423**	**333**	**13 337**
Accumulated depreciation					
Opening balance	1 038	5 203	312		**6 553**
Depreciation expenses	269	1 839	71		**2 180**
Sale / disposal of assets		-118			**-118**
Accumulated depreciation as of 31.12	**1 307**	**6 924**	**383**	**0**	**8 612**
Net carrying value as of 31.12	**589**	**3 761**	**40**	**333**	**4 723**
Fully depreciated fixed assets, which are still in use	438	3 178	132		

2010	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
Acquisition cost					
Opening balance	1 134	8 326	383	333	**10 176**
Additions	414	4 653	33		**5 100**
Sale / disposal of assets	-32	-3 250			**-3 282**
Acquisition cost as of 31.12	**1 516**	**9 729**	**416**	**333**	**11 994**
Accumulated depreciation					
Opening balance	895	7 003	233		**8 131**
Depreciation expenses	175	1 450	79		**1 704**
Sale / disposal of assets	32	3 250			**3 282**
Accumulated depreciation as of 31.12	**1 038**	**5 203**	**312**	**0**	**6 553**
Net carrying value as of 31.12	**478**	**4 526**	**104**	**333**	**5 441**
Fully depreciated fixed assets, which are still in use	421	2 553	68		

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	34	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.

2011	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	5 861	8 649	**14 510**
Additions	529	2	**531**
Sale / disposal of assets			
Accumulated cost as of 12.31	**6 390**	**8 651**	**15 041**
Accumulated depreciation			
Opening balance	3 878	6 639	**10 517**
Depreciation expenses	395	1 708	**2 103**
Sale / disposal of assets			
Total accumulated depreciation as of 12.31	**4 273**	**8 347**	**12 620**
Net carrying amount	**2 117**	**305**	**2 422**
Fully depreciated fixed assets, which are still in use	309	5 652	
Non-capitalized R&D expenses:			
Personnel expenses		12 413	**12 413**
Other operating expenses		2 903	**2 903**
Total cost recognized in income statement		**15 316**	**15 316**
Total expenses for R&D		**15 319**	**15 319**

2010	Purchased Software	Capitalized Development costs	Total
Acquisition cost			
Opening balance	5 539	8 046	**13 585**
Additions	499	603	**1 102**
Sale / disposal of assets	-177		**-177**
Accumulated cost as of 12.31	**5 861**	**8 649**	**14 510**
Accumulated depreciation			
Opening balance	3 557	4 108	**7 665**
Depreciation expenses	497	2 531	**3 028**
Sale / disposal of assets	-177		**-177**
Total accumulated depreciation as of 12.31	**3 878**	**6 639**	**10 516**
Net carrying amount	**1 984**	**2 011**	**3 995**
Fully depreciated fixed assets, which are still in use	309	2 396	
Non-capitalized R&D expenses:			
Personnel expenses		9 823	**9 823**
Other operating expenses		1 681	**1 681**
Total cost recognized in income statement		**11 504**	**11 504**
Total expenses for R&D		**12 107**	**12 107**

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

Note 13: Accounts Receivable

All figures in USD 1000.

	2011	2010
Gross receivables	22 455	26 406
Provision for doubtful accounts	-5	-7
Accounts Receivable, net	**22 450**	**26 399**

The provision for loss on debt receivables covers approx. 0.02% of the accounts receivable compared with 0.03% in 2010.

Note 14: Cash and cash equivalents

All figures in USD 1000.

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

	2011	2010
Cash holdings	14 724	14 343
Tax deduction account (restricted funds)	675	579
Short-term investments (money market fund)	8 409	16 753
Cash and cash equivalents in consolidated statement of financial position	**23 808**	**31 675**
Cash and cash equivalents in consolidated statement of cash flows	**23 808**	**31 675**

Note 15: Share capital and shareholder information

All figures in USD 1000.

Share capital

The share capital in Nordic Semiconductor as of December 31, 2011 consists of one share class with a total of 168,736,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,687,366. 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	
	2011	2010	2011	2010	2011	2010	2011	2010
Ordinary shares, issued and paid								
Holdings as of 1.1	168 736 600	33 747 320	292	292			14 253	14 253
Purchase of treasury shares					-9			
Splitt (1/5)		134 989 280						
Holdings as of 12.31	**168 736 600**	**168 736 600**	**292**	**292**	**-9**		**14 253**	**14 253**

Dividend

A dividend of NOK 0.40 per share (after share split) was paid in 2011 and 2010, for a total dividend payment of NOK 67,495,000 during each year.

Authority to issue shares

The Board of the Parent company, based on a resolution from the annual general meeting on June 16, 2011, has the authority to increase the company's share capital by issuing up to 16,800,000 shares with a par value of NOK 168,000. 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 2012. The resolution covers the issue of shares in connection with a merger.

Treasury shares

Nordic Semiconductor ASA has during 2011 purchased 5,296,000 of its own shares through brokers at an average rate of USD 2.08. The company owned no treasury shares on December 31, 2010.

Based on a resolution of the annual general meeting of June 16, 2011, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 168,000 through one or more transactions. This authority is limited to 9,96% 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 2012.

Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2011:

Shareholder	Shares	Percentage
ACCELERATOR LTD	17 332 950	10,27%
ODIN NORGE	11 466 727	6,80%
FOLKETRYGDFONDET	11 044 024	6,55%
AWILCO INVEST AS	7 725 000	4,58%
ENGEBRETSEN TORE	7 537 500	4,47%
ALDEN AS	5 750 000	3,41%
GOLDMAN SACHS INT. - SECURITY CLIENT	5 300 000	3,14%
NORDIC SEMICONDUCTOR ASA	5 287 000	3,13%
INAK 2 AS	5 140 000	3,05%
MP PENSJON	4 214 750	2,50%
KLP AKSJE NORGE VPF	4 111 334	2,44%
STATOIL PENSJON	3 316 190	1,97%
KOMMUNAL LANDSPENSJONSKASSE	3 283 123	1,95%
STATE STREET BANK AND TRUST CO.	3 278 099	1,94%
FOUGNER INVEST AS	2 900 000	1,72%
MÆLAND ARNE KRISTIAN	2 800 000	1,66%
DNB NOR MARKETS, AKSJEHAND/ANALYSE	2 292 655	1,36%
TTC INVEST AS	2 200 000	1,30%
DUKAT AS	1 975 000	1,17%
DNB NOR SMB	1 930 265	1,14%
Total for the 20 largest shareholders	**108 884 617**	**64,53%**
Other shareholders	59 851 983	35,47%
Total shares outstanding	**168 736 600**	**100,00%**

Shares held by the Board of directors and Executive management were as follows as of December 31, 2011.

Name	Shares
Board of directors	
Tore Engebretsen	7 687 500
Terje Rogne	1 250 000
Anne Cecilie Fagerlie	0
Arnhild Schia	0
Karsten Rönner	30 000
Jon Helge Nistad	0
Markus Bakka Hjertø	0
Management	
Svenn-Tore Larsen	2 640 400
Robert Giori	66 400
Geir Langeland	177 700
Bertel-Eivind Flaten	1 037 900
Ebbe Rømcke	58 400
Total	**12 948 300**

Note 16: Pensions and other long-term employee benefits

All figures in USD 1000.

The Norwegian company in the Group is required to have mandatory employment pension 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:

Defined benefit pension:
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, 2011 the plan had 66 members.

The obligation is calculated on a straight-line basis. Unrealized profits and loss as a result of changes in actuarial assumptions are distributed across the anticipated remaining average earning period.

The pension fund is managed by DNB Life Insurance ASA. At the end of 2011 the value of the pension fund was USD 6,587,000. The portfolio was invested as follows:

	2011.06.30	2010.12.31
Equities	19.5%	18.7%
Bonds	14.5%	15.4%
Money market	13.3%	13.6%
Bonds held to maturity	32.6%	33.2%
Property	17.0%	17.6%
Other	3.0%	1.5%
Total	**100%**	**100%**

Pension expense for the year was calculated as follows:

	2011	2010
Current service cost	1 153	1 078
Interest expense	506	472
Expected return on plan assets	-310	-287
Amortization of actuarial gains / losses	216	190
Administration fee	58	47
Total pension expense excl. social security tax	**1 623**	**1 500**
Social security tax	198	185
Total pension expense incl. social security tax	**1 821**	**1 685**

Net pension obligation for the year was calculated as follows:

	2011	2010
Pension obligations	17 391	12 862
Plan assets	6 587	5 460
Estimated net pension obligations	**-10 804**	**-7 402**
Social security tax	-1 523	-1 044
Total actual net obligation incl. social security tax	**-12 327**	**-8 446**
Actuarial profits/loss not recognized	7 461	4 755
Estimated difference from social security tax	1 052	670
Net pension obligation 12.31 incl. social security tax	**-3 814**	**-3 021**

Movement in pension obligations:

	2011	2010
Net pension obligation 1.1	12 570	11 087
Current service cost	1 145	1 113
Interest expense	502	487
Actuarial gain / loss	3 202	195
Pension payments	-28	-21
Pension obligation 12.31	**17 391**	**12 862**

Movement in pension assets:

	2011	2010
Pension assets 1.1	5 336	4 877
Expected return on plan assets	308	296
Actuarial gain / loss	200	-536
Administration fee	-58	-48
Employer contribution	829	892
Pension payment	-28	-21
Pension assets 31.12.	**6 587**	**5 460**

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

	2011	2010
Discount rate	2.6%	4.0%
Expected return on plan assets	4.1%	5.4%
Expected future salary increase	3.5%	4.0%
Expected future increase in base amount	3.25%	3.75%
Expected future increase in pensions	3.25%	3.75%
Average turnover	2.2%	2.2%

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 K2005) 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 80 years for men and 84 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	61	64
40	41	45
60	22	25
80	8	10

Probability of death

Age	Men	Women
20	0,01%	0,01%
40	0,07%	0,04%
60	0,63%	0,36%
80	5,90%	3,90%

Amounts for the current period and four previous fiscal years are as follows:

	2011	2010	2009	2008	2007
Pension obligation	-17 391	-12 862	-11 240	-6 825	-8 230
Pension plan assets	6 587	5 460	4 944	3 525	4 847
Surplus/deficit	**-10 804**	**-7 402**	**-6 296**	**-3 300**	**-3 383**

Expected contribution to the plan in 2012 is: USD 858,000.

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 2011, the cost of the defined contribution pension was USD 366,000. As of December 31, 2011 the plan had 74 members.

Note 17: Current liabilities

All figures in USD 1000.

	2011	2010
Short-term loan facility	6 000	
Accounts payable	3 266	9 911
Taxes payable	7 363	11 879
Social security tax	1 083	941
Holiday pay	1 852	1 458
Allocation price variation	2 414	1 777
Accrued expenses	2 748	4 874
Total Current liabilities	**24 726**	**30 839**

See note 19 liquidity risk

Note 18: Leases

All figures in USD 1000.

Operational leases:

The company has several operational leases for machinery and office space.
The lease expenses consist of the following:

	2011	2010
Office lease	1 171	985
Lease of machinery	35	34
Total lease expense	**1 206**	**1 019**

The Group leases offices in Trondheim, Oslo, Hong Kong, Seoul, Tokyo, Manila and San Jose, California (USA). The lease amounts are fixed with index regulation based on Statistics Norway's consumer price index.

Conditions for major leases are:

Trondheim office:

The office lease was established on January 1, 2007, and expires on December 31, 2012 without notice of termination. Nordic Semiconductor has a pre-emptive right to renew the lease if the lessor does not wish to make use of the premises.

Oslo office:

The office lease was established on February 1, 2006, and expires on December 31, 2013, without notice of termination.

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

Within 1 year	973
1 to 5 years	513
After 5 years	
Total non-cancellable leases	**1 486**

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 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 must 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 2011.

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%.

	2011	2010
Total equity	53 575	58 278
Total assets	82 115	92 137
Equity share	**65%**	**63%**

The Group entered a line of credit agreement with a bank in 2011, which makes it possible to borrow up to MUSD 20 at any time with an interest rate equal to LIBOR + 1.15%. As of December 31, 2011, the company had borrowed MUSD 6 from the line of credit. The term of the loan is three years, but the outstanding balance is expected to be repaid within 12 months. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories USD 24,583,000, accounts receivable USD 22,450,000 and operating equipment USD 4,350,000. 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 2011:

	Fair value	Amortized cost		Total
	Money market fund	Receivables and loans	Other financial obligations	
Cash and cash equivalents	8 409	15 399		**23 808**
Receivables and other short-term receivables		24 616		**24 616**
Long-term receivables		1 208		**1 208**
Total financial assets	**8 409**	**41 223**		**49 632**
Accounts payable and other short-term debt			24 726	**24 726**
Total financial liabilities			**24 726**	**24 726**

Classification of financial assets and liabilities 2010:

	Fair value	Amortized cost		Total
	Money market fund	Receivables and loans	Other financial obligations	
Cash and cash equivalents	16 753	14 922		**31 675**
Receivables and other short-term receivables		26 467		**26 467**
Long-term receivables		1 249		**1 249**
Total financial assets	**16 753**	**42 638**		**59 391**
Accounts payable and other short-term debt			30 839	**30 839**
Total financial liabilities			**30 839**	**30 839**

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. 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 2011, 45% of revenues went through the largest distribution partner, compared to 47% in 2010.

Age distribution of customer receivables was:

	2011		2010	
	Gross Total	Provision for doubtful accounts	Gross Total	Provision for doubtful accounts
Not due	20 778		25 290	
Past due 0-30 days	1 253		1 081	
Past due 31-120 days	203		12	
Over 120 days	221	5	23	7
Total	**22 455**	**5**	**26 406**	**7**

Based on its experience, it is not deemed necessary for the company to make a provision for accounts receivable that are not due (93% 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.

	2011	2010
January 1	7	13
Change in estimated loss provision	3	21
Actual losses	-5	-27
December 31	**5**	**7**

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

	2011	2010
Accounts receivable and other short-term receivables	24 616	26 467
Cash and cash equivalents	23 808	31 675
Total	**48 424**	**58 142**

(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, 2011, the Group had invested USD 8,409 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 15,399 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, 2011:

	Entered amount	Contractual cash flows	0-3 months	3-6 months	6-12 months	1-2 years
Supplier debt and other short-term debt	24 726	-24 726	-17 165	-1 560	-6 000	
Other contractual obligations		-1 486	-243	-243	-487	-513

(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.

In October 2011, the Group entered into a three-year line of credit agreement with its bank, which makes it possible to borrow up to MUSD 20 at an interest rate of LIBOR + 1.15%. The loan may be cancelled by either party at the end of each year. As of December 31, 2011, The Group had borrowed MUSD 6 from the line of credit. This borrowing is expected to be repaid within 12 months.

Below is a sensitivity analysis of changes in general interest rate levels on Profit before tax:

	Profit before tax
Interest rate level +/- 0.25%	60

(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 74% of the company's operating expenses including 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:

	2011			2010		
	Local currency	USD (1000)	Share of total revenues in %	Local currency	USD (1000)	Share of total revenues in %
USD	136 457	136 457	98,1 %	137 105	137 105	96,8 %
EUR	1 846	2 577	1,9 %	1 543	2 034	1,4 %
NOK	104	18	0,0 %	15 931	2 621	1,9 %
Total		**139 052**	**100,0 %**		**141 760**	**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%	1 039

(v) Determination of fair value
As of December 31, 2011 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 Interest-bearing 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:

	2011		2010	
	Book value	Fair market value	Book value	Fair market value
Financial assets				
Cash and bank deposits	15 399	15 399	14 922	14 922
Interest-bearing fund	8 409	8 409	16 753	16 753
Accounts receivable	22 450	22 450	26 399	26 399
Financial debt liabilities				
Accounts payable	3 266	3 266	9 911	9 911
Short-term loan facility	6 000	6 000		

Note 20: Events after the balance sheet date

No events have occured since the end of the fiscal year which are believed to affect the financial statements as of the balance sheet date.

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.

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 21, 2010. 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 the US, 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 to provide shareholders with annual 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. The company's dividend policy is reviewed each year by the Board of Directors.

The Board of Directors, in accordance with the resolution of the Annual General Meeting held June 16, 2011, has been authorized to buy back up to 16,800,000 own shares for a total par value of NOK 168,000.00 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 2012.

In accordance with the decision passed at the general meeting held June 16, 2011, the Board of Directors has the authority to increase the company's share capital by issuing up to 16,800,000 shares with a total par value of NOK 168,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including to strengthen 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 2012, and can be implemented through a private placement, rights issue or public offering.

Equal treatment of shareholders and transactions with related parties
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.

In the event that 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.

Existing shareholders' pre-emptive 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 2012.

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 conform to the principles of equal treatment of related parties and possible transac-

tions 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 or the settlement of annual losses, 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
- Any other matters mentioned in the notice to attend the meeting

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 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 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 2011 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.

The Board acts as the Audit Committee for the purpose of identifying, understanding and evaluating operational and financial risks. In order for the entire Board of Directors to be directly involved in evaluating the company's financial reporting, audit, and control procedures, the Board has received shareholder approval to function as the Company's audit committee, in accordance with the Public Companies Act § 6-42 (3). The Board holds biannual meetings with the company's appointed Auditor, one in the fall to discuss the preparations for the annual accounts and company audit, and one in the spring to discuss the final accounts and other findings.

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 auditor also 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 of 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 do not receive additional remuneration from the company beyond the compensation awarded to Board members. 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 and a retention 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 through a direct cash payment or through the grant of share options in the company. 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 2012 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. The Board has appointed an investor relations committee to further review the company's communications activities.

Takeovers

The Board of Directors will not seek to hinder or obstruct any takeover bid for the company's activities or shares unless there are particular reasons for doing so. 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

ERNST & YOUNG

State Authorised Public Accountants
Ernst & Young AS

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Member of the Norwegian Institute of Public Accountants

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 2011, 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.

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 of 31 December 2011 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 the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance 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, March 29, 2012
ERNST & YOUNG AS

John Christian Løvaas
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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, 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.

Market Segments

Nordic Semiconductor's business strategy is to be a leading provider of short-range wireless solutions with high data transfer capability, strong coexistence with other wireless products and ultra-low power consumption. Through a successful execution of this strategy, Nordic Semiconductor has achieved a strong market presence in several key market segments, including the following:

Geir Langeland
Sales and Marketing Director

> "Through successful execution of our strategy, Nordic Semiconductor has achieved a strong presence in key market segments."

PC peripherals
Nordic Semiconductor's largest business segment is PC peripherals (e.g. wireless mice, keyboards). The market for PC peripherals has historically been addressed by older 27MHz wireless technology, but shifted strongly towards 2.4GHz RF solutions during the past few years due to their smaller size, performance advantages in managing interference, and lower power consumption. Nordic Semiconductor has been the primary driver of this trend, as it is the largest provider of 2.4 GHz wireless solutions for the PC Peripherals product category.

Currently, most wireless PC peripheral devices are purchased separately from PC units in the aftermarket, but total volumes of these devices are expected to grow significantly in the coming years as wireless PC peripherals are increasingly packaged and sold with initial PC purchases.

Media remote controls
Remote controls for home media centers and other electronic devices are the largest single market for ultra-low power wireless solutions. This market is currently dominated by infrared technology due to the low cost of infrared wireless

solutions and relatively simple requirements for remote control applications (turning the media center on / off, changing channels, etc.).

During the last year, home media centers have increasingly been sold with built-in WiFi capability and access to internet-based content such as popular websites and video on demand features. As the amount of internet based content provided with home media centers expands, the requirements for remote controls also increase to include more complex search and navigation. These requirements cannot easily be managed with an infrared remote control.

In order to meet the increasing connectivity requirements of home media centers, RF-based remote controls will begin to replace infrared remote controls on home entertainment units. The replacement of infrared remote controls within home entertainment devices represents a significant market opportunity for Nordic Semiconductor as the product requirements for RF remote controls are very similar to that of PC peripherals, enabling the company to address this segment with a leading, proven technology.

Gaming controllers

Gaming controllers were once Nordic Semiconductor's largest business segment due to sales of third party wireless controllers for Sony PS2 and Microsoft Xbox. In 2006, a new generation of game consoles, the Sony PS3, the Nintendo Wii and the Microsoft Xbox360, was introduced which were bundled together with wireless controllers. In an effort to capture higher add-on sales, the console vendors took measures to control the aftermarket for game controller accessories.

For this reason, there is currently a limited specialty aftermarket for wireless game controllers which is accessible to Nordic Semiconductor in the current generation of gaming consoles. However, several trends are expected to increase the addressable market for Nordic Semiconductor during the coming years. First, the emergence of internet-connected TV's will enable users to download popular gaming applications (such as web-based games and gaming applications for mobile handsets) directly to the home media center without the use of a gaming console. This will open up a new market for wireless gaming controllers connected directly to applications on the home media center.

In addition, it is expected that the game console vendors will reevaluate their existing wireless solutions with the release of a new generation of game consoles during the coming years. With its high-performance, low energy wireless solutions, Nordic Semiconductor will have an opportunity to penetrate the gaming market for connected TV's as well as one or more of the major game consoles during a next-generation release.

Sports/Health monitors

While the market for wireless sports/health monitors is still at an early stage, sales continued to grow strongly in 2010. Currently, the main application is sports watches with wireless sensor accessories, for example heart rate belts and speed-distance meters. Originally, these products were sold by premium brands and targeted to a high-end market, but new lower-cost applications have been increasingly driving growth in this segment.

In the future, the market for Sports/Health monitors will increasingly grow to include remote 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. Currently, these populations are monitored through expensive routine visits to a healthcare provider. 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 or PC and further (via web services) to a healthcare provider to identify abnormalities and refer patients for follow up as needed.

In June 2009, the Continua Health Alliance, a coalition of more than 200 leading healthcare providers, medical device manufacturers and technology companies worldwide, selected *Bluetooth* Smart as the wireless standard to enable remote health monitoring. Nordic Semiconductor has taken an active role in developing the *Bluetooth* Smart standard, and is well-positioned to capture additional volumes from this market opportunity.

Audio devices

The market for Audio devices is currently driven by audio streaming for wireless headsets, speakers, and microphones. While mobile phone headsets with Bluetooth connectivity are the dominant application in this market, Nordic Semiconductor has developed a separate niche with its proprietary 2.4 GHz solutions for short-range audio streaming to gaming headsets and to wireless microphone applications.

Other applications

In addition to the above segments, there are a variety of new product segments which are being developed with short-range low energy wireless solutions. Many of these products will involve connectivity with the mobile handset, including proximity sensors, watch applications and payment solutions. The *Bluetooth* Smart wireless standard is expected to be an important enabling technology for these mobile phone peripheral applications.

Finally, Nordic Semiconductor maintains an industrial applications business area which develops customer-specific ASIC components (application-specific integrated circuits) across a wide range of markets and facilitates the production and sale of these devices. In previous years, this was the largest portion of Nordic's revenues. Nordic Semiconductor has made a strategic decision to focus on standard components rather than customized solutions, and is only supporting existing customers in this segment.

PRODUCT DEVELOPMENT

Nordic Semiconductor is a world leader in developing ultra-low power wireless solutions in ISM frequency bands. Nordic Semiconductor's R&D department has a very highly qualified team of engineers, which provides a solid foundation for the development of new products. The company's primary focus is on developing wireless solutions within the 2.4 GHz frequency band, which is used worldwide and is therefore highly interesting for suppliers of consumer electronics products with a global market.

In addition to proprietary solutions, the Company has taken a leadership position in developing components based on the emerging *Bluetooth* Smart standard (aka Bluetooth 4.0, *Bluetooth* low energy). *Bluetooth* Smart is the first wireless standard to combine interoperability and a "light" protocol optimized for ultra-low power consumption. The *Bluetooth* Smart standard will make it possible for small peripheral devices such as watches and health sensors to communicate wirelessly with mobile telephones and PCs equipped with Bluetooth technology.

The following core activities are involved in developing and supplying wireless solutions to customers:

1. **Radio Frequency Integrated Circuit (RFIC) Design**
2. **System on Chip Integration**
3. **Embedded Firmware Design**
4. **Application Design**
5. **Production**
6. **Testing**

Radio Frequency Integrated Circuit (RFIC) Design
Nordic Semiconductor began its development of short-range wireless solutions with low power consumption in 1996, based on research originating at NTNU university in Trondheim, Norway. Based on this expertise, the company has since 2002 sold wireless solutions within the 2.4 GHz frequency band to vendors of high volume consumer electronics products. Standard components from Nordic Semiconductor have been developed in collaboration with key customers and markets. The result of this development activity is a state-of-the-art transceiver design which provides excellent performance for data transfer, coexistence and ultra-low power consumption.

Maintaining a competitive advantage within integrated circuit technology for wireless communications requires a sustained focus on design methodology, production technology and the use of CAD tools. Nordic Semiconductor continues to develop its design methodology for mixed-mode design in collaboration with the world's leading semiconductor producer, Taiwan Semiconductor Manufacturing Company (TSMC), with an emphasis on 180 nanometer technologies. The Company also actively cooperates with major tool vendors and IEEE work groups to enhance the industry's methodologies and productivity for low-power design.

Competence within production technology is also an important source of competitive advantage in integrated circuit design. Nordic Semiconductor focuses its R&D efforts on developing

Bertel-Eivind Flaten
R&D Director

standard wireless components with cost-effective CMOS production technology. In order to improve wireless performance while maintaining low production costs, Nordic Semiconductor's design team concentrates on exploiting CMOS technology in new and unique ways.

Finally, Nordic Semiconductor uses state-of-the-art tools from leading CAD vendors in developing its integrated circuits. Its collection of CAD tools is among the most advanced in the Nordic region, where only a few major companies in telecommunications have comparable facilities.

System on Chip Integration
The integration of Nordic Semiconductor's transceivers with other electronics components is a critical factor for maximizing the performance and reducing the total cost of the end product applications. In recent years, Nordic Semiconductor has created integrated system-on-chip solutions for customers, developing a single wireless component which combines Nordic's wireless transceivers with microcontrollers, memory, protocols and application peripheral software in an optimal and cost-efficient manner.

In February 2012, the company released its latest product offering with the *Bluetooth* Smart protocol, the nRF 8002. The nRF 8002 is a uniquely easy to design-in single chip solution for *Bluetooth* Smart applications based on Nordic's low cost, ultra-low power wireless technology. Using a Nordic development kit, developers can design *Bluetooth* Smart tags and accessories using a simple graphical user interface that allows them to easily configure the built-in application layer and map inputs and outputs to external components such as buttons, LED's and buzzers. The development kit even includes a small coin cell-powered tag design example that can be used for development, prototyping and testing.

Embedded Firmware Design
Nordic Semiconductor provides application peripheral software and protocols for its system-on-chip solutions. The

Company places particular focus on developing protocols to minimize energy consumption and to protect its units against disturbance from other radio equipment such as WLAN and Bluetooth. Gazell™ is Nordic Semiconductor's own proprietary protocol, and is customized for wireless mice, keyboards and remote control units. This protocol provides the lowest possible energy consumption and can coexist with other 2.4 GHz systems.

In addition to Nordic's proprietary protocol, Nordic Semiconductor has implemented the *Bluetooth* Smart protocol in its firmware. This ultra-low power implementation offers the customers all the functionality and performance of the *Bluetooth* Smart technology, while reducing the impact of the complexity of the underlying protocol on the system's performance.

Application Design
Nordic Semiconductor works closely with the manufacturers of end product applications in its strategic segments. In order to reduce time and cost requirements to design Nordic's technology into end products, a full suite of development tools has been created for Nordic's wireless solutions. This development suite includes a complete hardware and software development kit, as well as reference designs for end product applications.

New reference designs are being developed that are tailored to selected applications for each new component. This means that the customer receives a complete sample product design from Nordic, including hardware and circuit board layout as well as microcontroller software and protocols, so that the customer can test and build an application around an existing reference solution from Nordic. This results in shorter design time for Nordic Semiconductor's customers and ensures the highest possible quality of the end product.

During the last year, Nordic Semiconductor has released reference designs for some of the most popular *Bluetooth* Smart applications, including wireless mouse / keyboard, remote control, and proximity sensors, to complement third-party product designs in areas such as sports and health.

In addition, Nordic Semiconductor has released the Demo App for the iPhone 4S, which provides developers with an ideal starting point to develop *Bluetooth* Smart accessories for the iPhone. The Demo App is a fully functional software application that will work with a broad range of *Bluetooth* Smart accessories for the mobile phone including wireless heart rate belts, foot pods, temperature, proximity tags, weight scales, and blood pressure monitors. Developers receive complete source code and documentation for the Demo App, enabling them to accelerate development of *Bluetooth* Smart accessories for the iPhone 4S by building on top of a ready-built design framework with proven code for ultra-low power wireless connectivity.

Other operating systems for mobile phones are soon expected to follow Apple in supporting *Bluetooth* Smart connectivity. The Bluetooth SIG estimates that by the end of 2012, nearly all smartphones will contain *Bluetooth* Smart Ready technology. As new operating systems are released, Nordic Semiconductor plans to expand its App support to other smartphone platforms and applications.

Production
Nordic Semiconductor manufactures its components through specialist subcontractors. Taiwan Semiconductor Manufacturing Company (TSMC) is Nordic Semiconductor's main wafer supplier, while Advanced Semiconductor Engineering (ASE) and Amkor Technology manages encapsulation and testing.

These suppliers are the largest in their fields. Because of their size, these companies are able to provide world-class manufacturing facilities as well as technological expertise and flexibility to support Nordic Semiconductor's growth and production requirements. Nordic Semiconductor's suppliers use well-established and documented methods for process control and are certified in accordance with all relevant industrial standards, including ISO 9001:2000 and ISO/TS 16949.

The manufacturing process begins with the production of a raw silicon wafer. The raw silicon wafer is refined through layered processing until there are a number of functional circuits, called integrated circuits (IC), spread over the surface. There can be hundreds or thousands of circuits on a single wafer. Processing takes place in what is referred to as a "wafer-fab". Modern wafer-fabs are characterized by complex technology, and the cost of such facilities may be in the billions of dollars. The production capacity of such units is often in the range of 100,000 wafers per month.

The next stage after processing is encapsulation. The main purpose of encapsulation is to connect the integrated circuit to the surroundings in a reliable manner. The processed wafer is cut and each individual circuit is positioned in a form of basic frame. The main function of the frame is to adapt the electrical connection to the specification of the manufacturer of the printed circuit board. The electrical connection is made in this example by connecting a thin gtold thread from the connection point on the circuit to the equivalent points on the frame. Finally, the whole structure is molded into a protective cover, resulting in a mechanically robust unit.

Testing
The final stage of the production process for a semiconductor component is an electrical test, various other quality checks, and finally packing for dispatch. Management at Nordic Semiconductor believes testing capacity to be critical to avoid production bottlenecks, and has acquired its own operational testers to support its production requirements.

In addition to testing, Nordic Semiconductor regularly monitors and optimizes process-related factors that can improve production quality. The Company also carries out test chip measurements to ensure the quality of technology models. These quality assurance activities enable Nordic Semiconductor to manage its production with high yields and to avoid costly redesigns.

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 annual 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.

Robert Giori
Chief Financial Officer

> "Nordic Semiconductor prioritizes open communication with investors and financial markets."

Financial Reporting and Investor Relations

Nordic Semiconductor will publish financial reports for 2012 as follows:

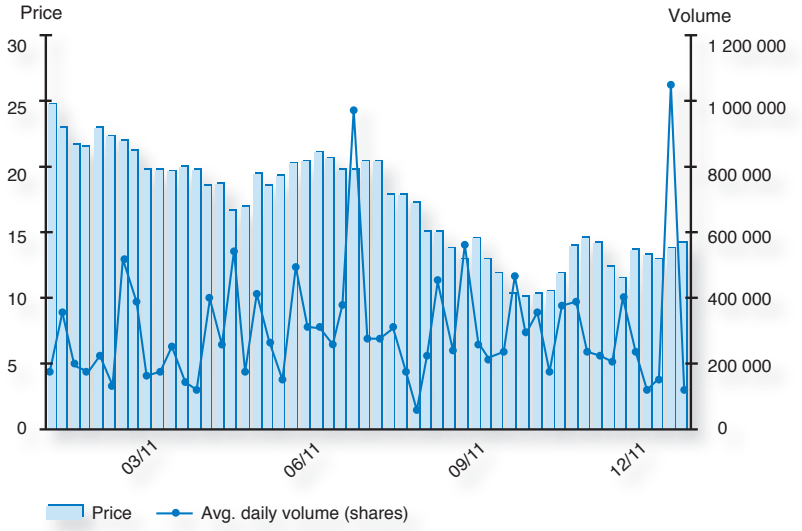
Interim Report Q1 2012	April 26, 2012
Interim Report Q2 2012	July 13, 2012
Interim Report Q3 2012	October 18, 2012
Interim Report Q4 2012	February 12, 2013

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 26, 2012.

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.

Weekly share price and volume trend 2011



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, 2011 consists of one share class with a total of 168,736,600 shares with a face value of NOK 0.01, so that the total share capital is NOK 1,687,366. 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.

Shareholder Structure

As of December 31, 2011, Nordic Semiconductor had 1,472 shareholders. The company had 112 foreign shareholders, which owned a total of 20.1% of the Company's shares. Nordic Semiconductor also owned 3.1% of its own shares which were repurchased during 2011. Based on the number of shares, the composition of shareholders is as follows:

Changes	Date	Change in number of shares	Par value (NOK)	Changes in share capital (NOK)	New share capital (NOK)	Shares 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	0,25	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
Amortization of shares	Sep 2009	(1 386 800)	0,05	(69 340)	1 687 366	33 747 320
Share split (1:5)	June 2010	134 989 280	0,01	-	1 687 366	168 736 600

Top 20 shareholders	31.12.2011 Shareholding	Percent	31.12.2010 Shareholding	Percent
DNB NOR S/A Accelerator Ltd	17 332 950	10,3 %	17 332 950	10,3 %
Odin Norge	11 466 727	6,8 %	15 825 530	9,4 %
Folketrygdfondet	11 044 024	6,5 %	6 472 750	3,8 %
Awilco Invest AS	7 725 000	4,6 %	7 211 037	4,3 %
Tore Engebretsen	7 537 500	4,5 %	7 537 500	4,5 %
Alden AS	5 750 000	3,4 %	5 750 000	3,4 %
Goldman Sachs Int. Equity	5 300 000	3,1 %	5 665 047	3,4 %
Nordic Semiconductor ASA	5 287 000	3,1 %		0,0 %
INAK 2 AS	5 140 000	3,0 %	4 635 000	2,7 %
MP Pension	4 214 750	2,5 %	3 514 750	2,1 %
KLP Aksje Norge	4 111 334	2,4 %	3 318 123	2,0 %
Statoil Pensjonskassen	3 316 190	2,0 %	3 432 854	2,0 %
Kommunal Landspensjonskasse	3 283 123	1,9 %	2 871 845	1,7 %
State Street Bank and Trust Co	3 278 099	1,9 %	5 518 316	3,3 %
Fougner Invest AS	2 900 000	1,7 %	2 800 000	1,7 %
Arne-Kristian Mæland	2 800 000	1,7 %	2 900 000	1,7 %
DNB NOR Markets, Aksjehand/Analyse	2 292 655	1,4 %	3 081 610	1,8 %
TTC Invest AS	2 200 000	1,3 %	2 000 000	1,2 %
Dukat AS	1 975 000	1,2 %		0,0 %
DNB NOR SMB	1 930 265	1,1 %	200 000	0,1 %
Total for the 20 largest shareholders*	**108 884 617**	**64,5 %**	**110 148 191**	**65,3 %**
Other shareholders	59 851 983	35,5 %	58 588 409	34,7 %
Total shares outstanding	**168 736 600**	**100,0 %**	**168 736 600**	**100,0 %**

* Reflects total shareholding of the 20 largest shareholders as of 31.12.11 and 31.12.10. Several of the largest shareholders as of 31.12.10 do not appear on the list of the 20 largest shareholders as of 31.12.11.

BOARD OF DIRECTORS

Tore Engebretsen (1951) - shareholder elected

Chairman of the Board

Tore Engebretsen has a cand. real. degree from the University of Oslo, with a major in theoretical physics (1978). He was one of the founders of VMETRO ASA, and served as its CEO from the company's founding in 1986 until 2003 and its Chairman from 2003 until 2008. Engebretsen has been Chairman of Nordic Semiconductor since 2001. He has also been a board member in the companies Ferd Venture ASA, Profdoc ASA and Nera ASA. Engebretsen is a partner in the investment company Nunatak AS, and is a Chairman of the Board in the associated portfolio companies Elliptic Labs AS and Squarehead Technologies AS, Media Network Services AS and Transpacket AS. Holdings in the company: 7 687 500 shares.

Anne-Cecilie Fagerlie (1958) - shareholder elected

Vice-Chairman of the Board

Anne-Cecilie Fagerlie has an engineering degree from NTH (now NTNU). Afterward, she began working at Arthur Andersen/Andersen Consulting (now Accenture) where she became partner in 1993. In 2002, Fagerlie joined Aker Kværner as Senior Vice President of Group IT. In June 2006, she was appointed General Manager of Nordics in Avanade, an international consultancy owned by Accenture and Microsoft.

Karsten Rönner (1960) - shareholder elected

Board member

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 is managing partner of the High Tech Startbahn venture fund in Dresden, Germany. Holdings in the company: 30 000 shares.

Arnhild Schia (1963) - shareholder elected

Board member

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 AS (Video over IP solutions). 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.

Terje Rogne (1960) - shareholder elected

Board member

Terje Rogne is currently Chairman of Nokas AS, and is also a Board member of Apptix ASA, Dolphin Group ASA, Projectiondesign AS 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.

Jon Helge Nistad (1981) - employee representative

Board member

Jon Helge Nistad has a Master degree in Electrical Engineering (analog and mixed signal design) from NTNU. Since 2006, he has been employed in Nordic Semiconductor, where he has worked with embedded software and hardware development. Nistad is the Chief Employee representative in Nordic Semiconductor.

Markus Bakka Hjertø (1977) - employee representative

Board member

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 R&D Engineer in Oslo.

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

Robert Giori (1970)

Chief Financial Officer

Robert Giori has an MBA from Harvard University and a Bachelors degree in International Relations from Stanford University. Mr. Giori was appointed Chief Financial Officer of Nordic Semiconductor in June 2009, and is also responsible for the adminstration functions within the company. Prior to joining Nordic Semiconductor, Mr. Giori has held positions as Chief Financial Officer of TeleComputing ASA, as Finance Director of Dell Norway, and as a consultant with McKinsey & Company.
Holdings in the company: 66 400 shares

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

Bertel-Eivind Flaten (1960)

R&D Director

Bertel-Eivind Flaten has a M.Sc. degree in Electrical Engineering from Norwegian University of Science and Technology (NTNU). He was appointed R&D Director of Nordic Semiconductor in 1996. Prior to taking up this position he held various research positions at SINTEF, latest as head of the microelectronics department from 1994. He was appointed at Nordic Semiconductor to establish the wireless product division, and has since been in charge of developing the nRF family of wireless products.
Holdings in the company: 1 037 900 shares

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 Park Air Systems), a leading manufacturer of aviation systems.
Holdings in the company: 58 400 shares

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