

**NORDIC**  
SEMICONDUCTOR



ANNUAL REPORT / 2012

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- SALES OFFICES
- DESIGN OFFICES
- PRODUCTION

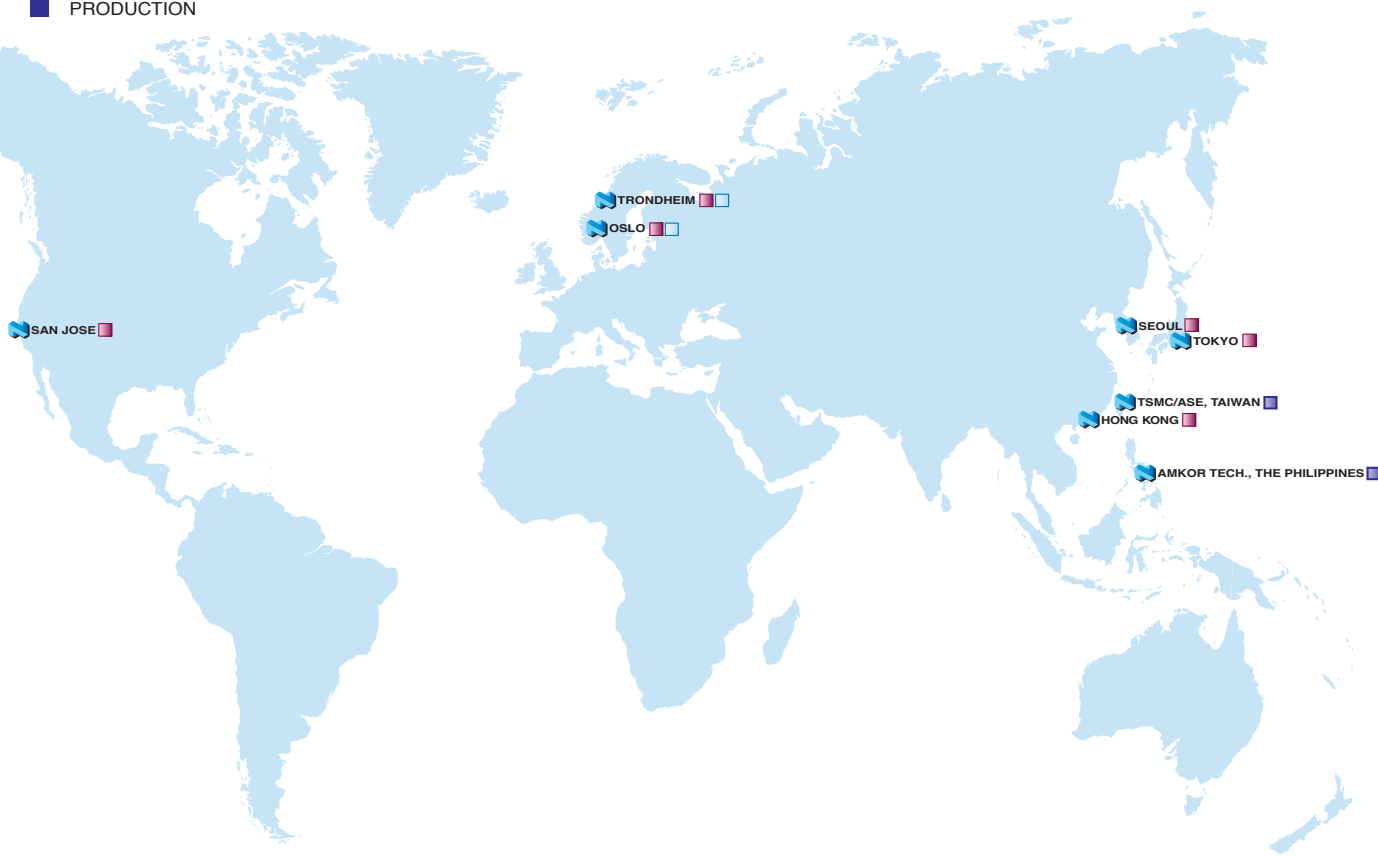


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## THIS IS NORDIC SEMICONDUCTOR

*An industry leader in ultra-low power wireless solutions*

Look around your home or office, and there's a good chance you'll find us. During the last four years, we have sold nearly 700 million wireless solutions, which are found in many of the products you are using every day.

We are the market leader in wireless solutions for PC mice and keyboards. We are the market leader in wireless solutions for sports and health monitoring. And we have a growing presence in wireless remote controls, gaming, toys, security, ticketing, home automation and mobile phone accessories.

How has a small company from Norway taken such a market position?

We have been a pioneer in the field of ultra-low power wireless – designing high performance wireless solutions which can operate for months or years on ordinary AA, AAA or coin cell batteries. Our solutions are best in class in power consumption and ease of product design.

As the leader in our market, we have excellent growth opportunities as a growing number of products are designed with the freedom and convenience of wireless communication. Our team of specialists is committed to developing innovative new wireless technology and helping our customers implement wireless solutions across their product lines.

Sound interesting?

Learn more about us at [www.nordicsemi.com](http://www.nordicsemi.com)



## LETTER FROM THE CEO

Dear Shareholders,

2012 was a year of tremendous activity and progress for Nordic Semiconductor. In particular, this was the year in which Nordic released its groundbreaking new wireless product platform, the nRF51. The nRF51 release is generating new customer relationships and sales opportunities for Nordic which extend far beyond the markets in which we have competed to date.

The nRF51 is Nordic's third generation 2.4 GHz wireless product platform, released last June. To get a sense of how important these platform releases are for Nordic, it is important to see how the company evolved through its previous generations of wireless platforms.

Nordic's first generation product platform, the nRF24 series, was launched in 2002. The nRF24 was a truly pioneering product, transforming the ultra-low power wireless category through the use of the 2.4GHz radio frequency band.

At the time, small battery-powered wireless products were constrained to using infrared or low frequency radio technologies (such as 27 MHz RF), due to the limitations of their AA, AAA or coin cell battery power source. These older wireless technologies could operate with long battery life but were limited to transferring much less data than higher frequency 2.4 GHz RF, and also suffered from severe performance issues such as interference from physical barriers or other radio signals.

For this reason, small battery-powered wireless products were generally restricted to applications requiring very little data, such as switches or very simple controls (TV remotes and door openers are two examples). More complex controls or sensors on the other hand did not perform reliably with these older wireless technologies.

With the release of the nRF24 platform, Nordic Semiconductor changed the market landscape by creating a high performance wireless solution for complex sensors and controls which could operate for years of battery life on an AA, AAA or coin cell battery as a power source. The availability of an ultra-low power 2.4 GHz wireless solution from Nordic attracted industry leaders such as Logitech to begin designing advanced wireless controllers for game consoles and PC mice / keyboards with Nordic's nRF24 platform.

At the time of the nRF24 release, Nordic was a small electronics design firm with MUSD 11 in annual revenue. The company quickly took off following the release of the nRF24. By 2005, the company's revenue grew to MUSD 46, and the company decided to suspend its other business activities to focus entirely on ultra-low power wireless solutions.

Nordic's second generation wireless platform, the nRF24L series, was launched in 2006. With the nRF24L, Nordic further improved the radio performance and power con-



**Svenn-Tore Larsen**  
Chief Executive Officer

“ With the release of the nRF51, Nordic has once again reset the performance benchmark within the ultra-low power wireless category. ”

sumption of its wireless solutions. Even more importantly, Nordic began designing very low cost system-on-chips with a built-in microcontroller, one-time programmable memory and peripheral software for running the end product applications. These low cost nRF24L single chip solutions greatly reduced the bill-of-material costs and system integration requirements for developing wireless products.

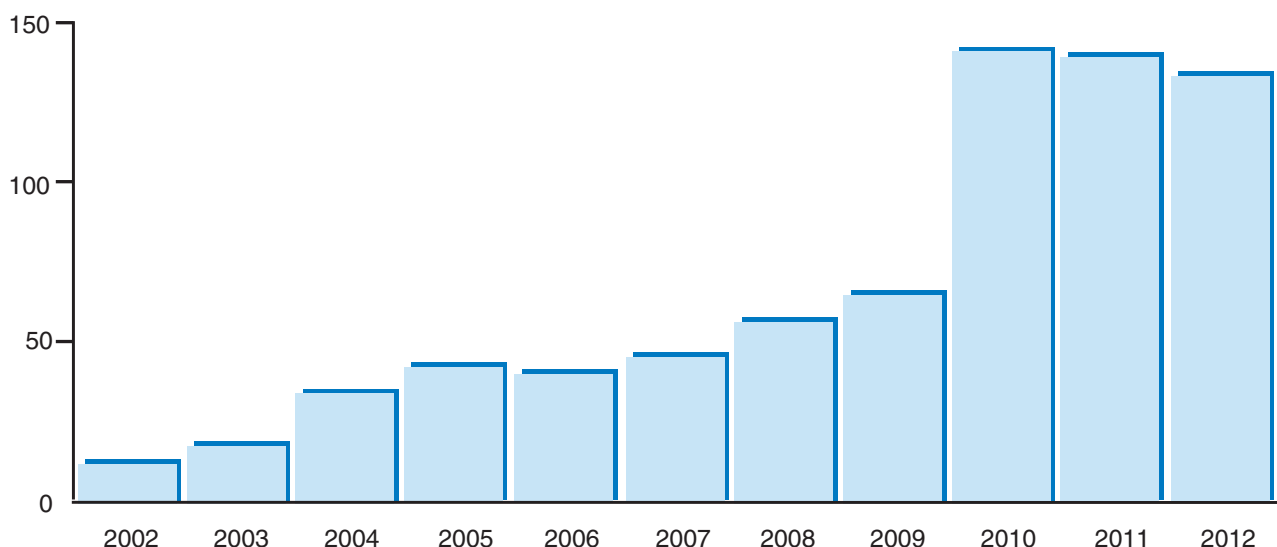
Once again, the company took off following the release of the nRF24L platform. By making a system-on-chip solution available at low cost, Nordic took a dominant market position within the wireless PC accessory and Sports/fitness monitoring categories and saw its solutions proliferate in many other products. The breakthrough year was in 2010, when the company's revenue more than doubled to MUSD 142. All of the company's revenue growth was organic, based on the increasing popularity of its system-on-chip solutions.

With the release in 2012 of Nordic's third generation product platform, the nRF51, Nordic has once again reset the performance benchmark within the ultra-low power wireless category. The nRF51 has been specifically designed for the requirements of new Bluetooth 4.0 wireless accessories, in addition to proprietary solutions.

Bluetooth 4.0 is the latest version of the Bluetooth wireless standard, and contains a new protocol for ultra-low power wireless communication which Nordic has been closely involved in developing. The Bluetooth 4.0 standard enables small, battery-powered wireless devices (e.g., sensors and controls labeled *Bluetooth Smart*) to communicate with tra-



## Revenue (MUSD)



ditional Bluetooth devices (mobile phones / PC's / tablets / home media centers labeled *Bluetooth Smart Ready*), while minimizing power consumption.

Based on its ability to connect small battery-powered sensors or controls to a base of billions of traditional Bluetooth devices, the Bluetooth 4.0 standard is leading to dramatic growth in the number of wireless products coming to market. The range of potential *Bluetooth Smart* applications is nearly endless, expanding across solutions for advanced remote control, health monitoring, security, gaming, building automation, logistics, and general information, to name a few. The market research firm ABI has forecast the market for *Bluetooth Smart* solutions to exceed 700M units by 2015, due to a rapid expansion of new wireless products.

Nordic Semiconductor has been actively involved in the development of the Bluetooth 4.0 wireless standard since its origin as a Nokia initiative in 2006. In June 2011, Nordic's contribution to the Bluetooth organization was recognized with an appointment to its Board, where it now participates with Apple, Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, Toshiba, and CSR on the Board of Directors. In December 2012, Nordic R&D executive Svein-Egil Nielsen was elected Chairman of the Bluetooth SIG Board for a term of one year. The Board and Chairman positions present 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 order to manage the scope and complexity of new *Bluetooth Smart* product opportunities, Nordic designed its new nRF51 product platform with dramatically improved system-on-chip performance. The nRF51 contains a powerful ARM Cortex M0 microcontroller, with up to 10x the processing power compared with the previous generation of system-

on-chips. At the same time, the product has been designed with up to 50% less power consumption than previous system-on-chips.

In addition, Nordic designed its nRF51 product platform to ease the requirements for consumer electronics companies to develop new and innovative new wireless products. This is accomplished through a software architecture which cleanly separates the application and protocol stacks and a hardware architecture that facilitates maximum reuse across product designs.

The nRF51 has received an excellent response from new customers, including global leaders in consumer electronics, following its launch in June 2012. Due to the time requirements for companies to design and release products based on a new wireless technology (typically 12 – 18 months), we expect to receive significant revenue from the nRF51 beginning in the second half of 2013.

At this time, we are seeing every indication that the nRF51 will be a major hit, and drive a new growth cycle at Nordic even greater than previous generations of wireless platforms. While I cannot disclose the development activities on which we are currently engaged with customers, I can provide the following information on the level of activity we are now seeing in the market.

There is enormous interest from consumer electronics companies in designing *Bluetooth Smart* products with Nordic's nRF51 wireless solution. Following the launch of the nRF51 product line, a group of Nordic engineers set off on a "global tour", holding workshops in locations across Asia, North America and Europe to demonstrate how engineers could design *Bluetooth Smart* wireless products with the nRF51. The response was overwhelmingly positive, with over 1000 participants attending the workshops.



We have seen a similar pickup in demand for Nordic's "development kits". When consumer electronics companies begin designing new products with semiconductor components, they will request a "development kit" from Nordic which provides the tools and software to support their work. Following the launch of the nRF51 in June, demand for Nordic's development kits has exploded to record levels, with over two times as many development kits sold to customers in the second half of 2012 compared with the same period in 2011. Likewise, technical support requests have also reached record levels, as companies which are designing products with the nRF51 seek engineering support from Nordic.

In particular, we are receiving very strong demand from customers which are developing smartphone accessories with the nRF51. The smartphone is an ideal product for connecting to wireless accessories, as it is highly portable and sold in very high volumes, has an advanced touch screen interface for interacting with wireless devices, has available software support for downloading new applications, and is connected to the web. We expect to see a tremendous growth in new smartphone accessories (which we call "accessories"), a trend similar to the growth of smartphone applications (or "apps") during the last five years.

Finally, we are seeing leading electronics companies working together in industry consortia to develop global standards and promote new categories of products with *Bluetooth* Smart technology. For example, the Continua Health Alliance - a coalition of more than 200 leading health care providers, medical device manufacturers and technology companies worldwide - is promoting wireless solutions for health monitoring with *Bluetooth* Smart technology.

The Accurate Mobile Indoor Positioning Industry Alliance, led by Samsung and Nokia, is working with *Bluetooth* Smart technology to create a global standard for indoor maps which would identify a user's location and provide directions in an indoor setting, just as GPS technology is used in an outdoor setting. Finally, the Alliance for Wireless Power - an consumer electronics industry consortia with members such as Samsung - has developed a standard for wireless charging which relies on *Bluetooth* Smart technology for communicate the power status of devices. All of these industry consortium are helping to create new classes of products with *Bluetooth* Smart technology.

All of this activity underway across our industry presents a wealth of sales opportunities for Nordic Semiconductor within *Bluetooth* Smart technology. We believe that Nordic's new nRF51 product release will drive a new cycle of growth which will be even larger than those that followed our previous product launches. This is confirmed by the enormous amount of activity we are seeing with new customers interested in designing *Bluetooth* Smart products, including global leaders in consumer electronics.

In summary, we are very confident about the growth outlook for our company, based on the market opportunities within *Bluetooth* Smart technology, the strength of our new wireless product platform, and the highly competent team that supports our business. I want to thank the entire organization at Nordic Semiconductor for all of their efforts during 2012. We look forward to a very exciting 2013 and beyond.



## REPORT FROM THE BOARD OF DIRECTORS

**Nordic Semiconductor faced a slower market environment within PC accessories and other business segments during 2012. The market environment negatively impacted sales of the company's proprietary 2.4GHz wireless and ASIC solutions during the year. The company expects revenue to accelerate during 2013 based on increasing demand for its *Bluetooth* Smart solutions, and has strengthened its competitive position within the *Bluetooth* Smart market with the recent launch of its nRF51 product line.**

### 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 accessories, Media remote controls, Gaming controllers, Toys, Mobile phone accessories, Sports/Health monitors, RFID solutions, 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 2012 fell by 5% to MUSD 131.8 (MUSD 139.1). This decline in revenue was primarily driven by slower sales to the PC accessories business segment. Sales to this segment fell by 6% to MUSD 84.5 (MUSD 89.7), and represented 64% of the Group's annual revenue. Demand for PC accessories was impacted by a decline in PC sales growth during 2012, with global unit sales of PC's falling by 4% according to technology market research firm IDC.

In addition to PC accessories, the Mobile devices business segment also fell by 9% to MUSD 17.8 due to lower sales of wireless sports monitors and RF-SIM products. Finally, the company's ASIC business segment fell by 15% to MUSD 15.5. Several years ago, Nordic took a strategic decision not to invest further in acquiring new customers within the ASIC segment, in order to focus on its wireless products. The company is now fulfilling demand from older product designs only, which are gradually phasing out of production.

The company had stronger revenue performance within several emerging product categories. The Other Sensor network business segment grew by 48% to MUSD 17.8, based on new designs within RFID, automotive and industrial solutions. The Home electronics devices business seg-

ment also grew by 3% to MUSD 6.4, driven primarily by recent product launches within wireless toys.

Gross margins in 2012 increased to 50.5% (46.5%), as the Group's revenue mix shifted from its highest-volume PC accessory customers toward smaller customers in other business segments. Furthermore, the company implemented a range of manufacturing cost improvements to reduce its cost of goods.

Operating expenses including depreciation increased by 11% to MUSD 42.7 (MUSD 38.6), or 32.4% (27.7%) of revenue. During 2012, the company invested heavily in developing and releasing new wireless product platforms to enhance its competitive position within *Bluetooth* Smart solutions. In particular, the company added 29 new employees within R&D and Sales, and increased its spending on product development and marketing-related activities.

Development of new wireless components is essential to the company's continued competitiveness in a rapidly evolving market. At the end of 2012, R&D personnel represented 67% of the Group's employees.

During the first half of 2012, R&D activities were primarily related to primary research and early stage development of new product platforms, with a particular focus on the emerging *Bluetooth* Smart standard (aka *Bluetooth* 4.0 / low energy). During the second half of the year, the company finalized its initial prototypes of new product platforms, and shifted R&D activities toward later stage development of final products and enhancements. For this reason, capitalized development expenses were significantly higher in the second half of 2012 compared with the first half of 2012 or 2011, in accordance with IAS 38. In total, capitalized R&D expenses in 2012 were MUSD 3.6 (MUSD 0.0).

As a result of falling revenue and increased operating expenses, Nordic Semiconductor's operating profit in 2012 fell by 8% to MUSD 23.9 (MUSD 26.1). Net financial items in 2012 were an expense of MUSD 0.2 (MUSD 0.2). These expenses were primarily the result of the impact of exchange rate changes on foreign currency balance sheet items.

Profit before tax in 2012 was MUSD 23.7 (MUSD 25.9). Net profit after tax was MUSD 17.6 (MUSD 18.9), generating an earnings per share of USD 0.107 (USD 0.112).



### Cash Flow and Balance Sheet

Cash inflow from operations totaled MUSD 30.6 (MUSD 11.7). Cash flow was driven by the company's operating profits, as well as by a reduction of inventory from MUSD 24.6 to MUSD 11.7 during the year. Cash outflow for investments were MUSD 5.6 (MUSD 2.0), driven by higher capitalized R&D expenses compared with the prior year.

Cash outflows for financing activities were MUSD 8.5 (MUSD 17.6). During 2012, the company repaid MUSD 6.0 in short-term borrowing from its line of credit, and paid MUSD 2.5 to repurchase 980.000 of its own shares.

In total, Nordic Semiconductor increased its cash balance by MUSD 16.5 during 2012. The Group had a cash balance of MUSD 40.4 and no interest bearing debt at the end of the year. The remainder of the Group's assets and liabilities primarily consists of net working capital items, which fell as the company managed down older inventories during the year, in advance of a ramp-up of its new product lines.

### Accounting Principles

The financial statements for 2012 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 over the last decade, 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 40.4 and had no interest bearing debt at the end of 2012. The company has an open line of credit agreement of MUSD 20 available for short-term borrowing needs. Due to the low amount of debt the company holds relative to its profitability and liquidity, the company's exposure to risk associated with interest rate fluctuations is 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 (payment guarantees) and demanding advance payments when required. The company's losses on accounts receivables were less than 1% during the last year.

### Personnel and Organization

At the end of 2012, Nordic Semiconductor had 194 (161) employees of whom 36 (29) were employed outside of Norway. Cooperation between management and the employee representatives functions well and makes a valuable contribution to addressing the challenges faced by the company.

There were 26 (24) female employees at the end of 2012, corresponding to 13% (15%) of total employees. There were 158 full-time employees in Norway, including 20 women, and 36 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 2012, the same as in 2011. No occupational illnesses or injuries were reported in 2012.

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 of our products comply fully with the REACH and RoHS hazardous



substance directives. This enables the company to market itself as a “green” supplier, which also gives it an advantage with major customers who have their own stringent environmental standards.

### Corporate Governance

Nordic Semiconductor’s guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 23 October 2012, as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and Securities Trading Act.

The guidelines are included separately in this annual report.

### Going Concern

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

### Allocation of Net Profit

Nordic Semiconductor ASA, the parent company of the Group, reported a net profit for the year of MUSD 17.5 during 2012. The net profit has been transferred in its entirety to other equity. Unrestricted equity in the parent company amounted to MUSD 47.8 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 December 2012, the Board announced its intention to invest surplus cash in a share repurchase program, based on an assessment that the company’s share price undervalued its long-term growth opportunity in the ultra-low power wireless category. During the remainder of 2012, the parent company repurchased 980,000 of its own shares for MUSD 2.5. The company has continued to repurchase its own shares during 2013.

Following the decision to invest surplus cash in the share repurchase program, the Board has determined not to propose a dividend payment at its Annual General Meeting in April.

### Future Outlook

Nordic Semiconductor expects that its business will continue to be negatively affected by adverse market conditions within the PC accessories and ASIC segments at the start of 2013. Afterward, revenue is expected to accelerate during the remainder of 2013 and beyond, as many new

products featuring Nordic’s wireless solutions are released across a diverse range of new markets.

To date, the largest end market for Nordic’s wireless solutions has been PC mice and keyboards, which has slowed with the overall PC market during the last two years. Going forward, the company expects many new consumer products to be launched with Nordic’s wireless technology, for diverse applications such as health monitoring, security and entertainment. In addition, the company expects its wireless solutions to be installed in buildings and appliances to improve the comfort and efficiency of our living environments.

The company believes that the adoption of Bluetooth 4.0 technology will be a major driver of this growth, as it will enable diverse products containing Nordic’s wireless technology to connect with a huge ecosystem of Bluetooth-enabled mobile phones, tablets and home media devices.

Bluetooth 4.0 is the latest version of the Bluetooth wireless standard, and contains a new protocol for ultra-low power wireless communication which Nordic has been closely involved in developing. The Bluetooth 4.0 standard can connect small, battery-powered accessories (e.g., sensors and controls labeled *Bluetooth Smart*) with traditional Bluetooth devices (mobile phones / PC’s / tablets / home media centers labeled *Bluetooth Smart Ready*), while minimizing power consumption.

*Bluetooth Smart Ready* was first released in mobile phones in late-2011, and has since been sold in hundreds of millions of handsets and tablets. By 2015, over two billion mobile phones, PC’s, tablets, and home media centers are expected to be sold with *Bluetooth Smart Ready* solutions. As the ecosystem of these *Bluetooth Smart Ready* devices expands, this creates a major market opportunity for new wireless accessories to connect with these devices using Nordic’s *Bluetooth Smart* technology.

Nordic Semiconductor has been actively involved in the development of the Bluetooth 4.0 wireless standard since its origin as a Nokia initiative in 2006. In June 2011, Nordic’s contribution to the Bluetooth organization was recognized with an appointment to its Board, where it now participates with Apple, Intel, Motorola, Lenovo, Nokia, Microsoft, Ericsson AB, Toshiba, and CSR on the Board of Directors. In December 2012, Nordic R&D executive Svein-Egil Nielsen was elected Chairman of the Bluetooth SIG Board for a term of one year.

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

The company has had great success with a broad range of new customers including global leaders in consumer electronics following the launch of the nRF51 product. Based on customer feedback and follow-up activity, the company

expects to see many new *Bluetooth* Smart product designs released with the nRF51 during the second half of 2013.

In sum, the company expects renewed growth in its market for ultra-low power wireless solutions during 2013 and beyond, based on the adoption of *Bluetooth* 4.0 technology and the new market opportunities this creates. With its current market leadership in ultra-low power wireless solutions, its best-in-class product line including the new nRF51 platform, and its highly experienced team of engineers and sales professionals, Nordic Semiconductor has a very strong competitive position as the market expands into new product categories.

#### The Board of Directors and CEO confirm that:

- to the best of our knowledge, the financial statements for 2012 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



**Terje Rogne**  
Vice Chairman



**Anne-Cecilie Fagerlie**  
Board member



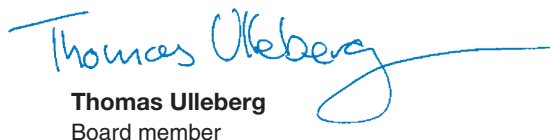
**Karsten Rønner**  
Board member



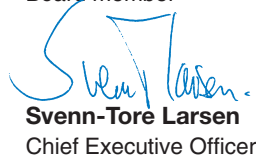
**Arnhild Schia**  
Board member



**Markus Bakka Hjertø**  
Board member



**Thomas Ulleberg**  
Board member



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

Oslo, 19 March 2013



## Nordic Semiconductor Group

### Consolidated income statement

for the year ended 31 December 2012

Amount in USD 1000	Note	2012	2011
<b>Total Revenue</b>	<b>2.11/ 3</b>	<b>131 819</b>	<b>139 052</b>
Cost of materials	4	-64 891	-74 023
Direct project costs		-331	-339
<b>Gross profit</b>		<b>66 597</b>	<b>64 690</b>
Payroll expenses	9/10/12/16	-26 673	-24 401
Other operating expenses	5/12/18	-13 188	-9 892
Depreciation	11/12	-2 839	-4 284
<b>Operating profit</b>		<b>23 897</b>	<b>26 114</b>
Financial income	6/19	433	492
Financial expenses	6/19	-42	-93
Net foreign exchange gains (losses)	6/19	-571	-608
<b>Profit before tax</b>		<b>23 717</b>	<b>25 904</b>
Income tax expense	7	-6 167	-7 049
<b>Net profit after tax</b>		<b>17 550</b>	<b>18 856</b>
<b>Attributable to</b>			
Equity holders of the parent		17 550	18 856
<b>Comprehensive Income</b>		<b>2012</b>	<b>2011</b>
Net profit after tax		17 550	18 856
<b>Total Comprehensive Income</b>		<b>17 550</b>	<b>18 856</b>
<b>Earnings per share</b>			
Ordinary earnings per share (USD)	8	0,11	0,11
Fully diluted earnings per share (USD)	8	0,11	0,11



## Nordic Semiconductor Group


### Consolidated statement of financial position

as of 31 December 2012


Amount in USD 1000	Note	2012	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized development expenses	2.9/12	3 471	305
Software and other intangible assets	2.8/12	1 846	2 117
Deferred tax assets	7	1 412	757
Property assets	2.8/11	405	373
Equipment	2.8/11/19	4 211	4 350
Other long term assets	10	1 133	1 208
<b>Total non-current assets</b>		<b>12 478</b>	<b>9 109</b>
<b>Current assets</b>			
Inventory	2.7/4/19	11 748	24 583
Accounts receivable	2.5/13/19	26 069	22 450
Other short-term receivables		2 268	2 166
Cash and cash equivalents	2.4/14/19	40 350	23 808
<b>Total current assets</b>		<b>80 435</b>	<b>73 006</b>
<b>TOTAL ASSETS</b>		<b>92 913</b>	<b>82 115</b>
<b>EQUITY</b>			
Share capital	15	283	292
Treasury shares	2.18/15	-2	-9
Share premium	15	14 253	14 253
Retained earnings		54 116	39 039
<b>TOTAL EQUITY</b>		<b>68 650</b>	<b>53 575</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Pension liability	2.12/16	5 224	3 814
<b>Total non-current liabilities</b>		<b>5 224</b>	<b>3 814</b>
<b>Current liabilities</b>			
Short-term loan facility	19		6 000
Accounts payable	17/19	2 481	3 266
Income taxes payable	7	7 105	7 363
Public duties	17	1 374	1 083
Other short-term debt	17	8 080	7 013
<b>Total current liabilities</b>		<b>19 039</b>	<b>24 726</b>
<b>TOTAL LIABILITIES</b>		<b>24 263</b>	<b>28 540</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92 913</b>	<b>82 115</b>

  
Tore Engebretsen  
Chairman


  
Karsten Rønner  
Board member

  
Thomas Ulleberg  
Board member

  
Terje Rogne  
Vice Chairman

  
Arnhild Schia  
Board member

  
Svann-Tore Larsen  
Chief Executive Officer

  
Anne-Cecilie Fagerlie  
Board member

  
Markus Bakka Hjerto  
Board member

Oslo, 19 March 2013



## Nordic Semiconductor Group

### Consolidated statement of changes in equity

for the year ended 31 December 2012

Amount in USD 1000	Note	Share capital	Treasury shares	Share premium	Retained earnings	Total equity
<b>Equity as of 01.01.2011</b>		<b>292</b>	<b>0</b>	<b>14 253</b>	<b>43 732</b>	<b>58 278</b>
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
<b>Equity as of 31.12.2011</b>		<b>292</b>	<b>-9</b>	<b>14 253</b>	<b>39 039</b>	<b>53 575</b>
Net profit for the period					17 550	17 550
Cancellation of treasury shares	2.18/15	-9	9			0
Purchase of treasury shares	2.18/15		-2		-2 473	-2 475
<b>Equity as of 31.12.2012</b>		<b>283</b>	<b>-2</b>	<b>14 253</b>	<b>54 116</b>	<b>68 650</b>



## Nordic Semiconductor Group

### Consolidated statement of cash flows

for the year ended 31 December 2012

Amount in USD 1000	Note	2012	2011
<b>Cash flows from operating activities</b>			
Profit before tax		23 717	25 904
Taxes paid for the period	7	-7 649	-12 344
Depreciation	2.8/2.9/11/12	2 839	4 284
Change in inventories, trade receivables and payables	2.5/2.7/4/13/17/19	8 430	-4 011
Movement in pensions	2.12/16	1 409	794
Other operations related adjustments		1 897	-2 943
<b>Net cash flows from operating activities</b>		<b>30 644</b>	<b>11 683</b>
<b>Cash flows from investing activities</b>			
Capital expenditures (including software)	2.8/2.9/11/12	-1 983	-1 990
Capitalized development expenses	2.9/12	-3 644	-2
<b>Net cash flows from investing activities</b>		<b>-5 627</b>	<b>-1 992</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	19		-12 526
Purchase of treasury stock	2.18/15	-2 475	-11 032
New short-term loan	19		6 000
Repayment short-term loan	19	-6 000	
<b>Net cash flows from financing activities</b>		<b>-8 475</b>	<b>-17 558</b>
<b>Net change in cash and cash equivalents</b>		<b>16 543</b>	<b>-7 867</b>
Cash and cash equivalents as of 1.1.		23 808	31 675
<b>Cash and cash equivalents as of 31.12.</b>	<b>2.4/14/19</b>	<b>40 350</b>	<b>23 808</b>
<b>Cash and cash equivalents as of 31.12. which is restricted cash</b>		<b>887</b>	<b>675</b>



## 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 Niensens 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 19, 2013, and will be presented for approval at the Annual General Meeting on April 19, 2013.

## 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, 2012 and 2011 was USD 5,224,000 and USD 3,814,000 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, 2012 and 2011 was USD 3,471,000 and USD 305,000 respectively.

Management has made an estimate of future credits to be given to distributors based on components sold in 2011 and 2012, 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. There has not been any new or amended accounting principles with effect on the Group's accounts.

### **2.3 Foreign currency**

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

Revenue from sales of components is recognized at the time of delivery to distributor or end customer. The time of delivery is usually the time when the goods are transferred to the transport carrier. Certain provisions have been made for credits to distributors based on the estimates described in Note 2.1

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

Interest earned is 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 covered bonds (OMF) with the allowance to take the term into account. The Group believes that the marked for covered bonds is sufficiently deep and the pricing reliable. The interest rate for covered bonds is calculated on the basis of bonds with maturities over 14 years, which fit the remaining maturity for the Groups pension liability. The calculations were performed by a qualified actuary.

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. See note 7.

## 2.14 Income taxes

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

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

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



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

## 2.15 Segments

The Group's has only one operating segment, but breaks down its revenue to the following end product areas: PC accessories, Home electronic devices, Mobile devices, Other sensor networks, 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 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 Separate 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 allow 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.

The changes apply with effect for financial years starting January 1, 2013 or later. Earlier application is permitted. The Group expects to apply the revised standard from January 1, 2013. The changes are expected to have the following effect on the financial statements as of January 1, 2013:

From January 1, 2012, presented with effect on equity (effect of estimate change before 2012):

Increase in pension liability: TUSD 9,164  
Increase in deferred tax asset: TUSD 2,566  
Reduction of other equity: TUSD 6,598

Effect throughout the year 2012 presented in OCI (effect of estimate changes in 2012):

Reduction of pension liability: TUSD 4,966  
Reduction of deferred tax asset: TUSD 1,390  
Increase in other equity: TUSD 3,576

Change in pension cost presented in regular results 2012:

Increase in pension liability: TUSD 276  
Increase in deferred tax asset: TUSD 77  
Reduction of other equity: TUSD 198



### 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 accessories, Home electronic devices, Mobile devices, Other sensor networks. In 2012, wireless components accounted for 87% of sales versus 86% in 2011.

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

	2012	2011
<b>Revenue</b>		
PC accessories	84 461	89 663
Home electronic devices	6 399	6 237
Mobile devices	17 822	19 486
Other sensor networks	6 607	4 453
<b>Wireless components</b>	<b>115 290</b>	<b>119 839</b>
ASIC components	15 501	18 294
Consulting services	1 029	919
<b>Total revenues</b>	<b>131 819</b>	<b>139 052</b>

#### Revenue classified by customers' location:

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

	2012	2011
Europe	20 337	20 478
Americas	7 122	10 750
Asia / Pacific	104 360	107 824
<b>Total revenues</b>	<b>131 819</b>	<b>139 052</b>

Revenue in Asia/Pacific contains for the most part of revenue in Taiwan with TUSD 81,141 in 2012 and TUSD 84,622 in 2011.

The Group has two customers that each represented more than 10% of the Group's total revenues in 2012. These two customers represented 35% and 27% of the Group's total revenues respectively. In comparison, two customers each provided more than 10% of the Group's total revenues in 2011, with 45% and 16% 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.

	2012	2011
Cost of goods, gross	52 057	75 338
Changes in inventory	12 834	-1 315
<b>Cost of goods, net</b>	<b>64 891</b>	<b>74 023</b>
	<b>2012</b>	<b>2011</b>
<b>Finished goods</b>		
At net realizable value	2 467	35 059
At cost price	1 209	18 452
<b>Total Finished goods</b>	<b>1 209</b>	<b>18 452</b>
Work in progress, at cost	10 539	6 131
<b>Total inventory</b>	<b>11 748</b>	<b>24 583</b>
Amount written down:	702	362



## Note 5 - Other operating expenses

All figures in USD 1000.

	2012	2011
Service and maintenance	2 993	2 191
Other consultancy fees	3 235	2 199
Office rental expenses	1 829	1 662
Office equipment	609	511
Material and components	1 520	813
Capitalized development expenses	-554	
Travel and meeting expenses	1 692	1 253
Other operating expenses	1 864	1 263
<b>Total other operating expenses</b>	<b>13 188</b>	<b>9 892</b>

### Auditor remuneration

Fees to the auditor are included in consultancy fees above.

	2012	2011
Statutory audit services	50	54
Attestation services		
Tax advisory services	3	8
Other non-audit services	29	9
<b>Total</b>	<b>82</b>	<b>71</b>

## Note 6: Net financial items

All figures in USD 1000.

	2012	2011
Interest income	133	210
Customer dividend	8	9
Changes in money market fund, reported in the income statement	292	273
<b>Financial income</b>	<b>433</b>	<b>492</b>
Interest expenses	-42	-93
Foreign exchange loss (net)	-571	-608
<b>Financial expenses</b>	<b>-613</b>	<b>-701</b>

## Note 7: Tax

All figures in USD 1000.

Tax expense:

<b>Tax expense consists of:</b>	2012	2011
Tax payable	-6 588	-7 761
Adjustment in prior year	-234	
Change in deferred tax / tax benefit	655	712
<b>Tax expense</b>	<b>-6 167</b>	<b>-7 049</b>

<b>Reconciliation of taxes payable in balance sheet and income statement</b>	2012	2011
Taxes payable for year, in the balance sheet	-6 871	-7 363
Adjustment to prior year tax, in the balance sheet	-234	
Currency effect from translation to USD	283	-398
<b>Taxes payable in income statement</b>	<b>-6 822</b>	<b>-7 761</b>

<b>Reconciliation of nominal and actual tax expense</b>	2012	2011
Profit before tax	23 717	25 904
<b>Tax at nominal rate (28%)</b>	<b>-6 641</b>	<b>-7 253</b>
Tax expense	-6 167	-7 049
<b>Difference between nominal tax expense and tax expense</b>	<b>474</b>	<b>204</b>



	2012	2011
<b>Difference consists of:</b>		
Tax effect of permanent differences	-36	-135
Change of tax previous year	-234	
Currency effect from translation to USD	-204	-69
<b>Difference</b>	<b>0</b>	<b>0</b>

	2012	2011
<b>Earnings before tax</b>	<b>23 717</b>	<b>25 904</b>
Government grants	-170	
Non-taxable changes in fair value	-23	-596
Non-taxable interest		86
Non-deductible other expenses	65	28
Change in temporary differences	2 237	2 720
Currency effect of translation to USD	-1 287	-1 846
<b>Basis for payable tax</b>	<b>24 539</b>	<b>26 296</b>
<b>Payable tax on earnings (28%)</b>	<b>-6 871</b>	<b>-7 363</b>

Deferred tax and deferred tax benefits:	Balance Sheet		Income Statement	
	2012	2011	2012	2011
<b>Deferred tax benefit</b>				
Inventory	675	362	313	-209
Fixed assets	1 953	1 631	322	1 092
Accounts receivable	22		22	
Pension obligation	5 022	3 821	1 201	800
<b>Deferred tax benefit – gross</b>	<b>7 672</b>	<b>5 814</b>	<b>1 858</b>	<b>1 683</b>
<b>Deferred tax obligation</b>				
Intangible assets	-927	-1 046	119	288
Gain and loss account	-1 702	-2 060	358	570
Accounts receivable		-5	5	4
<b>Deferred tax obligation – gross</b>	<b>-2 629</b>	<b>-3 111</b>	<b>482</b>	<b>862</b>
Currency effect of translation to USD				1
<b>Total temporary differences</b>	<b>5 043</b>	<b>2 703</b>	<b>2 340</b>	<b>2 546</b>
Net deferred tax obligation/benefit	1 412	757		
Change in deferred tax obligation/benefit			-655	-713

## Note 8: Shares outstanding

	2012	2011
<b>Basis for calculation of basic earnings per share</b>		
Earnings for the year (USD '000)	17 550	18 856
Weighted average number of outstanding shares ('000)	163 402	167 624
<b>Earnings per share (USD)</b>	<b>0,11</b>	<b>0,11</b>
<b>Basis for calculation of fully diluted earnings per share</b>		
Earnings for the year (USD '000)	17 550	18 856
Weighted average number of outstanding shares ('000)	163 402	167 624
<b>Earnings per share (USD)</b>	<b>0,11</b>	<b>0,11</b>
<b>Reconciliation of average number of ordinary shares ('000)</b>		
Weighted average number of outstanding shares	163 441	168 737
Weighted average number of treasury shares	39	1 113
<b>Weighted average number of outstanding shares, corrected for treasury shares</b>	<b>163 402</b>	<b>167 624</b>

The number of shares was as follows:

Date		Number of shares issued	Shares outstanding
2012-01-01	Balance at beginning of period	168 736 600	168 736 600
2012-10-23	Cancellation of treasury shares	5 296 000	5 296 000
2012-12-31	Balance at end of period	163 440 600	163 440 600



## Note 9: Payroll expenses

All figures in USD 1000.

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

	2012	2011
Salary and vacation pay	20 837	17 200
Other compensation	3 314	2 463
Payroll tax	2 891	2 553
Defined benefit pension	2 151	1 821
Defined contribution pension	560	366
Capitalized development expenses (hourly costs)	-3 080	-2
<b>Total</b>	<b>26 673</b>	<b>24 401</b>
Weighted average number of full-time employees	166	149

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

	2012	2011
Norway	158	132
China	9	8
South Korea	2	1
USA	8	7
Taiwan	1	1
Japan	2	1
Philippines	13	11
Switzerland	1	
<b>Total</b>	<b>194</b>	<b>161</b>

## 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):

	2012	2011
Tore Engebretsen, chairman of the board	60	62
Anne Cecilie Fagerlie, board member	40	43
Arnhild Schia, board member	32	34
Terje Rogne, board member	33	34
Karsten Rønner, board member	17	
Kjell Bråthen, former board member	7	34
Markus Bakka Hjertø, employee representative	125	131
Thomas Ulleberg, employee representative	119	
Jon Helge Nistad, former employee representative		121

**Total compensation earned by the CEO and other executives:**

<b>2012</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other compensation</b>	<b>Pension expenses</b>	<b>Total</b>
Svenn-Tore Larsen, CEO	455	387	3	33	<b>877</b>
Robert Giori, CFO	298	172	3	11	<b>484</b>
Bertel-Eivind Flaten, R&D Director	191	172	2	22	<b>387</b>
Ebbe Rømcke, Quality Director	168	86	3	35	<b>292</b>
Geir Langeland, Sales & Marketing Director	235	172	11	31	<b>449</b>
<b>Total</b>	<b>1 346</b>	<b>989</b>	<b>22</b>	<b>132</b>	<b>2 488</b>

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

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.

<b>Loans to executives:</b>	<b>2012</b>	<b>2011</b>	<b>Repayment terms</b>
Svenn-Tore Larsen	791	846	To be repaid in installments of USD 202 thousand on January 20, 2013, USD 247 thousand on January 20, 2014 and USD 342 thousand on January 20, 2015
Geir Langeland	288	337	To be repaid in installments of USD 120 thousand on January 20, 2013, and USD 168 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 2012 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 31.12.2012, the Adm Dir had earned 4,0 MNOK of this retention bonus, which was paid in January 2012 and January 2013. The remainder of this bonus would be earned during the remaining two 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**

The company's policy on salaries and other remuneration to the CEO and other senior employees (in accordance with the Public Limited Companies Act § 6-16a) is the following:

The main principle 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.

#### Options program - 2013

For 2013, the Board has decided to grant stock options to senior executives as a form of performance based compensation. In exchange, the executive team will not receive an annual performance bonus paid in cash for their work during 2013.

The options were granted on February 18, 2013. The options vest after one year if the executive has not resigned his position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 17.15. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the Company's share price exceeds a cap

of NOK 37.00, the Company may settle the option grant by compensating the employee the difference between the cap and the strike price.

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

Svenn-Tore Larsen, CEO:	375,000 stock options
Robert Giori, CFO:	250,000 stock options
Geir Langeland, Sales Director:	250,000 stock options
Bertel-Eivind Flaten, R&D Director:	250,000 stock options
Ebbe Rømcke, Quality Director:	125,000 stock options

Markus Bakke Hjertø, Board:	20,000 stock options
Thomas Ulleberg, Board:	23,800 stock options



## Note 11: Fixed assets

All figures in USD 1000.

2012	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
<b>Acquisition cost</b>					
Opening balance	1 896	10 685	423	333	13 337
Additions	657	1 057	65		1 779
Sale / disposal of assets					
<b>Acquisition cost as of 31.12</b>	<b>2 553</b>	<b>11 742</b>	<b>488</b>	<b>333</b>	<b>15 116</b>
<b>Accumulated depreciation</b>					
Opening balance	1 307	6 922	383		8 612
Depreciation expenses	355	1 500	33		1 888
Sale / disposal of assets					
<b>Accumulated depreciation as of 31.12</b>	<b>1 662</b>	<b>8 422</b>	<b>416</b>	<b>0</b>	<b>10 500</b>
<b>Net carrying value as of 31.12</b>	<b>891</b>	<b>3 320</b>	<b>72</b>	<b>333</b>	<b>4 616</b>
Fully depreciated fixed assets, which are still in use	796	4 971	393		
2011	Office and lab equipment	Computer equipment and machinery	Fixture and fittings	Property	Total
<b>Acquisition cost</b>					
Opening balance	1 516	9 729	416	333	11 994
Additions	380	1 074	7		1 461
Sale / disposal of assets		-118			-118
<b>Acquisition cost as of 31.12</b>	<b>1 896</b>	<b>10 685</b>	<b>423</b>	<b>333</b>	<b>13 337</b>
<b>Accumulated depreciation</b>					
Opening balance	1 038	5 203	312		6 553
Depreciation expenses	269	1 839	71		2 180
Sale / disposal of assets		-118			-118
<b>Accumulated depreciation as of 31.12</b>	<b>1 307</b>	<b>6 924</b>	<b>383</b>	<b>0</b>	<b>8 612</b>
<b>Net carrying value as of 31.12</b>	<b>589</b>	<b>3 761</b>	<b>40</b>	<b>333</b>	<b>4 723</b>
Fully depreciated fixed assets, which are still in use	438	3 178	132		
Estimated useful life	3 – 5 years	3 - 4 years	5 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Not depreciated	
Annual lease of non-recognized capital assets	0	32	0	0	

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

### Non-depreciable real property assets:

The Parent company has an apartment in Trondheim for use by employees in the Oslo office while in Trondheim. The apartment is assessed at acquisition cost. The residual value is expected to be at least equal to the entered value.

### Scrapped capital assets

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

### Capital assets temporarily out of operation

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

### Leased equipment

The Group does not have any leased equipment.

### Write-offs

There are no indicators that assets need to be written off.

### Change in depreciation periods

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



## Note 12: Intangible assets

All figures in USD 1000.

2012	Purchased Software	Capitalized Development costs	Total
<b>Acquisition cost</b>			
Opening balance	6 390	8 651	15 041
Additions	203	3 644	3 847
Sale / disposal of assets			
<b>Accumulated cost as of 12.31</b>	<b>6 593</b>	<b>12 295</b>	<b>18 888</b>
<b>Accumulated depreciation</b>			
Opening balance	4 273	8 347	12 620
Depreciation expenses	474	477	951
Sale / disposal of assets			
<b>Total accumulated depreciation as of 12.31</b>	<b>4 747</b>	<b>8 824</b>	<b>13 571</b>
<b>Net carrying amount</b>	<b>1 846</b>	<b>3 471</b>	<b>5 317</b>
Fully depreciated fixed assets, which are still in use	336	7 156	
<b>Non-capitalized R&amp;D expenses:</b>			
Personnel expenses		11 763	11 763
Other operating expenses		4 257	4 257
<b>Total cost recognized in income statement</b>		<b>16 020</b>	<b>16 020</b>
<b>Total expenses for R&amp;D</b>		<b>19 664</b>	<b>19 664</b>

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

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

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



### Note 13: Accounts Receivable

All figures in USD 1000.

	2012	2011
Gross receivables	26 092	22 455
Provision for doubtful accounts	-23	-5
<b>Accounts Receivable, net</b>	<b>26 069</b>	<b>22 450</b>

The provision for loss on debt receivables covers approx. 0.08% of the accounts receivable compared with 0.02% in 2011.

### Note 14: Cash and cash equivalents

All figures in USD 1000.

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

	2012	2011
Cash holdings	30 108	14 724
Tax deduction account (restricted funds)	887	675
Short-term investments (money market fund)	9 355	8 409
<b>Cash and cash equivalents in consolidated statement of financial position</b>	<b>40 350</b>	<b>23 808</b>
<b>Cash and cash equivalents in consolidated statement of cash flows</b>	<b>40 350</b>	<b>23 808</b>

### Note 15: Share capital and shareholder information

All figures in USD 1000.

#### Share capital

The share capital in Nordic Semiconductor as of December 31, 2012 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, with a total share capital of NOK 1,634,406. Each share grants the same rights in the company, and in the event of any increase in capital existing shareholders have pre-emptive rights for any new shares.

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

	Number of shares		Share capital		Treasury shares		Share premium	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Ordinary shares, issued and paid</b>								
Holdings as of 1.1	168 736 600	168 736 600	292	292	-9		14 253	14 253
Purchase of treasury shares					-2	-9		
Cancellation of treasury shares	-5 296 000		-9		9			
<b>Holdings as of 12.31</b>	<b>163 440 600</b>	<b>168 736 600</b>	<b>283</b>	<b>292</b>	<b>-2</b>	<b>-9</b>	<b>14 253</b>	<b>14 253</b>

#### Dividend

A dividend of NOK 0.40 per share (after share split) was paid in 2011, for a total dividend payment of NOK 67,495,000. No dividend was paid during 2012.

#### Authority to issue shares

The Board of the Parent company, based on a resolution from the annual general meeting on April 26, 2012, has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a par value of NOK 163,000. The shareholders' pre-emptive right may be waived according to the Norwegian Private Limited Companies Act §10-4. This authority is valid until the company's annual general meeting in 2013, and by June 30, 2013 the latest. The resolution covers the issue of shares in connection with a merger.

#### Treasury shares

The company owned 5,296,000 treasury shares on December 31, 2011. Nordic Semiconductor ASA cancelled 5,296,000 treasury shares on October 23, 2012, but has by December 31, 2012 purchased 980,000 new treasury shares through brokers at an average rate of USD 2.44.

Based on a resolution of the annual general meeting of April 26, 2012, the Board has authority to purchase the company's own shares with a limit of a face value of NOK 163,000 through one or more transactions. This authority is limited to 9,97% of the company's share capital, and the price per share that the company may pay for shares shall not be lower than the face value and not higher than NOK 200. This authority applies until the company's regular general meeting in 2013, and by June 30, 2013 the latest.



## Stock Option Grant

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

The Board has implemented a change to this program for 2013, which enabled performance-based compensation to also be awarded through a grant of share options as an alternative to the existing cash bonus program. The change was described in an Extraordinary General Meeting of shareholders which took place in February 2012.

On February 18, 2013, the Board approved a grant of 3,960,470 share options to employees. The options vest after one year if the employee is in an unresigned position at the vesting date, and expire after three years. The options were granted at a strike price of NOK 17.15. On the exercise date, Nordic can determine whether they wish to settle the options contract in cash or through the issue of shares. If the company's share price exceeds a cap of

NOK 37.00, the company may settle the option grant by compensating the employee the difference between the cap and the strike price.

In exchange for the options grant, the annual cash bonus to employees for 2013 will be reduced by NOK 11.881.410 (the number of share options \* NOK 3 per option) relative to the "base" bonus which would have been paid to employees for their work in 2013. Each option has been valued at a price of NOK 3 by an independent advisory firm, according to the Black-Scholes model.

In the event that the options are exercised, the Company may settle the option contract either by compensating the employee with a payment equal to the difference between the market price on the date of exercise (or cap, whichever is lower) and the strike price, or by issuing shares to the employee at the strike price. If the Company issues shares to the employee, it intends to use its treasury shares as a first alternative when settling the options contract but may also issue new shares in the event that it does not have sufficient treasury shares to settle the options contracts.

## Shareholder overview

The largest shareholders in Nordic Semiconductor ASA were as follows as of December 31, 2012:

Shareholder	Shares	Percentage
ACCELERATOR LTD	17 332 950	10,61%
FOLKETRYGDFONDET	9 919 024	6,07%
ODIN NORGE	8 507 501	5,21%
ENGBRETSSEN TORE	7 537 500	4,61%
ALDEN AS	5 750 000	3,52%
INAK 2 AS	5 140 000	3,14%
AWILCO INVEST AS	5 121 000	3,13%
GOLDMAN SACHS INT.	4 980 190	3,05%
MP PENSJON PK	4 500 000	2,75%
KLP AKSJE NORGE VPF	4 193 205	2,57%
STATOIL PENSJON	3 553 268	2,17%
KOMMUNAL LANDSPENSJONSKASSE	3 200 000	1,96%
DNB NOR BANK ASA	3 179 935	1,95%
FOUGNER INVEST AS	2 900 000	1,77%
MÆLAND ARNE KRISTIAN	2 805 000	1,72%
TVENGE TORSTEIN INGVALD	2 500 000	1,53%
TTC INVEST AS	2 200 000	1,35%
SKANDINAVIA ENSKILDA BANKEN AB	2 015 013	1,23%
HAADEM INVEST AS	1 880 000	1,15%
CANICA AS	1 645 000	1,01%
<b>Total for the 20 largest shareholders</b>	<b>98 859 586</b>	<b>60,49%</b>
Other shareholders	64 581 014	39,51%
<b>Total shares outstanding</b>	<b>163 440 600</b>	<b>100,00%</b>

Shares held by the Board of directors and Executive management were as follows as of December 31, 2012.

Name	Shares
<b>Board of directors</b>	
Tore Engebretsen	7 687 500
Terje Rogne	1 250 000
Anne Cecilie Fagerlie	0
Arnhild Schia	0
Karsten Rønner	30 000
Thomas Ulleberg	0
Markus Bakka Hjertø	0
<b>Management</b>	
Svenn-Tore Larsen	2 640 400
Robert Giori	66 400
Geir Langeland	177 700
Bertel-Eivind Flaten	1 037 900
Ebbe Rømcke	58 900
<b>Total</b>	<b>12 948 800</b>



## 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, 2012 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 2012 the value of the pension fund was USD 8,358,000. The portfolio was invested as follows:

	2012.06.30	2011.12.31
Equities	10.2%	9.2%
Bonds	15.2%	15.2%
Money market	17.5%	22.3%
Bonds held to maturity	37.1%	35.0%
Property	18.6%	17.8%
Other	1.4%	0.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

	2012	2011
Current service cost	1 344	1 153
Interest expense	439	506
Expected return on plan assets	-281	-310
Amortization of actuarial gains / losses	366	216
Administration fee	62	58
<b>Total pension expense excl. social security tax</b>	<b>1 931</b>	<b>1 623</b>
Social security tax	221	198
<b>Total pension expense incl. social security tax</b>	<b>2 151</b>	<b>1 821</b>

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

	2012	2011
Pension obligations	16 374	17 391
Plan assets	8 358	6 587
<b>Estimated net pension obligations</b>	<b>-8 016</b>	<b>-10 804</b>
Social security tax	-1 130	-1 523
<b>Total actual net obligation incl. social security tax</b>	<b>-9 146</b>	<b>-12 327</b>
Actuarial profits/loss not recognized	3 437	7 461
Estimated difference from social security tax	485	1 052
<b>Net pension obligation 12.31 incl. social security tax</b>	<b>-5 224</b>	<b>-3 814</b>

### Movement in pension obligations:

	2012	2011
Net pension obligation 1.1	18 721	12 570
Current service cost	1 489	1 145
Interest expense	486	502
Actuarial gain / loss	-4 260	3 202
Pension payments	-62	-28
<b>Pension obligation 12.31</b>	<b>16 374</b>	<b>17 391</b>

**Movement in pension assets:**

	<b>2012</b>	<b>2011</b>
Pension assets 1.1	7 091	5 336
Expected return on plan assets	311	308
Actuarial gain / loss	-22	200
Administration fee	-69	-58
Employer contribution	1 109	829
Pension payment	-62	-28
<b>Pension assets 31.12.</b>	<b>8 358</b>	<b>6 587</b>

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

	<b>2012</b>	<b>2011</b>
Discount rate	3.9%	2.6%
Expected return on plan assets	4.0%	4.1%
Expected future salary increase	3.5%	3.5%
Expected future increase in base amount	3.25%	3.25%
Expected future increase in pensions	3.25%	3.25%
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**

<b>Age</b>	<b>Men</b>	<b>Women</b>
20	61	64
40	41	45
60	22	25
80	8	10

**Probability of death**

<b>Age</b>	<b>Men</b>	<b>Women</b>
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:

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Pension obligation	-16 374	-17 391	-12 862	-11 240	-6 825
Pension plan assets	8 358	6 587	5 460	4 944	3 525
<b>Surplus/deficit</b>	<b>-8 016</b>	<b>-10 804</b>	<b>-7 402</b>	<b>-6 296</b>	<b>-3 300</b>

Expected contribution to the plan in 2013 is: USD 1,147,000.

**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 2012, the cost of the defined contribution pension was USD 560,000. As of December 31, 2012 the plan had 101 members.



### Note 17: Current liabilities

All figures in USD 1000.

	2012	2011
Short-term loan facility		6 000
Accounts payable	2 481	3 266
Taxes payable	7 105	7 363
Social security tax	1 374	1 083
Holiday pay	2 303	1 852
Allocation ship and debit	1 758	2 414
Accrued expenses	4 018	2 748
<b>Total Current liabilities</b>	<b>19 039</b>	<b>24 726</b>

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:

	2012	2011
Office lease	1 389	1 171
Lease of machinery	33	35
<b>Total lease expense</b>	<b>1 422</b>	<b>1 206</b>

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 renewed January 1, 2013, and expires on December 31, 2017 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.

**Japan office:** The office lease has a 3 months notice of termination.

**Hong Kong office:** The office lease has a 6 months notice of termination.

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

Within 1 year	1 489
1 to 5 years	3 750
After 5 years	
<b>Total non-cancellable leases</b>	<b>5 239</b>

### 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 2012.



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%.

	2012	2011
Total equity	68 650	53 575
Total assets	92 913	82 115
<b>Equity share</b>	<b>74%</b>	<b>65%</b>

The Group has a credit agreement with a bank, which makes it possible to borrow up to MUSD 20 at any time with an interest rate equal to LIBOR + 1.15%. The term of the credit agreement is three years as of 2011 when it was signed. As of December 31, 2012, the company has no loan from the line of credit. The security is provided by inventory, receivables and operating equipment with book values as follows: inventories USD 11,748,000, accounts receivable USD 26,069,000 and operating equipment USD 4,211,000. 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 2012:

	Fair value		Amortized cost		Total
	Money market fund	Receivables and loans	Other financial obligations		
Cash and cash equivalents	9 355	30 995			40 350
Receivables and other short-term receivables		28 337			28 337
Long-term receivables		1 133			1 133
<b>Total financial assets</b>	<b>9 355</b>	<b>60 465</b>			<b>69 820</b>
Accounts payable and other short-term debt			19 039		19 039
<b>Total financial liabilities</b>			<b>19 039</b>		<b>19 039</b>

#### 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
<b>Total financial assets</b>	<b>8 409</b>	<b>41 223</b>			<b>49 632</b>
Accounts payable and other short-term debt			24 726		24 726
<b>Total financial liabilities</b>			<b>24 726</b>		<b>24 726</b>

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 2012, 40% of revenues went through the largest distribution partner, compared to 45% in 2011.



Age distribution of customer receivables was:

	2012		2011	
	Gross Total	Provision for doubtful accounts	Gross Total	Provision for doubtful accounts
Not due	25 469		20 778	
Past due 0-30 days	1 274		1 253	
Past due 31-120 days	-710		203	
Over 120 days	60	22	221	5
<b>Total</b>	<b>26 091</b>	<b>22</b>	<b>22 455</b>	<b>5</b>

Based on its experience, it is not deemed necessary for the company to make a provision for accounts receivable that are not due (98% 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.

	2012	2011
January 1	5	7
Change in estimated loss provision	17	3
Actual losses		-5
<b>December 31</b>	<b>22</b>	<b>5</b>

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

	2012	2011
Accounts receivable and other short-term receivables	28 337	24 616
Cash and cash equivalents	40 350	23 808
<b>Total</b>	<b>68 687</b>	<b>48 424</b>

#### (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, 2012, the Group had invested USD 9,355 thousand as short-term deposits in money market funds with a broad distribution of high-quality issuers, floating earnings and no set maturity. An additional USD 30,995 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, 2012:

	Entered amount	Contractual cash flows	0-3 months	3-6 months	6-12 months	1-2 years	2-5 years
Supplier debt and other short-term debt	19 039	-19 039	-15 904	-3 135			
Other contractual obligations	0	-5 239	-392	-378	-719	-938	-2 813

#### (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 was repaid within 2012, and the Group has no loan outstanding.

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

	Profit before tax
Interest rate level +/- 0.25%	101

**(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 88% 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:

	2012			2011		
	Local currency	USD (1000)	Share of total revenues in %	Local currency	USD (1000)	Share of total revenues in %
USD	128 663	128 663	97,6 %	136 457	136 457	98,1 %
EUR	2 020	2 606	2,0 %	1 846	2 577	1,9 %
NOK	3 127	550	0,4 %	104	18	0,0 %
<b>Total</b>		<b>131 819</b>	<b>100,0 %</b>		<b>139 052</b>	<b>100,0 %</b>

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%	1 357

**(v) Determination of fair value**

As of December 31, 2012 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:

	2012		2011	
	Book value	Fair market value	Book value	Fair market value
<b>Financial assets</b>				
Cash and bank deposits	30 995	30 995	15 399	15 399
Interest-bearing fund	9 355	9 355	8 409	8 409
Accounts receivable	26 069	26 069	22 450	22 450
<b>Financial debt liabilities</b>				
Accounts payable	2 481	2 481	3 266	3 266
Short-term loan facility			6 000	6 000

**Note 20: Events after the balance sheet date**

No events have occurred since the end of the fiscal year which are believed to affect the financial statements as of the balance sheet date, with the exception of the option program which is described in notes 10 and 15.

**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 23, 2012. The company's policy on corporate governance are published each year in the annual report, and described in detail below.

### Activities

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

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

### Equity and dividends

The company's growth philosophy, as well as the cyclicity 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 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 April 26, 2012, has been authorized to buy back up to 16,300,000 own shares for a total par value of NOK 163,000.00 in one or more transactions. The authorization is limited to 10 percent of the company's share capital, and the price per share which the company may pay for shares acquired in this manner shall not be less than the par value nor greater than NOK 200. This power of attorney will remain in effect until the company's ordinary annual general meeting in 2013.

In accordance with the decision passed at the general meeting held April 26, 2012, the Board of Directors has the authority to increase the company's share capital by issuing up to 16,300,000 shares with a total par value of NOK 163,000. The authority is to be used for purposes defined in the Notice of the Annual General Meeting, including 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 2013, 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.

If the Board wishes to quickly raise capital, the Board has been authorized to direct a share capital increase to selected investors chosen by the Board, up to the limits quantified above. In this event, the company will notify the stock exchange of its reasons for implementing a directed share placement. Existing shareholders' 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 2013.

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 transactions with related parties that are laid down in the Norwegian Code of Practice for Corporate Governance.

### **Freely negotiable shares**

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

### **Annual General Meeting**

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

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

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

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

- Approval of the profit and loss account and balance sheet, including the allocation of annual profits 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 will provide reasons for its recommendation in the notice for the AGM, including information on the candidates' competence, capacity and independence.

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 2013 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 2013 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 Semiconduc-



tor'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. 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 obliga-

tions 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



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 2012, 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.

A member firm of Ernst & Young Global Limited



*Opinion*

In our opinion, the financial statements of Nordic Semiconductor ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2012 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 19, 2013  
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.

### 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 expects sales of its ultra-low power wireless solutions to accelerate during 2013 and beyond, as many new products are released across a diverse set of new markets. In particular, the company expects the following growth opportunities to emerge across its key business segments:



**Geir Langeland**

*Sales and Marketing Director*

“Nordic Semiconductor expects sales to accelerate during 2013 and beyond, as many new products are released across a diverse set of new markets.”

### PC (& tablet) accessories:

PC accessories are the company's largest business segment, and represented 64% of the company's annual revenue in 2012. During the last two years, the PC accessories market has been impacted by slower sales of PC hardware. According to industry research firm IDC, global PC unit shipments fell by 4% during 2012.

Despite recent weakness in the PC market, Nordic continues to view the market for PC accessories as a strong business opportunity, as wireless accessories grow in popularity. The company estimates that only approximately 20% of PC buyers are purchasing a wireless mouse/keyboard with a new PC (including aftermarket purchases), leaving a large unaddressed market for wireless accessories among PC users.

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

As tablets implement *Bluetooth* Smart Ready technology, these devices will soon be able to connect with ultra-low power *Bluetooth* Smart keyboards and other accessories.



These keyboards will enable tablets to be used much more effectively for productivity applications (such as writing or work activities) in addition to more casual use.

### **Mobile devices**

(includes portable electronics such as sports / health monitoring devices, hearing aids, mobile phone accessories, and electronic payment solutions including RF-SIM):

Nordic considers the market for mobile wireless accessories to be its largest long-term opportunity based on the growth of new wireless applications for the smartphone. The smartphone is an ideal device to connect with diverse wireless accessories due to its huge market volumes, portability, compatibility with wireless standards, highly functional screen and touch interface, and ease of downloading new software (“apps”) for interacting with a wireless device.

As smartphones adopt *Bluetooth* Smart Ready technology, many new *Bluetooth* Smart wireless applications are being released to connect with this growing installed base of compatible devices. The potential applications for these *Bluetooth* Smart mobile accessories (“app-cessories”) are nearly endless, as they encompass any sensor which can transmit data to the smartphone, or any device which the smartphone can control.

For example, the healthcare industry is promoting medical devices with *Bluetooth* Smart technology to enable cost-effective monitoring of a growing elderly population as well as patients with chronic illness. With these devices, patients with conditions such as high blood pressure, diabetes or heart ailments can monitor their condition through a body-worn health sensor connected wirelessly to a mobile handset. The handset can also transfer medical data further (via web services) to a healthcare provider to follow up on the patient’s condition.

In addition to health sensors, many other new low-power wireless applications are currently being developed to connect mobile handsets to ID, security tags, fitness and gaming accessories, to name only a few applications.

### **Home electronics devices**

(includes remote controls and wireless accessories for TV’s / set-top boxes, gaming, toys and other media players):

New generations of home media centers (called Connected TV’s or Set-Top Boxes) are increasingly providing internet-based services and software apps in addition to the television offering. This web-based content cannot be effectively navigated with infrared remote controls, and will require remote controls with advanced navigation functionality to search for content.

*Bluetooth* Smart technology is ideally suited for search and navigation of a Connected TV, based on its high performance and ultra-low power consumption. In addition to enabling

advanced remote controls, *Bluetooth* Smart allows other wireless devices throughout the home such as game controllers and home monitors to connect with the media device.

A broad range of TV manufacturers including Sony, Panasonic, LG, Samsung and Vizio have now implemented *Bluetooth* technology in their Connected TV’s to enable the use of *Bluetooth* remote controls and other wireless accessories. While the current generation of these televisions is using *Bluetooth* 3.0 or earlier, they are soon expected to transition to *Bluetooth* Smart Ready wireless solutions, which will then be able to connect with ultra-low power *Bluetooth* Smart wireless accessories from Nordic.

In January 2013, Nordic Semiconductor announced a partnership with MediaTek, a leading semiconductor company within digital multimedia and wireless solutions, to address the market opportunity within Connected TV’s. In addition, Nordic released a *Bluetooth* Smart remote control reference design for TV and set-top box manufacturers. The reference design features voice control, a miniaturized QWERTY keyboard, touchpad, and motion sensor and accelerometer, for advanced navigation and gaming applications with connected TV’s.

### **Sensor networks**

(i.e., industrial automation, building sensors, RFID / security systems, automotive sensors):

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

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

The growth of wireless sensor networks and integration with the internet is often referred to as “the internet of things”, as it collects and distributes information from objects rather than people. While this market is still in its earliest stages of development, the potential applications for capturing information from sensor devices through wireless networks are so numerous that the long-term market implications are impossible to quantify.

To date, wireless sensor networks have generally relied upon proprietary wireless solutions rather than industry standards to transport information from sensors. *Bluetooth* Smart provides a very attractive standard for building wireless sensor networks, based on its compatibility with a huge installed base of *Bluetooth* Smart Ready devices.



## 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.



**Bertel-Eivind Flaten**  
*R&D Director*

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 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 June 2012, Nordic released the latest generation of its system-on-chip platform, called the nRF51 series. The nRF51 series improves upon the industry-leading specifications of the previous generation of Nordic's products, reducing power consumption by up to 50%. In addition, the nRF51 offers a powerful ARM Cortex M0 processor which provides up to 10X more processing power for system-on-chips than the previous generation. Finally, the nRF51 provides a very easy-to-use platform for application development, with a software architecture that cleanly sepa-



rates the application and protocol stacks and a hardware architecture that facilitates maximum reuse across product designs. The new system-on-chip platform has been very well-received by customers since its launch, and many new products featuring the nRF51 are expected to be launched in the second half of 2013.

### 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 Apple iOS operating system, which provides

developers with an ideal starting point to develop *Bluetooth* Smart accessories for the iPhone and iPad. 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 Company estimates that by the end of 2013, nearly all new smartphone releases 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 9001:2008 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 hundreds of thousands of 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 gold 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 criti-

cal 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 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 2013 as follows:

Interim Report Q1 2013	April 19, 2013
Interim Report Q2 2013	July 12, 2013
Interim Report Q3 2013	October 17, 2013
Interim Report Q4 2013	February 11, 2014

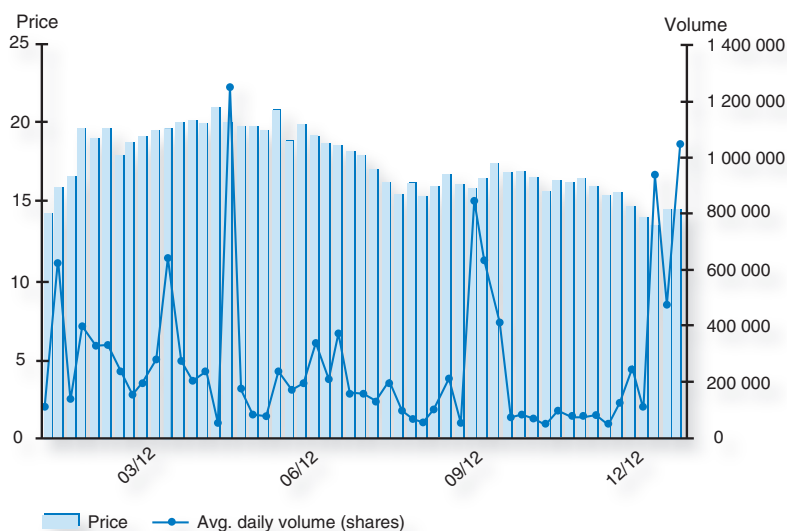
The regularly scheduled General Meeting of Shareholders of the Company is planned to be held following the

Q1 financial presentation in Oslo, at 9:00 am, on Friday, April 19, 2013.

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 2012



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](http://www.nordicsemi.com). The annual and quarterly reports of the Company will be available on the Company's website [www.nordicsemi.com](http://www.nordicsemi.com), as well as through the Oslo Stock Exchange.



## Share Capital

The registered share capital in Nordic Semiconductor as of December 31, 2012 consists of one share class with a total of 163,440,600 shares with a face value of NOK 0.01, so that the total share capital is NOK 1,634,406. Each share grants the same rights in the company. The Company's shares are registered in the Norwegian Central Securities Depository (VPS) under VPS No. ISIN NO 000 3055501. The evolution of the share capital is as shown in the table below.

Changes	Date	Change in number of shares	Par value (NOK)	Changes in share capital (NOK)	New share capital (NOK)	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
Cancellation of shares	Sep 2009	(1 386 800)	0,05	(69 340)	1 687 366	33 747 320
Share split (1:5)	Jun 2010	134 989 280	0,01	-	1 687 366	168 736 600
Cancellation of shares	Oct 2012	(5 296 000)	0,01	(52 960)	1 634 406	163 440 600

## Shareholder Structure

As of December 31, 2012, Nordic Semiconductor had 1,433 shareholders. The company had 120 foreign shareholders, which owned a total of 21.0% of the Company's shares. Nordic Semiconductor also owned 0.2% of its own shares which were repurchased during 2012. Based on the number of shares, the composition of shareholders is as follows:

Top 20 shareholders	31.12.2012 Shareholding	Percent	31.12.2011 Shareholding	Percent
DNB NOR S/A Accelerator Ltd	17 332 950	10,6 %	17 332 950	10,3 %
Folketrygdfondet	9 919 024	6,1 %	11 044 024	6,5 %
Odin Norge	8 507 501	5,2 %	11 466 727	6,8 %
Tore Engebretsen	7 537 500	4,6 %	7 537 500	4,5 %
Alden AS	5 750 000	3,5 %	5 750 000	3,4 %
INAK 2 AS	5 140 000	3,1 %	5 140 000	3,0 %
Awilco Invest AS	5 121 000	3,1 %	7 725 000	4,6 %
Goldman Sachs Int. Equity	4 980 190	3,0 %	5 300 000	3,1 %
MP Pension	4 500 000	2,8 %	4 214 750	2,5 %
KLP Aksje Norge	4 193 205	2,6 %	4 111 334	2,4 %
Statoil Pensjonskassen	3 553 268	2,2 %	3 316 190	2,0 %
Kommunal Landspensjonskasse	3 200 000	2,0 %	3 283 123	1,9 %
DNB NOR Markets, Aksjehand/Analyse	3 179 935	1,9 %	2 292 655	1,4 %
Fougner Invest AS	2 900 000	1,8 %	2 900 000	1,7 %
Arne-Kristian Mæland	2 805 000	1,7 %	2 800 000	1,7 %
Torstein Tvenge	2 500 000	1,5 %		0,0 %
TTC Invest AS	2 200 000	1,3 %	2 200 000	1,3 %
Skandinavisk Enskilda Banken AB	2 015 013	1,2 %	1 445 000	0,9 %
Haadem Invest AS	1 880 000	1,2 %	40 000	0,0 %
Canica AS	1 645 000	1,0 %	1 645 000	1,0 %
<b>Total for the 20 largest shareholders*</b>	<b>98 859 586</b>	<b>60,5 %</b>	<b>108 884 617</b>	<b>64,5 %</b>
Other shareholders	64 581 014	39,5 %	59 851 983	35,5 %
<b>Total shares outstanding</b>	<b>163 440 600</b>	<b>100,0 %</b>	<b>168 736 600</b>	<b>100,0 %</b>

\* Reflects total shareholding of the 20 largest shareholders as of 31.12.12 and 31.12.11. Several of the largest shareholders as of 31.12.11 do not appear on the list of the 20 largest shareholders as of 31.12.12.



## 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, Squarehead Technologies AS, Media Network Services AS and Transpacket AS. Holdings in the company: 7 687 500 shares.

### Karsten Rønner (1960) - shareholder elected



#### Board member

Dr. Karsten Rønner 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. Rønner has more than seven years of experience in corporate finance as managing director and co-owner of Sardis Capital. He is a German citizen, and has been managing partner of the Startbahn venture fund in Dresden, Germany since 2011. Holdings in the company: 30 000 shares.

### Terje Rogne (1960) - shareholder elected



#### Vice-Chairman of the Board

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.

### Anne-Cecilie Fagerlie (1958) - shareholder elected



#### Board member

Anne-Cecilie Fagerlie has a Master degree in Computer Science 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.

### 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 / Nevision. 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.

### Thomas Ulleberg (1976) - employee representative



#### Board member

Thomas Ulleberg has a Masters degree in Production and Quality from NTNU (2005) and a Bachelor degree in Electronics from HIST. He has been employed at Nordic Semiconductor since 2010, and currently works as a Technical Product Manager. Prior to joining Nordic, he was employed by SINTEF conducting research on sensory electronics and robotics for automated production processes. Holdings in the company: 23 800 share options.

### 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 Senior R&D Engineer in Oslo. Holdings in the company: 20 000 share options.



# EXECUTIVE MANAGEMENT

## Svenn-Tore Larsen (1959)



### Chief Executive Officer

Svenn-Tore Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor. Larsen was member of the Board of Nordic Semiconductor from 2000-2002.

Holdings in the company: 2 640 400 shares and 375 000 share options

## 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 administration 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 and 250 000 share options

## Geir Langeland (1970)



### Sales and Marketing Director

Geir Langeland has a B.eng Honours degree in Electronics from University of Manchester Institute of Science and Technology (UMIST). He was appointed Product Manager Standard Components at Nordic Semiconductor in October 1999, before being appointed to Director Sales and Marketing September 2005. Before joining Nordic, Mr. Langeland worked as Field Sales/Applications Engineer in Memec

Norway, a leading global electronic components distribution company. Holdings in the company: 177 700 shares and 250 000 share options

## 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 and 250 000 share options

## Ebbe Rømcke (1964)



### Quality Director

Ebbe Rømcke has a M.Sc. degree in Electronics Engineering from Norwegian University of Science and Technology (NTNU). He was appointed Quality Director of Nordic Semiconductor in 2002. Prior to this Mr. Rømcke worked eight years in the company as Digital Designer, Project Manager and Group Manager. He has also experience from Digital Design and Project Management in Normarc AS

(now Park Air Systems), a leading manufacturer of aviation systems. Holdings in the company: 58 900 shares and 125 000 share options



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