Annual Report 2009

locate, communicate, accelerate

Content

u-blox at a glance

Profile

Founded in 1997 in Switzerland, u-blox is a fabless semiconductor provider of embedded GPS positioning and wireless communication solutions. u-blox is listed on the SIX Swiss Exchange (UBXN).

Mission

u-blox aims to be a leading provider of embedded positioning and wireless communication solutions to the global electronics industry.

Business model

u-blox designs, develops and sells modules, chips and reference designs for the global consumer, industrial and automotive markets. u-blox outsources all production to state-of-the-art fabrication and packaging partners. The fabless model enables the company to achieve economies of scale by capitalizing on large volume manufacturing facilities.

People

Approx. 200 employees world-wide, with R&D and Sales/Marketing/Logistics each making up 50% of the total workforce.

Financials

u-blox has been consistently profitable since 2004, with 2009 revenue of CHF 73.5 million and net profit of CHF 3.3 million.

Markets

With over 2’000 customers world-wide, u-blox supports a broad range of applications in three main markets:

- Consumer (i.e. Notebooks, Smartphones, Personal Locators)
- Industrial (i.e. Fleet Management, Timing, Remote Metering)
- Automotive (i.e. In-vehicle Navigation and Vehicle Recovery Systems)

Global presence

Headquartered in Thalwil, Switzerland with regional offices in the USA, Singapore, Italy, United Kingdom, Hong Kong, China, Taiwan, Korea and Japan.

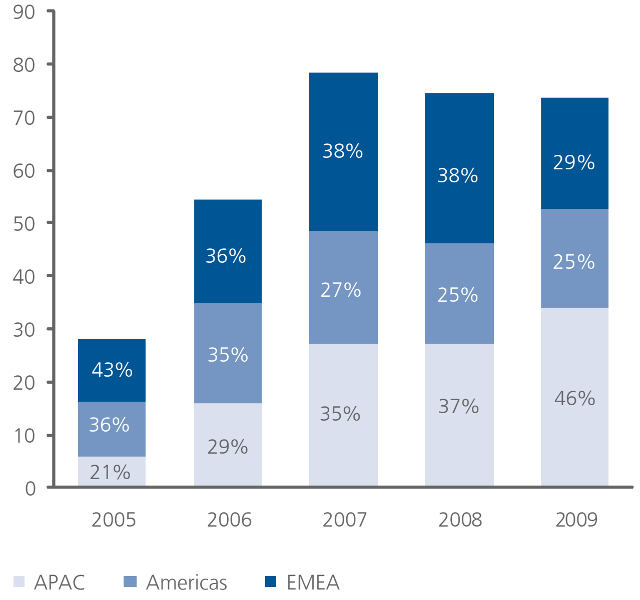
Financial highlights

Key figures

(CHF in million)	2007	2008	2009
Revenue	**78.4**	**74.5**	**73.5**
Growth/(decline) rate over previous year	44.1%	-4.9%	-1.3%
EBITDA	**8.9**	**12.9**	**12.7**
Margin on revenue	11.3%	17.3%	17.2%
(Decline)/growth rate over previous year	-2.1%	45.2%	-1.6%
Net profit	**5.4**	**8.8**	**3.3**
Margin on revenue	6.9%	11.8%	4.5%
(Decline)/growth rate over previous year	-26.0%	60.9%	-62.0%
Cash flow from operations	**16.7**	**2.6**	**14.7**
Margin on revenue	21.3%	3.4%	20.0%
Growth/(decline) rate over previous year	89.9%	-84.6%	473.5%

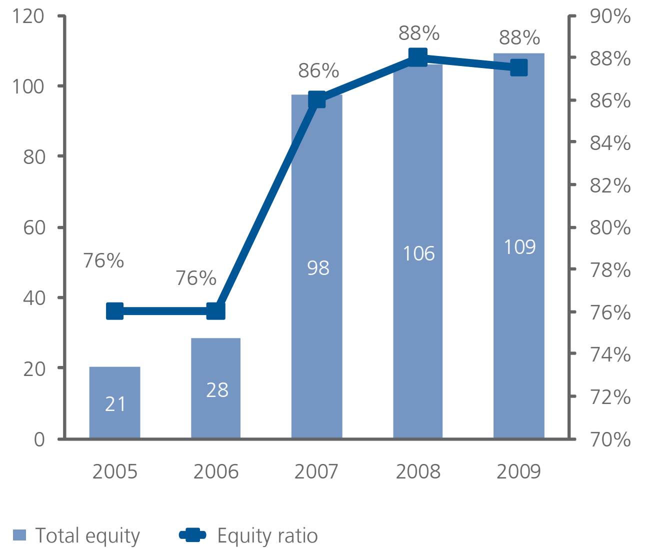
Revenues by geography

(CHF in million)

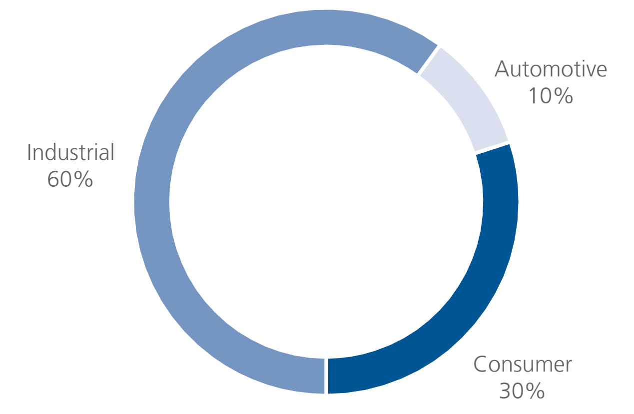


Total equity and equity ratio

(CHF in million) (% of total assets)



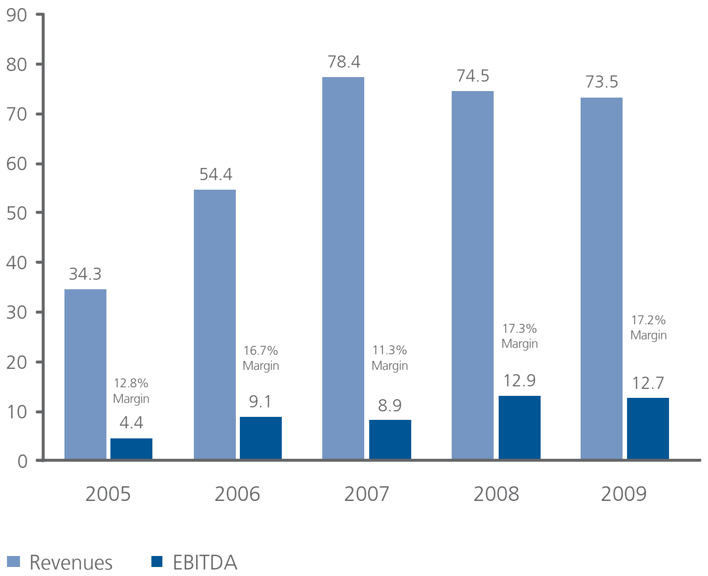
u-blox revenue split per market



Note: Approximate estimation

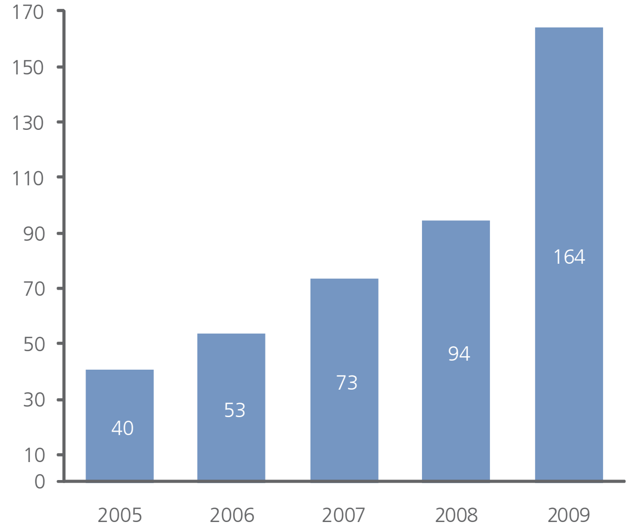
Financial performance

(CHF in million)



Employee development

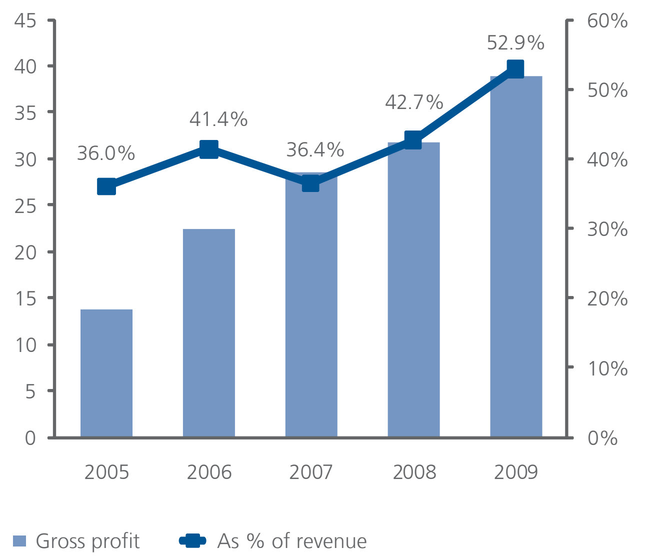
(Average FTE)



Note: Average number of employees (FTE = full time equivalent)

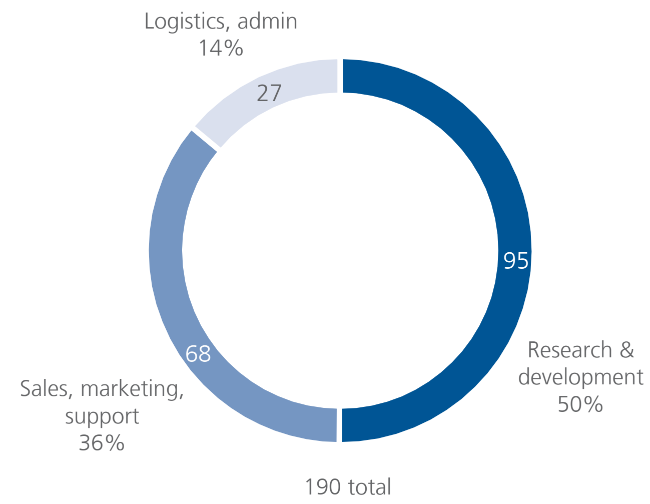
Gross profit and gross profit margin

(CHF in million) (% of revenue)



Employee breakdown

(End of 2009, FTE based)



Note: 59% of employees based outside Switzerland (spread over 9 countries)

Operational highlights

Corporate

Expanded leadership position
In March 2009, u-blox announced two acquisitions: Geotate and Neonseven. One strengthened our leading position in the GPS sector, and the other launched our entry into the wireless communications markets. The companies were successfully integrated, including subsequent re-structuring and alignment of all sales, marketing, design, quality, test, HR, logistics and IT departments and processes.

Expanded capacities
u-blox extended testing and qualification capacities in June to meet the ever increasing quality requirements for our GPS receiver chips and GPS/wireless modules.

Continued innovation: u-blox 6
In September, u-blox launched its next-generation GPS receiver platform u-blox 6, a new ultra-low power technology optimized for fast positioning and battery-powered products. u-blox 6 provides existing customers with a seamless technology upgrade path, and new customers with cutting-edge features.

New wireless production line
u-blox successfully ramped-up R&D and equipment to support the design and testing of our new 2G wireless module product line in October. An automated production line for wireless modules was installed and activated at our manufacturing partner Flextronics, Austria.

New cross-company processes adopted
In November, a new process landscape was deployed across the company, formalizing and streamlining all business processes based on ISO-9001 standards. A cross-departmental program management system was also implemented to increase project efficiency, reduce time-to-market, and improve quality.

Commercial

Increased penetration of consumer markets
During 2009, u-blox increased its share of the consumer markets, especially for PND and recreational devices. Examples include customer wins in the newly-emerging personal tracker market: XACT Technologies, McMurdo, Location Based Technologies (LBT), and SPOT LLC.

Breakthrough with new GSM module
The introduction of our LEON GSM module in February was closely followed by 5 major industry certifications. This led to numerous customer wins for telematics, and a first market success for telemetry; Satel, for wireless alarm messaging.

Geotate acquisition brings first customers
The commercial deployment of u-blox' "Capture & Process" software technology by camera accessory makers Bilora and Jobo, was the first direct result of the acquisition of Geotate's patented software GPS technology.

Microsoft certifies u-blox GPS driver for Windows 7
In September, all u-blox GPS receiver USB drivers were officially certified as Windows 7 compliant, giving third party software developers a head start in developing the next generation of exciting and diverse range of location-aware services running on Windows.

Expansion of online services offering
During 2009, u-blox experienced continued market adoption of its existing online GPS service for accelerated positioning as well as its new online service for geotagging applications. Customers include FINEDIGITAL, LBT, Bilora, and Jobo.

Letter to the shareholders

We invested in our future through the acquisitions of Neonseven and Geotate, and increased our staff of highly-talented engineers.

Dear shareholders

During one of the most challenging years in the world-wide economy, we continued to pursue our growth strategy. During 2009 we acquired the companies Neonseven and Geotate. With this step we were able to enter the wireless market and grow our customer base further. We also upgraded our GPS technology platform, which is an important part of our product strategy, making it possible to meet the demands of next-generation GPS receiver devices. Even with our expanded operational costs from these acquisitions, we are pleased to announce a positive result for the year 2009.

A year of expansion

Although there were weaknesses in EMEA and the Americas with decline in demand, we expanded our market position in Asia, and experienced a clear global turnaround in revenue around the last quarter resulting in growth of 15% over the first half year. Although revenue was flat, u-blox remained profitable. Our chip and module businesses generated positive income from operations during 2009. Consolidated revenue was down by CHF 1 million to CHF 73.5 million with increased volumes, while EBIT was decreased from CHF 8.4 million to CHF 5.2 million, a 38% decrease over the prior year. Net profit was CHF 3.3 million, representing a 4.5% net profit margin for 2009.

Successful acquisitions and streamlining of operations

We invested in our future through the acquisitions of Neonseven and Geotate, and increased our staff of highly-talented engineers. The acquisitions expanded our product and service portfolio with wireless and GPS technology. Once a pure-play hardware GPS vendor, u-blox is now a provider of wireless and positioning solutions.

The integration of the two companies was successfully completed, including re-structuring and alignment of all departments and processes within the u-blox corporate structure and culture. Today u-blox employs approximately 200 employees world-wide as compared to 100 at the end of 2008.

Additionally, we improved all internal processes, and implemented new cross-departmental program management to increase project management and efficiency.

Heading towards convergence

2009 was a remarkable year for the evolution of our company. Both the GPS and wireless communications markets have been characterized by continued convergence of technologies. We clearly see the trend towards ubiquitous GPS combined with wireless communications, with seamless access to the Internet. This trend is manifesting itself in the consumer markets in the form of location-aware notebooks, netbooks, smartphones, personal navigation devices, and personal locators. In the industrial markets convergence is resulting in more intelligent fleet and asset management systems, and the increasing adoption of remote machine management. In the automotive markets, navigation and wireless communication have resulted in the first Internet-connected navigation systems with voice communication and multimedia capabilities. We expect this trend to accelerate, and with our wireless/GPS strategy, we are well-prepared to meet it.

Successful launch of next-generation GPS platform

Our core GPS technology platform was successfully upgraded from u-blox 5 to u-blox 6, strengthening our market competitiveness while giving our customers a backwards-compatible migration path to higher GPS performance with lower power consumption, critical for portable battery-powered products.

Winning new customers in new markets

2009 was a pivotal year for u-blox, and we grew volumes in all our markets in which we operate. A series of major milestones were reached to capitalize on market trends and our customers' requirements:

- **Launch of our first wireless 2G module followed by certification and production ramp-up**
  u-blox launched its first wireless module, LEON, followed by 5 major industry and operator certifications. New design wins were rapidly secured for both telematics and telemetry applications. Satel, an established security equipment vendor, was our first customer, using LEON for a mission-critical wireless security application.

- **Rapid growth in small-profile products for portable devices**
  The consumer market continues its theme that "smaller is better", which has been reflected in the triple-digit growth in sales of our smallest-profile products for the latest palm-sized devices: GPS chips, AMY and NEO module families.

- **Adoption of our GPS precision timing solution by a major mobile telecom infrastructure provider**
  The high-performance of our GPS precision timing module was validated by the design-in by ZTE a leading provider of 2G / 3G base station equipment to the world's largest mobile phone market: China.

- **New customer wins in the newly emerging personal locator market**
  u-blox GPS receivers were chosen for personal locator products developed by renowned companies including XACT, Location-Based Technologies, SPOT LLC (USA), and McMurdo (UK). Personal locators are a growing market served by early adopters of GPS with wireless communications.

u-blox launched its first wireless module, LEON, followed by major industry and operator certifications.

From left to right: **Fritz Fahrni** Chairman, **Thomas Seiler** CEO, **Jean-Pierre Wyss** CFO

- **Commercialization of our new software GPS solution for Geotagging**
  Capture & Process, a technology acquired from Geotate, was commercially implemented in two geotagging camera accessories from Bilora and Jobo. Millions of photos have already been tagged with geographic coordinates captured at the instant each photo was taken.

- **Compatibility of u-blox GPS receivers with Windows 7**
  With the launch of Windows 7, Microsoft officially certified u-blox' Windows 7 driver. This gives software developers a seamless and hassle-free way to develop new location-aware applications running on Windows 7 together with any u-blox GPS receiver.

- **Launch of our first wireless 3.5G PCI card design for mobile computers**
  u-blox launched its first 3.5G reference design for mobile computers, allowing us to serve the rapidly growing demand for mobile broadband multimedia. It also formed the foundation for our next generation of 3.5G wireless modules.

With our combined wireless and GPS offerings we provide our customers with the competitive edge they need to stay ahead of their competitors.

Outlook 2010
With a larger and well-positioned product portfolio, expanded know-how, and markets which will grow substantially in volume over the next few years, we are confident of a bright future for the company in 2010 and beyond. In addition to GPS and converged wireless/GPS markets, we are also a new player in the global wireless markets for machine-to-machine communications. Leveraging our existing high-volume manufacturing partners for our new wireless products also gives us a strong position to win market share and establish our reputation as a competitive provider of high-quality embedded communications products.

We expect steady economic recovery in all sectors during 2010. With our combined wireless and GPS offerings we provide our customers with the competitive edge they need to stay ahead of their competitors. This will fuel the further adoption of multi-functional devices incorporating the best of both mobile communications and GPS worlds, a market that we are uniquely positioned to address.

Our four-fold strategy of establishing technological advantages by innovation or acquisition, keeping existing customers happy while winning new ones in new markets, maintaining a top performing organization, and forming strategic partnerships, will continue.

Acknowledgment
On behalf of the Board of Directors and the Executive Board, we would like to thank all employees for their commitment and outstanding performance they delivered throughout this fiscal year. Our gratitude also goes to shareholders for their trust and to our customers and suppliers for the close partnerships that we share with them.

Fritz Fahrni
Chairman of the Board of Directors

Thomas Seiler
CEO

Jean-Pierre Wyss
CFO

Brief an die Aktionäre

Sehr geehrte Aktionärinnen und Aktionäre

In einem der schwierigeren Jahre in der Geschichte der Weltwirtschaft führten wir unsere Wachstumsstrategie fort: Im Jahr 2009 übernahmen wir die Firmen Neonseven und Geotate. Mit diesem Schritt erhielten wir direkten Zugang zum Mobilkommunikationsmarkt und konnten unseren Kundenstamm weiter vergrössern. Einen wichtigen Schwerpunkt im Rahmen unserer Produktstrategie bildete die Weiterentwicklung der GPS-Technologieplattform, damit wir die Anforderungen an die nächste Generation GPS-Empfänger-Technologie erfolgreich adressieren können. Wir freuen uns, trotz der durch die Akquisitionen gestiegenen operativen Kosten ein positives Ergebnis für das Geschäftsjahr 2009 vorzulegen.

Ein Jahr der Expansion
Trotz schwacher Rahmenbedingungen und rückläufiger Nachfrage in den Regionen Europa (EMEA) und Amerika baute u-blox ihre Marktposition speziell in Asien aus. Im letzten Quartal 2009 erreichten wir eine klare Trendwende mit steigenden Umsätzen und verzeichneten ein Wachstum von 15% gegenüber dem ersten Halbjahr. So blieb u-blox das gesamte Jahr 2009 profitabel und erzielte im Geschäftsbereich Chips und Module ein positives Betriebsergebnis. Der konsolidierte Umsatz sank 2009 – bei steigender Stückzahl – um CHF 1 Million auf CHF 73.5 Millionen. Der Betriebsgewinn (EBIT) verringerte sich von CHF 8.4 Millionen auf CHF 5.2 Millionen und lag damit 38% unter der Vorjahresperiode. Der Reingewinn betrug CHF 3.3 Millionen. Dies entspricht einer Reingewinnmarge von 4.5% für 2009.

Erfolgreiche Akquisitionen und fortgesetzte Rationalisierung im operativen Geschäft
Mit der Akquisition von Neonseven und Geotate haben wir in die Zukunft investiert und unser Team um hochbegabte Ingenieure verstärkt. Die Akquisitionen haben u-blox' Produkt- und Serviceportfolio mit Technologien für die Mobilkommunikation und GPS erweitert. Damit entwickelte sich u-blox von einem reinen GPS-Hardwarehersteller zu einem Anbieter von Mobilkommunikations- und Positionierungslösungen.

Mit der Akquisition von Neonseven und Geotate haben wir in unsere Zukunft investiert und unser Team um hochbegabte Ingenieure verstärkt.

Die Integration der zwei Firmen wurde erfolgreich abgeschlossen, einschliesslich der Restrukturierung und Angleichung aller Abteilungen und Prozesse innerhalb der Unternehmensstruktur und -kultur von u-blox. Heute beschäftigt u-blox weltweit rund 200 Mitarbeiter gegenüber 100 Mitarbeitern Ende 2008.

Ausserdem wurden alle internen Prozesse weiter optimiert und ein neues abteilungsübergreifendes Programmmanagement zur Verbesserung der Projektführung und -effizienz eingeführt.

Auf dem Weg zur Konvergenz
2009 war ein bemerkenswertes Jahr für die Entwicklung unseres Unternehmens. Sowohl der GPS- als auch der Wireless-Markt waren von einer weiteren Konvergenz der beiden Technologien gekennzeichnet. Es ist ein klarer Trend zu einer omnipräsenten GPS-Technik in Verbindung mit drahtloser Kommunikation und nahtlosem Internetzugang zu erkennen. Dieser Trend manifestiert sich in den Konsumgütermärkten in Form von Notebooks mit Ortsbezug (Location Awareness), Netbooks, Smartphones, Navigationsgeräten und Personenortungsgeräten. In den Industriegütermärkten führt die Konvergenz zu intelligenteren Flotten- und Anlagenmanagementsystemen sowie einem zunehmenden Fernmanagement von Maschinen. An den Automobilmärkten haben Navigations- und drahtlose Kommunikationstechnologien die ersten sprach- und multimediafähigen Navigationssysteme mit Internetzugang hervorgebracht. Wir gehen davon aus, dass dieser Trend weiter an Fahrt gewinnt. Für diese Entwicklung sind wir mit unserer Wireless/GPS-Strategie bestens aufgestellt.

Erfolgreiche Weiterentwicklung der GPS-Kernplattform
Unsere GPS-Kernplattform wurde erfolgreich von u-blox 5 auf die u-blox 6-Generation weiterentwickelt. Damit bleiben wir am Markt stark wettbewerbsfähig und bieten unseren Kunden einen rückwärtskompatiblen Migrationspfad zu nochmals verbesserter GPS-Leistung bei einem niedrigeren Energieverbrauch – ein entscheidendes Kriterium bei mobilen batteriebetriebenen Produkten.

Gewinnung neuer Kunden in neuen Märkten
2009 war ein entscheidendes Jahr für u-blox, in dem wir das Volumen in allen Märkten, in denen wir tätig sind, steigern konnten. Es wurden einige wichtige Meilensteine erreicht:

u-blox hat sein erstes drahtloses Modem LEON auf den Markt gebracht, begleitet von Zertifizierungen grosser Normierungsverbände und Netzbetreiber.

- **Markteinführung des ersten drahtlosen 2G-Moduls, mit Zertifizierung und Produktionsanlauf**
  u-blox hat sein erstes drahtloses Modem LEON auf den Markt gebracht, begleitet von fünf Zertifizierungen grosser Normierungsverbände und Netzbetreiber. Innerhalb kürzester Zeit wurden erste Aufträge für den Einsatz des Produkts in der Telematik und Telemetrie vermeldet. Satel, ein etablierter Anbieter von Sicherheitssystemen, war unser erster Kunde, der LEON bei drahtlosen Sicherheitsanwendungen einsetzt.

- **Schnelles Wachstum bei kleinen Modulen für mobile Geräte**
  Auf dem Verbrauchermarkt lautet das Motto nach wie vor „je kleiner, desto besser“. Dies schlug sich auch in einem dreistelligen Umsatzwachstum bei unseren kleinsten Produkten nieder: GPS-Chips und den Modulfamilien AMY und NEO.

- **Verwendung unserer GPS-Zeitsynchronisierungslösung durch einen grossen Hersteller für Telefonie-Infrastruktur**
  ZTE, ein führenden Anbieter von 2G- und 3G-Basisstationen für China, dem grössten Mobiltelefonmarkt der Welt, hat sich für die Integration unseres GPS-Präzisions-Moduls für Zeitsynchronisierung entschieden und damit die hohe Leistungsfähigkeit dieses Produktes bestätigt.

- **Neue Kunden im aufstrebenden Markt für Personenortungsgeräte**
  Bekannte Hersteller wie XACT, Location-Based Technologies, SPOT LLC (USA) und McMurdo (Grossbritannien) haben sich bei ihren Personenortungsgeräten für GPS-Empfänger von u-blox entschieden. Personenortungsgeräte sind ein neuer Markt, der von Unternehmen bedient wird, die schon früh GPS mit Mobilkommunikation kombiniert haben.

- **Kommerzialisierung unserer neuen Software-GPS-Lösung für Geotagging**
  Die von Geotate erworbene Technologie „Capture & Process“ wurde kommerziell durch die Kamerazubehörhersteller Bilora und Jobo eingesetzt. Millionen von Photos wurden durch diese Geräte bei deren Aufnahme präzis mit den geographischen Koordinaten versehen.

- **Kompatibilität der u-blox GPS-Empfänger mit Windows 7**
  Mit dem Start von Windows 7 hat Microsoft den Windows 7-Treiber von u-blox offiziell zertifiziert. Dies ermöglicht Softwareprogrammierern eine nahtlose, unkomplizierte Entwicklung neuer ortsbezogener Anwendungen, die unter Windows 7 zusammen mit einem u-blox GPS-Empfänger laufen.

- **Lancierung der ersten drahtlosen 3.5G-PCI-Karte Design für mobile Computer**
  u-blox lancierte das erste 3.5G-Referenzdesign für mobile Computer und konnte dadurch die schnell wachsende Nachfrage nach mobilem Breitband-Multimedia erfüllen. Es bildete gleichzeitig die Grundlage für unsere 3.5G-Wireless-Module der nächsten Generation.

Ausblick 2010
Mit einem grösseren, gut aufgestellten Produktportfolio, mit erweitertem Know-how und mit Märkten, die in den nächsten Jahren volumenmässig weiter stark wachsen werden, blicken wir für das Jahr 2010 und darüber hinaus optimistisch in die Zukunft. Zusätzlich zu den GPS- und den konvergierenden Märkten der Positionierung und der drahtlosen Kommunikation ist uns auch ein Neueinstieg in die weltweiten Märkte für drahtlose Maschine-zu-Maschine-Kommunikation gelungen. Der Einsatz unserer bestehenden Herstellungspartner mit hohen Kapazitäten für unsere neuen Wireless-Produkte versetzt uns in eine starke Position, Marktanteile zu gewinnen und unser Renommee auch als konkurrenzfähiger Anbieter hochwertiger Kommunikationsprodukte zu etablieren.

Unser kombiniertes Angebot von Positionierungslösungen und drahtloser Kommunikation verschafft unseren Kunden den Wettbewerbsvorteil, den sie benötigen, um weiter an der Spitze zu bleiben.

Wir rechnen 2010 mit einer stetigen Belebung in allen Sektoren. Unser kombiniertes Angebot von Positionierungslösungen und drahtloser Kommunikation verschafft unseren Kunden den Wettbewerbsvorteil, den sie benötigen, um weiter an der Spitze zu bleiben. Dies wird den Vormarsch multifunktionaler Geräte beschleunigen, die das Beste aus Mobilkommunikation und GPS vereinen – einen Markt, den wir wie kein anderer Hersteller optimal bedienen können.

Unsere Strategie wird auch künftig auf vier Säulen ruhen: Erzielung technologischer Vorteile durch Innovation oder Akquisitionen, Bindung bestehender Kunden bei gleichzeitiger Gewinnung neuer Kunden in neuen Märkten, Aufrechterhaltung einer leistungsfähigen Organisation und Bildung strategischer Partnerschaften.

Dank
Im Namen des Verwaltungsrates und der Geschäftsleitung danken wir allen Mitarbeitenden für ihren Einsatz und ihre herausragende Leistung während des vergangenen Jahres. Unser Dank gilt auch den Aktionären für ihr Vertrauen und unseren Kunden und Lieferanten für die effektiven und engen partnerschaftlichen Beziehungen, die wir mit ihnen führen dürfen.

Fritz Fahrni	**Thomas Seiler**	**Jean-Pierre Wyss**
Präsident des Verwaltungsrates	CEO	CFO

Unseen technology with big impact

Although our products are not visible to the end user, the technology we develop is at the heart of products everywhere: in personal navigation devices, cameras, smartphones, notebooks, remote meters, car navigation systems, vehicle tracking and asset management systems, emergency call systems, etc...

Our solutions enable people, devices, vehicles and machines to locate their exact position and wirelessly communicate via voice, text or video.

On this page you can see the growing use of GPS and wireless communication solutions in cars.

Stolen vehicle recovery
u-blox' combined GPS and wireless technologies are embedded in the latest generation of vehicle tracking and recovery systems: they know where they are, what their status is, and can inform you.

Automatic road pricing
Automatic road pricing systems rely on u-blox' GPS/wireless technology to track and bill for road usage of passenger and transport vehicles.

Navigation
Thanks to navigation devices powered by u-blox' GPS and wireless technology, you can decide where you want to go, what you can find there, and stay informed along the way.

Vehicle black-box
Recording of driver behavior and crash logging for insurance purposes: devices using our GPS receivers can not only track where a vehicle was, but also how fast it was going.

Emergency call
Automated assistance after a collision is enabled with u-blox' embedded GPS and mobile communications technology.

Mobile Internet
Staying connected while on the go depends on high-speed mobile communications terminals, VoIP, Internet and streaming video. u-blox' 2G and 3.5G wireless modems are the key.

Great technology depends on teamwork

u-blox' leading technology depends on teamwork, enthusiasm and the dedication of our employees.

We are 200 people in 9 countries who develop and deliver high quality products. Our ideas, expertise and passion for our work contribute to the successful achievement of u-blox' strategic objectives. But most importantly, our success is based on many close working relationships: the tight integration of software with hardware, quality with packaging, sales with logistics, and GPS with wireless.

On the following pages you can read how we together contribute to u-blox' success.

Rajani Rao
Senior Software Engineer
u-blox GPS R&D center, Reigate, UK

Wireless R&D center

At u-blox Wireless R&D center, my job is to develop state-of-the-art software that are the "brains" behind our embedded communication products.

Our customers' end-products depend on how intelligent and competitive our modules are. It is not a static process: our products are getting more sophisticated all the time to meet market requirements, and I make sure our customers benefit from each improvement.

Francesco Alibrandi
Senior Software Engineer
u-blox Wireless R&D center, Sgonico, Italy

GPS R&D center

Our customers demand extremely high-levels of quality and reliability. We understand that our level of quality can mean the difference between success or failure of their products on the market. As Senior Production Engineer, my job is to manage the production process flow, analyse key production data and transfer improvement to production to make sure our products exceed our customers' expectations.

At u-blox, high quality is more than just following procedures, it is an attitude that we share across all departments of the organization.

Rosalba Rizza,
Senior Production Engineer
u-blox GPS R&D center, Thalwil, Switzerland

Logistics

No matter what features and benefits we promise our customers, if they do not get the product they ordered, at the time they requested it, the products are of no use to them.

My job at u-blox is to make sure that the complex supply chain behind our products runs with the precision of a Swiss watch, and that our customers get the products they ordered on time, no matter where they are.

Stefan Frenademez
Supply Chain Manager
u-blox Headquarters, Thalwil, Switzerland

Sales

As Sales Executive with an engineering background, customers know they can rely on my understanding of the technical as well as business aspects of their projects and recommend exactly the right products and service options.

Some of the world's largest and most renowned high-tech companies do business with us based on the features and quality of our products. Equally important, they do business with us based on the trust and respect they have for the salesperson who represents u-blox.

Brad Sherrard
VP Sales
u-blox America, Reston, USA

Customer support

In my role in technical support, I represent the combined knowledge and expertise of u-blox employees around the world. It is my job to integrate our complex products into our customers' designs, and help them bring them to market quickly, and cost efficiently.

It gives me great confidence to know that our products do what we promise, and that our customers trust me to solve their problems. My goal is to make u-blox their preferred supplier of GPS and wireless communications technology.

Hendrik Lee
Senior Field Application Engineer
u-blox Asia Pacific, Singapore

Business review 2009

Financial summary

Consolidated income statement

(in CHF 000s)	For the year ended December 31, 2009	% revenue	For the year ended December 31, 2008	% revenue
Revenue	**73'527**	100.0%	**74'506**	100.0%
Cost of revenue	-34'644	-47.1%	-42'710	-57.3%
Gross profit	**38'883**	52.9%	**31'796**	42.7%
Distribution and marketing expenses	-13'014	-17.7%	-11'434	-15.3%
Research and development expenses	-16'195	-22.0%	-9'277	-12.5%
General and administrative expenses	-4'572	-6.2%	-2'813	-3.8%
Other income	84	0.1%	139	0.2%
Profit from operations (EBIT)	**5'186**	7.1%	**8'411**	11.3%
Financial income	251	0.3%	2'268	3.0%
Finance costs	-1'490	-2.0%	-7	0.0%
Profit before income tax (EBT)	**3'947**	5.4%	**10'672**	14.3%
Income tax expense	-621	-0.9%	-1'911	-2.5%
Net profit	**3'326**	4.5%	**8'761**	11.8%
Profit from operations (EBIT)	5'186		8'411	
Depreciation and amortization	7'495		4'466	
EBITDA [1]	12'681	17.2%	12'877	17.3%

[1] Management calculates EBITDA (earnings before interest, taxes, depreciation and amortization) by adding back depreciation and amortization to profit from operations (EBIT), in each case determined in accordance with IFRS.

Financial highlights

u-blox achieved positive results despite economic recession:

- Consolidated revenue of u-blox Holding AG was CHF 73.5 million in 2009, a slight decline of 1.3% as compared to 2008
- Significant gross profit margin improvement from 42.7% in 2008 to 52.9% in 2009
- Profit from operations (EBIT) declined from CHF 8.4 million to CHF 5.2 million due to higher expenses after two acquisitions
- EBITDA margin of 17.2%, EBIT margin of 7.1%
- Unfavorable exchange rates negatively influenced financial results
- Net profit decreased by 62% from CHF 8.8 million to CHF 3.3 million, representing a 4.5% net profit margin for 2009
- Strong cash flow from operations was CHF 14.7 million
- Healthy balance sheet with a high equity ratio of 87.5%
- Acquisition of Neonseven S.p.A. and Geotate B.V. strengthened u-blox' product portfolio

Successful acquisitions

In 2009, u-blox initialized and completed two acquisitions:

- **Neonseven S.p.A.**

In March 2009, u-blox AG acquired 100% of the shares of Neonseven S.p.A., an Italian design house for wireless telecommunication solutions.

The cost of the transaction encompasses the contractually agreed purchase price in cash, equivalent to CHF 15.9 million, a transaction cost in the amount of CHF 0.2 million, and a conditional increase in the purchase price of CHF 1.5 million based on technical performance goals to be reached. The performance-based components of the purchase price are due within one year after the conclusion of the share purchase agreement and will be settled in cash.

The goodwill of CHF 14.6 million arising from the acquisition essentially reflects the worth of the expected value added to the u-blox product line and the technology synergy it brings to the company, as well as the service business of Neonseven. The goodwill is allocated to both segments according to the expected profit based on business-plan projections for both segments. The amount of CHF 13.5 million was allocated to the GPS/wireless product segment and CHF 1.1 million to the wireless service segment.

- **Geotate B.V.**

In March 2009, u-blox AG acquired 100% of the shares of Geotate B.V. and its subsidiary companies. The acquisition represented an important strategic step for u-blox, as u-blox gained access to a broad GPS patent portfolio and was able to expand its GPS offering with GPS geotagging products and services.

The cost of the transaction encompassed the contractually agreed purchase price in cash, equivalent to CHF 5.3 million, and transaction costs in the amount of CHF 0.2 million.

In connection with this transaction, u-blox entered into a royalty free patent license arrangement with NXP B.V. for selected patents for CHF 3.0 million.

Geotate was restructured during 2009 and the remaining 18 R&D engineers were integrated into the R&D organization.

The CHF 3.0 million goodwill arising from the acquisition reflects the worth of the expected value added to the u-blox GPS product line.

Revenue

u-blox operates in two segments:

- **GPS/wireless products**
  u-blox develops and sells embedded GPS receivers and, with the acquisition of Neonseven, wireless modules which are used in automotive, industrial and consumer applications. Revenue was CHF 70.0 million for 2009 as compared to CHF 74.5 million in 2008.

- **Wireless services**
  With the acquisition of Neonseven, u-blox also offers wireless communication technology services in terms of reference designs and software. In 2009, revenue for wireless services to external customers was CHF 3.5 million (effective as of 1 April 2009).

Geographic information

In 2009, Asia Pacific generated 46.3%, EMEA 28.7% and Americas 25% of total revenue. Revenue for the region Asia Pacific was CHF 34.1 million, an increase of 25% compared to 2008. In Americas revenue fell slightly by 2% to CHF 18.4 million as compared to 2008. Europe saw the biggest impact due to the recession: revenue fell by 26% to CHF 21.1 million.

In 2009, the company made about 80% of its revenue from sales and services to 60 customers. u-blox' biggest customer accounted for less than 5% of the total revenue. u-blox was able to increase its total number of customers as compared to 2008, as well as achieve global expansion into new regions and markets.

Increased gross profit

Gross profit increased by 22.3% to CHF 38.9 million in 2009 from CHF 31.8 million in 2008. Gross margin was 52.9% for 2009 compared to 42.7% for 2008. The increase in relative margin in 2009 was primarily due to the migration to u-blox 5 based modules and u-blox 5 chipset sales which allowed the company to achieve better gross margin as compared to the previous ANTARIS generation. In 2009, about 78% of GPS module volumes was based on the u-blox 5 generation.

Expansion of distribution and marketing activities

Distribution and marketing expenses increased in 2009, mainly due to increased personnel costs incurred from further expansion in Asia Pacific, Europe and the Americas. In 2009, distribution and marketing activities were CHF 13.0 million as compared to CHF 11.4 million in the previous year.

Strong expansion of research and product development

Through the acquisitions, u-blox strengthened its team of highly talented R&D engineers. The acquisition of Neonseven expanded R&D knowledge in the area of wireless communications technology, and the acquisition of Geotate further strengthened the company's intellectual property and strategic focus on global positioning to maintain competiveness in the GPS markets in the future. R&D expenses in 2009 were CHF 16.2 million as compared to CHF 9.3 million in 2008.

Stock option expenses

The stock option expenses recognized in 2009 was CHF 0.7 million as compared to CHF 0.3 million in 2008.

Profit from operations (EBIT)

EBIT was CHF 5.2 million in 2009 as compared to CHF 8.4 million in the previous year. EBIT was mainly influenced by the two acquisitions which resulted in higher operating expenses. EBIT margin was 7.1% and EBITDA margin was 17.2% in 2009.

Financial income and costs

In 2009, financial income was only CHF 0.3 million due to low interest rates. Financial expenses were CHF 1.5 million, mainly due to negative foreign exchange results. In 2008, financial income of CHF 2.3 million was realized. Finance costs in 2008 were at a very low level.

Positive cash flow from operating activities

In 2009, u-blox generated cash from operating activities in the amount of CHF 14.7 million as compared to CHF 2.6 million in 2008. A part of this increase was due to the reduction of inventory level in the amount of CHF 7.9 million.

Condensed consolidated statement of cash flows

(in CHF 000s)	For the year ended December 31, 2009	For the year ended December 31, 2008
Net cash provided by operating activities	14'736	2'570
Net cash used in investing activities	-31'774	-50'239
Net cash used in financing activities	-6	-364
Net decrease in cash and cash equivalents	**-17'044**	**-48'033**
Cash and cash equivalents at beginning of year	37'147	85'922
Effect of exchange rate fluctuations on cash and cash equivalents	50	-742
Cash and cash equivalents at end of year	**20'153**	**37'147**

Main investing activities

In 2009, main investments were CHF 24.5 million for the acquisitions of Neonseven and Geotate. In 2009, investments of capitalized development costs were CHF 4.2 million as compared to CHF 1.2 million in 2008. CHF 1.1 million was invested in tools and test infrastructure for the further expansion of capacity and approximately CHF 1.9 million in office and laboratories expansion, mainly into 3G test equipment.

In 2009, several short-term investments were disinvested in the amount of CHF 42.5 million. In November 2009, CHF 40.0 million was invested into marketable securities (denominated CHF bonds with ratings of at least A+ from Standard & Poor's and A1 from Moody's).

Financing activities

In 2009, there were no major financing activities.

Strong financial position

u-blox has a very strong balance sheet with an equity ratio of 87.5%. Cash and cash equivalents, short-term investments and marketable securities were CHF 64.9 million per December 31, 2009. Inventory level was reduced from CHF 15.6 million to CHF 7.6 million. At the end of 2009, goodwill was at CHF 17.4 million and no impairment losses were recognized on intangible assets.

Condensed consolidated statement of financial position

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	20'153	37'147
Short-term investments	5'000	47'500
Marketable securities	39'740	0
Other current assets	19'406	25'605
Total current assets	**84'299**	**110'252**
Non-current assets		
Property, plant and equipment	4'229	2'466
Intangible assets	31'424	3'314
Financial assets	381	307
Deferred tax assets	4'686	4'529
Total non-current assets	**40'720**	**10'616**
Total assets	**125'019**	**120'868**
Liabilities and equity		
Current liabilities	12'270	12'626
Non-current liabilities	3'308	2'325
Total liabilities	**15'578**	**14'951**
Shareholders' equity		
Share capital	5'619	5'619
Share premium	102'830	102'132
Retained earnings/(accumulated losses)	992	-1'834
Total equity	**109'441**	**105'917**
Total liabilities and equity	**125'019**	**120'868**

Strategy

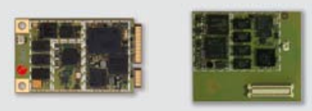
Our goal is to continue to profitably grow the business through a four part strategy that capitalizes on our strengths and global market penetration.

Our four strategic elements enable us to create value for our customers and shareholders. We executed on this strategy during 2009 and have already seen positive results, even during the severe global economic downturn.

	Goals	Achievements
Technology and innovation	• Extend technology roadmap • Expand product offering • Achieve differentiation	• Launch of GPS platform u-blox 6 • New GPS services and wireless modules in mass production • u-blox is now the only GPS module vendor with wireless products that directly address the telematics and telemetry markets • 2 / 3.5G wireless reference designs brought to the market
Market position	• Win and retain customers • Enter new markets and regions • Expand into reference design and services business	• u-blox retained its strong customer base of more than 2'000 customers and won many new ones • New markets were entered: Telemetry, security, timing and POS as well as camera accessory manufacturers chose our products • Telematics customers recognized the advantages of our combined GPS/GSM offerings
Operational excellence	• Optimize and integrate processes • Expand volume manufacturing	• Company-wide process landscape was expanded and improved. Quality improvement program extended across our fabrication and packaging partners • Cross-departmental program management based on stage-gate process implemented • Production, qualification and test capacities increased at R&D, fabs and module assembly site
Strategic partnership and acquisition opportunities	• Acquire complementary products and technology • Establish key partnerships	• u-blox acquired Neonseven and Geotate • Cooperation with Infineon continued in the R&D for wireless solutions • Windows 7 driver certification granted by Microsoft

Products and innovation

Expanded and diversified product and solution offerings
We develop and sell chips, modules, software and technologies to drive positioning and wireless communications in consumer, automotive and industrial devices. During 2009, u-blox' product portfolio significantly increased due to the acquisition of complementary wireless and GPS software products and technology from Neonseven and Geotate. This has enabled u-blox to follow its existing customers' rapid pace of innovation in the navigation and telematics markets, while addressing new, pure wireless opportunities in the telemetry markets where u-blox was not present in the past.

Business segment		Product family	Product	
GPS / wireless products	Positioning	**GPS chips**	**u-blox 6 single chip:** Standard & automotive grades **u-blox 6 chipset:** Automotive grade	
GPS / wireless products	Positioning	**GPS modules**	**AMY:** World's smallest GPS module **NEO:** World's first 1.8 Volt GPS module **LEA:** GPS & GALILEO modules with optional flash	
GPS / wireless products	Positioning	**GPS solutions**	**YUMA:** Capture & Process for geotagging **AssistNow:** Global A-GPS services **Dead Reckoning:** For automotive applications	
GPS / wireless products	Communi-cations	**Wireless modules**	**LEON:** GSM / GPRS module **LUCY:** UMTS / HSDPA module	
Wireless services	Communi-cations	**Wireless solutions**	**N721/731:** HSPA modem reference designs **N725:** HSDPA Mini PCI express card reference design **N709Q:** GSM / GPRS reference design	

GPS/wireless products

Future-proof GPS portfolio with u-blox 6 technology platform
Our technology platforms are the engines behind our GPS products. They enable us to develop a wide range of chips and modules to give our customers flexibility in the choice of design and integration, while keeping their time to market short. One of u-blox' most significant achievements during 2009 was the successful migration of over 70% of its customers to the u-blox 5 platform from ANTARIS 4. u-blox invested in the future with the rapid development and launch of u-blox 6, the next generation GPS platform delivering even higher GPS performance and cost effectiveness. Thanks to the backwards compatibility with u-blox 5, we are convinced that more than one third of our customers will have migrated to u-blox 6 by the end of 2010.

Strong market demand for small form factor GPS receivers
Although a weak year in the global semiconductor markets, u-blox experienced volume growth in its GPS product families. The increase was primarily due to:

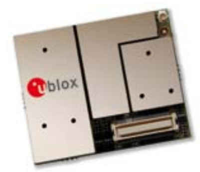
- High flexibility and scalability. Our products fits various applications, are interchangeable and suitable for both small and large volume productions.
- Increased adoption of our GPS chip, driven by customers in high volume markets wanting to decrease the size of their products, and reduce costs. GPS chips sales accounted for more than 50% of the volume of all u-blox products in 2009.
- Continued strong demand for our GPS modules, fueled by our latest product innovations:
  - o AMY, the world's smallest GPS module, generated much interest in the world of consumer electronics, perfect for palm-sized devices such as personal or pet locators, or discreetly embedded into products, containers, packages or goods to track their location.
  - o As space continues to be a key challenge to device manufacturers and OEMs, NEO was a high demand product, enabling them to reduce required board space with no extra technology investment.

Online GPS solutions
As the importance of location assistance services for mobile phones and cellular communications has risen significantly, u-blox saw an increased demand for its online GPS services:

- Our Assisted GPS enhances the performance of standard GPS in devices connected to the cellular network. During 2009, our service was deployed for the first time on a country-wide scale via FINEDIGITAL, a Korean company who now offer an online service for boosting GPS performance of positioning devices throughout South Korea.
- The first manifestation of u-blox' online geotagging service was the launch of two photo geotagging camera accessories by Bilora and Jobo during the 3rd quarter of 2009. Millions of photos have already been geotagged with these devices. Geotagging also has potential in realms of mobile search, mapping and advertising.

First wireless module "LEON"
A clear trend in the consumer, industrial and automotive markets is the convergence of GPS with wireless connectivity to enable location awareness. To meet this trend, we developed and certified our first wireless 2G module LEON primarily for machine-to-machine (M2M) communications. LEON is a direct result of the acquisition of mature and proven technology from Neonseven.

Initial market reaction to LEON shows promising results, with design wins ongoing on three continents. Receiving important industry and service-provider qualifications quickly opened the door to a global market for LEON. Our customers are those who do not have the time or the desire to develop mobile communications expertise. They count on a drop-in solution from a vendor that can also help them with design-in, certification and GPS integration issues.



High-speed UMTS/HSDPA module "LUCY"
In the beginning of 2010, we announced our second product in our wireless module family "LUCY", a 3.5G family of high-speed UMTS/HSDPA modules supporting the world's fastest globally adopted mobile communications standard. LUCY allows u-blox to serve the next generation of high-speed mobile communications for M2M applications expected to mature over the next several years. Typical applications comprise netbooks, e-books and Internet connectivity in the car.

Wireless services

Wireless reference designs
With the acquisition of Neonseven, u-blox also added 2G and 3.5G wireless reference designs to its product portfolio. With this new step, u-blox supports its customers in the development of next-generation devices and services that accelerates their design cycle and dramatically shortens their time to market.

While already a solid business at Neonseven before the acquisition, we foresee continued high interest for 3.5G solutions by OEMs requiring this complex technology.

Ask us.

What convergence means for u-blox
Our GPS/wireless strategy means providing industry-leading components and solutions for both GPS and wireless communications. Although sold as separate components, our GPS receiver chips and modules are optimized at both hardware and software levels to work seamlessly together with our wireless communication products. The combined system architectures results in compact, low-power end-products with fast GPS positioning and the ability to transmit and receive location-relevant information instantly over globally available mobile networks. Our dual focus allows us to continuously expand our expertise in GPS and wireless interoperability, allowing us to further optimize our architectures for higher performance, lower power consumption, and cost effectiveness.

What convergence means for our customers
Our GPS/wireless strategy gives our customers the freedom to focus their design efforts on applications and services, and not worry about GPS positioning, wireless connectivity, compliance with standards, or operator certification. The approach gives our customers power, size, technology and cost optimized solutions for both global positioning and mobile communications, as well as a one-stop shop for the right components, support tools, software and design-in support.

Markets

Market and industry trends

Through the acquisition of Neonseven and Geotate, u-blox is uniquely positioned to address the growing convergence of GPS with wireless communications as well as online services. This trend has significant impact for today's and tomorrow's products, applications and services in the automotive, consumer and industrial market sectors.

The table below shows where u-blox' products are applicable – either individually or as a total solution.

Markets served	Products with u-blox' solutions inside	GPS	Wireless comms
Consumer	Smartphones with GPS supporting navigation, location-based services and emergency assistance	✓	✓
	PNDs that wirelessly communicate with servers to exchange location-relevant data	✓	✓
	Notebooks and netbooks supporting Windows 7 Sensors and Location platform	✓	✓
	Cameras and accessories with geotagging functionality	✓	
	GPS personal and pet locators to keep track of individuals and animals	✓	✓
Industrial	Fleet management for monitoring of trucks, trains, and public transportation	✓	✓
	Remote monitoring, automation and control (RMAC) supporting factory automation		✓
	GPS loggers for logistics applications	✓	✓
	Automatic Meter Reading (AMR)		✓
	Point-of-sales terminals, vending machines		✓
	Remote security and surveillance		✓
	Remote medical diagnostics	✓	✓
Automotive	In-car navigation systems	✓	✓
	Mobile Internet and VoIP routers for communications and entertainment in cars		✓
	Vehicle tracking and stolen vehicle recovery	✓	✓
	Automatic call systems (e.g. eCall)	✓	✓
	Road pricing (e.g. European Electronic Toll Service)	✓	✓

Consumer

GPS became a highly valued feature in consumer devices

The demand for our GPS products for consumer devices saw a marked increase during 2009, particularly in Asia. Driven by the demand for smaller profile handheld products, we experienced a strong increase in sales of our small-outline GPS receiver modules (AMY and NEO) and GPS receiver chips compared to 2008. Our products have mainly been adopted for use in mobile computers, smartphones, recreational devices such as golf rangefinders, personal trackers and PNDs.

Location aware devices enhance the user experience and enables numerous exciting applications:

What is around me?

- Shopping, restaurants, ATMs, public transportation, tourist information, special offers, etc.
- How do I get there? (Turn by turn directions for vehicles and pedestrians.)
- Where have I been? (geotagged photos and videos)

Who is around me?

- Are any of my friends or family nearby and how do I find them?
- Social networking: is someone interesting nearby?

Analysts predict that market for consumer GPS devices will expand from 320 million units sold in 2009 to an estimated 750 million units sold in 2012.

Industrial

New wireless modules well received

The industrial market continues to be our strongest market. Despite the global recession, the demand for GPS and wireless solutions remained stable during 2009. The main applications within the industrial market were fleet management and asset tracking, where our customers appreciate the fact that they can purchase our size-optimized GPS and wireless modules that support the trends in the telematics market:

- Cost reduction through reduced component count, size and bill of materials
- High GPS and wireless performance to enable higher service level offerings and accountability
- Increasing automation

In 2010, we expect the share of business realized with wireless modules to substantially grow in the industrial market. The global market for cellular machine-to-machine (M2M) modules is expected to show continued strong growth in the foreseeable future. ABI Research predicts the number of shipped cellular modules to grow from 29 million in 2009 to nearly 57 million pieces in 2012.

Automotive

Automotive grade GPS chips with Dead Reckoning software in ramp-up

During 2009 demand for in-car GPS remained stable, with a decrease in 1st half 2009 due to the global slowdown in the automotive markets, but improvements during the 2nd half of 2009. There are two types of businesses for u-blox in this market:

- GPS modules for in-car navigation systems mainly in Asia, a business that is fuelled by a rising adoption rate of navigation systems in new cars as standard equipment.
- Sales of automotive grade chips, mainly with Dead Reckoning software, for tier 1 automotive suppliers. This is the type of business that is characterized by very stringent quality requirements and design in of several years from vendor selection to start of production. In 2009 several of our customers have finalized their designs, such that production can commence in 2010.

GPS can be used for multiple functions in modern cars: from in-car navigation to emergency call systems, anti-theft devices, road-pricing systems, and insurance boxes that support pay-as-you-drive models. We are well positioned to play a significant role in the automotive market and therefore expect to grow faster than the overall market in 2010 and beyond.

Customers

A broad, globally diversified portfolio of over 2000 customers

By providing positioning and wireless communications products and services, we enable our OEM customers to focus on applications and services, and not worry about global positioning, wireless connectivity or operator certification. u-blox' strategy of providing both GPS and wireless communications also means that u-blox understands how to integrate the two technologies for optimal performance, achieve operator certification, and help our customers bring their products into production and fast to market.

Even in an extremely challenging year, u-blox was able to remain profitable and our world-wide customer base expanded to more than 2'000 customers. In particular, we saw significant growth in Asia. During 2009, u-blox made about 80% of revenue from sales and services to 60 customers where the largest customer accounted for less than 5% of total revenue. We continued to solidify our leading position in the market, and increase market share by winning new customers in existing and new markets, and procuring repeat orders from existing customers.

Consumer

Letting loved ones know you are OK with GPS
Numerous consumer devices rely on GPS and GSM to meet the trend towards location-based awareness. By integrating GPS into palm-sized tracking devices, users can notify friends and family of their location and status, and summon assistance in time of need – by simply pushing a button. Our tiny GPS module was chosen for the Spot Satellite GPS messenger.

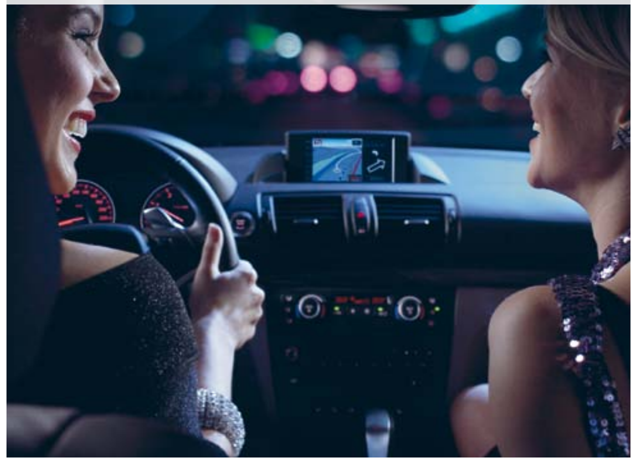
"When specifying the functionality requirements for the new SPOT Satellite GPS Messenger, we had the difficult task of designing and delivering an improved product that would be smaller, lighter and even easier to use than the original award-winning device. Thanks to the new u-blox GPS receiver, we have designed a next-generation product that will acquire a user's location coordinates even faster than the original SPOT."
Bob Miller, Senior Vice President of Ground Operations, Globalstar, Inc. USA

Industrial

Where is my bus?
Tracking busses with GPS can generate cost savings for fleet managers and increased customer satisfaction for bus riders. Taipei's e-bus system uses u-blox' GPS to provide passengers accurate bus arrival/departure information at bus stations and real-time maps in busses. If a bus suffers a break-down, speeds or needs to take another route, fleet managers will also know immediately.

"We chose u-blox because of their outstanding product performance and service. The Taipei e-bus project was a good example; u-blox chips helped us create a solution that more than met requirements. u-blox offers the most compact, cost-effective, yet highly accurate positioning technology on the market, and this helps Advantech to continue delivering sophisticated and competitive fleet management solutions in a timely manner."
Charles Lee, Director of Industrial Mobile Computers division at Advantech, Taiwan

Automotive



GPS plus wireless enables intelligent in-vehicle services
In-vehicle navigation systems are becoming more and more sophisticated, implementing wireless communications in addition to GPS to download location-relevant information such as services nearby (i.e. fuel stations, restaurants) as well as reporting on traffic conditions, and automatically summoning roadside assistance. u-blox provides automotive-grade GPS chips that serve this market, and delivers the GPS engine to many of the world's top manufacturers of in-car navigation products.

"I have a very favorable opinion of u-blox. Your support of the network compatibility certification process has been exceedingly good. Your team has been enormously responsive and you've worked through all test issues very quickly."
Wally Walter, Senior Project Manager, Hughes Telematics, Inc. USA

Glossary

2G
Short for second-generation wireless telephone technology. 2G cellular telecom networks were commercially launched in 1991 in Finland based on GSM technology. In 2G services, voice, data and text SMS is supported. 2G technology is categorized into two main modulation technologies, one is TDMA (GSM) and another is CDMA. 2G is currently the world's most deployed mobile communications technology.

3G / 3.5G
Are the third generation family of technologies for mobile wireless networking consisting of EDGE, HSPA, UMTS, and CDMA2000. They are designed to eventually supersede 2G services. 3G / 3.5G networks enable network operators to offer users a wider range of more advanced services while achieving greater network capacity through improved spectral efficiency. Services include wide-area wireless voice telephony, video calls, and broadband wireless data transfer. 3.5G generally refers to an enhanced data service called HSPA (High-Speed Packet Access) that provides even higher data transfer speeds and capacity.

Automotive grade
Automotive grade is an umbrella term applied to components which meet specific automotive industry requirements such as operating temperature, tolerance to electrostatic discharge, burn-in, quality and packaging requirements.

Acquisition performance
Performance of a GPS receiver in detecting (or 'acquiring') GPS satellite signals. Once acquired, the GPS receiver is able to receive and process the signals and use this information to calculate a position. The speed and sensitivity which a receiver is able to acquire satellites is referred to as its acquisition performance. In general, 4 satellite signals must be received and decoded to determine a position.

A-GPS (Assisted GPS) Services
A service which provides a GPS receiver with aiding data (i.e. satellite position data) in order to shorten the time required to establish a position fix. The aiding data can be transferred over mobile networks, enabling GPS receivers to improve their performance anywhere there is mobile phone coverage.

Backwards compatibility
When upgrading electronic components for improved performance, lower cost or both, backwards compatibility with previous generation of products is maintained to insure smooth transition from older to newer products: very little or no end-product re-design must be made to accommodate the newer version of component.

CDMA (Code Division Multiple Access)
Communication channel modulation technique that allows numerous radio transmitters to occupy the same radio spectrum, each transmitting and receiving over a channel identifiable by a unique code. This technology is deployed world-wide for mobile phone communications. GPS systems also use CDMA techniques for transmitting, receiving, and decoding GPS satellite signals.

Dead Reckoning
Technology that enables a GPS receiver to calculate current position in the absence of GPS satellite signals (i.e. in tunnels) by measuring distance travelled and directional changes since the last known position.

Geotagging
The addition of location meta-data to primary information such as time-of-day (also called location logging), or media such as photographs, videos, sounds or events. The data usually consists of latitude and longitude coordinates, but can also include altitude, or street address.

GPRS (General Packet Radio Service)
A packet oriented mobile data service available to users of the 2G cellular communication systems such as GSM as well as in 3G systems. It is generally much slower than newer 3G / 3.5G data services such as HSPA.

GPS (Global Positioning System)
A globally available system developed and operated by the US Department of Defense consisting of a constellation of 24-32 satellites orbiting the Earth at a very high altitude. GPS satellites transmit signals that allow GPS receivers to determine their location via triangulation with great accuracy.

GSM (Global System for Mobile communications)
A digital mobile telephony system that is widely used in Europe and many other parts of the world. GSM uses a variation of time division multiple access (TDMA) and is the most widely used of the three digital wireless telephony technologies (TDMA, GSM, and CDMA).

HSPA, HSDPA, HSUPA
High Speed Packet Access (HSPA) is a collection of two mobile telephony protocols, High Speed Downlink Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA) that extend and improve the performance of existing wireless communication services such as UMTS.

Location based services
Refers to a new class of services that deliver information to end-users that is relevant to their geographic location, for example shops, services and other end-users who are in the vicinity of their actual location.

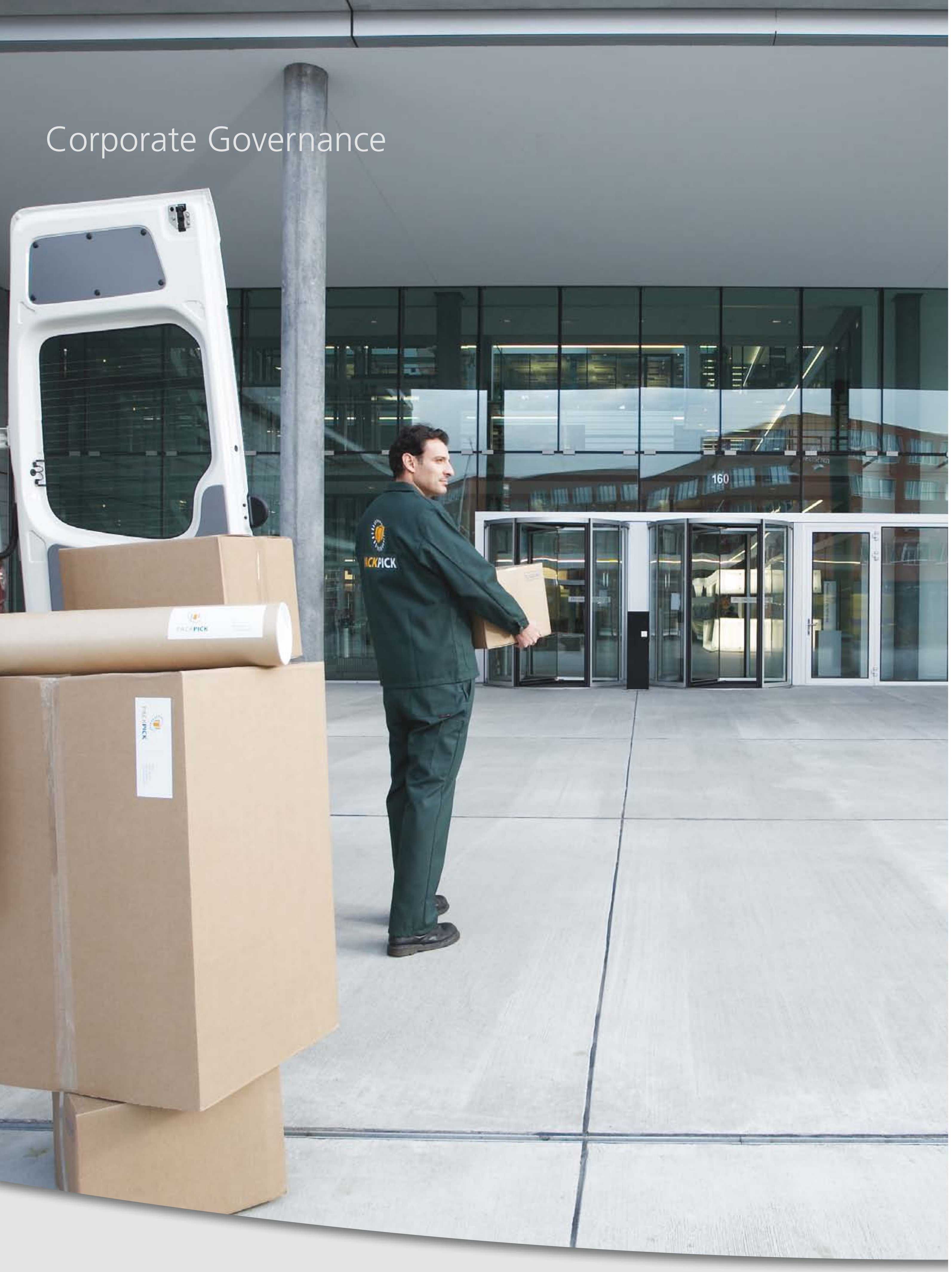
OEM
Original Equipment Manufacturer. Refers to a commercial entity that manufactures their own products and sells them under their own brand name(s).

PND (Personal Navigation Device)
A portable electronic product which implements navigation technology such as GPS to provide location and navigation information to consumers. PNDs may be handheld, or mounted in vehicles. PNDs are being increasingly enhanced with addition functionality such as wireless Internet access and media player features.

POS terminal (Point of sale)
Short for "Point of sales terminal", a machine where a sales transaction occurs, typically a cash register or automatic vending or ticketing machine. Wireless connectivity is increasingly integrated into manned and un-manned POS terminals for processing of credit and debit card transactions, updating of prices, inventory level reporting, monitoring of coin/cash levels, and security.

UMTS
UMTS (Universal Mobile Telecommunications Service) is a third-generation (3G) broadband mobile communications standard. It implements packet-based transmission of text, digitized voice, video, and multimedia at data rates up to 2 megabits per second. It was designed to improve on and to ultimately replace GSM.

Corporate Governance

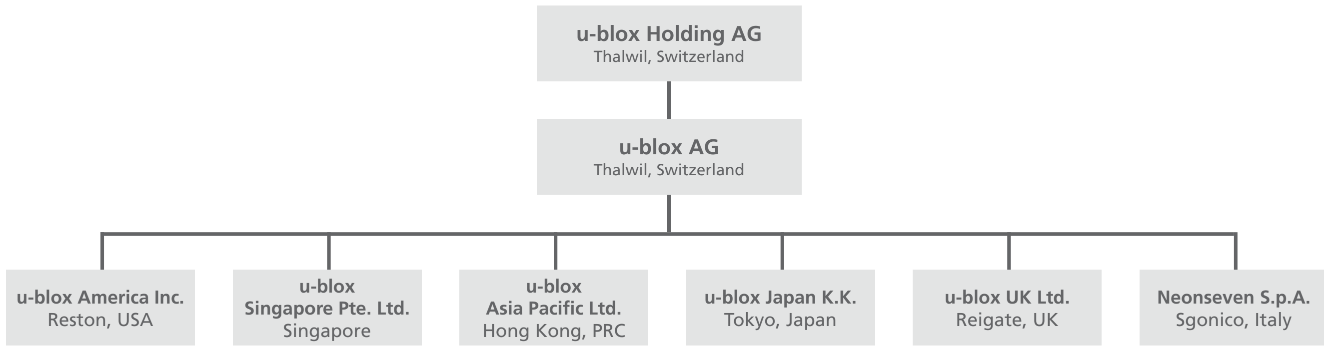


The report describes the management structure, organization and control within the Group at December 31, 2009. The report fulfills the requirements of the “Directive on Information relating to Corporate Governance” of the SIX Swiss Exchange.

Group structure

u-blox Group
The registered domicile of u-blox Holding AG and u-blox AG is: Zürcherstrasse 68, 8800 Thalwil, Switzerland. u-blox AG was founded in 1997. u-blox Holding AG, the only shareholder of u-blox AG, was incorporated in September 2007 and listed on the SIX Swiss Exchange on October 26, 2007. Hereinafter, u-blox Holding AG is referred to as u-blox.

Business operations are conducted through u-blox Group companies. u-blox Holding AG directly or indirectly owns all companies belonging to the u-blox Group. The shares of these companies are not publicly traded. u-blox subsidiaries are listed in Note 2 to the Group’s consolidated financial statements.



Shareholders of u-blox

Significant shareholders
At December 31, 2009, u-blox had over 4’800 shareholders. According to the disclosures of shareholders, the largest shareholders were:

• Partners Private Equity Limited Partnership, George Town, Cayman Island	19.37%
• DWS Investment GmbH, Frankfurt, Germany	7.05%
• Zürcher Kantonalbank, Zürich, Switzerland	6.76%
• iGlobe Partners Fund L.P., Santa Clara, USA	4.96%

Issued publications concerning shareholdings:

- On April 22, 2009, 3i Group Investments LP announced that it held less than 3% of the voting rights.
- On April 23, 2009, Cipio Partners Fund Vla announced that it held 4.49% of the voting rights.
- On July 7, 2009, Cipio Partners Fund Vla announced that it held less than 3% of the voting rights.

Cross shareholdings
u-blox has no cross shareholdings in any company.

Capital structure

Share capital of u-blox
The share capital of u-blox is CHF 5’619’033 fully paid in and divided into 6’243’370 registered shares of CHF 0.90 nominal value each. u-blox shares are listed on the SIX Swiss Exchange (Valor No. 3336167, ISIN CH0033361673, ticker symbol: UBXN).

Authorized share capital
The Board of Directors is authorized, at any time until October 16, 2011, to increase the share capital through the issuance of up to 1’248’674 fully paid-in registered shares with a nominal value of CHF 0.90 each in an aggregate amount not to exceed CHF 1’123’806.60. An increase in partial amounts is permitted. The Board determines the issue price, the date of issue of new shares and the type of payment.

The Board of Directors is authorized to exclude the subscription rights of shareholders and allocate such rights to third parties if the shares are to be used for the acquisition of enterprises through an exchange of shares, or for the financing of an acquisition of enterprises, parts of enterprises or participations, or for new investments of u-blox.

Conditional share capital
The share capital of u-blox may be increased by a maximum aggregate amount of CHF 561’903.30 by issuing up to 624’337 fully paid-in registered shares with a nominal value of CHF 0.90 each through the exercise of options granted to directors and employees of the Group and its subsidiaries on the basis of participation plans. The issue price for the new shares and the conditions of the stock option plan are defined by the Board of Directors. For further detail see section “Stock Option Plan” below. The subscription rights of the shareholders are excluded for such a capital increase.

There are no preferential voting shares. All shares have equal voting rights. No participation certificates, nonvoting equity securities (Genussscheine) or profit-sharing certificates have been issued.

Changes in share capital

Changes in 2007
u-blox has changed its share capital since the date of incorporation and prior to the listing as follows: The share capital was increased from CHF 4’226’238 to CHF 4’494’033, divided into 499’337 registered shares with a nominal value of CHF 9 each, as a result of the exercise of 29’755 outstanding stock options. The shares were sourced from the conditional capital available at the date of incorporation of u-blox. The conditional capital of CHF 561’903.30 has been approved after the exercise of the stock options and has therefore remained unchanged.

The shares were split with a split ratio 1:10 into CHF 4’494’033, divided into 4’993’370 registered shares with a nominal value of CHF 0.90 each. The share capital was increased by CHF 1’125’000 by issuing 1’250’000 new fully paid-in registered shares with a nominal value of CHF 0.90 each.

Changes in 2008
The share capital remained unchanged in 2008.

Changes in 2009
The share capital remained unchanged in 2009.

Bonus certificates, options and convertibles
u-blox has not issued bonus certificates, convertible or exchangeable bonds, warrants or other securities granting rights to u-blox shares. Information relating to options granted to employees and members of the Board can be found under section “Stock Option Plan“ below.

Shareholder rights

Each registered share entitles the holder to one vote at general meetings. Shareholders representing at least 10% of the share capital may request that an extraordinary general meeting of shareholders be convened. Shareholders representing shares with an aggregate nominal value of at least CHF 1’000’000 may request that an item be included in the agenda of a general meeting. Such requests must be made in writing at least 45 days before the date of the general meeting, specify the item and contain the proposal on which the shareholder requests a vote. Shareholders have the right to receive dividends, appoint a proxy and other rights as are granted under the Swiss Code of Obligations.

Registration as shareholder
No restrictions apply to the registration as shareholder. Persons who have acquired registered shares will, upon application, be entered in the register of shares as shareholders with voting power, provided they expressly declare to have acquired the shares in their own name and for their own account. Only shareholders registered in the u-blox share register may exercise their voting rights.

No restriction on transfer of shares
No restrictions apply to the transfer of shares.

Board of Directors

Composition of the Board of Directors at December 31, 2009:

Name	Member since	Term expires	Age	Position
Fritz Fahrni	2008	2011	67	Chairman
Hans-Ulrich Müller	2007	2011	63	Vice-Chairman
Gerhard Tröster	2007	2012	56	Member
Soo Boon Quek	2007	2012	59	Member
Thomas Seiler	2007	2010	53	Member and CEO
Jean-Pierre Wyss	2007	2010	40	Member and CFO

Election and term of office

All Directors are elected individually. Directors are elected to terms of office of generally three years or less by the shareholders at Annual General Meetings. The terms of office among Directors are to be coordinated so that approximately one-third of all Directors are subject each year to re-election or election.

Role and functioning of the Board

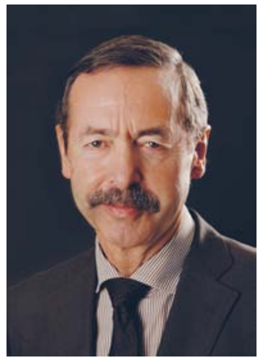
The Board holds the ultimate decision-making authority for u-blox in all matters, except for those decisions reserved by law for shareholders.

The Chairman sets the agendas of Board meetings. Any Director may request a Board meeting or the inclusion of an item on the agenda. Decisions are made by the Board as a whole, with the support of the Nomination and Compensation Committee and the Audit Committee. Decision on the allotment of options and shares are taken by the Nomination and Compensation Committee.

The primary functions of the Board include:

- Providing the strategic direction of the Group
- Determining the organizational structure and governance rules of the Group
- Supervising the business operations overall
- Approving acquisitions or divestments
- Structuring the accounting system, financial controls and financial planning
- Reviewing and approving the annual financial statements and results
- Appointing and dismissing members of the Executive Committee
- Preparing matters to be presented at General Meetings, including u-blox' financial statements and the consolidated financial statements for the Group
- Evaluating the performance of the Chief Executive Officer and the performance of the members of the Executive Committee

The Board has convened 7 times in 2009. The committees have each convened three times.



Prof. Fritz Fahrni, Swiss

Function at u-blox

Fritz Fahrni was elected Chairman of the Board of Directors of u-blox and u-blox AG in 2008. He is a member of the audit committee and of the nomination and compensation committee. He is a Non-Executive Director.

Professional background

Mr. Fahrni holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and a PhD from the Illinois Institute of Technology, Chicago, USA, as well as a SMP from Harvard Business School, USA. He joined Sulzer AG in 1977 and acted as Chief Executive Officer from 1988 to 1999. From 2000 until 2007, he was Professor for Technology Management and Entrepreneurship at both ETH Zurich and the University of St. Gallen. He now is an Emeritus Professor at both universities.

Other positions or consultancy agreements

Fritz Fahrni is member of the Board of Directors of Ammann BauAusrüstung AG, Langenthal and of Business Tools AG, Zurich. He also is a member of the Board of University Hospital Balgrist, Zurich and a member of the Industrial Board of CTI Start up, Bern. He heads the Investment Committee of Emerald Technology Ventures, Zurich. He is a member of the Swiss Science and Technology Council, Bern and an individual member of the Swiss Academy of Technical Sciences.

Hans-Ulrich Müller, Swiss

Function at u-blox

Hans-Ulrich Müller has been appointed Vice-Chairman of the Board of Directors since incorporation of u-blox in 2007. From 1998 to 2006 he acted as member of the Board of Directors of u-blox AG. He was appointed Vice-Chairman of the Board of Directors of u-blox AG in 2006. He chairs the audit committee. He is a Non-Executive Director.

Professional background

Hans-Ulrich Müller holds a degree in electronic engineering from the Institute of Technology in Burgdorf (CH) and an MBA diploma from the European University in Cham, Switzerland. He started his career at ESEC SA, Switzerland in 1977 as Electronics Manager. He held several functions within ESEC SA and was appointed member of the Board of ESEC Holding SA and COO from 1992 to 1997. Thereafter, he served as Chairman of the Board at Kistler Holding SA, Switzerland from 1998 to 2001.

Hans-Ulrich Müller became Partner at Partners Group, Switzerland and General Partner of Partners Group Private Equity L.P. in 1999.

Other positions or consultancy agreements

Hans-Ulrich Müller is member of the Board of Myriad Group AG, Switzerland and Spol AG, Switzerland.

Prof. Gerhard Tröster, German and Swiss

Function at u-blox
Prof. Gerhard Tröster has served as a member of the Board of Directors since the incorporation of u-blox in 2007. He has served as Chairman of the Board of Directors and as Executive Officer of u-blox AG between 1997 and 2001 and as Vice-Chairman of the Board between 2001 and 2003. He is a member of the Board of u-blox AG. He chairs the nomination and compensation committee. He is a Non-Executive Director.

Professional background
Prof. Gerhard Tröster holds a Diploma degree from the Technical University of Karlsruhe and a PhD degree from the Technical University of Darmstadt, both in electrical engineering. He led the Advanced Integrated Circuit Design' group at Telefunken Electronic, Germany from 1984 to 1993. Since 1993 he is Professor for electronics at the Swiss Federal Institute of Technology Zurich (ETH) and Head of the Electronics Laboratory. In 1997 he co-founded u-blox AG.

Other positions or consultancy agreements
Prof. Gerhard Tröster is Chairman of the Board of Directors of Amphiro AG, Switzerland.

Soo Boon Quek, Singaporean

Function at u-blox
Soo Boon Quek has served as a member of the Board of Directors of u-blox since the incorporation of u-blox in 2007. In 2006 she was appointed member of the Board of u-blox AG. She is a Non-Executive Director.

Professional background
Soo Boon Quek holds a B.Sc. degree in mathematics from King's College, University of London. She was Senior Vice President / Deputy General Manager of Vertex Management Inc. from 1987 to 1999. She founded iGlobe Partners, Singapore in 1999 and co-founded iGlobe Advisors Pte Ltd. in 2007. She is Managing Partner of iGlobe Partners.

Other positions or consultancy agreements
Soo Boon Quek is a Board member of the following companies located in the Asia Pacific region: Aicent Inc, Excelics Semiconductor Inc, Telenav Inc, mTone Wiresless Inc, Forte Media (Nanjing) Co. Ltd. and Wise Giant Ltd. She is also Executive Committee member of the Singapore Chinese Chamber of Commerce.

Thomas Seiler, Swiss

Function at u-blox
Thomas Seiler has served as a member of the Board of Directors and as CEO since the incorporation of u-blox in 2007. In 2006 he was appointed member of the Board of u-blox AG. He serves as CEO and Head of Marketing and Sales of u-blox AG since 2002.

Professional background
Thomas Seiler holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and a MBA diploma from INSEAD, France. In 1987 he was appointed member of the executive committee of Melcher Holding AG, Switzerland and CEO from 1991 to 1998. Thereafter, he served as CEO of Kistler Holding AG, Switzerland from 1999 to 2001.

Other positions or consultancy agreements
Thomas Seiler is a member of the Board of Kirchheim Holding AG, Germany.

Jean-Pierre Wyss, Swiss

Function at u-blox
Jean-Pierre Wyss has served as a member of the Board of Directors and as CFO since the incorporation of u-blox in 2007. He has served as a member of the Board of directors, CFO and Head of Production and Logistics of u-blox AG since 1997.

Professional background
He holds a degree in electrical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and a Finance for Executives diploma from INSEAD in Singapore. From 1995 to 1997 he was a research assistant and project manager at ETH. In 1997, he co-founded u-blox AG.

Role and functioning of the Board Committees

Each committee member and its chairman is elected by the Board. The Board committees meet regularly to consider the items on the agenda determined by the chair. The committees inform the Board members on issues discussed at meetings.

Audit Committee
The Audit Committee is composed of two to three independent Directors. The Chief Financial Officer and representative of the external auditors are, at the request of the chair, invited to meetings of the Audit Committee. It is currently composed of Hans-Ulrich Müller (chair) and Fritz Fahrni.

The Audit Committee's main duties include the assessment of:

- The completeness, integrity and transparency of financial statements, their compliance with applicable accounting principles and proper reporting to the public
- The functionality and effectiveness of external and internal control systems including risk management and compliance, unless such duties, authority and responsibilities are delegated to any other body of u-blox
- The quality of audit services rendered by the external and internal auditors

Nomination and Compensation Committee
The Nomination and Compensation Committee is composed of two or more independent Directors. It is currently composed of Gerhard Tröster (chair) and Fritz Fahrni. The committee supports the Board of Directors in the performance of its duties as follows:

- It prepares the personnel-related decisions to be adopted by the Board of Directors, such as personnel planning, appointment and removal of, as well as the structure of, remuneration/compensation payable to members of the Executive Committee
- It submits proposals regarding the amount of fixed and variable remuneration as well as compensation to which members of the Executive Committee are entitled
- It drafts the employee stock ownership program
- It decides on the allotment of options within the scope of the employee stock ownership program

Information and control systems of the Board vis-à-vis management

The Board ensures that it receives sufficient information from the Executive Committee to perform its supervisory duty. The Board obtains the information required to perform its duties as follows:

- The CEO and the CFO are members of the Board of u-blox. All Board members are members of the Board of u-blox AG. The Board is therefore fully informed on all current developments
- The CEO informs all Directors on a monthly basis about relevant developments
- The minutes of Committee meetings are made available to the Directors
- Informal teleconferences are held as required between Directors and the CEO
- All members of the Executive Committee are present at each Board meeting and report on areas of business within their responsibility

Risk management

A risk assessment plan for the Group is prepared by the Executive Committee and presented to the Board at regular intervals or immediately if necessary. The risk assessment plan identifies the type of risks, the likelihood of the occurrence of the risk, as well as the damage that may be caused if the risk materializes.

A risk mitigation plan identifying the key risks is prepared by the Executive Committee. The plan enables the Board to evaluate the appropriateness of the risk management and to monitor the progress achieved in controlling or mitigating the risks.

The Executive Committee is responsible for the execution and implementation of the plan, as well as ensuring that u-blox has the right processes in place to support the early mitigation and avoidance of risks.

Executive Committee

Thomas Seiler, Swiss

Function at u-blox
Thomas Seiler has served as a member of the Board of Directors and as CEO since the incorporation of u-blox in 2007. In 2006 he was appointed member of the Board of u-blox AG. He serves as CEO and Head of Marketing and Sales of u-blox AG since 2002.

Professional background
Thomas Seiler holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and a MBA diploma from INSEAD, France. In 1987 he was appointed member of the executive committee of Melcher Holding AG, Switzerland and CEO from 1991 to 1998. Thereafter, he served as CEO of Kistler Holding AG, Switzerland from 1999 to 2001. Thomas Seiler is also a member of the Board of Kirchheim Holding AG, Germany.

Jean-Pierre Wyss, Swiss

Function at u-blox
Jean-Pierre Wyss has served as a member of the Board of Directors and as CFO since the incorporation of u-blox in 2007. He has served as a member of the Board of Directors, CFO and Head of Production and Logistics of u-blox AG since 1997.

Professional background
He holds a degree in electrical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and a Finance for Executives diploma from INSEAD in Singapore. From 1995 to 1997 he was a research assistant and project manager at ETH. In 1997, he co-founded u-blox AG.

Daniel Ammann, Swiss

Function at u-blox
Daniel Ammann has served as Executive Vice President (R&D Software) of u-blox since its incorporation. He has been a member of the Board of u-blox AG from 1997 to 2003 and acts as Executive Vice President R&D Software since 1997.

Professional background
He holds a degree in electrical engineering from the Swiss Federal Institute of Technology Zurich (ETH). From 1995 to 1997 he was a research assistant and project manager at ETH. In 1997, he co-founded u-blox AG.

Andreas Thiel, German

Function at u-blox
Andreas Thiel has served as Executive Vice President (R&D Hardware) of u-blox since its incorporation and as Executive Vice President R&D Hardware of u-blox AG since 1997.

Professional background
He holds a degree in electrical engineering from Aachen University (RWTH) in Germany. From 1994 to 1997 he was a research assistant and project manager at the Swiss Federal Institute of Technology Zurich (ETH). In 1997, he co-founded u-blox AG.

Management of the Group

The four members of the Executive Committee are:

Name	Age	Position
Thomas Seiler	53	CEO
Jean-Pierre Wyss	40	CFO
Andreas Thiel	42	Executive Vice President
Daniel Ammann	40	Executive Vice President

The Board has delegated to the Executive Committee the coordination of the Group's day-to-day business operations. The Executive Committee is headed by the Chief Executive Officer.

The primary functions of the Executive Committee include:

- Implementing the strategies and policies adopted by the Board
- Drawing up corporate policies, strategies and strategic plans for approval by the Board
- Submitting to the Board and its committees any proposed changes in management positions of material significance, capital investments, financial measures, acquisitions or divestitures of companies, participations and businesses, contracts of material significance and budgets
- Implementing matters that have been approved by the Board
- Preparing and submitting annual reports to the Board or its committees
- Manage employees
- Implementing modifications to the Group's organization
- Promoting an active internal and external communications policy
- Promulgating guidelines
- Dealing with any other matters as are delegated by the Board to the Executive Committee

Management contracts
u-blox does not have management contracts with third parties. The Executive Committee members are employed by u-blox AG and provide management services for u-blox.

Compensation, shareholdings and loans

Non-executive members of the Board of Directors
The Chairman of the Board is paid an annual compensation of CHF 40'000. Other members of the Board serving as Chairman of a committee are paid a compensation of CHF 30'000 per year. Each other non-executive member of the Board is paid an annual compensation of CHF 20'000.

The compensation of the non-executive Board members is proposed by the Nomination and Compensation Committee and decided by the Board of Directors. The Board members are furthermore granted stock options according to the rules defined in the stock option plan (see below). The compensation is reviewed every 3 years. No review took place in 2009.

The compensation and options for Mr. Müller and Mrs. Quek are, at their request, paid out, respectively granted, to their respective employers.

Note 7 under the Notes to the financial statements of u-blox Holding AG gives detailed information on the compensation, options and benefits for each member of the Board of Directors.

Executive Committee (including Executive members of the Board of Directors)
The compensation package for members of the Executive Committee members consists of a base salary and a variable part (bonus). The bonus depends on an EBIT to turnover ratio and the increase of the turnover of the Group. The bonus is limited to 100%, respectively to 150% for Thomas Seiler, of the base salary. The compensation package of the Executive Committee is proposed by the Nomination and Compensation Committee and decided by the Board of Directors. The Executive Committee members are furthermore granted stock options, according to the rules defined in the stock option plan.

The compensation of an Executive Committee member is reviewed at the extension of his employment contract. No review of the compensation of Executive Committee members took place in 2009.

Note 7 under the Notes to the financial statements of u-blox Holding AG gives detailed information on the compensation, options and benefits for each member of the Executive Committee.

Stock option plan
The stock option plan offers the Executive Committee members and Board members (as well as other employees) an opportunity to participate in the share capital of u-blox in order to encourage their commitment. At the beginning of each year the Nomination and Compensation Committee defines, based on a proposal of the Executive Committee, whether options will be granted for the past year and, if yes, the functional ranks which will participate in the stock option plan and the number of options to be allotted to each functional rank. The eligibility for participation in the plan as well as the number of options to be allotted to a functional rank, depend on the level of responsibility inherent to a functional rank and the level of commitment required in a functional rank. The members of the Executive Committee have the same functional rank and are each granted the same number of options. The members of the Board also have the same functional rank and are each granted the same number of options.

Each option grants the owner the right to purchase one share at a certain price (exercise price). The exercise price is the lower of a) the volume-weighted average share price on the SIX Swiss Exchange during the 30 trading days preceding the grant date, and b) the closing share price at the SIX Swiss Exchange on the last trading day before the grant date. The option can be exercised between the third year (vesting date) and the sixth year after the grant date and expires six years after the grant date.

Stock Option Allotment 2009

	Allotment 2009*
Non-executive Board Member (number of options)	624
Executive Committee Member (number of options)	7'804
Exercise price in CHF/option	25.50
Grant date	January 1, 2010
Vesting date	January 1, 2013
Expiry date	January 1, 2016

* The allotments are made pro rata to the time that the Board or Executive Committee member holds his function. Options are attributed according to the accrual principle, which means that the options allotted in 2009, according to the table above, are granted in 2010.

Ownership of u-blox shares

The total number of u-blox shares owned by members of the Executive Committee and the Directors at December 31, 2009 (including holdings of "persons closely linked"[1]) is shown in the table below.

Non-executive members of the Board

	Number of shares
Fritz Fahrni	4'500
Hans-Ulrich Müller	20'000
Gerhard Tröster	35'760
Soo Boon Quek	0

Executive Committee (including executive members of the Board)

	Number of shares
Thomas Seiler	96'748
Jean-Pierre Wyss	75'110
Andreas Thiel	73'710
Daniel Ammann	73'710

[1] "Persons closely linked" are (i) their spouse, (ii) their children below age 18, (iii) any legal entities that they own or otherwise control, or (iv) any legal or natural person who is acting as their fiduciary.

Share allotment in the year under review
No shares were allotted to the members of the Board or the Executive Committee in 2009.

Additional fees and remunerations and loans
No additional fees or remuneration was paid to the members of the Board or the Executive Committee.

No loans were granted by the Group to the members of the Board or the Executive Committee or were outstanding at December 31, 2009.

Auditors

Duration of the mandate and term of office of the lead auditor
In 2009, KPMG AG, Root/Lucerne was appointed as Statutory Auditors of u-blox. Mr. Markus Forrer, Partner, has been acting as the lead auditor since the audit of the financial year 2004.

Auditing fees
Total auditing fees charged by KPMG for mandatory audits of u-blox for the financial year 2009 amount to CHF 150'000 (excl. VAT) and other audit-related work to CHF 95'500 (excl. VAT).

Additional fees
Additional fees (excl. VAT) charged by KPMG during the financial year 2009 amounted to CHF 102'900 for tax advice, CHF 247'300 for due diligence services.

Supervisory and control instruments

The External Auditor presents to the Audit Committee an overview of issues found during the audit of the annual financial statement, the half year financial statement, as well as the internal control system. The External Auditors were present (partly) at all three Audit Committee meetings in 2009.

The Board of Directors monitors the work and audit results of the External Auditors through the Audit Committee. The Audit Committee reviews annually the selection of auditors as well as the level of the external audit fees. In its review, the Audit Committee takes into account the External Auditor's quality of service, the expenses compared to other auditing companies and the fees for non-audit related services.

Information policy

In addition to the annual report, u-blox will publish condensed interim financial information bi-annually. u-blox provides stock-price-sensitive information in accordance with the ad hoc publicity requirements of the Listing Rules of the SIX Swiss Exchange. All information is distributed through third-party electronic and print media resources. Additionally, all interested parties have the possibility to directly receive from u-blox, via an e-mail distribution list, free and timely notification of publicly released information. All of this information as well as the registration form for the e-mail distribution service, general corporate information and company publications can be found on the investor relations section of u-blox' website: www.u-blox.com.

Consolidated financial statements u-blox Holding AG

Consolidated statement of financial position

(in CHF 000s)	Note	At December 31, 2009	At December 31, 2008
Assets			
Current assets			
Cash and cash equivalents	6	20'153	37'147
Short-term investments	7	5'000	47'500
Marketable securities	8	39'740	0
Trade accounts receivable	9	8'344	5'940
Other receivables		1'637	2'262
Inventory	10	7'561	15'584
Prepaid expenses and accrued income		1'864	1'819
Total current assets		**84'299**	**110'252**
Non-current assets			
Property, plant and equipment	11	4'229	2'466
Intangible assets	12	31'424	3'314
Financial assets		381	307
Deferred tax assets	24	4'686	4'529
Total non-current assets		**40'720**	**10'616**
Total assets		**125'019**	**120'868**
Liabilities and equity			
Current liabilities			
Trade accounts payable	13	3'646	6'703
Other payables	14	2'406	874
Current tax liabilities		184	180
Accrued expenses	15	6'034	4'869
Total current liabilities		**12'270**	**12'626**
Non-current liabilities			
Provisions	16	55	0
Employee benefits	17	2'324	1'726
Deferred tax liabilities	24	929	599
Total non-current liabilities		**3'308**	**2'325**
Total liabilities		**15'578**	**14'951**
Shareholders' equity			
Share capital	18	5'619	5'619
Share premium		102'830	102'132
Retained earnings/(accumulated losses)		992	-1'834
Total equity		**109'441**	**105'917**
Total liabilities and equity		**125'019**	**120'868**

These consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated income statement

(in CHF 000s)	Note	For the year ended December 31, 2009	For the year ended December 31, 2008
Revenue	5	**73'527**	**74'506**
Cost of revenue		-34'644	-42'710
Gross profit		**38'883**	**31'796**
Distribution and marketing expenses		-13'014	-11'434
Research and development expenses	21	-16'195	-9'277
General and administrative expenses		-4'572	-2'813
Other income		84	139
Profit from operations (EBIT)		**5'186**	**8'411**
Financial income	23	251	2'268
Finance costs	23	-1'490	-7
Profit before income tax (EBT)		**3'947**	**10'672**
Income tax expense	24	-621	-1'911
Net profit		**3'326**	**8'761**
Earnings per share (in CHF)	19	0.53	1.40
Diluted earnings per share (in CHF)	19	0.53	1.40

Consolidated statement of comprehensive income

(in CHF 000s)	Note	For the year ended December 31, 2009	For the year ended December 31, 2008
Net profit		**3'326**	**8'761**
Other comprehensive income Foreign currency translation differences for foreign operations		-384	20
Defined benefit plan actuarial losses	17	-144	-915
Income tax on other comprehensive income	24	28	177
Other comprehensive income, net of taxes		**-500**	**-718**
Total comprehensive income		**2'826**	**8'043**

These consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

(in CHF 000s)	Note	Share capital	Share premium	Cumulative translation differences	Other (accumulated losses)/ retained earnings	(Accumulated losses)/ retained earnings	Total equity
Balance at January 1, 2008		**5'619**	**101'860**	156	-10'033	**-9'877**	**97'602**
Net profit		0	0	0	8'761	**8'761**	8'761
Other comprehensive income Foreign currency translation differences for foreign operations		0	0	20	0	**20**	20
Defined benefit plan actuarial losses		0	0	0	-915	**-915**	-915
Income tax on other comprehensive income		0	0	0	177	**177**	177
Other comprehensive income, net of taxes		**0**	**0**	20	-738	**-718**	**-718**
Share-based payments	20	0	272	0	0	**0**	272
Balance at December 31, 2008		**5'619**	**102'132**	176	-2'010	**-1'834**	**105'917**
Balance at January 1, 2009		**5'619**	**102'132**	176	-2'010	**-1'834**	**105'917**
Net profit		0	0	0	3'326	**3'326**	3'326
Other comprehensive income Foreign currency translation differences for foreign operations		0	0	-384	0	**-384**	-384
Defined benefit plan actuarial losses		0	0	0	-144	**-144**	-144
Income tax on other comprehensive income		0	0	0	28	**28**	28
Other comprehensive income, net of taxes		**0**	**0**	-384	-116	**-500**	**-500**
Share-based payments	20	0	698	0	0	**0**	698
Balance at December 31, 2009		**5'619**	**102'830**	-208	1'200	**992**	**109'441**

For further information on the share capital see Note 18.
Approximately CHF 4.9 million (2008: CHF 4.9 million) of the share premium and retained earnings is not available for distribution due to legal restrictions.

These consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

(in CHF 000s)	Note	For the year ended December 31, 2009	For the year ended December 31, 2008
Net profit		**3’326**	**8’761**
Adjustments for:			
Depreciation	11	2'462	1’778
Amortization of intangible assets	12	5'033	2’688
Share-based payment transactions	20	698	272
Increase/(decrease) of employee benefits	17	13	-87
Foreign exchange (gain)/loss (net) on intercompany transactions		-152	63
Increase/(decrease) of allowance for doubtful receivables	9	125	-147
Increase of allowance for obsolete inventory	10	149	25
Financial income	23	-251	-2’268
Finance costs	23	1'490	7
Income tax expense	24	621	1’911
(Increase)/decrease in trade and other receivables, prepaid expenses and accrued income		-77	363
Decrease/(increase) in inventory		7'874	-10’438
Decrease in trade and other payables and accrued expenses		-6’497	-356
Increase in provisions		55	0
Income tax paid		-133	-2
Net cash provided by operating activities		**14’736**	**2’570**
Acquisition of property, plant and equipment	11	-3'177	-1’732
Acquisition of intangible assets	12	-7'043	-2’873
Proceeds from sale of/(investment in) short-term investments	7	42'500	-47’500
Acquisition of marketable securities	8	-40'000	0
Proceeds from sale of/(acquisition of) financial assets		55	-57
Acquistion of subsidiaries, net of cash acquired	4	-24’540	0
Interest received		431	1’923
Net cash used in investing activities		**-31'774**	**-50’239**
Repayment of restructured financial liability		0	-357
Interest paid		-6	-7
Net cash used in financing activities		**-6**	**-364**
Net decrease in cash and cash equivalents		**-17'044**	**-48’033**
Cash and cash equivalents at beginning of year		37’147	85’922
Effect of exchange rate fluctuations on cash and cash equivalents		50	-742
Cash and cash equivalents at end of year	6	**20’153**	**37’147**

These consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1 Corporate information and basis of preparation

u-blox Group (‘u-blox’ or the ‘Group’) consists of u-blox Holding AG (‘the Company’), incorporated on September 21, 2007 in Thalwil, Switzerland, and its consolidated subsidiaries. u-blox Holding AG was incorporated by a contribution in kind of all shares of u-blox AG in exchange for shares of the new holding company.

With the initial public offering on October 25, 2007, u-blox opened itself to public investors. The shares of u-blox Holding AG are listed according to the Main Standard on the SIX Swiss Exchange.

u-blox’ core activities comprise the development, manufacture and marketing of the products and services of GPS positioning products. u-blox offers a range of GPS positioning products, including GPS receiver chipsets, GPS receiver modules, GPS receiver boards, GPS smart antennas and GPS antennas which are in use world-wide for navigation, automatic vehicle location, security, traffic control, location based services, timing and surveying. In 2009 u-blox expanded it’s activities by acquisition into wireless products and services. Hardware production is fully outsourced to external contractors.

Statement of compliance and basis of preparation of the consolidated financial statements
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

They have been prepared using the historical cost convention except for items requiring fair value accounting.

The consolidated financial statements are presented in Swiss Francs (CHF), rounded to the nearest thousand. Group subsidiaries prepare their individual financial statements using their functional currency, which was identified to be the respective local currency.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses as well as disclosure of contingent assets and liabilities. Although these judgments, estimates and assumptions are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimated and underlying assumptions are reviewed on an ongoing basis, and revised if necessary (see Note 3).

2 Accounting policies

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

All standards effective at December 31, 2009 have been applied retrospectively or in accordance with the specific transition rule.

Principles of consolidation

The consolidated financial statements include the financial statements of u-blox Holding AG, which provides holding functions, and the financial statements of the following controlled companies, which were prepared in accordance with uniform corporate accounting policies and comprise the twelve months ended December 31, 2008 and 2009, except for the acquired company Neonseven S.p.A. and the Geotate group of companies which comprise nine months only (April 1, 2009 until December 31, 2009):

Company	Share capital (million)	Ownership interest Dec. 31, 2009	Ownership interest Dec. 31, 2008	Function
u-blox AG, CH-Thalwil	CHF 4.23	100%	100%	E
u-blox Europe Ltd., UK-Charing	GBP 0.06	100%	100%	S
u-blox Asia Pacific Ltd., HK-Hong-Kong	USD 0.10	100%	100%	M
u-blox America Inc., US-Reston	USD 0.10	100%	100%	S
u-blox Singapore Pte. Ltd., SG-Singapore	SGD 0.10	100%	100%	M
u-blox Japan K.K., JP-Tokyo	JPY 10.00	100%	100%	M
Neonseven S.p.A., IT-Sgonico	EUR 0.40	100%	–	E
Geotate B.V., NL-Eindhoven	EUR 0.04	100%	–	H
u-blox UK Ltd., UK-Reigate	GBP 0.00	100%	–	D

E = Engineering, Logistics, Marketing, Sales and Support
S = Sales and Support
M = Marketing
H = Holdings
D = Engineering

u-blox Europe Ltd. was inactive during the years 2008 and 2009.
Neonseven S.p.A. was acquired at end of March 2009 (see Note 4).
Geotate B.V. and its subsidiaries were acquired at end of March 2009 (see Note 4). The Group consisted of companies in the Netherlands, the United Kingdom, the United States of America, Japan and Belgium. The companies in the USA, Japan and Belgium were closed in 2009. The company in the United Kingdom was renamed to u-blox UK Ltd.

Subsidiaries are all entities that u-blox has the ability to control. Control refers to the power of the Group to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. Acquisitions of subsidiaries and businesses are accounted for based on the purchase method, whereby the financial statements of the acquiree are included in the consolidated financial statements from the date when control commences until the date when control ceases.

Intra-group transactions and balances, and any unrealized gains arising from such transactions, are eliminated upon consolidation.

Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at transaction date exchange rates. Any difference in exchange rates between the original transaction date and the subsequent settlement date is recorded in the income statement as a gain or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at year-end rates and related unrealized gains and losses are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the date of the transaction.

The Group uses CHF as its reporting currency. For reporting purposes the financial statements of foreign operations denominated in currencies other than CHF are translated as follows:

Assets and liabilities	at year-end rates
Share capital and other equity	at year-end rates
Income statement	at average rates
Cash flow statement	at average rates

The resulting translation differences (other than those relating to the cash flow statement) are recorded in other comprehensive income. When a foreign operation is disposed of, in part or in full, the related accumulated translation difference included in equity is transferred to profit or loss.

Translation differences on long-term loans to foreign operations that in substance form part of the net investment in the foreign operation are also classified as equity until disposal of the net investment or repayment of the loan. Upon disposal of the net investment or repayment of the loan, all related cumulative translation differences are recognized in the income statement.

The following rates were used to translate the financial statements of the Group's entities into CHF for consolidation purposes:

	December 31, 2009		December 31, 2008	
	Average rate	Closing rate	Average rate	Closing rate
EUR	1.53041	1.48750	1.61078	1.48880
USD	1.11173	1.03780	1.08891	1.05615
GBP	1.71983	1.65280	2.07219	1.52863
HKD	0.14345	0.13310	0.14014	0.13628
SGD	0.76092	0.73840	0.77324	0.73247
CNY	0.16736	0.15179	0.15960	0.15492
JPY	0.01186	0.01125	0.01036	0.01169

Segment information
Previously reportable segments were determined in accordance with IAS 14. As of January 1, 2009 the Group determines and presents operating segments under IFRS 8. In accordance with the management structure and the reporting made to the Board of Directors (the Group's Chief Operating Decision Maker), the reportable segments are the two operating Corporate Groups 'GPS/wireless products' and 'wireless services'. Segment accounting is prepared up to the level of Profit from Operations (EBIT) because this is the key figure used for management purposes. All operating assets and liabilities that are directly attributable or can be allocated on a reasonable basis are reported in the respective Corporate Groups. No distinction is made between the accounting policies of segment reporting and those of the consolidated financial statements.

Cash and cash equivalents
Cash and cash equivalents are stated at nominal value. They include cash on hand, bank accounts and fixed-term deposits or call deposits with original terms of less than 3 months.

Short-term investments
Short-term investments are primarily fixed-term deposits with maturities of between 3 and 12 months at the time of investment and are stated at amortized cost, which approximates their fair value.

Marketable Securities
Marketable securities include investments in bonds denominated in CHF with a remaining duration of maximum 4 years at the date of investment. Acquisitions and disposals are recognized on trade date. Held-for-trading investments are stated at fair value, unrealized gains and losses being recognized in the income statement and presented in the financial result.

Trade accounts receivable and other receivables
Trade accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less allowances for doubtful receivables.

An allowance for doubtful receivables is recorded if there is an objective indication that the amounts due in respect of such accounts cannot be recovered in full. The allowance is measured as the difference between the carrying amount of the receivable and expected future cash flows.

Inventory
Inventory consists principally of purchased raw materials, work in progress and finished products which are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated cost of completion and selling expenses.

Raw materials consist of components which are assembled by external contractors into finished products. The cost of all inventory is based on the weighted average cost principle and includes costs incurred in acquiring the inventory and bringing it to its present location and condition.

Allowances are made for slow-moving items. Obsolete items are written off.

Non-current assets held for sale and discontinued operations (IFRS 5)
Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell. In 2009 and 2008, the Group held no non-current assets classified as held for sale.

Property, plant and equipment
Property, plant and equipment are stated at acquisition or manufacturing cost less related accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the following useful lives:

	Estimated useful life (years)
Furniture, equipment and vehicles	2-6
IT infrastructure	2-5
Tools and test infrastructure	2-5

When disposed, items of property, plant and equipment are eliminated from the statement of financial position. Any gain or loss on disposal of such assets is recognized in the income statement as a component of other income and expenses.

Financial assets
Financial assets primarily consist of rent deposits for offices. These deposits bear interest at current market rates and are stated at amortized cost, which approximates their fair value. Exchange rate gains and losses on financial assets are recorded in the income statement. Impairments in value of financial assets are immediately expensed in the income statement.

Business combinations and goodwill
Business combinations are accounted for using the purchase method. The cost of acquisition is the cash paid plus the fair value at the date of exchange of any other purchase consideration given in exchange for the control over the net assets of the acquired company. The cost of acquisition also includes incidental costs directly attributable to the business combination ("transaction costs").

The acquired identifiable assets and liabilities are initially recognized at fair value. Goodwill is recorded as the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired.

Regardless of whether the Group acquired 100% of an entity while obtaining control, the assets and liabilities acquired are recognized at 100% of their fair value. Minority interest is recorded as the minority's proportion of the fair value of identifiable net assets acquired. Goodwill is not amortized but tested for impairment annually or whenever an indication of impairment exists.

Other intangible assets
Intellectual property, licenses, patents, trademarks and similar rights are stated at acquisition cost less related accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the following useful lives:

	Estimated useful life (years)
Intellectual property rights/acquired technology	2-5
Software	2-5
Capitalized development costs	2-5
Customer relationships/other intangible assets	2-5

Intangible assets with finite useful lives are amortized over their estimated useful lives as stated above. Intangible assets with indefinite useful lives are not amortized but tested for impairment annually or whenever an indication of impairment exists. The Group did not record any intangible assets except for goodwill with indefinite useful lives during the periods presented.

Capitalized development costs and research expenses
Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized includes the cost of materials as well as direct labor and overhead costs that are directly attributable to preparing the asset for its intended use.

The Group expenses for research and development costs incurred in the preliminary project stage. To the extent research and development costs include the development of embedded software, the Group believes that software development is an integral part of the semiconductor design. Therefore, such costs are expensed as incurred until technological feasibility has been established. Thereafter, any additional development costs are capitalized.

Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. Amortization starts if the asset (or a part of it) is in use or when the product is released to customers.

Expenditures for research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed in profit or loss when incurred.

Impairment of property, plant and equipment and intangible assets
The carrying amounts of the Group’s non-current assets (except for deferred tax assets) are reviewed at each annual balance sheet date or earlier if a significant event has occurred to determine whether there is any indication of impairment. If any such indication exists, an impairment test is performed. Goodwill and capitalized development costs not yet available for use are tested for impairment every year.

An impairment loss is recognized in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the asset’s or group of assets’ value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on the risks specific to the asset(s).

An impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. However, an impairment of goodwill is not reversed.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortized cost with any difference between cost and redemption value recognized in the income statement over the period of the borrowings using the effective interest method.

Interest-bearing loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the balance sheet date.

Provisions
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Financial lease and operating lease
Lease agreements in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. During the year ended December 31, 2009, the Group did not enter into any material finance lease agreement (2008: none).

Other leases represent operating leases for which the leased assets are not recognized on the Group’s statement of financial position. Operating lease payments are recognized in the income statement on a straight line basis over the term of the lease.

Employee benefits
The Group maintains benefit plans for employees located in Switzerland, the United Kingdom (UK), Italy, the United States of America (USA), Singapore and China. These plans comply with the respective legislation in each country and are financially independent of the Group. The funds are generally financed by employer and employee contributions. The plans in the UK, partly in Italy, the USA, China and Singapore qualify as defined contribution plans and employer contributions paid or due are recognized in the income statement as incurred.

The plan in Switzerland is contracted with an insurance company and qualifies as defined benefit plan. The part of the Italian TFR (Trattamento di fine rapporto) which is not invested in an independent insurance company also qualifies as defined benefit plan. The expense and the defined benefit obligation (DBO) are determined using the Projected Unit Credit Method. The last valuation of the defined benefit obligation was carried out as at December 31, 2009.

Current service costs are recorded in the income statement in the period in which they are incurred. Past service costs are recognized immediately in the income statement unless the changes to the benefit plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortized on a straight-line basis over the remaining service period.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized in the other comprehensive income. Surpluses are only capitalized if they are actually available to the Group in the form of expected refunds from the fund or reductions in contributions to the fund.

Income taxes
Current income tax payable is the expected tax payable on the taxable profit using tax rates enacted at the balance sheet date.

Deferred taxes are calculated by applying the balance sheet liability method on the temporary differences between the carrying amount and the tax base of assets and liabilities.

The calculation of deferred taxes is based on the applicable, enacted or substantially enacted tax rate of the respective entity. Deferred tax assets on tax loss carry forwards and deductible temporary differences are recognized only to the extent that it is probable that future profits will be available to utilize the deferred tax asset.

Share-based payment

Share-based payments to employees, such as stock options issued for services received are recognized as compensation expense with a corresponding increase in equity. The fair value of the stock options is measured initially at grant date and is expensed straight-line over the period during which the employees become unconditionally entitled to the options, known as the vesting period. The fair value of stock options is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognized as compensation expense is adjusted to reflect the actual number of stock options that are expected to vest.

Revenue recognition

Billings for goods and services are measured at fair value of the consideration received or receivable, net of returns and allowances, sales taxes and rebates. Sales are recognized when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue for services is recognized based on direct services rendered. Services which have not been completed at the time of financial closing, revenue is considered for the percentage of the completed services at that time compared to the total estimated service of the milestone. The revenue for service licenses is considered at the time of the transfer of the rights and the level of the usage of the license. The portion on sale of licenses is not reflected separately as it is not significant compared to the total revenue.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade accounts receivable and other receivables, short-term investments, marketable securities, cash and cash equivalents, loans and borrowings and trade and other payables.

These financial instruments are recognized initially at fair value. Subsequent measurement is at amortized cost except for marketable securities which are subsequently measured at fair value through profit or loss.

The fair values of the Group's non-derivative financial assets and liabilities are equal to their carrying amounts.

Derivative financial instruments

The Group uses derivative financial instruments to economically hedge certain exposures to foreign exchange rate risks. Hedge accounting is not applied. Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are also measured at fair value. Any resultant gain or loss is recognized directly in the income statement.

Share capital

Incremental costs directly attributable to issue ordinary shares and share options are recognized as a deduction from equity.

Changes in accounting principles

With effect from January 1, 2009, u-blox initially applied the following new standards and interpretations issued by the IASB:

IFRS 8 - 'Operating Segments'
IFRIC 13 - 'Customer Loyalty Programmes'
IFRIC 15 - 'Agreements for the Construction of Real Estate'
IFRIC 16 - 'Hedges of a Net Investment in a Foreign Operation'
IFRIC 18 - 'Transfers of Assets from Customers' (effective as of July 1, 2009)

Further u-blox applied from January 1, 2009 the following revised standards and interpretations:

IFRS 2 - 'Share-based Payment'
IFRS 7 - 'Financial Instruments: Disclosures'
IAS 1 - 'Presentation of Financial Statements'
IAS 23 - 'Borrowing Costs'
IAS 32/IAS 1 - 'Financial instruments: Presentation' and 'Presentation of Financial Statements'
IAS 39/IFRIC 9 - 'Embedded Derivatives'
Improvements to IFRSs (May 2008)

With the exception of IFRS 8 and IAS 1 these changes had no significant effect on the consolidated financial statements.

As the internal reporting to the Executive Committee and the Board of Directors is generated according to the existing Corporate Groups and based on the same recognition and measurement principles as the consolidated financial statements, there have been no changes in the definition of the operating segments due to the adoption of IFRS 8 but additional disclosures for the total year. The adoption of IAS 1 revised led to additional disclosure of the statement of comprehensive income as u-blox opted for a separate income statement. With the adoption of the statement of comprehensive income, the statement of recognized income and expense is not reflected anymore.

New IFRSs issued but not effective in 2009

The following new and revised Standards and Interpretations, which are or may be applicable to u-blox, have been issued, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the Group has not yet been systematically analyzed. The expected effects as disclosed below the table reflect a first assessment by Group management.

Standard / Interpretation		Impact	Effective date	Planned application by u-blox
New Standards and Interpretations				
IFRS 9	Financial Instruments	*	January 1, 2013	Reporting year 2013
IFRIC 17	Distributions of Non-Cash Assets to Owners	*	July 1, 2009	Reporting year 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	*	July 1, 2010	Reporting year 2011
Revised Standards and Interpretations				
Improvements to IFRSs (April 2009)		*	July 1, 2009 January 1, 2010	Reporting year 2010
IFRS 2	Share-based Payment (Group Cash-settled Share-based Payment Transactions)	*	January 1, 2010	Reporting year 2010
IFRS 3	Business Combinations	***	July 1, 2009	Reporting year 2010
IAS 24	Related Party Disclosures	**	January 1, 2011	Reporting year 2011
IAS 27	Consolidated and Separate Financial Statements	***	July 1, 2009	Reporting year 2010
IAS 32	Financial Instruments and IAS 1 - Presentation of Financial Statements (Classification of Rights Issues)	*	February 1, 2010	Reporting year 2011
IAS 39	Financial Instruments: Recognition and Measurement - Eligible Hedged Items	*	July 1, 2009	Reporting year 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement	*	January 1, 2011	Reporting year 2011

* No or no significant impacts are expected on the consolidated financial statements of u-blox.
** Mainly additional disclosures are expected in the consolidated financial statements of u-blox.
*** This standard will have an effect on transactions effective on or after January 1, 2010.

3 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has made the following judgments and assumptions which have the most significant effect on the amounts recognized in the financial statements:

Inventory
Management records a write-down for inventories which have become obsolete or are in excess of anticipated demand or net realizable value. A detailed review of inventory is performed each period that considers multiple factors including demand forecasts, market conditions, product life cycle status, product development plans and current sales levels. If future demand or market conditions for the products are less favorable than forecasted or if unforeseen technological changes negatively impact the utility of component inventory, management may be required to record additional write-downs which would negatively impact gross margins in the period when the write-downs are recorded. If actual market conditions are more favorable, the Group may have higher gross margins when products incorporating inventory that was previously written down are sold (see Note 10).

Capitalization of development costs
After the technical feasibility of products to be developed has been demonstrated, u-blox capitalizes the related development costs until such time as the product is commercialized. However, there can be no assurance that such products will complete the development phase or will be commercialized or that market conditions will not change in the future requiring a revision of management's assessment of such future cash flows which could lead to additional amortization or impairment charges. The Group has capitalized development costs with a net value of TCHF 4'121 (Note 12).

Recoverability of trade accounts receivable
Management makes estimates of the collectibility of accounts receivable and regularly reviews the adequacy of the allowance for doubtful accounts after considering the amount of aged accounts receivable, each customer's ability to pay, and the collection history of each customer. Management regularly reviews past due invoices to determine if an allowance is appropriate based on the customer's risk category using the factors discussed above. Assumptions and judgments regarding collectibility of trade accounts receivable could differ from actual events. While credit losses have historically been within the Group's expectations and the allowance established, the Group may not continue to experience the same credit loss rates as in the past.

To control the risk of the recoverability of accounts receivable, an insurance policy covering the risk of customers' insolvency has been entered into (further details on accounts receivable see Note 9).

Impairment of non-current assets
In addition to the regular, periodic test applied to goodwill items, non-current assets are reviewed whenever there are indications that, due to changed circumstances or events, their carrying amount may no longer be recoverable. If such a situation arises, the recoverable amount is determined on the basis of expected future inflows. It corresponds to either the discounted value of expected future net cash flows or the expected net selling price. If the recoverable amount is below the carrying amount a corresponding impairment loss is recognized in the income statement. The main assumptions on which these measurements are based include growth rates, margins and discount rates. The cash inflows actually generated can differ considerably from discounted projections. In addition, useful lives can become shorter or assets impaired if the purpose for which property, plant and equipment are used changes, or medium-term revenues are lower than expected. The carrying amounts and information regarding impairments of the items of property, plant and equipment and intangible assets affected are set out in Notes 11 and 12.

Income taxes
At December 31, 2009, the liability for current income taxes is CHF 0.2 million (Note 24), the liability for deferred income taxes is CHF 0.9 million and the asset for deferred income taxes is CHF 4.7 million (as disclosed in Note 24). Current tax liabilities are measured on the basis of interpretations of the tax regulations in place in the relevant countries. Management believes that these estimates are reasonable and that the recognized assets and liabilities taking into account income tax-related uncertainties are adequate. Various internal and external factors may have favorable or unfavorable effects on income tax assets and liabilities. The adequacy of the Group's interpretation is assessed by the tax authorities in the course of the final assessments or tax audits, which can result in material changes to tax expense.

Furthermore, in order to determine whether tax loss carry forwards may be carried as an asset, the Group critically assesses the probability that there will be future taxable profits against which to offset them. This assessment depends on a variety of influencing factors and developments. Changes in these factors may have a material effect on tax expense (see Note 24).

Provisions
Certain participants in the wireless industry protect and pursue their intellectual property rights which occasionally has resulted in litigation. Relying on third-party technology that is integrated into some of the products, the risk of disputes may be faced about the use of such technology. Based on estimates a provision has been recorded to reflect such potential liabilities (see Note 16).

Employee benefits
The Swiss pension plan qualifies as a defined benefit plan. The determination of the recognized assets and liabilities from this plan are based upon statistical and actuarial calculations. The present value of the defined benefit obligation is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities and assumptions on future increases in salaries and benefits. Additionally, the Group's independent actuaries use statistically based assumptions covering areas such as future withdrawals of participants from the plan and estimates on life expectancy. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and other changes in the factors being assessed.

In Italy the obligation has to be met, to accrue for each individual employee a beneficial amount which will be due on retirement or when the employment has been finished, unless the employee decides to have the yearly cost to be paid in a defined contribution plan. The accrued amount is considered as a defined benefit plan and has to be provisioned for by the company. The present value of the defined benefit obligation is impacted by assumptions on discount rates used to arrive at the present value of future liabilities and assumptions on future increases in salaries and benefits. Additionally, the Group's independent actuaries use statistically based assumptions covering areas such as future withdrawals of participants.

The above described differences could materially impact the assets or liabilities recognized in the balance sheet in future periods. At December 31, 2009, the net present value of the Group's defined benefit obligation is CHF 2.3 million (see Note 17).

4 Acquisition of subsidiaries

The following business combinations took place in the reporting period:

Acquisition of Neonseven S.p.A.
In late March 2009, u-blox AG acquired 100% of the shares of Neonseven S.p.A. (“Neonseven”), an Italian design house for wireless telecommunication solutions.

Neonseven, founded in 2003, employed 55 experts as of the acquisition date with a profound knowledge of GSM and 3G technology in the area of mobile communication. Neonseven adds to the u-blox business its extensive experience in providing wireless communications solutions in the area of component evaluation, platform and feature development, testing services, product support and product maintenance.

The cost of the transaction encompasses the contractually agreed purchase price in cash, equivalent to CHF 15.9 million, transaction cost in the amount of CHF 0.2 million and a conditional increase in the purchase price of CHF 1.5 million, based on technical performance criteria to be reached. These performance-based components of the purchase price will be due within one year after the conclusion of the share purchase agreement and will be settled in cash. As Management believes that these performance criteria will most likely be met the performance-based part of the purchase price is already taken into account and a respective liability is included in “Other payables”.

The acquisition had the following provisional effect on the Group’s assets and liabilities:

(in CHF 000s)	Carrying amount of the acquired assets and liabilities	Fair value adjustments	Recognized values of acquired assets and liabilities
Cash and cash equivalents	2		2
Trade accounts receivable	785		785
Other receivables	308		308
Prepaid expenses and accrued income	1'467		1'467
Property, plant and equipment	994		994
Intangible assets			
Customer relationship	0	452	452
Acquired technology	0	611	611
Other	163		163
Financial assets	50		50
Deferred tax assets	702		702
Total assets	**4'471**	**1'063**	**5'534**
Trade accounts payable	-208		-208
Other payables	-217		-217
Accrued expenses	-1'231		-1'231
Employee benefits	-440		-440
Deferred tax liabilities	0	-377	-377
Net assets	**2'375**	**686**	**3’061**
Goodwill			14'570
Total purchase price			**17'631**
Settled by			
Cash payment			15'907
Other payables			1'505
Paid transaction costs			219
Total purchase price			**17'631**
Paid in cash in 2009			-16'126
Cash and bank liabilities acquired			2
Translation adjustment			-48
Net cash outflow 2009			**-16'172**

In the nine months to December 31, 2009 Neonseven contributed revenues to external customers of CHF 3’471 thousand and a net loss of CHF 1’747 thousand (including Group charges for services provided by the Group).

The calculation of the fair value of the identifiable assets and liabilities of Neonseven and therefore of the goodwill at the time of the acquisition, was performed by independent consultants.

The identifiable intangible assets consist primarily of customer relationship and the acquired technology. The value of the customer relationship includes contractual relationship and was identified and measured by applying the Discounted Cash Flow method. The acquired technology was measured by projecting the technology specific revenue multiplied with a royalty rate of 3% and then applied the Discounted Cash Flow method for calculating the fair value according to the Relief-from-Royalty method. Deferred taxes on the valuation differences resulting from the purchase price allocation were calculated at a tax rate of 31.4%. The goodwill of CHF 14.6 million arising from the acquisition amounts to 82.6% of the purchase price and essentially reflects the value of the expected value added to the u-blox product line and technology synergy for u-blox as well as the service business of Neonseven.

The allocation of the goodwill was done according to the expected profits based on business-plan projections for both segments. The amount of CHF 13.5 million was allocated to the GPS/wireless product segment and CHF 1.1 million to the wireless service segment.

Acquisition of Geotate B.V.

In late March 2009, u-blox AG acquired 100% of the shares of Geotate B.V. ("Geotate", a joint venture between Road Group Holding AG and NXP B.V.) and its subsidiary companies.

Geotate provides geotagging software and services to camera manufacturers and the digital imaging industry. Geotate is a recent spin-off from NXP B.V, previous Philips, headquartered in Eindhoven, Netherlands and a R&D office in Reigate, UK and counted 31 employees as of the acquisition date, mostly experienced GPS engineers.

The acquisition represents an important strategic step for u-blox, as u-blox gains access to a broad GPS patent portfolio and is able to expand its GPS offering with GPS geotagging products. These products are based on Geotate's software GPS technology "Capture and Process", which enables portable devices to automatically add a geotag information to events.

The cost of the transaction encompasses the contractually agreed purchase price in cash, equivalent to CHF 5.3 million and transaction costs in the amount of CHF 0.2 million.

In connection with this transaction, u-blox entered into a royalty free patent license arrangement with NXP B.V. for selected patents for CHF 3.0 million.

The acquisition had the following provisional effect on the Group's assets and liabilities:

(in CHF 000s)	Carrying amount of the acquired assets and liabilities	Fair value adjustments	Recognized values of acquired assets and liabilities
Cash and cash equivalents	128		128
Other receivables	133		133
Property, plant and equipment	85		85
Intangible assets			
Intellectual property rights	0	3'011	3'011
Acquired technology	4'517		4'517
Financial assets	85		85
Total assets	**4'948**	**3'011**	**7'959**
Other payables	-1'370		-1'370
Accrued expenses	-1'101		-1'101
Net assets	**2'477**	**3'011**	**5'488**
Goodwill			3'004
Total purchase price			**8'492**
Settled by			
Cash payment			8'281
Paid transaction costs			211
Total purchase price			**8'492**
Paid in cash in 2009			-8'492
Cash and cash equivalents acquired			128
Translation adjustment			-4
Net cash outflow 2009			**-8'368**

Geotate has been integrated into the R&D department of u-blox. Total costs in the nine months to December 31, 2009 amounted to CHF 3'156 thousand.

Calculation of the fair value of the identifiable assets and liabilities of Geotate and therefore of the goodwill at the time of acquisition, was based on a estimation performed by independent consultants.

The acquired technology was identified already at the spin off from NXP and consists of the core technology used for Capture & Process and in-process R&D. It was calculated using a relief from royalty approach and excess earnings method. The CHF 3.0 million goodwill arising from the acquisition amounts to 35% of the purchase price and essentially reflects the value of the expected value added to the u-blox GPS product line.

Had Neonseven and Geotate been taken over as at January 1, 2009, revenue had been approximately at CHF 74'900 thousand and an EBIT had resulted of approximately CHF 3'345 thousand.

5 Segment reporting

According to IFRS 8 ‘Operating segments’ the identification of the reportable operating segments has to follow the management approach. Therefore the external segment reporting is based on the internal organizational and management structure, as well as internal reports to the Chief Operating Decision Maker (CODM). The Group’s CODM is the Board of Directors of u-blox Holding AG.

The following reportable segments were identified:

GPS/wireless products

The Group develops and distributes GPS receivers and, since early 2009, also wireless modules which are mainly used in automotive, industrial and consumer applications. Products are marketed and sold by the u-blox worldwide sales organization. The products are produced by third parties. The Group coordinates the whole supply chain and manages the world-wide production and distribution of the products.

Wireless services

With the acquisition of Neonseven, u-blox offers also services in the wireless communication technology which forms a separate business segment as these products consist of delivery of reference designs and software. The tailor-made customization for each delivery is done by Neonseven.

Segment information at December 31,

	GPS/wireless products		Wireless services[1]		Total segments		Non-allocated/ eliminations		Group	
(in CHF 000s)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Revenue third	70'056	74'506	3'471	0	73'527	74'506	0	0	73'527	74'506
Revenue intragroup	0	0	1'353	0	1'353	0	-1'353	0	0	0
Total Revenue	**70’056**	**74’506**	**4’824**	**0**	**74’880**	**74’506**	**-1’353**	**0**	**73’527**	**74’506**
EBITDA	12'803	13'145	103	0	12'906	13'145	-225	-268	12'681	12'877
Depreciation	-1'982	-1'778	-480	0	-2'462	-1'778	0	0	-2'462	-1'778
Amortization	-4'618	-2'688	-415	0	-5'033	-2'688	0	0	-5'033	-2'688
EBIT	**6’203**	**8’679**	**-792**	**0**	**5’411**	**8’679**	**-225**	**-268**	**5’186**	**8’411**
Financial income							251	2’268	251	2’268
Finance costs							-1’490	-7	-1’490	-7
EBT							**-1’464**	**1’993**	**3’947**	**10’672**
Assets	48'597	21'728	6'493	0	55'090	21'728	69'929	99'140	125'019	120'868
Liabilities	12'181	14'171	2'387	0	14'568	14'171	1'010	780	15'578	14'951
Capital expenditures	8’536	4’605	2’268	0	10’804	4’605	-584	0	10’220	4’605

1) Wireless services are effective as of April 1, 2009.

Geographic information

u-blox in Switzerland is the main decision making body and bears the associated business risks. For reasons of maintaining a market presence in proximity to the customers, marketing, and sales are managed by three regional managers, respectively. However, resource allocation to these regions is not meaningful as the regional staff is mainly acting as representative of u-blox and regional managers even are not part of the management of u-blox. Furthermore most of the businesses are developed on a global base with partners of our customers involved in various geographic regions.

The following table summarizes revenue by geographic region based on customers’ location:

	For the year ended December 31, 2009		For the year ended December 31, 2008	
	in CHF 000s	**% share**	**in CHF 000s**	**% share**
EMEA	21'070	28.7	28'451	38.2
thereof: Switzerland	*980*	*1.3*	*803*	*1.1*
Americas	18'381	25.0	18'813	25.3
thereof: United States of America	*14’922*	*20.3*	*14’081*	*18.9*
Asia Pacific	34'076	46.3	27'242	36.6
thereof: Hong Kong	*10’942*	*14.9*	*10’018*	*13.4*
China	*10’686*	*14.5*	*9’481*	*12.7*
Total	**73’527**	**100.0**	**74’506**	**100.0**

There are no single customers whose revenue amount to 10% or more of the total revenue of the Group.

The following table summarizes property, plant and equipment and intangible assets by geographic region based on their location and allocation respectively:

	For the year ended December 31, 2009		For the year ended December 31, 2008	
	in CHF 000s	**% share**	**in CHF 000s**	**% share**
EMEA	35'576	99.8	5'676	98.3
thereof: Switzerland	*30'801*	*86.4*	*5'676*	*98.3*
Americas	44	0.1	59	1.0
Asia Pacific	33	0.1	45	0.7
Total	**35’653**	**100.0**	**5’780**	**100.0**

6 Cash and cash equivalents

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Petty cash	7	3
Cash at banks	20'146	26'498
Call and fixed-term deposits	0	10'646
Total	**20'153**	**37'147**
Composition of cash and cash equivalents by currency (in CHF 000s)		
CHF	14'189	23'538
USD	3'113	3'221
EUR	868	9'921
GBP	1'271	3
SGD	23	23
CNY	116	27
KRW	46	55
TWD	21	20
JPY	506	339

In 2009, the call and fixed-term deposits bore interest at an average interest rate of 1.2% (2.5% in 2008). The investment period ranged from 48 hours to three months for the periods presented.

7 Short-term investments

Several short-term investments were entered into in 2008 and 2009. These fixed-term deposits were denominated in CHF with a maturity of more than 3 months at the time of investment and earned interest at a rate of 1.0% in 2009 (2.2% in 2008).

8 Marketable securities

In November 2009 u-blox entered into an asset management agreement with Zürcher Kantonalbank to invest the amount of about CHF 40 million into denominated CHF bonds. The rating of the debtors of the bonds which may be invested into have to meet good credit ratings. The agreement can be terminated with immediate effect.

9 Trade accounts receivable

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Gross amount	9'538	5'990
Allowance for doubtful receivables	-1'194	-50
Total	**8'344**	**5'940**
Composition by currency (in CHF 000s)		
USD	6'056	4'597
EUR	2'154	1'179
JPY	134	164
Composition by regions (in CHF 000s)		
EMEA	2'355	1'505
Americas	2'897	2'442
Asia Pacific	3'092	1'993

Trade accounts receivable by region are based on customers' location.

At the balance sheet date the ageing structure of trade accounts receivable was as follows:

	At December 31, 2009		At December 31, 2008	
(in CHF 000s)	Receivables	Value adjusted receivables	Receivables	Value adjusted receivables
Not yet due	6'205	6'205	3'580	3'576
1 - 30 days overdue	1'567	1'527	1'700	1'681
31 - 90 days overdue	627	526	556	548
91 - 180 days overdue	80	75	141	132
More than 180 days overdue	1'059	11	13	3
Total	**9'538**	**8'344**	**5'990**	**5'940**

Trade accounts receivable which are not yet due are mainly receivables arising from long-term standing customer relationships. On past experience, u-blox does not expect any significant defaults.

The allowance for doubtful receivables can be further analyzed as follows:

(in CHF 000s)	2009	2008
Individually assessed value adjustments		
At January 1,	46	197
Increase/(decrease)	1'148	-151
At December 31,	**1'194**	**46**
Collectively assessed value adjustment		
At January 1,	4	0
(Decrease)/increase	-4	4
At December 31,	**0**	**4**
Total value adjustments	**1'194**	**50**

The individually assessed impairment allowance amounts to TCHF 1'194 (previous year: TCHF 46). The increase is originating mainly of the bad debts acquired (TCHF 1'026). It is assumed that a small part of the underlying receivables will eventually be paid.

For further information on credit management and trade accounts receivable see Note 25.

10 Inventory

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Raw material (components)	962	2'116
Work in process	2'941	4'544
Finished products	3'907	9'024
Allowance for obsolete inventory	-249	-100
Total	**7'561**	**15'584**

Components, work in process and changes in finished products recognized as cost of revenue amounted to CHF 30.6 million (2008: CHF 38.3 million). The allowance for obsolete inventory relates to inventory written down to nil.

11 Property, plant and equipment

Cost (in CHF 000s)	Furniture, equipment and vehicles	IT infrastructure	Tools and test infrastructure	Total
Balance at January 1, 2008	**2'788**	**592**	**2'091**	**5'471**
Additions	560	24	1'148	1'732
Derecognition	0	-65	0	-65
Translation differences	-3	-3	0	-6
Balance at December 31, 2008	**3'345**	**548**	**3'239**	**7'132**
Additions	1'907	138	1'132	3'177
Additions due to acquisitions (see Note 4)	959	120	0	1'079
Derecognition	0	-9	0	-9
Translation differences	-48	-3	0	-51
Balance at December 31, 2009	**6'163**	**794**	**4'371**	**11'328**

Accumulated depreciation (in CHF 000s)	Furniture, equipment and vehicles	IT infrastructure	Tools and test infrastructure	Total
Balance at January 1, 2008	**1'490**	**461**	**1'009**	**2'960**
Depreciation	598	107	1'073	1'778
Derecognition	0	-65	0	-65
Translation differences	-3	-4	0	-7
Balance at December 31, 2008	**2'085**	**499**	**2'082**	**4'666**
Depreciation	1'307	118	1'037	2'462
Derecognition	0	-9	0	-9
Translation differences	-17	-3	0	-20
Balance at December 31, 2009	**3'375**	**605**	**3'119**	**7'099**
Net carrying amount at December 31, 2008	**1'260**	**49**	**1'157**	**2'466**
Net carrying amount at December 31, 2009	**2'788**	**189**	**1'252**	**4'229**

The value of property, plant and equipment for the purposes of insurance against fire amounted to CHF 6.7 million at December 31, 2009 (CHF 2.6 million at December 31, 2008).

During the years ended December 31, 2008 and December 31, 2009 no impairment losses were recognized on tangible assets. The Group did not have any capital commitments at December 31, 2009.

12 Intangible assets

Cost (in CHF 000s)	Goodwill	Intellectual property rights/ acquired technology	Software	Capitalized development costs	Customer relationships/ other intangible assets	Total
Balance at January 1, 2008	**0**	**1'495**	**1'026**	**6'193**	**0**	**8'714**
Additions	0	696	947	1'230	0	2'873
Derecognition	0	0	-146	0	0	-146
Balance at December 31, 2008	**0**	**2'191**	**1'827**	**7'423**	**0**	**11'441**
Additions	0	1'098	1'622	4'248	75	7'043
Additions due to acquisitions (see Note 4)	17'574	8'139	129	0	486	26'328
Translation differences	-195	-7	-17	-13	-8	-240
Balance at December 31, 2009	**17'379**	**11'421**	**3'561**	**11'658**	**553**	**44'572**

Accumulated amortization (in CHF 000s)	Goodwill	Intellectual property rights/ acquired technology	Software	Capitalized development costs	Customer relationships/ other intangible assets	Total
Balance at January 1, 2008	**0**	**1'205**	**688**	**3'692**	**0**	**5'585**
Amortization	0	379	347	1'962	0	2'688
Derecognition	0	0	-146	0	0	-146
Balance at December 31, 2008	**0**	**1'584**	**889**	**5'654**	**0**	**8'127**
Amortization	0	2'007	1'057	1'883	86	5'033
Translation differences	0	-3	-7	0	-2	-12
Balance at December 31, 2009	**0**	**3'588**	**1'939**	**7'537**	**84**	**13'148**
Net carrying amount at December 31, 2008	**0**	**607**	**938**	**1'769**	**0**	**3'314**
Net carrying amount at December 31, 2009	**17'379**	**7'833**	**1'622**	**4'121**	**469**	**31'424**

During the years ended December 31, 2008 and December 31, 2009 no impairment losses were recognized on intangible assets. The Group did not have any capital commitments at December 31, 2009.

Goodwill

Goodwill has been allocated to the Group's cash generating units („CGU") which are identical to the Group's reportable segments as follows.

(in CHF 000s)	At December 31, 2009	At December 31, 2008
GPS/wireless products	16'231	0
Wireless services	1'148	0
Total goodwill	**17'379**	**0**

Impairment

The group of intangible assets of each CGU, including allocated goodwill, is tested for impairment on at least an annual basis. The value in use is thereby determined based on future discounted cash flows.

As a basis for the calculation, the four-year mid-term plan is used. Subsequent years are included using a perpetual annuity. The projections are based on knowledge and experience and also on judgments made by management as to the probable economic development.

Consequently, it is assumed that for all CGUs, there are no planned significant changes in their organization. The underlying projections for the next four years are therefore calculated based on historical figures and the latest market estimates.

Pre-tax discount rates were applied in determining the recoverable amount of the units. The discount rates were estimated based on an industry weighted average cost of capital.

Following parameters have been used for the calculations:

	Discount rate	2009 Growth rate (residual value)
GPS/wireless products	9.91%	3%
Wireless services	9.85%	3%
Pre-tax discount rate for:		
GPS/wireless products	11.50%	
Wireless services	12.40%	

The growth rate does not exceed the long-term average growth rate for the industry.

Sensitivity analysis for goodwill related to:

GPS/wireless products

Amount of excess of the carrying amount of goodwill in CHF 000s depending on

	Growth rate (residual value)		
Discount rate	**0.0%**	**1.5%**	**3.0%**
7.91%	182'933	232'939	313'498
9.91%	129'952	158'760	**200'076**
11.91%	95'071	113'427	137'964

Wireless services

Amount of excess/(impairment) of the carrying amount of goodwill in CHF 000s depending on

	Growth rate (residual value)		
Discount rate	**0.0%**	**1.5%**	**3.0%**
7.85%	2'847	4'213	6'425
9.85%	1'030	1'761	**2'812**
11.85%	-149	283	861

13 Trade accounts payable

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Trade accounts payable	3'646	6'703
Total	**3'646**	**6'703**
Composition by currency (in CHF 000s)		
CHF	276	733
USD	2'021	3'716
EUR	1'344	2'251
GBP	5	3

14 Other payables

The high level of other payables in 2009 is mainly due to the liability in connection with the performance-based component of the purchase price of Neonseven S.p.A. which will be due in 2010 (see Note 4).

15 Accrued expenses

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Personnel	3'064	2'091
Other accruals	2'970	2'778
Total	**6'034**	**4'869**

Accrued expenses include liabilities for profit sharing as well as accruals for compensated untaken leave, social security, licenses, insurances, warranties and lawyer and administration services.

16 Provisions

(in CHF 000s)	2009	2008
At January 1,	0	0
Increase	55	0
At December 31,	**55**	**0**

u-blox products are designed to conform to certain wireless industry standards which are based on certain patented technologies that is used. A provision for royalty payments is recorded which is estimated to be due to these patent holders once the license agreements are concluded with them. The provision is based on a percentage of consolidated product revenues and is recorded at the time revenue is recognized. Should the actual royalties to be paid under license agreements signed in the future differ from the estimates, the royalty provision would have to be revised.

17 Employee benefits

The Group maintains a defined benefit plan in Switzerland and Italy and defined contribution plans in the United Kingdom (UK), in the United States of America (US), Italy, Singapore and China. These plans comply with prevailing legal requirements to cover the majority of employees in the event of death, disability and retirement. The plans are financed by employer and employee contributions in compliance with local legal and fiscal regulations.

Defined benefit plans

For the Swiss pension plan, retirement benefits are dependent on the accumulated retirement capital which can either be drawn as a joint-life pension or as a lump sum payment. Other benefits provided by the Swiss pension plan include a disability pension, death benefits and related benefits for pension plan participants' children.

The assets of the pension plan are held within a separate foundation and cannot revert to the employer.

For the Italian plan (Trattamento di fine rapport), retirement benefits are dependent on the accumulated retirement capital at the time of finishing of the employment, whereby the employee may choose to have the yearly amount transferred into externally held defined contribution plans.

The following amounts have been recorded in the income statement:

(in CHF 000s)	2009	2008
Current service cost	597	530
Interest cost	284	215
Expected return on plan assets	-246	-228
Total cost of defined benefit plans	**635**	**517**
Actual return on plan assets	942	-537

The following amounts are recognized in other comprehensive income:

(in CHF 000s)	2009	2008
Recognized actuarial losses	**1'344**	**429**
Actuarial loss on the defined benefit obligation	840	150
Actuarial (gain)/loss on plan assets	-696	765
Net actuarial loss for the year	**144**	**915**
Cumulative amount of recognized actuarial losses at end of the year	**1'488**	**1'344**

Changes in the present value of the defined benefit obligation

(in CHF 000s)	2009	2008
Opening defined benefit obligation	7'798	6'704
Current service cost	597	530
Interest cost	284	215
Plan participants' contributions	414	388
Actuarial loss	840	150
Liabilities assumed in a business combination (Note 4)	440	0
Benefit payments	-67	-189
Exchange rate differences	-7	0
Closing defined benefit obligation	**10'299**	**7'798**

Changes in the fair value of plan assets

(in CHF 000s)	2009	2008
Opening fair value of plan assets	6'072	5'806
Expected return on plan assets	246	228
Actuarial gain/(loss) on plan assets	696	-765
Contributions by employer	614	604
Plan participants' contributions	414	388
Benefit payments	-67	-189
Closing fair value of plan assets	**7'975**	**6'072**

The expected costs of the Group for defined benefit plans for the financial year 2010 amount to TCHF 682.

Amount recognized in the balance sheet

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Present value of defined benefit obligation	10'299	7'798
Fair value of plan assets	-7'975	-6'072
Underfunding (net liability)	**2'324**	**1'726**

Changes in the net liability recognized in the balance sheet

(in CHF 000s)	2009	2008
Net liability at January 1,	1'726	898
Cost of defined benefit plan	635	517
Contributions by employer	-614	-604
Liabilities assumed in a business combination (Note 4)	440	0
Change in actuarial losses	144	915
Exchange rate differences	-7	0
Net liability at December 31,	**2'324**	**1'726**

Principal actuarial assumptions

Calculation of defined benefit obligations	At December 31, 2009	At December 31, 2008
Discount rate	3.33%	3.40%
Future salary increases	1.91%	2.00%
Future pension indexations	0.48%	0.50%
Calculation of expense	**2009**	**2008**
Discount rate	3.40%	3.25%
Expected return on plan assets	3.75%	3.67%

Asset classes and expected return

(Swiss Plan only)

	At December 31, 2009		At December 31, 2008	
	Share of total assets (%)	Expected return	Share of total assets (%)	Expected return
Equities	13.38	7.00%	10.11	6.75%
Bonds	67.67	3.00%	63.13	3.25%
Real estate	13.70	4.50%	15.15	4.40%
Others	5.25	2.50%	11.61	3.00%

Development of defined benefit obligations and plan assets

The following table shows the deviations between actual and assumed development of plan liabilities and assets.

(in CHF 000s) At December 31,	2009	2008	2007	2006	2005
Present value of defined benefit obligation	10'299	7'798	6'704	5'618	4'172
Fair value of plan assets	-7'975	-6'072	-5'806	-4'967	-3'800
Underfunding	**2'324**	**1'726**	**898**	**651**	**372**
Experience losses on plan liabilities	657	191	303	266	149
Experience (gains)/ losses on plan assets	-696	765	242	-79	-144

Defined contribution plans

In 2009, Group contributions to defined contribution plans were CHF 434 thousand (2008: CHF 32 thousand).

18 Share capital

Ordinary share capital
The Company's ordinary share capital consists of 6'243'370 registered shares with a nominal value of CHF 0.90 each (unchanged to 2008).

Authorized share capital
At the shareholders meeting of u-blox Holding AG held on April 30, 2009, the shareholders resolved that the Board of Directors shall be authorized, at any time until October 16, 2011, to increase the share capital through the issuance of up to 1'248'674 fully paid-in registered shares with a nominal value of CHF 0.90 each. On December 31, 2009 and 2008 respectively, the authorized share capital amounted to CHF 1'123'806.60 (1'248'674 shares of CHF 0.90 each).

Conditional share capital
At the extraordinary shareholders' meeting held on October 16, 2007 of u-blox Holding AG, the shareholders' resolved that the Board of Directors shall be authorized to increase the share capital by a maximum aggregate amount of CHF 561'903.30 by issuing no more than 624'337 fully paid-in registered shares with a nominal value of CHF 0.90 each. The conditional share capital will be used for the exercise of option rights that are and will be granted to the members of the Board of Directors and to the employees of the Company and its subsidiaries according to any employee share option plans (ESOP) as approved by the Board of Directors.

In 2008 and 2009 no stock options were exercised out of the conditional share capital.

19 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the equity holders of u-blox Holding AG by the weighted average number of shares outstanding during the year.

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted.

	For the year ended December 31, 2009	For the year ended December 31, 2008
Net profit (in CHF 000s)	**3'326**	**8'761**
Weighted average number of outstanding shares (basic)	**6'243'370**	**6'243'370**
Effect of share options on issue	89'783	0
Weighted average number of outstanding shares (diluted)	**6'333'153**	**6'243'370**
Basic earnings per share (in CHF)	**0.53**	**1.40**
Diluted earnings per share (in CHF)	**0.53**	**1.40**

At December 31, 2009 the Group had 167'478 outstanding options (December 31, 2008: 80'769 outstanding options) granted to employees (see Note 20). The potential ordinary shares arising from outstanding stock options granted in 2008 are, as at December 31, 2009, "out of the money". As such, they would have an anti-dilutive effect and are therefore excluded from the calculation of diluted earnings per share. Therefore only the options granted in 2009 are considered for the calculation of the diluted earnings per share.

20 Employee compensation and benefits

Personnel expenses
Personnel expenses included in operating expenses consisted of the following:

(in CHF 000s)	For the year ended December 31, 2009	For the year ended December 31, 2008
Salaries	14'971	11'396
Share-based payments	698	272
Social taxes	1'849	972
Employee benefits related cost (see Note 17)	1'069	549
Other personnel related expenses	850	650
Total personnel expenses	**19'437**	**13'839**
Average number of employees (FTE*)	163.8	94.2

* (FTE = Full Time Equivalent)

Stock option plan
Employees of the Group are entitled to receive options under a stock option plan with a vesting-period of three years and an option period of 6 years. The exercise price is determined by the Board of Directors, the exercise price will be equal to the lower of the volume weighted average share price of the Company on the SIX Swiss Exchange during the thirty trading days preceding and including the granting date or the closing price of the share on the SIX Swiss Exchange on the granting date. One option grants the right to purchase one u-blox Holding AG share.

In 2009 90'986 options were granted to certain members of the Board of Directors, Executive Committee members and employees at an exercise price of CHF 19.15.

The following table details the movements of outstanding employee stock options from January 1, 2008 until December 31, 2009:

	For the year ended December 31, 2009		For the year ended December 31, 2008	
	Weighted average exercise price in CHF	Number of options	Weighted average exercise price in CHF	Number of options
Opening balance	**46.00**	**80'769**	**0.00**	**0**
Granted	19.15	90'986	46.00	82'171
Exercised	0.00	0	0.00	0
Cancelled	37.36	-4'277	46.00	-1'402
Ending balance	**31.63**	**167'478**	**46.00**	**80'769**
Thereof vested	0.00	0	0.00	0

The following table summarizes the employee stock options outstanding as at December 31, 2009 and December 31, 2008 respectively:

Expiry date	Exercise Price CHF	Options outstanding at December 31, 2009	Options outstanding at December 31, 2008
2014	46.00	77'868	80'769
2015	19.15	89'610	0
Total	**31.63**	**167'478**	**80'769**

The weighted average fair value of options granted during 2009 was CHF 7.49 (in 2008: CHF 18.10). The fair value of stock options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended December 31, 2009 and 2008 respectively:

	2009	2008
Dividend yield	0.00%	0.00%
Expected volatility	53.00%	49.10%
Historical volatility	53.00%	49.10%
Risk-free interest rate	1.82%	3.29%
Expected life of option	4.50 years	4.50 years
Expected exit rate after vesting	3.00%	3.00%
Weighted average share price	CHF 19.15	CHF 46.00
Weighted average remaining expected life at December 31,	3.50 years	3.91 years
Weighted average remaining contractual life at December 31,	5.00 years	5.41 years

The expected volatility was based on the historical volatility of a selection of comparable companies.

The expense for employee services received is recognized over the vesting period. The stock option expense recognized in 2009 was CHF 698 thousand (2008: CHF 272 thousand).

Additional options were granted at the beginning of 2010 (see Note 31).

21 Research and development

(in CHF 000s)	2009	2008
External project costs	2'943	1'656
Internal costs	7'205	4'879
Total research and development expenditures	**10'148**	**6'535**
Depreciation and amortization	6'047	2'742
Total research and development expenses	**16'195**	**9'277**

22 Operating expenses by nature

(in CHF 000s)	Note	2009	2008
Material costs		31'782	40'005
Personnel expenses	20	19'437	13'839
Depreciation	11	2'462	1'778
Amortization	12	5'033	2'688
Travel - and representation expenses		1'604	1'646
Administration expenses		2'960	2'036
Marketing expenses		1'134	1'262
Rent expenses		1'402	1'008
Other expenses		2'611	1'972
Other income		-84	-139
Total		**68'341**	**66'095**

23 Financial income / finance costs

(in CHF 000s)	2009	2008
Interest income on bank deposits	243	1'928
Gains on financial instruments at fair value held for trading	8	0
Foreign exchange result (net)	0	118
Release of overprovision on restructured financial liability	0	222
Financial income	**251**	**2'268**
Losses on financial instruments at fair value held for trading	-105	0
Interest expenses	-7	-7
Foreign exchange result (net)	-1'378	0
Finance cost	**-1'490**	**-7**
Total, net	**-1'239**	**2'261**

All financial income and costs from financial assets and financial liabilities have been recognized in the income statement.

24 Income tax expense

Income taxes can be analyzed as follows:

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Current income taxes	-138	-135
Deferred income taxes	-483	-1'776
Total income tax expense	**-621**	**-1'911**

The Group has operations mainly in Switzerland, Italy and the United Kingdom as well as offices in the United States of America, China, Hong Kong, Singapore, Japan and Korea that have differing tax laws and income tax rates. Consequently, the effective tax rate on consolidated income may vary from year to year, based on the source of earnings. The following table provides a reconciliation between the effective income tax and the expected income tax based on the consolidated profit before income tax computed with the expected tax rate of the operating company in Thalwil, at each balance sheet date:

	For the year ended December 31, 2009		For the year ended December 31, 2008	
	in %	in CHF 000s	in %	in CHF 000s
Profit before income tax		**3'947**		**10'672**
Income tax rate of u-blox AG, Thalwil	19.3		19.3	
Expected tax expense		-762		-2'060
Effect of different tax rates		254		235
Effect of non-tax-deductible expenses		-210		-71
Tax effect of tax-exempt income		267		0
Previously recognized tax loss carry forwards not used		-164		0
Other		-6		-15
Effective income tax expense		**-621**		**-1'911**

Deferred tax assets and liabilities

Effects of temporary differences and tax loss carryforwards that give rise to significant components of deferred tax assets and deferred tax liabilities are as follows:

	At December 31, 2009		At December 31, 2008		
(in CHF 000s)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Change 2009
Intercompany accounts	0	383	0	383	0
Investments in subsidiaries	0	70	0	65	-5
Other assets	748	321	209	147	365
Other liabilities	426	155	376	4	-101
Tax loss carryforwards	3'512	0	3'944	0	-432
Deferred tax assets/ liabilities [1]	**4'686**	**929**	**4'529**	**599**	**-173**

[1] The deferred tax assets/liabilities are calculated at the respective closing date rate whereas the changes in temporary differences are calculated at the average rate for the respective year.

(in CHF 000s)	At December 31, 2009	At December 31, 2008
Deferred income taxes	-483	-1'776
Addition due to acquisition (see Note 4)	325	0
Tax assets recognized in other comprehensive income	28	177
Translation differences	-43	-22
Total changes compared to previous year	**-173**	**-1'621**

Tax loss carryforwards

Deferred tax assets for the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. The tax loss carryforwards structured by expiry date are as follows:

	Gross value of tax loss carry forwards		Potential tax benefits	
(in CHF 000s)	2009	2008	2009	2008
Expiring in				
2009	0	6'432	0	1'241
2010	4'058	4'058	783	783
2013	108	0	30	0
2014	10'518	8'267	2'214	1'596
> 15 years	943	518	368	202
To be carried forward unlimited	709	741	117	122
Total tax loss carryforwards capitalized	**16'336**	**20'016**	**3'512**	**3'944**
Expiring in				
To be carried forward unlimited	1'992	1'994	418	419
Total tax loss carryforwards not capitalized	**1'992**	**1'994**	**418**	**419**
Total tax loss carryforwards [1]	**18'328**	**22'010**	**3'930**	**4'363**

[1] The tax loss carryforwards and the deferred tax assets respecitvely are calculated at the respective closing date rate. Therefore, the movements in unrecognized tax loss carry forwards include currency differences.

25 Financial risk management

The following table shows the carrying amount of all financial instruments per category. They correspond, approximately, to the fair values in accordance with IFRS.

(in CHF 000s)	For the year ended December 31, 2009	For the year ended December 31, 2008
Cash and cash equivalents (without call and fixed-term deposits)	**20'153**	**26'501**
Call and fixed-term deposits	0	10'646
Short-term investments	5'000	47'500
Trade accounts receivable	8'344	5'940
Financial assets	381	307
Loans and receivables	**13'725**	**64'393**
Marketable securities	39'740	0
Foreign currency forward rate contracts	38	612
Financial assets at market value through profit or loss	**39'778**	**612**
Trade accounts payable	3'646	6'703
Other payables	2'406	874
Liabilities stated at amortized costs	**6'052**	**7'577**

The carrying amount of the marketable securities recognized at their fair value is determined on the basis of the bonds prices at the balance sheet date. The market value of the foreign currency forward rate contracts on the statement of financial position is determined by the replacement value at the balance sheet date.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	39'740	39'740		
Foreign currency forward rate contracts	38		38	
Total	**39'778**	**39'740**	**38**	

Risk exposure

The Group has exposure to the following risks from its use of financial instruments:

a) credit risk
b) liquidity risk
c) market risk
c1) interest rate risk
c2) currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal reviews by the Group accountant assist the Group Audit Committee in its oversight role. Internally both regular and ad hoc reviews of risk management controls and procedures are effected.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade accounts receivable from customers and investment securities.

Trade accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

In general, the Group minimizes part of the credit risk as far as possible by way of credit insurance or a requirement of customers to either guarantee their payment by Letter of Credit (L/C) or to make a payment in advance. Collections and payments are continuously monitored.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group limits its exposure to credit risk by only investing in fixed time deposits and marketable securities such as Swiss Francs bonds or similar instruments with counterparties that have a credit rating of at least A+ from Standard & Poor's and A1 from Moody's. The maximum duration is limited to 4 years. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2009 no guarantees were outstanding (31 December 2008: none).

The maximum credit risk on financial instruments corresponds to the carrying amounts of the individual financial assets. u-blox has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts. Details of the due dates of receivables are shown in Note 9.

The maximum credit risk as per the balance sheet date was as follows:

(in CHF 000s)	For the year ended December 31, 2009	For the year ended December 31, 2008
Cash and cash equivalents	20'153	37'147
Short-term investments	5'000	47'500
Marketable securities	39'740	0
Trade accounts receivable	8'344	5'940
Prepaid expenses and accrued income	1'864	1'819
Other financial assets	381	307
Total	**75'482**	**92'713**

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses short-term forecasts, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

The Group has access to an undrawn CHF 3 million overdraft facility that would be – in case of a draw down - secured by a pledge of the trade accounts receivable. Interest would be payable at the rate of 3% p.a. plus commission of ¼% per quarter. The bank may adjust the interest rate in line with the market interest rates. Securities are nominated up to CHF 3.1 million.

Management considers that the Group is not exposed to any significant risks arising from not being able to meet the financial obligations at the end of the reporting period.

The following are the contractual maturities of financial liabilities:

For the year ended 2009 (in CHF 000s)	Carrying amount	Contractual cash flows	up to 6 months	6-12 months	1 - 5 years
Trade accounts payable	3'646	3'646	3'646	0	0
Other payables	2'406	2'406	2'406	0	0
Accrued expenses (incl. current tax liability)	6'218	6'218	6'218	0	0
Total	**12'270**	**12'270**	**12'270**	**0**	**0**

For the year ended 2008 (in CHF 000s)	Carrying amount	Contractual cash flows	up to 6 months	6-12 months	1 - 5 years
Trade accounts payable	6'703	6'703	6'703	0	0
Other payables	874	874	874	0	0
Accrued expenses (incl. current tax liability)	5'049	5'049	5'049	0	0
Total	**12'626**	**12'626**	**12'626**	**0**	**0**

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

c1) Interest rate risk

Interest rate risk arises from movements in interest rates which could have adverse effects on the Group's net income or financial position. The Group places its cash and cash equivalents primarily in marketable securities and short-term interest-bearing accounts. The Group has no significant interest-bearing liability at December 31, 2009. Interest rate risk exposure exists for the invested assets as the fair value of the bonds depend on the actual interest rates. The risk is limited by investing in bonds of a maximum remaining duration of 4 years. Revenue and operating cash flows are substantially independent of changes in market interest rates. The cash position is used for general corporate purposes and to fund the planned growth. Management considers that the Group is not exposed to any significant risks arising from changes in market interest rates and therefore no hedging instruments are utilized.

An increase of the Swiss Franc interest rate of 0.25% would decrease the value of the marketable securities by 0.33% (and vice versa).

c2) Currency risk

Almost all of the revenue and costs of revenue are denominated in USD or EUR. A majority of overhead and other fixed costs are denominated in CHF. This exposure to different currencies potentially results in gains or losses with respect to movements in foreign exchange rates and the impact of such fluctuations can be material. Accordingly, u-blox enters into economic hedging transactions pursuant to which u-blox purchase CHF under forward purchase contracts in order to minimize its CHF exposure. These transactions require judgments and assumptions about the future expense levels, and as a result, do not entirely eliminate the exposure to currency fluctuations. Furthermore, while the hedging transactions provide fixed currency rates for periods covered by the contracts, the transactions will not protect the Group from long-term movements in currency rates. The fact that revenue and costs of revenue are to a certain extent denominated in the same currency provides a natural hedge.

The table below shows the significant currency risks arising from financial instruments in which the currency involved is not congruent with the functional currency of the subsidiary which holds these financial instruments:

	For the year ended December 31, 2009		For the year ended December 31, 2008	
(in CHF 000s)	USD	EUR	USD	EUR
Cash and cash equivalents	2'554	698	2'307	9'911
Trade accounts receivable	2'432	1'832	1'929	1'179
Receivables from subsidiaries	3'838	1'842	2'820	0
Other receivables	132	712	632	0
Prepaid expenses and accrued income	60	282	33	424
Trade accounts payable	-2'021	-901	-3'697	-2'250
Other payables	-29	-1'537	0	-1
Payables to subsidiaries	-777	-5'875	-213	0
Accrued expenses	-1'149	-74	-1'212	-67
Restructured financial liability	0	0	0	0
	5'040	**-3'021**	**2'599**	**9'196**
Foreign currency forward rate contracts	-4'133	0	-4'742	0
Total currency exposure	**907**	**-3'021**	**-2'143**	**9'196**

Equity-like corporate loans to subsidiaries are not included in the above table.

A 10% change in exchange rates at December 31, 2009 would have increased or decreased net profit by the amounts listed below. The assumption underlying this analysis is that all other variables, in particular interest rates, remain unchanged. Substantially larger effects on the income statement can be caused by exchange rate changes related to business transactions during the year, which do not lie within the scope of IFRS 7.

Sensitivity analysis	2009	2008	2009	2008
	USD/CHF	**USD/CHF**	**EUR/CHF**	**EUR/CHF**
Change +/-	10%	10%	10%	10%
(in CHF 000s)				
Positive impact on income statement	+73	+178	+244	+742
Negative impact on income statement	-73	-178	-244	-742

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The derivative financial instruments used as economic hedges of foreign currencies are summarized in the table below. They are recognized at fair value as either part of prepaid assets or accrued expenses.

	Fair value		Contract value		
	Positive	Negative	Total	Due within months	
(in CHF 000s)				3	3-12
Foreign currency forwards					
Denominated in USD:					
Sale	61	-23	4'133	1'550	2'583
Total 2009	**61**	**-23**	**4'133**	**1'550**	**2'583**
Total 2008	**612**	**0**	**4'742**	**1'587**	**3'155**

In 2009 and 2008, the Group entered into USD forward contracts to buy CHF. During the year 2009 the Group also entered into EUR forward contracts to buy CHF.

26 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Board plans to invest future profits, if any, into the long-term growth of the business and, therefore, does not plan to distribute any dividends in the medium term.

27 Operating leases

Future minimal rental payments under equipment and facility leases at December 31, 2009 are as follows:

Operating leases due (in CHF 000s)	**At December 31, 2009**	**At December 31, 2008**
Within 1 year	1'331	1031
Within 2 years	1'248	832
Within 3 years	1'091	748
Within 4 years	210	646
Thereafter	309	0
Total	**4'189**	**3'257**

This position mainly consists of facility leases.

28 Guarantees, pledges in favor of third parties and other contingent liabilities

At December 31, 2009 and 2008 there were no guarantees in favor of third parties. The Group is not exposed to any significant other contingent liabilities. There is no known threatened or pending litigation against any Group companies.

29 Related parties

Related parties are members of the Board of Directors and Executive Committee, close family members of the aforementioned parties, and shareholders with a significant influence or control over the Group, as well as entities under these parties' control.

The total compensation paid to the Board of Directors and Executive Committee was:

(in CHF 000s)	For the year ended December 31, 2009	For the year ended December 31, 2008
Salaries	1'300	1'355
Share-based payments	286	109
Social taxes	104	107
Employee benefit costs	99	108
Total compensations	**1'789**	**1'679**

There were no other significant transactions with related parties during the years ended December 31, 2009 and 2008.

The detailed disclosure of compensation and participation of the Board of Directors and Executive Committee as per Swiss law can be found in the notes to the financial statements of u-blox Holding AG.

30 Risk management

The Board of Directors of u-blox assesses the corporate risks within the framework of a systematic risk identification and analysis. Based on this assessment, measures for risk management in the company are defined and constantly monitored. The company has a risk management system which is designed for the prompt identification and analysis of risks as well as the initiation of corresponding measures.

Financial risk management is described in more detail in Note 25. The organization, principles, and reporting of risk management are described in Corporate Governance under the subtitle 'risk management'.

31 Post balance sheet events

The Board of Directors authorized these consolidated financial statements for issuance on March 12, 2010.

In January 2010 u-blox granted 118'936 employee stock options at an exercise price of CHF 25.50 and 7'272 employee stock options at an exercise price of CHF 26.25 under the current stock option plan to certain members of the Board of Directors, Executive Committee members and employees.

There have been no other events between December 31, 2009 and the date of authorization of these consolidated financial statements that would lead to an adjustment of the carrying amounts of assets and liabilities presented at December 31, 2009.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

u-blox Holding AG, Thalwil

As statutory auditor, we have audited the consolidated financial statements of u-blox Holding AG, which are presented on pages 57 to 101 and comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes for the year ended December 31, 2009.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Markus Forrer Licensed Audit Expert Auditor in Charge	Urs Matter Licensed Audit Expert

Root/Lucerne, March 12, 2010

Financial statements u-blox Holding AG

Statement of financial position

(in CHF)		Note	At December 31, 2009	At December 31, 2008
Assets				
Current assets				
Cash at bank			9'489'478	16'518'903
Call deposits and fixed-term deposits			5'000'000	41'000'000
Marketable Securities			39'740'375	0
Other receivables	- third parties		144'850	125'661
	- group companies		9'856	13'337
Prepaid expenses and accrued income	- third parties		234'572	231'000
	- group companies		402'489	166'667
Total current assets			**55'021'620**	**58'055'568**
Non-current assets				
Loans to group companies			28'000'000	20'000'000
Investment in group company		2	14'697'917	14'697'917
Capitalized IPO costs			1'890'400	2'557'600
Total non-current assets			**44'588'317**	**37'255'517**
Total assets			**99'609'937**	**95'311'085**
Liabilities and shareholders' equity				
Current liabilities				
Other payables	- group companies		479'858	231'909
Accrued expenses			213'318	256'388
Total liabilities			**693'176**	**488'297**
Shareholders' equity				
Share capital		3	5'619'033	5'619'033
Legal reserve			88'003'934	88'003'934
Retained earnings			5'293'794	1'199'821
Total shareholders' equity			**98'916'761**	**94'822'788**
Total liabilities and sharholders' equity			**99'609'937**	**95'311'085**

Income statement

(in CHF)	January 1, – December 31, 2009	January 1, – December 31, 2008
Income		
Dividend income	4'000'000	0
Interest and securities income	1'319'336	2'260'925
Service fee income	9'160	10'880
Total income	**5'328'496**	**2'271'805**
Expenses		
General and administrative expenses	-439'230	-484'445
Amortization of capitalized IPO costs	-667'200	-667'200
Securities expenses	-105'093	0
Total expenses	**-1'211'523**	**-1'151'645**
Profit before income tax	**4'116'973**	**1'120'160**
Income tax expense	-23'000	-88'000
Net profit for the year	**4'093'973**	**1'032'160**
Retained earnings at beginning of the year	**1'199'821**	**167'661**
Retained earnings at end of the year	**5'293'794**	**1'199'821**

Notes to the financial statements

1 Introduction

u-blox Holding AG was incorporated on September 21, 2007 in Thalwil, Switzerland by exchange of 100% of the shares obtained by the shareholders of u-blox AG.

On October 25, 2007, u-blox Holding AG offered in an initial public offering some of its shares to the public.

2 Investment

	Percentage held	Share capital
u-blox AG, Thalwil (Switzerland)	100% holding	CHF 4'226'238

3 Share capital

The share capital consists of 6'243'370 registered shares with a nominal value of CHF 0.90 each.

4 Authorized share capital

	At December 31, 2009	At December 31, 2008
1'248'674 registered shares with a nominal value of CHF 0.90 each	CHF 1'123'806.60	CHF 1'123'806.60

At the ordinary shareholders meeting held on April 30, 2009, the shareholders resolved that the Board of Directors shall be authorized, at any time until October 16, 2011, to increase the share capital through the issuance of up to 1'248'674 fully paid-in registered shares with a nominal value of CHF 0.90 each.

5 Conditional share capital

	At December 31, 2009	At December 31, 2008
624'337 registered shares with a nominal value of CHF 0.90 each	CHF 561'903.30	CHF 561'903.30

At the extraordinary shareholders' meeting held on October 16, 2007, the shareholders' resolved that the Board of Directors shall be authorized to increase the share capital by a maximum aggregate amount of CHF 561'903.30 by issuing no more than 624'337 fully paid-in registered shares with a nominal value of CHF 0.90 each through the exercise of option rights granted to directors and employees of the company and its subsidiaries on the basis of one or several participation plans as to be approved by the Board of Directors.

As at December 31, 2009 there were 167'478 options on u-blox Holding AG shares outstanding granted by subsidiaries of u-blox Holding AG.

6 Significant shareholders

According to the disclosures of shareholders, the largest shareholders of u-blox Holding AG held the following percentages at December 31, 2009:

Partners Private Equity Limited Partnership, George Town, Cayman Island	19.37%
DWS Investment GmbH, Frankfurt, Germany	7.05%
Zürcher Kantonalbank, Zürich, Switzerland	6.76%
iGlobe Partners Fund L.P., Santa Clara, United States of America	4.96%

7 Compensation and shareholdings

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's). This note has been prepared in accordance with the requirements of Swiss law for companies, the Swiss Code of Obligations (SCO), and differs in certain respects from the consolidated financial statements. In particular there are significant differences between the compensation disclosures, which are due to different valuation and expense recognition rules being applied.

Compensation paid to the members of the Board of Directors

	Compensation [1]	Share based compensation [2]		Pension and social insurance funds [1]	Total compensa-tion 2009 [3]	Total compensa-tion 2008 [3]
	CHF 000s	Number of options	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Fritz Fahrni (joined April 29, 2008) Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	40	*422*	3	1	44	28
Edzard Reuter (retired April 29, 2008)	0	*0*	0	0	0	14
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	30	*624*	5	0	35	31
Hansjörg Sage (retired April 29, 2008)	0	*0*	0	0	0	7
Gerhard Tröster Chairman of the nomination and compensation committee	30	*624*	5	2	37	33
Soo Boon Quek Member of the Board of Directors	20	*624*	5	0	25	31
Thomas Seiler Member of the Board of Directors, executive member	[4]		[4]	[4]	[4]	[4]
Jean-Pierre Wyss Member of the Board of Directors, executive member	[4]		[4]	[4]	[4]	[4]
Jürg Stahl (retired April 29, 2008)	0	*0*	0	0	0	12
Total	**120**	***2'294***	**18**	**3**	**141**	**156**

1) Accruals based.
2) The share based compensation consists of grant of options under the employee stock option plan in 2008. The options underly a vesting period of 3 years, the validity is 6 years from grant date. The strike price of an option is CHF 19.15 to purchase one share. The compensation is calculated at a fair value price of CHF 7.49 at grant date.
3) Does not include reimbursement for travel and other necessary business expenses incurred in the performance of the services as these are not considered to be part of compensation.
4) Compensated as member of the Executive Committee.

Compensation paid to the members of the Executive Committee

	Salary	Bonus [1]	Share based compensation [2]		Pension and social insurance funds [1]	Other benefits [3]	Total compen-sation 2009	Total compen-sation 2008
	CHF 000s	CHF 000s	Number of options	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	263	150	*7'804*	58	71	8	550	653
Jean-Pierre Wyss Member of the Board of Directors CFO Head of Production/ Logistics	230	26	*7'804*	58	43	0	357	456
Andreas Thiel Executive Vice President (R&D Hardware)	230	26	*7'804*	58	43	0	357	456
Daniel Ammann Executive Vice President (R&D Software)	230	26	*7'804*	58	43	0	357	455
Total	**953**	**228**	***31'216***	**232**	**199**	**8**	**1'620**	**2'020**

1) Accruals based. The bonus is based on a combination of EBIT ratios and the increase of the turnover of the Group.
2) The share based compensation consists of grant of options under the employee stock option plan in 2008. The options underly a vesting period of 3 years, the validity is 6 years from grant date. The strike price of an option is CHF 19.15 to purchase one share. The compensation is calculated at a fair value price of CHF 7.49 at grant date.
3) Does not include reimbursement for travel and other necessary business expenses incurred in the performance of the services as these are not considered to be part of compensation.

Transactions with members of the Board of Directors, Executive Committee or persons related to them

Related persons and companies are family members and persons or companies which can exercise a significant influence over the Group. Transactions with related persons and companies must be settled on an arms length basis.

Apart from the compensation paid to the Board of Directors and Executive Committee and the regular contributions to the various pension fund institutions, no transactions with related persons or companies took place. Neither u-blox Holding AG nor its corporate subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Executive Committee or the Board of Directors or any related parties.

In 2009, u-blox Holding AG did not make any severance payments or other payments to members of the Board of Directors or Executive Committee who left the company in the period under review or earlier.

Shareholdings of Non-Executive members of the Board of Directors

	Number of u-blox Holding AG shares at December 31, 2009	Number of u-blox Holding AG shares at December 31, 2008
Fritz Fahrni Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	4'500	2'500
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	20'000	16'000
Gerhard Tröster Chairman of the nomination and compensation committee	35'760	35'760
Total Non-Executive members of the Board of Directors	**60'260**	**54'260**

Shareholdings Executive Committee (including Executive members of the Board of Directors)

	Number of u-blox Holding AG shares at December 31, 2009	Number of u-blox Holding AG shares at December 31, 2008
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	96'748	96'748
Jean-Pierre Wyss Member of the Board of Directors CFO Head of Production/Logistics	75'110	75'110
Andreas Thiel Executive Vice President (R&D Hardware)	73'710	73'710
Daniel Ammann Executive Vice President (R&D Software)	73'710	73'710
Total Executive Committee (incl. Executive members of the Board of Directors)	**319'278**	**319'278**

The Executive Committee or Board of Directors did hold 66'598 option rights on u-blox Holding AG shares at December 31, 2009 (December 31, 2008: 33'088 option rights).

8 Risk management

The Board of Directors of u-blox Holding AG assesses the corporate risks within the framework of a systematic risk identification and analysis. Based on this assessment, measures for risk management in the company are defined and constantly monitored. The company has a risk management system which is designed for the prompt identification and analysis of risks as well as the initiation of corresponding measures.

Financial risk management is described in more detail in Note 25 to the consolidated financial statements. The organization, principles and reporting of risk management are described in Corporate Governance under the subtitle 'Risk management'.

9 Events after the balance sheet date

In January 2010 the subsidiaries of u-blox Holding AG granted 126'208 employee stock options on shares of u-blox Holding AG to certain members of the Board of Directors, Executive Committee members and employees.

There have been no other events between December 31, 2009 and March 12, 2010 that would lead to an adjustment of the carrying amounts of assets and liabilities presented at December 31, 2009 or would otherwise have to be disclosed.

Proposal of the Board of Directors for appropriation of retained earnings 2009

(in CHF)	2009	2008
Net profit for the year	4'093'973	1'032'160
Brought forward from previous year	1'199'821	167'661
Retained earnings	**5'293'794**	**1'199'821**

The Board of Directors proposes to the Annual General Meeting the following appropriation of retained earnings at December 31, 2009

To be carried forward	5'293'794	1'199'821

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

u-blox Holding AG, Thalwil

As statutory auditor, we have audited the financial statements of u-blox Holding AG, which are presented on page 105 to 114 and comprise the statement of financial position, income statement and notes for the year ended December 31, 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

Opinion
In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Markus Forrer
Licensed Audit Expert
Auditor in Charge

Urs Matter
Licensed Audit Expert

Root/Lucerne, March 12, 2010

Three year overview

Condensed consolidated income statement

(in CHF 000s)	For the year ended December 31, 2009	2008	2007
Revenue	**73'527**	**74'506**	**78'360**
% growth	-1.3%	-4.9%	44.1%
Cost of revenue	-34'644	-42'710	-49'810
Gross profit	**38'883**	**31'796**	**28'550**
% gross profit margin	52.9%	42.7%	36.4%
Operating expenses	-33'697	-23'385	-23'029
Profit from operations (EBIT)	**5'186**	**8'411**	**5'521**
% EBIT margin	7.1%	11.3%	7.0%
Financial income	251	2'268	665
Finance costs	-1'490	-7	-1'932
Profit before income taxes (EBT)	**3'947**	**10'672**	**4'254**
% EBT margin	5.4%	14.3%	5.4%
Income tax expense	-621	-1'911	1'190
Net profit	**3'326**	**8'761**	**5'444**
% net profit margin	4.5%	11.8%	6.9%
Depreciation and amortization	7'495	4'466	3'346
EBITDA	**12'681**	**12'877**	**8'867**
% EBITDA margin	17.2%	17.3%	11.3%

Condensed consolidated statement of financial position

(in CHF 000s)	At December 31, 2009	At December 31, 2008	At December 31, 2007
Assets			
Current assets			
Cash and cash equivalents	20’153	37’147	85’922
Short-term investments	5’000	47’500	0
Marketable securities	39’740	0	0
Trade accounts receivable	8’344	5’940	7’772
Inventory	7’561	15’584	5’171
Other current assets	3’501	4’081	2’407
Total current assets	**84’299**	**110’252**	**101’272**
Non-current assets			
Property, plant and equipment	4’229	2’466	2’511
Intangible assets	31’424	3’314	3’129
Financial assets	381	307	247
Deferred tax assets	4’686	4’529	6’034
Total non-current assets	**40’720**	**10’616**	**11’921**
Total assets	**125’019**	**120’868**	**113’193**
Liabilities and equity			
Current liabilities	12’270	12’626	14’210
Non-current liabilities	3’308	2’325	1’381
Total liabilities	**15’578**	**14’951**	**15’591**
Shareholders’ equity			
Share capital	5’619	5’619	5’619
Share premium	102’830	102’132	101’860
Retained earnings/(accumulated losses)	992	-1’834	-9’877
Total equity	**109’441**	**105’917**	**97’602**
Total liabilities and equity	**125’019**	**120’868**	**113’193**

Condensed consolidated statement of cash flows

	For the year ended December 31,		
(in CHF 000s)	2009	2008	2007
Net cash provided by operating activities	14’736	2’570	16’663
Net cash used in investing activities	-31’774	-50’239	-4’974
Net cash (used in)/provided by financing activities	-6	-364	58’870
Net (decrease)/increase in cash and cash equivalents	**-17’044**	**-48’033**	**70’559**
Cash and cash equivalents at beginning of year	37’147	85’922	16’011
Effect of exchange rate fluctuations on cash and cash equivalents	50	-742	-648
Cash and cash equivalents at end of year	**20’153**	**37’147**	**85’922**

Investor information and contacts

u-blox Holding AG

Ticker details for u-blox shares

• Listing	SIX Swiss Exchange
• Ticker Symbol	UBXN
• ISIN-No.	CH0033361673
• Swiss Security-No.	3336167
• Reuters	UBXN S
• Bloomberg	UBXN SW

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Website

www.u-blox.com

Financial calendar

- Annual General Assembly: April 29, 2010
- Half Year Results 2010: September 3, 2010

World-wide presence

Disclaimer
This document contains certain forward-looking statements. Such forward-looking statements reflect the current views of management and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the u-blox Group to differ materially from those expressed or implied. These include risks related to the success of and demand for the Group's products, the potential for the Group's products to become obsolete, the Group's ability to defend its intellectual property, the Group's ability to develop and commercialize new products in a timely manner, the dynamic and competitive environment in which the Group operates, the regulatory environment, changes in currency exchange rates, the Group's ability to generate revenues and profitability, and the Group's ability to realize its expansion projects in a timely manner. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. u-blox is providing the information in this release as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

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