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# TECHNOLOGY FOR LIFE

Corporate Governance and Financial Report 2014



## Corporate Governance

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# Corporate Governance

# 2014



# Corporate Governance

The report describes the management structure, organization and control within the u-blox group at December 31, 2014. The report in conjunction with the Compensation Report fulfill the main requirements of the "Directive on Information relating to Corporate Governance" of the SIX Swiss Exchange.

## 1 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 (Valor No. 3336167, ISIN CH0033361673, ticker symbol: UBXN). Hereinafter, u-blox Holding AG is referred to as u-blox.

The market capitalization at December 31, 2014 was CHF 905 million (based on the outstanding ordinary share capital).

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 consolidated financial statements. The operational group structure is organized according to different areas of responsibilities of each member of the Executive Committee. These responsibilities apply across the entire group and on a global basis.

## 2 Shareholders of u-blox

### Significant shareholders

As of December 31, 2014, u-blox had 3'756 registered shareholders. According to the disclosures of shareholders, the largest shareholders (> 3%), based on the share capital registered in the commercial register (6'455'496), were:

Black Rock Inc. (indirectly), USA	9.82%
Werner and Anne Dubach, Hergiswil, Switzerland	9.56%
LB Swiss Investment AG, Zurich, Switzerland	4.89%
Credit Suisse Funds AG, Zurich, Switzerland	4.08%
UBS Fund Management AG, Basel, Switzerland	3.17%
Black Rock Global Funds-Swiss Small & MidCap Opportunities Fund, Switzerland	3.02%

The shareholders reduced or increased their shareholding progressively. For further detail see: [www.six-swiss-exchange.com](http://www.six-swiss-exchange.com) under "Market Data – Overview – Significant Shareholders."

### Cross shareholdings

u-blox has no cross shareholdings in any company.

## 3 Capital structure

### Share capital of u-blox

#### Ordinary share capital

On December 31, 2014 the outstanding ordinary share capital of u-blox was CHF 5'929'812.90 fully paid in and divided into 6'588'681 registered shares of CHF 0.90 nominal value each. 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.

#### Authorized share capital

According to art 3b of the articles of association, the Board of Directors is authorized, at any time until October 16, 2015, to increase the share capital through the issuance of up to 1'261'000 fully paid-in registered shares with a nominal value of CHF 0.90 each in an aggregate amount not to exceed CHF 1'134'900. 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.

The Board of Directors has not increased the share capital on the basis of article 3b of the articles of association in 2014.

#### Conditional share capital

According to article 3a of the articles of association, the share capital of u-blox may be increased by a maximum aggregate amount of CHF 432'035.10 by issuing up to 480'039 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 subscription rights of the shareholders are excluded for such a capital increase.

#### Changes in share capital

As a result of the exercise of options in 2014 the conditional share capital has reduced to 346'854 registered shares and the outstanding ordinary share capital has increased to 6'588'681 registered shares. Refer to page 75 (condensed consolidated statement of financial position) of this report for more information on changes in share capital over the last three years.

### 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, except options under the employee stock option plan. The total number of outstanding options issued to employees and members of the Board of Directors at December 31, 2014 was 437'574 (6.6 % of the outstanding ordinary share capital).

Grant	Vesting date	Expiry date	Exercise price in CHF	Options outstanding at Dec. 31, 2014
2010	January 1, 2013	January 1, 2016	25.50	9'477
2010	January 1, 2013	January 1, 2016	26.25 *	55
2011	January 1, 2014	January 1, 2017	48.58	28'909
2011	January 1, 2014	January 1, 2017	50.30 *	1'146
2012	January 1, 2015	January 1, 2018	39.91	133'309
2012	January 1, 2015	January 1, 2018	41.20 *	7'369
2013	January 1, 2016	January 1, 2018	25.50	104'886
2013	January 1, 2016	January 1, 2018	39.15 **	9'876
2014	January 1, 2017	January 1, 2019	59.29	126'190
2014	January 1, 2017	January 1, 2019	96.15 **	16'357
Total				437'574

\* Options granted to employees of u-blox America Inc.

\*\* Options granted to employees of u-blox America Inc., u-blox San Diego Inc., u-blox Espoo Oy, u-blox Melbourn Ltd., Leuven branch.

One option grants the right to purchase one share.

## 4 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.

Shareholders recorded in the share register as voting shareholders, usually 7-12 days before the date of the general meeting, are admitted to the meeting and entitled to vote.

The deadline for registration is defined by the Board of Directors and published on the company's website under Investor Relations ([www.u-blox.com](http://www.u-blox.com)).

### No restriction on transfer of shares

No restrictions apply to the transfer of shares.

## 5 Board of Directors

Composition of the Board of Directors at December 31, 2014:



**Prof. Fritz Fahrni, Swiss**

### **Fritz Fahrni**

#### **Function at u-blox**

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

#### **Professional background**

Prof. 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**

Prof. Fritz Fahrni is a member of the Board of the University Hospital Balgrist, Switzerland and a member of the Industrial Board of CTI Start up, Switzerland. He is an individual member of the Swiss Academy of Technical Sciences.



**Hans-Ulrich Müller, Swiss**

### **Hans-Ulrich Müller**

#### **Function at u-blox**

Hans-Ulrich Müller has been appointed Vice-Chairman of the Board of Directors since incorporation of u-blox Holding AG in 2007. He acts as member of the Board of Directors of u-blox AG since 1998 and since 2006 as Vice-Chairman. He served as interim CEO of u-blox AG from 2001 to 2002. 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 was Partner at Partners Group Switzerland from 2001 to 2012. He is Operating Partner since 2012.

#### **Other positions or consultancy agreements**

Hans-Ulrich Müller is member of the Board of Rioglass Solar Holding SA, Spain.



**Prof. Gerhard Tröster, German and Swiss**

#### **Gerhard Tröster**

##### **Function at u-blox**

Prof. Gerhard Tröster has served as a member of the Board of Directors since the incorporation of u-blox Holding AG in 2007. He is also a member of the Board of Directors of u-blox AG. 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 of Directors between 2001 and 2003. 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, Germany and a PhD degree from the Technical University of Darmstadt, Germany, 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) heading 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 Amphiro AG, Switzerland.



**Thomas Seiler, Swiss**

#### **Thomas Seiler**

##### **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 Holding AG in 2007. He serves as CEO and Head of Marketing and Sales of u-blox AG since 2002. In 2006 he was appointed member of the Board of Directors of u-blox AG.

##### **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 Artum AG, Switzerland.

Composition of the Board of Directors at December 31, 2014:



**Jean-Pierre Wyss, Swiss**

**Jean-Pierre Wyss**  
**Function at u-blox**

Since the incorporation of u-blox Holding AG in 2007 Jean-Pierre Wyss has served as a member of the Board of Directors and, until 2011, as CFO. Since 1997, he has served as a member of the Board of Directors, CFO (until 2011) and Head of Production and Logistics of u-blox AG.

**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.

**Other positions or consultancy agreements**

Jean-Pierre Wyss is a member of the board of Ardo Medical AG, Switzerland.



**Soo Boon Quek, Singaporean**

**Soo Boon Quek**  
**Function at u-blox**

Soo Boon Quek has served as a member of the Board of Directors of u-blox Holding AG since the incorporation of u-blox in 2007. She also serves as a member of the Board of Directors of u-blox AG since 2006. 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 is the Managing Partner of iGlobe Partners.

**Other positions or consultancy agreements**

Soo Boon Quek is a Board member of the following companies: Verisilicon Holdings Co. Ltd., Forte Media Inc., Anacle Systems Pte Ltd. and Sparky Animation Pte Ltd. She is Council Member of the Singapore Chinese Chamber of Commerce and the Singapore Board member of Swissnex.



**Dr. Paul Van Iseghem, Belgian**

**Paul Van Iseghem**

**Function at u-blox**

Dr. Paul Van Iseghem was elected member of the Board of Directors of u-blox Holding AG and u-blox AG in 2011. He is a member of the audit committee. He is a Non-Executive Director.

**Professional background**

Dr. Paul Van Iseghem holds a Ph.D. in Engineering from the University of California, USA, and a master degree in Engineering from the University of Leuven, Belgium. He led LEM Holding SA as CEO and president from 2005 to 2010. From 2000 to 2005, he led the components division of LEM. Before joining LEM, he held various management positions in Europe and the US in the engineering industry.

**Other positions or consultancy agreements**

None.

**Election and term of office**

Each Director, the chairman and the members of the committees are elected individually. Their term expires in 2015 and must be extended annually pursuant to the Swiss Ordinance against Excessive Compensation.

Name	Member since	Terms expires	Age	Position	Position Committee
Fritz Fahrni	2008	2015	72	Chairman	Member NCC
Hans-Ulrich Müller	2007	2015	68	Vice-Chairman	Chairman AC
Gerhard Tröster	2007	2015	61	Member	Chairman NCC
Thomas Seiler	2007	2015	58	Member	
Jean-Pierre Wyss	2007	2015	45	Member	
Soo Boon Quek	2007	2015	64	Member	
Paul Van Iseghem	2011	2015	68	Member	Member AC

## 6 Internal Organization of the Board of Directors

Decisions are made by the Board of Directors as a whole, with the support of the Nomination and Compensation Committee and the Audit Committee.

The primary functions of the Board of Directors include:

- Providing the strategic direction of the group.
- Determining the organizational structure and governance rules of the group.
- Approving acquisitions.
- Reviewing and approving the annual financial statements and results.
- Preparing matters to be presented at General Meetings.
- Reviewing the Risk Management System.
- Appointment and removal of, as well as the structure of remuneration/ compensation payables to members of the Executive Committee and of the Board of Directors.

Further detail is provided under the Rules of Procedure available under the Investor Relations / Corporate Governance section of the company website.

The Board of Directors convened 9 times in 2014. The duration of each meeting was typically between 2 and 4 hours.

### Role and functioning of the Board Committees

Each Committee member and its chairman are elected by the Board with the exception of the members of the Nomination Committee, which are elected by the General Meeting. For further detail see the Rules of Procedure available under the Investor Relations / Corporate Governance section of the company website.

### Audit Committee

The Audit Committee is composed of Hans-Ulrich Müller (chair) and Paul Van Iseghem.

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.
- The quality of audit services rendered by the external and internal auditors.

The Committee convened twice, once for the preparation of the annual report and once for the preparation of the half year report. The auditors, the members of the audit committee, the CFO, the CEO, the Chairman of the Board, Jean-Pierre Wyss and the General Counsel participated in the meeting. The duration of each meeting was about 1 hour.

### Nomination and Compensation Committee

The Nomination and Compensation Committee 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, compensation policy and report, appointment and removal of, as well as the structure of remuneration/ compensation payables to members of the Executive Committee and of the Board of Directors.
- It drafts the employee stock ownership program.
- It proposes the allotment of options within the scope of the employee stock ownership program.

The Committee convened twice. The CEO participated in each meeting. The CFO and the General Counsel participated in one meeting. The duration of each meeting was about one hour.

### Delegation

The Board delegates the executive management of the company to the members of the Executive Committee, as further defined in the Rules of Procedure available under the Investor Relations / Corporate Governance section of the company website.

## 7 Information and control systems of the Board towards management

### Information

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 Executive Vice President Production and Logistics are members of the Board of u-blox. All Board members are also members of the Board of u-blox AG. All Executive Committee members participate in the Board meetings and each member presents a status report at each meeting.
- A monthly status report is prepared by the CEO and submitted to the Board.
- The CFO and CEO participated in each Audit Committee. The minutes of Committee meetings are made available to all Board Members.
- The Chairman of the Board meets the CEO approximately every month to discuss the strategy or prepare Board meetings.
- A working group consisting of the CEO and Mr. Paul Van Iseghem (chair) ensures that the Board is informed on the strategic options of the company. The working group has convened once and informed the Board on the strategic options it has identified.
- The auditors participated in each Audit Committee meeting.

### Risk management

A risk assessment plan for the group is prepared by the Executive Committee and presented to the Board on an ongoing basis. 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.

At each Board meeting risks and a risk mitigation plan were presented 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.

## 8 Management of the group

The members of the Executive Committee are:

Name	Age	Position
Thomas Seiler	58	CEO
Roland Jud	47	CFO
Jean-Pierre Wyss	45	EVP Production and Logistics
Daniel Ammann	45	EVP Positioning Products
Andreas Thiel	47	EVP Cellular Products

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:

- Conduct of the day-to-day-business and developing of new business.
- Implementation and enforcement of resolutions adopted and instructions given by the Board.
- Management and supervision of staff.

### Management contracts

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

## 9 Executive Committee



**Thomas Seiler, Swiss**

### **Thomas Seiler**

#### **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 Holding AG in 2007. He serves as CEO and Head of Marketing and Sales of u-blox AG since 2002. In 2006 he was appointed member of the Board of Directors of u-blox AG.

#### **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 Artum AG, Switzerland.



**Jean-Pierre Wyss, Swiss**

### **Jean-Pierre Wyss**

#### **Function at u-blox**

Since the incorporation of u-blox Holding AG in 2007 Jean-Pierre Wyss has served as a member of the Board of Directors and, until 2011, as CFO. Since 1997, he has served as a member of the Board of Directors, CFO (until 2011) and acts as Executive Director Production and Logistics.

#### **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.

#### **Other positions or consultancy agreements**

Jean-Pierre Wyss is a member of the board of Ardo Medical AG, Switzerland.



**Daniel Ammann, Swiss**

**Daniel Ammann**

**Function at u-blox**

Daniel Ammann has served as Executive Vice President (R&D Software) of u-blox Holding AG from 2007 to 2012. He has been a member of the Board of u-blox AG from 1997 to 2003 and acted as Executive Vice President R&D Software from 1997 to 2012. He acts as Executive Director Positioning Product Development since 2012.

**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.

**Other positions or consultancy agreements**

Daniel Ammann is a member of the Board of Scancorner AG, Switzerland.



**Andreas Thiel, German and Swiss**

**Andreas Thiel**

**Function at u-blox**

Andreas Thiel has served as Executive Vice President (R&D Hardware) of u-blox Holding AG from 2007 to 2012 and as Executive Vice President R&D Hardware of u-blox AG from 1997 to 2012. He acts as Executive Director Cellular Product Development since 2012.

**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.

**Other positions or consultancy agreements**

None.



**Roland Jud, Swiss**

### Roland Jud

#### Function at u-blox

Roland Jud has been appointed CFO of both u-blox Holding AG and u-blox AG in 2011.

#### Professional background

He holds a degree in economics from the University of St. Gallen (HSG), a diploma as Swiss Certified Auditor (CPA) and a diploma as Certified IFRS/ IAS Accountant. From 1992 until 1999 he was auditor and consultant at KPMG. He served as Group Controller and Deputy CFO at Gurit-Heberlein Holding AG, Switzerland from 1999 to 2008. Thereafter, he was Head of Accounting, Reporting and ICS at Ascom Holding AG, Switzerland until 2010. From 2010 until 2011 he held the position of CFO and member of the executive committee at Nexgen AG, Switzerland.

#### Other positions or consultancy agreements

Roland Jud is a member of the advisory board of c-crowd AG, Zürich.

## 10 Shareholdings

### Ownership of u-blox shares

The total number of u-blox shares owned by members of the Executive Committee and the Board of Directors at December 31, 2014 (including holdings of "persons closely linked"\*) is shown in the tables below.

#### Non-executive members of the Board

	Number of shares
Fritz Fahrni	14'670
Hans-Ulrich Müller	25'000
Gerhard Tröster	23'190
Paul Van Iseghem	175
Soo Boon Quek	0

#### Executive Committee

	Number of shares
Thomas Seiler	120'964
Andreas Thiel	44'000
Jean-Pierre Wyss	34'805
Daniel Ammann	39'000
Roland Jud	300

\* "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.

### Ownership of u-blox options

The total number of u-blox options owned by members of the Executive Committee and the Board of Directors at December 31, 2014 is shown in the tables below.

Non-executive members of the Board	Number of vested Options	Number of non vested Options
Fritz Fahrni	0	1'622
Hans-Ulrich Müller	0	1'622
Gerhard Tröster	0	1'622
Paul Van Iseghem	0	1'424
Soo Boon Quek	0	1'622

\* Stock option grants in 2012, 2013, 2014.

Executive Committee	Number of vested Options*	Number of non vested Options**
Thomas Seiler	0	20'290
Andreas Thiel	0	20'290
Jean-Pierre Wyss	0	20'290
Daniel Ammann	7'804	20'290
Roland Jud	0	15'363

\* Stock option grants in 2011

\*\* Stock option grants in 2012, 2013, 2014.

With respect to options with a grant date on or prior to 1. January 2012, the exercise price is the lower amount 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.

With respect to options with a grant date on January 1, 2013, or January 1, 2014 the exercise price is calculated by deducting 33% from the lower price 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 exercise price, vesting period, duration and subscription ratio of each plan are mentioned in section 3 of the Corporate Governance Report (Capital structure).

## 11 Auditors

### **Duration of the mandate and term of office of the lead auditor**

In 2014, KPMG AG, Lucerne was re-appointed as Statutory Auditor of u-blox. KPMG Lucerne has been appointed each year since incorporation of u-blox in 2007. Mr. Daniel Haas, Partner, has been acting as the lead auditor.

### **Auditing fees**

Total auditing fees charged by KPMG for mandatory audits of u-blox for the financial year 2014 amount to CHF 385'601 (excl. VAT).

### **Additional fees**

Additional fees charged by KPMG during the financial year 2014 amounted to CHF 180'142 (excl. VAT) for tax advice and consulting.

### **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 at both Audit Committee meetings in 2014.

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.

## 12 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](http://www.u-blox.com).

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## 13 Compensation policy

The compensation of members of the Board of Directors (BOD) and the Executive Committee members (EC) is reviewed annually by the Nomination and Compensation Committee (NCC). The total compensation is benchmarked against companies in the SWX Technology index (SWX ID TECH TR). In 2014, 13 companies were included in the benchmark based on the aforementioned criteria (the Benchmark).

The BOD determines the compensation of the BOD and the EC members based on the recommendations of the NCC. The total compensation is based on a discretionary decision of the BOD, without external consultants, taking into account the Benchmark and the salary structure of the Company.

As of 2015, the compensation for the BOD is proposed for approval at the general assembly for the period from the annual general assembly to the following annual general assembly. As of 2015, the compensation of the EC is proposed for approval at the general assembly for the next fiscal year.

### 1 Composition and modus operandi of the NCC

The NCC is chaired by a member nominated by the BOD. The CEO, the CFO or other members of the BOD, the auditors or expert persons may, at the request of the chairman of the NCC, attend the meetings in an advisory capacity. Minutes of the meetings are distributed to the BOD. The NCC Chairman reports on the activities of the NCC at the next meeting of the BOD.

The NCC prepares the compensation policy concerning remuneration for the BOD and the EC and submits proposals to the BOD. The BOD approves the compensation policy, the fixed salary, the number of options and the variable compensation for the members of the EC and, as applicable, for the members of the BOD. Only non-executive members of the BOD have voting rights on the compensation policy.

The NCC prepares the compensation report and ensures that the report is approved by the auditors.

### 2 Compensation of the non-executive members of the Board of Directors

The remuneration of the members of the BOD is designed to attract and retain experienced and motivated people for the BOD function. The remuneration should be competitive and in an appropriate relation to remunerations paid out in the market. No options are granted to BOD members.

#### Fee

The remuneration is a fee related to the member's function and paid out in cash. No variable profit-related compensation is paid.

### Pension and other benefits

No pension, social insurance contributions or benefits are granted to the BOD members, except where compulsory under Swiss law.

### Compensation 2014

The compensation was increased to compensate the BOD for not participating in the stock option plan any longer pursuant to a proposal of the NCC. The value of the options for the calculation of the compensation was defined pursuant to the estimated Fair Value at grant date in 2015. The decision was taken by the BOD within its discretion, without external consultants and in accordance with the principles defined in this compensation policy.

### 3 Compensation of the members of the Executive Committee

The remuneration policy of u-blox is designed to retain highly skilled and motivated entrepreneurial executive staff over the long term and provide an incentive to achieve a sustainable increase in the shareholder value. It is designed to achieve the following objectives:

- Total remuneration should attract and retain EC members.
- The interests of management should be aligned with the long term interests of shareholders.
- The remuneration model should support team effort and spirit among EC members.
- The achievement of Key Performance Indicators (KPIs) should be rewarded as a team achievement.

The compensation package of the EC consists of a base salary, stock options, a variable bonus and contributions to pension funds and social insurance. EC members are not remunerated for BOD or other executive positions held within the Group.

#### Base Salary

The base salary of the CEO is defined to offer a competitive base salary compared to base salaries offered by other companies in the benchmarked market and taking into account his seniority and experience.

The base salary of the other EC members is defined to achieve both a competitive base salary compared to base salaries offered by other companies in the benchmarked market and to ensure a strong team spirit. The base salary is therefore not defined individually, but as a ratio of the base salary of the CEO. The base salary is paid out monthly in cash.

#### Stock Options

The aim of the stock option scheme has remained unchanged since inception of the participation schemes: encourage the long term commitment of employees to u-blox and ensure that both shareholders and employees have a common long term interest. Stock options were granted to virtually all employees for more than 10 years. The number of options granted is therefore not determined by the achievement of personal long or short term performance objectives. Instead, each EC member is granted the same number of options, also in an attempt to support a strong team spirit.

Each option grants the owner the right to purchase one share at a certain price (exercise price). The option can be exercised earliest three years and latest six years after the grant date and expires six years after the grant date. The unvested options expire on the day following the last day of employment of the EC member. Unvested options may be exercised in case of death or invalidity and - with respect to options granted in 2014 or thereafter – in case of retirement (accelerated vesting).

The exercise price is the lower amount 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.

At the beginning of each year, the NCC proposes a maximum amount to be paid out in options for the EC members and the corresponding number of options determined pursuant to an estimated Fair Value of the options at grant date, to the BOD. The BOD proposes such amount to the general assembly for approval. The options provisionally allocated to the EC members represent a significant value by comparison to the base salary in order to ensure the market competitiveness of the total compensation, and that long term commitment and the continual increase of shareholder value is appropriately incentivized.

#### Variable Bonus

The bonus is designed to achieve two purposes: firstly reward the achievement of proven KPIs which should reflect the interest of shareholders and secondly, maintain a strong team spirit.

In order to ensure that a strong team spirit is maintained between EC members, KPIs should be measurable according to objective (not subjective) criteria and, wherever reasonable, be identical for each EC member. The bonus depends on two KPIs:

- i) the increase of the EBIT in percent of revenue (EBIT margin) and
- ii) the change of the revenue of the group compared to the previous year (revenue growth rate).

For the CEO, in view of his responsibilities, both KPIs are weighted more strongly than compared to other members of the EC. E.g. a 20% increase in revenue and a 10% EBIT margin results in a 67.7% bonus (in percent of the base salary) while a 20% increase in revenue and a 15% EBIT margin results in a 87% bonus. The CEO has a maximum bonus of 150% of the base salary.

The bonus of the CEO considers both the revenue growth and the EBIT growth, whereby a linear model applies to the revenue growth and an exponential model for the EBIT growth.

The bonus rate as a multiplier of the base salary is defined as follows for the CEO:

$$3 + 0.7 \times ((\text{revenue growth factor} - 1) - 0.15)) \times e^{(\text{EBIT margin} - 0.4) \times 5}$$

For other EC members than the CEO the impact of changed KPIs is lower. E.g. a 20% increase in revenue and a 10% EBIT margin results in a 39% bonus (in percent of base salary), while a 20% revenue increase and a 15% EBIT margin would result in a 49.5% bonus. The bonus of the other EC members is limited to 100% of the base salary.

The bonus of the other EC members considers both the revenue growth and the EBIT growth with a linear model.

The bonus rate as a multiplier of the base salary is defined as follows for the other EC members:

$$1 + 0.4 \times ((\text{revenue growth factor} - 1) - 0.15) + 2.1 \times (\text{EBIT margin} - 0.4)$$

For both schemes no bonus is paid out if the EBIT margin is zero or negative.

The bonus is paid out in cash after the annual general assembly.

#### Pension funds and social insurance benefits

The aim is to provide EC members, respectively their family members, a financial coverage in case of retirement, illness, invalidity or death in line with market practices and regulations. The members of the EC, like all eligible employees in Switzerland, are insured against the risks of old age, death and disability (AHV). With respect to pension benefits (amounts which give rise to pension entitlements or increase pension benefits) the employer contributes with 60% of the obligatory pension scheme fees and as of 1. October 2014 with approximately 56% of the non-obligatory private pension scheme fees.

#### Other Benefits

The CEO is entitled to the use of a company car.

#### Compensation 2014

On 1st November 2013 a review of the total compensation including base salary, stock options and bonus of EC members was performed by the Chairman of the NCC. The benchmark was performed with 7 companies selected from the SWX technology index (SWX ID TECH TR). The benchmarked companies are active in the semiconductor industry or provide software, logistics or telecommunication solutions, industrial or consumer electronics. On the basis of the review, the BOD decided that as of 1. January 2014, the base salary of each EC member will be increased by 5% in order to reach the median total compensation of the benchmarked companies.

The number of options to be attributed was increased by 1561 per EC member in order to take into account the reduced value of at-the-money options compared to in-the-money options (for further details see the audited compensation report). The total number of options to be granted was defined by the BOD within its discretion, without external consultants, and taking into account the Benchmark.

The KPIs and formula for determining the variable bonus amount remained unchanged compared to the previous years because the long development times for products (several years), together with the long adoption period of u-blox products by relevant customers, make the selected KPIs most appropriate in this business environment. The long market cycles reward only a long term strategy and engagement, and continual effort by the EC. Furthermore, over the last decade, the KPIs have remained unchanged. The success of the past proves that the bonus scheme is in the interest of shareholders.

### Employment contracts

The employment contracts of the members of the EC may be subject to a minimum of six and a maximum of twelve-month notice period. No termination benefits are payable. The contracts do not contain a clause relating to change of control.

EC members may be subject to non-compete provisions upon termination of their employment contract which however will not exceed 12 months after the termination date. In case an EC member terminates his contract, the company may trigger the non-compete obligation in exchange for a fee limited to 50% of the EC member's annual base salary.

### Loans

No loans or credits are granted to members of the BOD or EC.

## 14 Compensation report 2014

### 1 Board

The BOD decided not to grant options for 2014 any longer to the BOD members and that the BOD members will be compensated exclusively in cash. No fees are paid to executive BOD members.

#### Compensation for the members of the Board of Directors 2014

	Fee CHF	Social insurance <sup>1</sup> CHF	Total Compensation CHF
Fritz Fahrni (Chairman)	95'000	6'080	101'080
Hans-Ulrich Müller (Chairman Audit Committee)	78'000	4'992	82'992
Gerhard Tröster (Chairman NCC)	78'000	5'850	83'850
Soo Boon Quek	60'000	0	60'000
Paul Van Iseghem (Strategy Committee)	78'000	4'992	82'992
Thomas Seiler	0	0	0
Jean-Pierre Wyss	0	0	0
<b>Total</b>	<b>389'000</b>	<b>21'914</b>	<b>410'914</b>

<sup>1)</sup> Mandatory social insurance

#### Compensation for the members of the Board of Directors 2013

	Fee CHF	Number of Options	Value of Options <sup>1</sup> CHF	Social insur- ance <sup>2</sup> CHF	Total Compen- sation CHF
Fritz Fahrni (Chairman)	60'000	499	21'726	5'339	87'066
Hans-Ulrich Müller (Chairman Audit Committee)	45'000	499	21'726	4'379	71'106
Gerhard Tröster (Chairman NCC)	45'000	499	21'726	4'874	71'601
Soo Boon Quek	30'000	499	21'726	1'499	53'226
Paul Van Iseghem (Strategy Committee)	45'000	499	21'726	4'379	71'106
Thomas Seiler	0	0	0	0	0
Jean-Pierre Wyss	0	0	0	0	0
<b>Total</b>	<b>225'000</b>	<b>2'495</b>	<b>108'632</b>	<b>20'471</b>	<b>354'103</b>

<sup>1)</sup> Options granted in 2014 for performance of 2013. The fair value of the options is CHF 43.54 per option at grant date on 1. January 2014.

Strike price: 48.58; Vesting date: 1. January 2017; Expiry date: 1. January 2020.

<sup>2)</sup> Mandatory social insurance paid on the fee and on the fair value of options granted on 1. January 2014.

### 2 Executive Committee

#### Variable Bonus

CEO:

In 2014, the bonus of the CEO amounted to 85.2% of the base salary.

Other EC members:

In 2014, the bonus of the other EC members amounted to 49.5% of the base salary.

The bonus amount has increased compared to 2013 because the base salary has increased, the bonus ratio however remained similar to the year before as revenue growth was slower, but EBIT stronger compared to the previous year.

#### Options

In 2014, the BOD decided, based on a proposal of the NCC, to not grant in-the-money (i.e. the strike price is below the stock price) options to the EC any longer but to grant at-the-money (i.e. the strike price equals the stock price) options instead. The number of options granted for 2014 was increased by 1561 options per EC member to compensate for the reduced value of at-the-money options compared to in-the-money options.

## Compensation paid to the members of the Executive Committee 2014

	Base Salary	Number of Options	Value of Options <sup>1</sup>	Bonus <sup>2</sup>	Pension and Social insurance funds <sup>3</sup>	Other benefits <sup>4</sup>	Total Compensation
	CHF		CHF	CHF	CHF	CHF	CHF
Thomas Seiler CEO	378'000	7'804	238'724	322'194	128'199	8'654	1'075'772
Jean-Pierre Wyss	257'575	7'804	238'724	127'570	82'747	0	706'616
Andreas Thiel	257'575	7'804	238'724	127'570	80'740	0	704'609
Daniel Ammann	257'575	7'804	238'724	127'570	81'938	0	705'807
Roland Jud <sup>5</sup>	250'639	7'609	232'759	124'135	80'903	0	688'436
<b>Total</b>	<b>1'401'362</b>	<b>38'825</b>	<b>1'187'657</b>	<b>829'039</b>	<b>454'527</b>	<b>8'654</b>	<b>3'881'240</b>

<sup>1</sup> Options granted in 2015 for performance of 2014. The fair value of the options is CHF 30.59 per option at grant date on 1. January 2015. Strike price: CHF 136.72, Vesting date: 1 January 2018; Expiry date: 1 January 2021.

<sup>2</sup> Bonus paid out in 2015 for performance of 2014.

<sup>3</sup> Mandatory social insurance paid on the fee and on the fair value of options granted on 1. January 2015.

<sup>4</sup> Company car.

<sup>5</sup> Mr. Jud has a 97.5% working time contract.

## Compensation for the members of the Executive Committee 2013

	Base Salary	Number of Options	Value of Options <sup>1</sup>	Bonus <sup>2</sup>	Pension and Social insurance funds <sup>3</sup>	Other benefits <sup>4</sup>	Total Compensation
	CHF		CHF	CHF	CHF	CHF	CHF
Thomas Seiler CEO	360'000	6'243	271'820	297'174	114'096	8'654	1'051'745
Jean-Pierre Wyss	245'309	6'243	271'820	114'877	71'682	0	703'689
Andreas Thiel	245'309	6'243	271'820	114'877	76'539	0	708'546
Daniel Ammann	245'309	6'243	271'820	114'877	71'009	0	703'016
Roland Jud <sup>5</sup>	238'703	6'087	265'028	114'650	74'872	0	693'248
<b>Total</b>	<b>1'334'632</b>	<b>31'059</b>	<b>1'352'309</b>	<b>756'455</b>	<b>408'198</b>	<b>8'654</b>	<b>3'860'248</b>

<sup>1</sup> Options granted in 2014 for performance of 2013. The fair value of the options is CHF 43.54 per option at grant date on 1. January 2014. Strike price: 48.58; Vesting date: 1. January 2017; Expiry date: 1. January 2020.

<sup>2</sup> Bonus paid out in 2014 for performance of 2013.

<sup>3</sup> Mandatory social insurance paid on the fee and on the fair value of options granted on 1. January 2014.

<sup>4</sup> Company car.

<sup>5</sup> Mr. Jud has a 97.5% working time contract.

## 3 Other Compensations

### Share allotment

No shares were allocated to the members of the BOD or the EC in 2014.

### Additional fees, remunerations, guarantees and loans

No additional fee or remuneration was paid to the members or former members of the BOD or the EC.

No guarantees or loans were granted by a group company to the members of the BOD or the EC or were outstanding on December 31, 2014.

### Persons closely linked

No remuneration, fees or loans were paid, respectively granted, to persons closely linked to members of the BOD or members of the EC.

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.



Report of the Statutory Auditor to the General Meeting of

### **u-blox Holding AG, Thalwil**

We have audited the accompanying compensation report dated December 31, 2014 of u-blox Holding AG for the year ended December 31, 2014. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in paragraph 14 of the Compensation report 2014 on pages 20 to 21.

#### **Responsibility of the Board of Directors**

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the compensation report for the year ended December 31, 2014 of u-blox Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Daniel Haas  
*Licensed Audit Expert*  
*Auditor in Charge*

Nicole Charrière Roos  
*Licensed Audit Expert*

Lucerne, March 18, 2015



# Financial Report

# 2014

# Consolidated financial statements u-blox Holding AG

## Consolidated statement of financial position

(in CHF 000s)	Note	At December 31, 2014	At December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	37'662	33'163
Marketable securities	7	21'730	27'395
Trade accounts receivables	8	38'842	29'204
Other receivables		6'591	6'765
Current tax assets		5'184	1'652
Inventories	9	33'345	22'671
Prepaid expenses and accrued income		9'742	1'501
<b>Total current assets</b>		<b>153'096</b>	<b>122'351</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	14'836	13'764
Goodwill	11	57'903	37'825
Other intangible assets	11	70'502	44'570
Financial assets		584	1'222
Deferred tax assets	23	4'826	6'777
<b>Total non-current assets</b>		<b>148'651</b>	<b>104'158</b>
<b>Total assets</b>		<b>301'747</b>	<b>226'509</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade accounts payables	12	28'623	15'318
Other payables		2'544	5'454
Current borrowings	14	20'000	0
Current tax liabilities		1'994	1'391
Provisions	15	925	0
Accrued expenses	13	16'774	13'811
<b>Total current liabilities</b>		<b>70'860</b>	<b>35'974</b>
<b>Non-current liabilities</b>			
Other payables		1'741	822
Provisions	15	3'525	1'879
Net pension liability	16	8'930	4'213
Deferred tax liabilities	23	3'815	3'185
<b>Total non-current liabilities</b>		<b>18'011</b>	<b>10'099</b>
<b>Total liabilities</b>		<b>88'871</b>	<b>46'073</b>
<b>Shareholders' equity</b>			
Share capital	17	5'930	5'810
Share premium	17	89'531	92'556
Retained earnings		117'415	82'070
<b>Total equity, attributable to owners of the parent</b>		<b>212'876</b>	<b>180'436</b>
<b>Total liabilities and equity</b>		<b>301'747</b>	<b>226'509</b>

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, 2014	For the year ended December 31, 2013
<b>Revenue</b>	5	<b>270'045</b>	<b>219'813</b>
Cost of sales		-147'323	-118'654
<b>Gross profit</b>		<b>122'722</b>	<b>101'159</b>
Distribution and marketing expenses		-24'525	-21'217
Research and development expenses	20	-49'859	-38'941
General and administrative expenses		-10'131	-11'034
Other income		868	83
<b>Operating profit (EBIT)</b>		<b>39'075</b>	<b>30'050</b>
Finance income	22	4'546	1'013
Finance costs	22	-658	-2'193
<b>Profit before income tax (EBT)</b>		<b>42'963</b>	<b>28'870</b>
Income tax expense	23	-8'566	-4'227
<b>Net profit, attributable to owners of the parent</b>		<b>34'397</b>	<b>24'643</b>
Basic earnings per share (in CHF)	18	5.27	3.86
Diluted earnings per share (in CHF)	18	5.05	3.75

## Consolidated statement of comprehensive income

(in CHF 000s)	Note	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Net profit</b>		<b>34'397</b>	<b>24'643</b>
<b>Other comprehensive income</b>			
Remeasurements on net pension liability	16	-5'295	703
Income tax on remeasurements on net pension liability	23	870	-135
<b>Items that will not be reclassified to income statement</b>		<b>-4'425</b>	<b>568</b>
Currency translation differences		-651	-96
<b>Items that are or may be reclassified subsequently to income statement</b>		<b>-651</b>	<b>-96</b>
<b>Other comprehensive income, net of taxes</b>		<b>-5'076</b>	<b>472</b>
<b>Total comprehensive income, attributable to owners of the parent</b>		<b>29'321</b>	<b>25'115</b>

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	Treasury shares	Cumulative translation differences	Other retained earnings	Retained earnings	Total equity, attributable to owners of the parent
<b>Balance at January 1, 2013</b>		<b>5'675</b>	<b>94'132</b>	<b>0</b>	-3'814	54'857	<b>51'043</b>	<b>150'850</b>
Net profit for the period		0	0	0	0	24'643	24'643	24'643
Other comprehensive income for the period, net of taxes		0	0	0	-96	568	472	472
<i>Total comprehensive income</i>		0	0	0	-96	25'211	25'115	25'115
Share-based payments <sup>1)</sup>	19/23	0	0	0	0	5'912	5'912	5'912
Dividend out of share premium		0	-6'375	0	0	0	0	-6'375
Options exercised during the year, net of transaction costs	19	135	4'799	0	0	0	0	4'934
<i>Total transactions with owners of the parent</i>		<i>135</i>	<i>-1'576</i>	<i>0</i>	<i>0</i>	<i>5'912</i>	<i>5'912</i>	<i>4'471</i>
<b>Balance at December 31, 2013</b>		<b>5'810</b>	<b>92'556</b>	<b>0</b>	-3'910	85'980	<b>82'070</b>	<b>180'436</b>
Net profit for the period		0	0	0	0	34'397	34'397	34'397
Other comprehensive income for the period, net of taxes		0	0	0	-651	-4'425	-5'076	-5'076
<i>Total comprehensive income</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>-651</i>	<i>29'972</i>	<i>29'321</i>	<i>29'321</i>
Share-based payments <sup>1)</sup>	19/23	0	0	0	0	6'531	6'531	6'531
Purchase of treasury shares		0	0	-2'001	0	0	0	-2'001
Transaction with treasury shares		0	0	2'001	0	-507	-507	1'494
Dividend out of share premium		0	-8'487	0	0	0	0	-8'487
Options exercised during the year, net of transaction costs	19	120	5'462	0	0	0	0	5'582
<i>Total transactions with owners of the parent</i>		<i>120</i>	<i>-3'025</i>	<i>0</i>	<i>0</i>	<i>6'024</i>	<i>6'024</i>	<i>3'119</i>
<b>Balance at December 31, 2014</b>		<b>5'930</b>	<b>89'531</b>	<b>0</b>	-4'561	121'976	<b>117'415</b>	<b>212'876</b>

For further information on share capital and share premium see note 17.

Approximately CHF 5.5 million of the share premium and retained earnings is not available for distribution due to legal restrictions.

<sup>1)</sup> Represents the amount of stock option expense of CHF 3.3 million (2013: 2.2 million) including respective tax effects of CHF 3.2 million (2013: CHF 3.7 million) recognized for 2014 and 2013 respectively

## Consolidated statement of cash flows

(in CHF 000s)	Note	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Net profit</b>		<b>34'397</b>	<b>24'643</b>
Adjustments for:			
Depreciation	10	6'272	4'141
Amortization	11	13'257	11'997
Share-based payment transactions	19	3'361	2'206
Change of net pension liability	16	771	597
Other non-cash transactions		-413	-95
Change of allowance for doubtful receivables		198	28
Change of allowance for obsolete inventories	9	-860	612
Finance income	22	-4'546	-1'013
Finance costs	22	658	2'193
Income tax expense	23	8'566	4'227
Change in trade and other receivables, prepaid expenses and accrued income		-11'891	-8'675
Change in inventories		-9'225	-4'101
Change in trade and other payables and accrued expenses		16'441	6'200
Change in provisions		2'571	-56
Income tax paid		-5'871	-4'421
<b>Net cash generated from operating activities</b>		<b>53'686</b>	<b>38'483</b>
Acquisition of property, plant and equipment	10	-6'963	-10'902
Acquisition of intangible assets	11	-26'721	-22'814
Proceeds from disposal of property, plant and equipment	10	98	6
Proceeds from disposal of intangible assets	11	2	27
Prepayment acquisition	30	-7'455	0
Proceeds from sale of marketable securities		7'409	8'611
Acquisition of financial assets		-92	-33
Acquisition of subsidiaries, net of cash acquired	4	-30'149	0
Acquisition of marketable securities		-2'046	-9'173
Interest received		517	640
<b>Net cash used in investing activities</b>		<b>-65'400</b>	<b>-33'638</b>
Proceeds from exercise of options		5'582	4'934
Dividends paid to owners of the company		-8'487	-6'375
Repayments of borrowings and other payables	14	0	-3'315
Proceeds from borrowings	14	20'000	0
Purchase of treasury shares		-2'001	0
Interest paid		-103	-28
<b>Net cash generated from/(used in) financing activities</b>		<b>14'991</b>	<b>-4'784</b>
<b>Net increase in cash and cash equivalents</b>		<b>3'277</b>	<b>61</b>
Cash and cash equivalents at beginning of year		33'163	33'416
Exchange gains/(losses) on cash and cash equivalents		1'222	-314
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>37'662</b>	<b>33'163</b>

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' or 'the parent'), incorporated on September 21, 2007 in Thalwil, Switzerland, and its consolidated subsidiaries (together "the group entities"). 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. The shares of u-blox Holding AG are listed on the Main Standard of the SIX Swiss Exchange.

u-blox' core activities comprise the development, manufacturing and marketing of products and services supporting GPS/GNSS satellite positioning systems. u-blox offers a range of GPS/GNSS positioning products, including satellite receiver chips and chipsets, receiver modules, receiver boards, antennas and smart antennas which are in use worldwide for navigation, automatic vehicle location, security, traffic control, location based services, timing and agriculture. Since 2009 u-blox offers also wireless products and services. In 2014, u-blox expanded its wireless activities by acquisition into short range radio area (note 4). 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 and for net defined benefit obligations, that are measured at fair value of plan assets less the present value of the defined benefit obligations. The consolidated financial statements are presented in Swiss Francs (CHF), rounded to the nearest thousand unless otherwise stated. Group entities 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 principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Changes in accounting policy and disclosure

- IFRIC 21 Levies
- IAS 32 Offsetting Financial Assets and Financial Liabilities
- Various Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

As of January 1, 2014, u-blox has adopted various amendments to existing International Financial Reporting Standards (IFRSs) and Interpretations. The new and amended standards have no material impact on the Group's results or financial position.

### New IFRSs issued but not yet effective in 2014

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 reflect a first assessment by group management.

Standard/Interpretation		Impact	Effective date	Planned application by u-blox
<i>New Standards and Interpretations</i>				
IFRS 14	Regulatory Deferral Accounts	1)	January 1, 2016	Reporting year 2016
IFRS 15	Revenue from Contracts with Customers	3)	January 1, 2017	Reporting year 2017
IFRS 9	Financial Instruments	3)	January 1, 2018	Reporting year 2018
<i>Revisions and amendments of Standards and Interpretations</i>				
	IAS 19 Employee Contributions (Amendments to IAS 19)	1)	July 1, 2014	Reporting year 2015
	Various Annual Improvements to IFRSs 2010-2012 Cycle	1)	July 1, 2014	Reporting year 2015
	Various Annual Improvements to IFRSs 2011-2013 Cycle	1)	July 1, 2014	Reporting year 2015
	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1)	January 1, 2016	Reporting year 2016
	Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	1)	January 1, 2016	Reporting year 2016
	Bearer Plants (Amendments to IAS 16 and IAS 41)	1)	January 1, 2016	Reporting year 2016
	Equity Method in Separate Financial Statements (Amendments to IAS 27)	1)	January 1, 2016	Reporting year 2016
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1)	January 1, 2016	Reporting year 2016
	Annual Improvements to IFRSs 2012-2014 Cycle	1)	January 1, 2016	Reporting year 2016
	Disclosure Initiative (Amendments to IAS 1)	3)	January 1, 2016	Reporting year 2016
	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1)	January 1, 2016	Reporting year 2016

<sup>1)</sup> No or no significant impacts are expected on the consolidated financial statements of u-blox.

<sup>2)</sup> Mainly additional disclosures are expected in the consolidated financial statements of u-blox.

<sup>3)</sup> The impact on the consolidated financial statements of u-blox can not yet be determined with sufficient reliability.

## Principles of consolidation

The consolidated financial statements include the financial statements of u-blox Holding AG, which provides holding functions, and its subsidiaries, the following entities at December 31, 2014 and 2013:

Company	Share capital (million)	Ownership interest Dec. 31, 2014	Ownership interest Dec. 31, 2013	Function
u-blox AG, CH-Thalwil	CHF 4.23	100%	100%	E
u-blox Europe Ltd., UK-Charing	GBP 0.06	100%	100%	I
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
u-blox Italia S.p.A., IT-Sgonico	EUR 0.40	100%	100%	E
u-blox UK Ltd., UK-Reigate	GBP 0.00	100%	100%	D
u-blox San Diego Inc., US-San Diego	USD 0.00	100%	100%	D
u-blox Melbourn Ltd., UK-Melbourn	GBP 0.14	100%	100%	D
u-blox Espoo Oy, FI-Espoo	EUR 0.05	100%	100%	E
u-blox Luton Ltd., UK-Luton	GBP 0.00	100%	100%	E
u-blox Lahore (Private) Ltd., PK-Lahore	PKR 14.11	100%	100%	D
u-blox Cork Ltd., IE-Cork	EUR 0.00	100%	100%	D
u-blox Malmö AB, SE-Malmö (former connectBlue)	SEK 0.83	100%	-	E
connectBlue Inc., US-Illinois	USD 0.00	100%	-	I
Antcor S.A., GR-Athen	EUR 0.18	100%	-	D

E = Engineering, Logistics, Marketing, Sales and Support  
S = Sales and Support  
M = Marketing  
D = Engineering  
I = Inactive

In 2014, the group acquired u-blox Malmö AB (former: connectBlue) and Antcor S.A., see note 4. u-blox Europe Ltd. was inactive during the years 2014 and 2013. Subsidiaries are all entities that u-blox Holding AG has the ability to control. u-blox Holding AG controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the group. They are de-consolidated from the date that control is lost.

In 2013 u-blox Cork Ltd. was founded as an engineering subsidiary.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and its subsequent settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the financial result.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## 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 translated to the functional currency at year-end rates and related unrealized gains and losses are presented in the income statement within finance income or costs. 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 presentation currency, which is the functional currency of the parent. Group entities prepare their individual financial statements using their functional currency, being the currency of the primary economic environment in which the entity operates.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised 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. Upon disposal of the net investment, 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, 2014		December 31, 2013	
	Average rate	Closing rate	Average rate	Closing rate
EUR	1.22941	1.20240	1.24144	1.22566
USD	0.91634	0.99022	0.93914	0.88902
GBP	1.51660	1.54211	1.46684	1.46861
HKD	0.11880	0.12767	0.11864	0.11465
SGD	0.72655	0.74869	0.75320	0.70279
CNY	0.14907	0.16086	0.15241	0.14547
JPY	0.00880	0.00828	0.00986	0.00846
PKR	0.00906	0.00974	0.00938	0.00838
SEK	0.13416	0.12750	n/a	n/a

## Segment information

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 'Positioning and Wireless products' and 'Wireless services'. Segment accounting is prepared up to the level of Operating Profit (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. No operating segments were aggregated.

## 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.

### Marketable Securities

Marketable securities include investments in bonds denominated in CHF with a remaining duration of maximum 4 years at the date of investment, which are classified at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Marketable securities are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

### Trade accounts receivables and other receivables

Trade accounts receivables 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, such as insolvency of a counterparty, 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.

### Inventories

Inventories 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 inventories 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. It excludes overheads and borrowing costs. Allowances are made for slow-moving items. Obsolete items are written off.

### Non-current assets and disposal groups held for sale

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 2014 and 2013, the group held no non-current assets classified as held for sale.

### Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. At the time of disposal, items of property, plant and equipment are eliminated from the statement of financial position. Any gains or losses on disposal are recognized in the income statement as a component of other income and expenses.

### Goodwill

The group measures goodwill at the acquisition date of business combinations as:

- the fair value of the consideration transferred, plus
- the recognized amount of any non-controlling interests in the acquiree, less
- the net recognized amount of the identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGU's), or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

### Other intangible assets

Other intangible assets are stated at acquisition cost or in the case of intellectual property rights, technology and customer relationships acquired in a business combination at fair value less related accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over the following useful lives:

	<b>Estimated useful life (years)</b>
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 with indefinite useful lives during the periods presented except for goodwill.

### Capitalized development costs

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized if they 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 include the cost of materials as well as direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

The group expenses research and development costs incurred in the preliminary project stage. To the extent that 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.

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. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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.

### Impairment of property, plant and equipment and intangible assets

The carrying amounts of the group's property, plant and equipment and intangible 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 at least 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 cost of disposal and the asset's or cash generating units 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.

### **Financial assets**

Financial assets primarily consist of rent deposits for offices and loans. These deposits and loans 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.

### **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include other obligations including contingent payments to former shareholders of acquired subsidiaries. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### **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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **Leases**

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, 2014, the group did not enter into any finance lease agreement (2013: 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**

#### **a) Pension obligations**

The group maintains pension plans for employees located in Switzerland, the United Kingdom (UK), Italy, Sweden, Greece, Belgium, Ireland, Finland, the United States of America (USA), Singapore, Pakistan 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, Belgium, Ireland, Sweden, the USA, Pakistan, China and Singapore qualify as defined contribution plans since the group has no further payment obligations once the fixed contributions have been paid. Employer contributions paid or due are recognized in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 has vested before December 31, 2006 and the Greek plan also qualifies as defined benefit plan.

The net liability (asset) recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets. The defined benefit obligation is calculated annually and separately for each defined benefit plan by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The group recognizes them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses and finance cost respectively.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized immediately in profit or loss when the plan amendment or curtailment occurs.

The group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the group in connection with the settlement.

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.

#### b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits at the earlier of the following dates: (i) when the entity can no longer withdraw the offer of these benefits; and (ii) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits are measured in accordance with the nature of the employee benefit by applying the requirements of IAS 19 for either post-employment benefits, short-term employee benefits or other long-term employee benefits.

#### c) Profit-sharing and bonus plans

The group recognizes a liability and an expense for bonuses and profit-sharing, either based on a formula that takes into consideration sales and earnings before interest and taxes (EBIT) attributable to the company's shareholders or a formula based on gross margin improvement in comparison to local costs. The group recognizes an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

### **Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Share-based payments**

The group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the group. The fair value of the employee services received in exchange for the grant of the equity instruments is based on a binomial model for options and on the listed share price for shares, respectively, and is recognized as an expense with the counter-entry recognized in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, excluding the impact of any service and non-market performance vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the group revises its estimates of the number of equity instruments that are expected to vest based on the service and non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### **Revenue recognition**

Revenue 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 of positioning & wireless products 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.

For sales of wireless services, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. The revenue for service licenses is considered at the time of the transfer of the rights.

### **Financial instruments**

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, trade accounts receivables and other receivables, loans and borrowings, marketable securities, accrued income, accrued expenses and trade and other payables. These financial instruments are recognized initially at fair value. Subsequent measurement is at amortized cost except for marketable securities and liabilities for contingent considerations which are both subsequently measured at fair value through profit or loss.

#### *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.

The group did not enter into any derivative financial instrument transactions in 2014 (2013: none).

### **Share capital**

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

### **3 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

In the process of applying the group's accounting policies, management has made the following judgments and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial years:

#### **Inventories**

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 inventories is performed each period 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 favourable 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 and EBIT in the period when the write-downs are recorded. If actual market conditions are more favourable, the group may have higher gross margins when products incorporating inventory that was previously written down are sold. At December 31, 2014 inventories amounted to TCHF 33'345 (2013: TCHF 22'671) that include allowance for obsolete inventories of TCHF 256 (2013: TCHF 1'116), see note 9.

#### **Recoverability of trade accounts receivables**

Management makes estimates of the collectability of accounts receivables and regularly reviews the adequacy of the allowance for doubtful accounts after considering the amount of aged accounts receivables, 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 collectability of trade accounts receivables 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 receivables, an insurance policy covering the risk of customers' insolvency has been entered into. The gross amount of trade accounts receivables at December 31, 2014 amounted to TCHF 39'876 (2013: TCHF 29'767) and the allowance for doubtful receivables amounted to TCHF 1'034 (2013: TCHF 563), see note 8.

#### **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 carrying amount of TCHF 38'402 (2013: TCHF 22'588), see note 11.

#### **Impairment of non-current assets**

In addition to the regular, periodic test applied to goodwill, 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 cash 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 10 and 11. At December 31, 2014 the net value of the property, plant and equipment is TCHF 14'836 (2013: TCHF 13'764) and for the other intangible assets TCHF 70'502 (2013: TCHF 44'570).

#### **Goodwill**

As of December 31, 2014, the carrying amount of goodwill from acquisitions totalled TCHF 57'903 (2013: TCHF 37'825). The recoverability of goodwill is tested for impairment annually. The value of goodwill is primarily dependent upon projected cash flows, the discount rate (WACC) and long-term growth rate. The significant assumptions are disclosed in note 11. Changes to these assumptions may result in an impairment loss in the following year.

### **Income taxes**

At December 31, 2014, the current tax liability is TCHF 1'994 (2013: TCHF 1'391) and the current tax asset is TCHF 5'184 (2013: TCHF 1'652). The liability for deferred income taxes is TCHF 3'815 (2013: TCHF 3'185), the asset for deferred income taxes is TCHF 4'826 (2013: TCHF 6'777) and not capitalized tax loss carry forwards amounted to TCHF 464 (2013: TCHF 10'779), as disclosed in note 23. 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 favourable or unfavourable 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 are recognized 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 23).

### **Provisions for Intellectual property rights (IPR) and personnel related costs**

Certain participants in the wireless industry protect and pursue their intellectual property rights. Relying on third party technology that is integrated into some of the products implies the risk of negotiations about the use of such technology. Based on best estimates a provision of TCHF 4'450 (2013: TCHF 1'879) has been recorded to reflect potential liabilities for IPR and personnel related costs (see note 15).

### **Net pension liability provisions**

The Swiss pension plan qualifies as a defined benefit plan. The determination of the net pension liability and cost 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.

The pension obligation in Italy is to accrue for each individual employee a pension amount which will be due on retirement or when employment ends, 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 statement of financial position in future periods. At December 31, 2014, the net present value of the group's defined benefit obligation is TCHF 8'930 (2013: TCHF 4'213) (see note 16).

#### 4 CHANGES IN SCOPE OF CONSOLIDATION

The following business combination took place during the twelve months period ended December 31, 2014:

##### connectBlue AB, Malmö

At May 19, 2014 u-blox AG acquired 100% of the shares of connectBlue, a company specializing in short range radio communication modules. connectBlue established itself as a successful player in the short range radio markets worldwide and employed 29 employees as of the acquisition date. The company is headquartered in Malmö, Sweden. connectBlue's products are an excellent complement to the existing portfolio of u-blox and will benefit from u-blox' worldwide market presence.

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

(in CHF 000s)	<b>Acquired assets and liabilities at fair value</b>
Cash and cash equivalents	1'548
Trade accounts receivable	1'237
Inventories	611
Other receivables	212
Prepaid expenses and accrued income	147
Property, plant and equipment	248
Intangible assets	
Customer relationship	2'720
Acquired technology	6'235
Capitalized development costs	224
Deferred tax assets	930
<b>Total assets</b>	<b>14'112</b>
Trade accounts payables	-743
Other payables	-19
Accrued expenses	-990
Deferred tax liabilities	-1'970
<b>Net assets</b>	<b>10'390</b>
Goodwill	15'878
<b>Total consideration transferred</b>	<b>26'268</b>
Paid in cash in 2014	-26'268
Cash and cash equivalents acquired	1'548
<b>Acquisition of subsidiary, net of cash acquired</b>	<b>-24'720</b>

The goodwill represents intangible assets that do not qualify for a separate recognition as well as the assembled workforce of connectBlue. The goodwill is allocated to the Positioning and Wireless products segment and is not expected to be deductible for tax purposes. The gross contractual amount of receivables is equal to the fair value. All receivables are expected to be collectible. The acquisition had a positive impact on revenues of the group in 2014 of CHF 8.5 millions and a positive impact of CHF 1.4 million on net profit of the group in 2014 since the date of acquisition.

### Antcor S.A., Athens

At August 6, 2014 u-blox AG acquired 100% of the shares of Antcor, a company specializing in short range radio communication modules. Antcor established itself as a successful player in the short range radio markets worldwide and employed 23 employees as of the acquisition date. The company is headquartered in Athens, Greece. Antcor's technology is an excellent complement to the existing portfolio of u-blox and will benefit from u-blox' broader know-how and worldwide market presence.

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

(in CHF 000s)	Acquired assets and liabilities at fair value
Cash and cash equivalents	293
Trade accounts receivables	91
Other receivables	202
Property, plant and equipment	85
Intangible assets	
Acquired technology	1'747
Intellectual property	1'590
Financial assets	4
Deferred tax assets	92
<b>Total assets</b>	<b>4'104</b>
Trade accounts payables	-26
Other payables	-206
Accrued expenses	-48
Short-term loan liabilities	-142
Net pension liabilities	-15
Deferred tax liabilities	-455
<b>Net assets</b>	<b>3'212</b>
Goodwill	4'758
<b>Total consideration transferred</b>	<b>7'970</b>
Settled by:	
Cash payment	-5'721
Deferred payment in cash	-2'249
Paid in cash in 2014	-5'721
Cash and cash equivalents acquired	292
<b>Acquisition of subsidiary, net of cash acquired</b>	<b>-5'429</b>

The undiscounted contingent consideration is estimated to be in a range of CHF 0 to CHF 3.9 million in dependency of the licence revenue with the Antcor IP and governmental grants in 2015 and 2016. The acquired receivables are measured at fair value which is equal to the contractual gross amounts. They are expected to be fully collectible. The goodwill represents intangible assets that do not qualify for a separate recognition as well as the assembled workforce of Antcor. The goodwill is fully allocated to the Positioning and Wireless products segment and is not expected to be deductible for tax purposes. The acquisition had a positive impact on revenues of the group in 2014 of CHF 0.7 million and a positive impact of CHF 0.3 million on net profit of the group in 2014 since the date of acquisition.

Had the two acquisitions taken place at January 1, 2014, the consolidated income statement for 2014 would show pro-forma revenue of CHF 274.8 million and net profit of CHF 33.0 million. Acquisition related costs for all acquisitions of total CHF 0.1 million have been charged to general and administrative expenses in the consolidated income statement for the year ended December 31, 2014.

## 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:

### *Positioning and Wireless products*

The group develops and distributes GPS/GNSS positioning receivers and wireless communication 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 manufactured by third parties. The group coordinates the whole supply chain and manages the world-wide production and distribution of the products. With the acquisition of u-blox Malmö AB (former connectBlue) and Antcor S.A. another two entities were added to this segment in 2014.

### *Wireless services*

Since the acquisitions of u-blox Italia S.p.A. and u-blox San Diego, Inc., 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. With the acquisition of u-blox Luton Ltd. and u-blox Lahore (Pvt) Ltd. (former: 4M Wireless Ltd. and 4M Wireless (Pvt) Ltd.) another two entities joined 2012 in this operating segment and in 2014 the Antcor acquisition was included.

### Segment information at December 31

(in CHF 000s)	Positioning and Wireless products		Wireless services		Total segments		Non-allocated/ eliminations		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue third	269'799	218'888	246	925	270'045	219'813	0	0	270'045	219'813
Revenue intragroup	0	0	23'827	17'988	23'827	17'988	-23'827	-17'988	0	0
<b>Total Revenue</b>	<b>269'799</b>	<b>218'888</b>	<b>24'073</b>	<b>18'913</b>	<b>293'872</b>	<b>237'801</b>	<b>-23'827</b>	<b>-17'988</b>	<b>270'045</b>	<b>219'813</b>
EBITDA	54'889	43'526	4'436	3'612	59'325	47'138	-721	-950	58'604	46'188
Depreciation	-4'602	-3'018	-1'670	-1'123	-6'272	-4'141	0	0	-6'272	-4'141
Amortization	-12'238	-10'359	-1'019	-1'638	-13'257	-11'997	0	0	-13'257	-11'997
<b>EBIT</b>	<b>38'049</b>	<b>30'149</b>	<b>1'747</b>	<b>851</b>	<b>39'796</b>	<b>31'000</b>	<b>-721</b>	<b>-950</b>	<b>39'075</b>	<b>30'050</b>
Finance income									4'546	1'013
Finance costs									-658	-2'193
<b>EBT</b>									<b>42'963</b>	<b>28'870</b>
Assets	223'485	142'431	13'460	15'521	236'945	157'952	64'802	68'557	301'747	226'509
Liabilities	79'835	34'776	4'931	8'374	84'766	43'150	4'105	2'923	88'871	46'073
Additions to non-current assets	45'434	29'826	1'099	3'890	46'533	33'716	0	0	46'533	33'716

Revenues are derived from:

(in CHF 000s)	For the year ended December 31, 2014	For the year ended December 31, 2013
Sale of goods	269'170	218'362
Services rendered	246	925
License fees	629	526
<b>Total</b>	<b>270'045</b>	<b>219'813</b>

## 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 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, 2014		For the year ended December 31, 2013	
	in CHF 000s	% share	in CHF 000s	% share
EMEA	67'085	24.8	55'953	25.5
<i>thereof: Switzerland</i>	1'331	0.5	519	0.2
<i>Germany</i>	18'141	6.7	15'158	6.9
America	73'482	27.2	61'701	28.0
<i>thereof: United States of America</i>	65'785	24.4	54'331	24.7
Asia Pacific	129'478	48.0	102'159	46.5
<i>thereof: China and Hong Kong</i>	86'030	31.9	65'203	29.7
<b>Total</b>	<b>270'045</b>	<b>100.0</b>	<b>219'813</b>	<b>100.0</b>

Revenues of TCHF 17'947 (2013: TCHF 24'199) are derived from a single customer. These revenues are attributable to the Asia Pacific market (previous year the customer with the largest share of revenue, attributable to the US market).

The following table summarizes property, plant and equipment and intangible assets by geographic region as allocated:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	in CHF 000s	% share	in CHF 000s	% share
EMEA	139'041	97.1	92'588	96.3
<i>thereof: Switzerland</i>	57'191	39.9	41'980	43.7
America	3'054	2.1	3'088	3.2
Asia Pacific	1'146	0.8	483	0.5
<b>Total</b>	<b>143'241</b>	<b>100.0</b>	<b>96'159</b>	<b>100.0</b>

## 6 CASH AND CASH EQUIVALENTS

(in CHF 000s)	At December 31, 2014	At December 31, 2013
Petty cash	13	11
Cash at banks	37'282	33'152
Call and fixed-term deposits	367	0
<b>Total</b>	<b>37'662</b>	<b>33'163</b>
Composition of cash and cash equivalents by currency (in CHF 000s)		
CHF	7'581	9'706
USD	22'346	14'505
EUR	5'365	6'567
GBP	1'813	1'448
SGD	16	34
CNY	66	79
KRW	60	44
TWD	12	23
JPY	81	643
PKR	244	103
SEK	40	0
INR	38	11

## 7 MARKETABLE SECURITIES

In November 2009, u-blox entered into an asset management agreement with Zürcher Kantonalbank to invest in CHF bonds. This amount is being increased or decreased at least on an annual basis, based on the cash requirements of the group. The interest received on the investments is reinvested. The rating of the debtors of the bonds which may be invested into have to meet highest credit ratings, see note 24. The agreement can be terminated with immediate effect.

## 8 TRADE ACCOUNTS RECEIVABLES

(in CHF 000s)	At December 31, 2014	At December 31, 2013
Gross amount	39'876	29'767
Allowance for doubtful receivables	-1'034	-563
<b>Total</b>	<b>38'842</b>	<b>29'204</b>
Composition by currency (in CHF 000s)		
USD	33'361	25'248
EUR	5'162	3'055
JPY	157	749
GBP	156	148
CHF	4	4
SEK	2	0
Composition by regions (in CHF 000s)		
EMEA	7'438	5'742
Americas	17'477	15'086
Asia Pacific	13'927	8'376

Trade accounts receivables by region are based on customer billing location.

At the balance sheet date the aging structure of trade accounts receivables was as follows:

(in CHF 000s)	At December 31, 2014		At December 31, 2013	
	Gross receivables	Net receivables	Gross receivables	Net receivables
Not yet due	16'398	16'398	23'555	23'555
1 - 30 days overdue	14'995	14'995	5'075	5'075
31 - 90 days overdue	6'519	6'461	180	176
91 - 180 days overdue	1'000	902	4	4
More than 180 days overdue	964	86	953	394
<b>Total</b>	<b>39'876</b>	<b>38'842</b>	<b>29'767</b>	<b>29'204</b>

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

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

(in CHF 000s)	2014	2013
<b>Individually assessed value adjustments</b>		
At January 1,	563	526
Additions due to business combinations	273	0
Change	198	37
<b>Total value adjustments at December 31,</b>	<b>1'034</b>	<b>563</b>

The individually assessed impairment allowance amounts to TCHF 1'034 (previous year: TCHF 563). It is assumed that a small part of the underlying receivables will eventually be paid. For further information on credit management and trade accounts receivables see note 24.

## 9 INVENTORIES

(in CHF 000s)	At December 31, 2014	At December 31, 2013
Raw material (components)	12'494	7'006
Work in process	10'160	7'321
Finished products	10'947	9'460
Allowance for obsolete inventories	-256	-1'116
<b>Total</b>	<b>33'345</b>	<b>22'671</b>

Components and changes in finished products recognized as cost of sales amounted to CHF 138.8 million (2013: CHF 113.4 million). The allowance relates to inventories considered obsolete.

## 10 PROPERTY, PLANT AND EQUIPMENT

Cost (in CHF 000s)	Furniture, equipment and vehicles	IT infrastructure	Tools and test infrastructure	Total
<b>Balance at January 1, 2013</b>	<b>10'443</b>	<b>828</b>	<b>9'801</b>	<b>21'072</b>
Additions	6'479	427	3'996	10'902
Derecognition	-6	-7	0	-13
Translation differences	-76	-14	-1	-91
<b>Balance at December 31, 2013</b>	<b>16'840</b>	<b>1'234</b>	<b>13'796</b>	<b>31'870</b>
Additions	4'141	424	2'398	6'963
Additions due to business combinations	10	119	204	333
Derecognition	-49	-39	-84	-172
Translation differences	85	33	46	164
<b>Balance at December 31, 2014</b>	<b>21'027</b>	<b>1'771</b>	<b>16'360</b>	<b>39'158</b>
<b>Accumulated depreciation</b> (in CHF 000s)				
<b>Balance at January 1, 2013</b>	<b>6'520</b>	<b>466</b>	<b>7'008</b>	<b>13'994</b>
Depreciation	2'463	257	1'421	4'141
Derecognition	-6	-1	0	-7
Translation differences	-12	-10	0	-22
<b>Balance at December 31, 2013</b>	<b>8'965</b>	<b>712</b>	<b>8'429</b>	<b>18'106</b>
Depreciation	3'412	378	2'482	6'272
Derecognition	-37	-37	0	-74
Translation differences	-7	18	7	18
<b>Balance at December 31, 2014</b>	<b>12'333</b>	<b>1'071</b>	<b>10'918</b>	<b>24'322</b>
<b>Net carrying amount at December 31, 2013</b>	<b>7'875</b>	<b>522</b>	<b>5'367</b>	<b>13'764</b>
<b>Net carrying amount at December 31, 2014</b>	<b>8'694</b>	<b>700</b>	<b>5'442</b>	<b>14'836</b>

The value of property, plant and equipment for the purposes of insurance against fire amounted to CHF 11.8 million at December 31, 2014 (CHF 10.2 million at December 31, 2013). During the years ended December 31, 2014 and December 31, 2013 no impairment losses were recognized on tangible assets. The group did not have any capital commitments at December 31, 2014 (December 31, 2013: none).

Depreciation for the year is recorded in the following income statement positions:

(in CHF 000s)	2014	2013
Cost of sales	2'169	1'486
Distribution and marketing expenses	132	155
Research and development expenses	3'536	2'378
General and administrative expenses	435	122
<b>Total depreciation</b>	<b>6'272</b>	<b>4'141</b>

## 11 INTANGIBLE ASSETS

Cost (in CHF 000s)	Goodwill	Intellectual property rights/ acquired technology	Software	Capitalized development costs	Customer relationships/ other intangible assets	Total other intangible assets
<b>Balance at January 1, 2013</b>	<b>37'659</b>	<b>27'823</b>	<b>7'770</b>	<b>25'915</b>	<b>3'182</b>	<b>64'690</b>
Additions	0	6'042	1'894	14'878	0	22'814
Derecognition	0	-630	-40	-247	0	-917
Translation differences	166	-83	20	173	-9	101
<b>Balance at December 31, 2013</b>	<b>37'825</b>	<b>33'152</b>	<b>9'644</b>	<b>40'719</b>	<b>3'173</b>	<b>86'688</b>
Additions	0	4'630	1'360	20'731 <sup>1)</sup>	0	26'721
Additions due to business combinations	20'636	9'572	0	224	2'720	12'516
Derecognition	0	0	-2	0	0	-2
Translation differences	-558	134	64	-49	-123	26
<b>Balance at December 31, 2014</b>	<b>57'903</b>	<b>47'488</b>	<b>11'066</b>	<b>61'625</b>	<b>5'770</b>	<b>125'949</b>
Accumulated amortization (in CHF 000s)	Goodwill	Intellectual property rights/ acquired technology	Software	Capitalized development costs	Customer relationships/ other intangible assets	Total other intangible assets
<b>Balance at January 1, 2013</b>	<b>0</b>	<b>11'398</b>	<b>4'561</b>	<b>13'914</b>	<b>1'135</b>	<b>31'008</b>
Amortization	0	3'497	2'920	4'429	1'151	11'997
Derecognition	0	-630	-40	-220	0	-890
Translation differences	0	-20	14	8	1	3
<b>Balance at December 31, 2013</b>	<b>0</b>	<b>14'245</b>	<b>7'455</b>	<b>18'131</b>	<b>2'287</b>	<b>42'118</b>
Amortization	0	5'364	1'934	5'099	860	13'257
Derecognition	0	0	0	0	0	0
Translation differences	0	35	20	-7	24	72
<b>Balance at December 31, 2014</b>	<b>0</b>	<b>19'644</b>	<b>9'409</b>	<b>23'223</b>	<b>3'171</b>	<b>55'447</b>
<b>Net carrying amount at December 31, 2013</b>	<b>37'825</b>	<b>18'907</b>	<b>2'189</b>	<b>22'588</b>	<b>886</b>	<b>44'570</b>
<b>Net carrying amount at December 31, 2014</b>	<b>57'903</b>	<b>27'844</b>	<b>1'657</b>	<b>38'402</b>	<b>2'599</b>	<b>70'502</b>

<sup>1)</sup> The most part include internally developed costs

During the years ended December 31, 2014 and December 31, 2013 no impairment losses were recognized on intangible assets. The group did not have any capital commitments at December 31, 2014 (December 31, 2013: none).

Amortization for the year is recorded in the following income statement positions:

(in CHF 000s)	2014	2013
Cost of sales	1'324	75
Distribution and marketing expenses	430	96
Research and development expenses	11'392	10'671
General and administrative expenses	111	1'155
<b>Total amortization</b>	<b>13'257</b>	<b>11'997</b>

## 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, 2014	At December 31, 2013
Positioning and Wireless products	56'975	36'879
Wireless services	928	946
<b>Total goodwill</b>	<b>57'903</b>	<b>37'825</b>

## Impairment

The group of intangible assets of each CGU, including allocated goodwill, is tested for impairment at least annually. 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 CGU's, 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 average weighted average cost of capital.

Following parameters have been used for the calculations:

	2014 Discount rate	2014 Growth rate (residual value)	2013 Discount rate	2013 Growth rate (residual value)
Positioning and Wireless products	10.00%	3%	10.57%	3%
Wireless services	9.99%	3%	10.57%	3%
Pre-tax discount rate for:				
Positioning and Wireless products	11.90%		11.31%	
Wireless services	12.54%		13.40%	

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

For the CGU Positioning and Wireless products and the CGU Wireless services u-blox management is of the opinion that none of the anticipated changes in key assumption which can be reasonably expected would cause the carrying amount of the CGU to exceed its recoverable amount.

## 12 TRADE ACCOUNTS PAYABLES

(in CHF 000s)	At December 31, 2014	At December 31, 2013
Trade accounts payables	28'623	15'318
<b>Total</b>	<b>28'623</b>	<b>15'318</b>
Composition by currency (in CHF 000s)		
CHF	1'484	-178
USD	24'375	2'535
EUR	2'031	12'952
GBP	20	2
PKR	5	7
SEK	708	0

## 13 ACCRUED EXPENSES

(in CHF 000s)	At December 31, 2014	At December 31, 2013
Personnel related	9'087	7'323
Other accruals	7'687	6'488
<b>Total</b>	<b>16'774</b>	<b>13'811</b>
Thereof classified as financial instruments (note 24)	6'534	6'488

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.

## 14 CURRENT BORROWINGS

Due to the acquisition of u-blox Malmö AB a short term loan of CHF 20.0 million was borrowed. The short term bank loan of CHF 20.0 million at a variable interest rate of 0.6% (based on the libor plus spread) is denominated in CHF and has a duration of 1 month. In 2013 the borrowing over TEUR 2'340 from u-blox Espoo Oy against the publicly funded organisation were paid back.

## 15 PROVISIONS

(in CHF 000s)	2014	2013
At January 1,	1'879	1'941
Additional provisions	2'601	298
Used during year	-30	-360
<b>At December 31,</b>	<b>4'450</b>	<b>1'879</b>

u-blox products are designed to conform to certain wireless industry standards which are based on certain patented technologies. 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 absolute amounts, and on a percentage of individual 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. In 2013 certain new agreements have been signed. The provisions for the royalty are considered to have a duration of more than one year and therefore are classified as non-current. The personnel related provisions are classified as current.

## 16 PENSION LIABILITY

The group maintains defined benefit plans in Switzerland, Greece and Italy and defined contribution plans in the United Kingdom (UK), in the United States of America (USA), Italy, Sweden, Belgium, Ireland, Finland, Singapore, Pakistan 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.

### 16.1 Defined benefit plans

#### Switzerland

The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The assets of the pension plan are held within a separate foundation and cannot revert to the employer. Pension plans are overseen by a regulator as well as by a state supervisory body.

u-blox participates in two "Sammelstiftungen", which are a collective foundations administrating the pension plans of various unrelated employers. The pension plan of u-blox is fully segregated from the ones of other participating employers.

The most senior governing body of the collective foundation is the Board of Trustees, which is also ultimately responsible for the investment strategy and policy, taking into account the foundation's objectives, benefit obligations (i.e. asset-liability management) and risk capacity. The Board of Trustees has delegated the implementation of the investment policy to an Investment Committee. The benefit-related operations are managed by a life insurance, which is also re-insuring the risks described below. The segregated pension plan of u-blox is administered by a Parity Pension Committee, which is composed of equal numbers of employees and employer representatives. All governing and administration bodies have an obligation to act in the interests of the plan participants.

Plan participants, their spouse and children are insured against the financial consequences of old age, disability and death. Their benefits are defined in pension plan rules compliant with the BVG, which is specifying the minimum benefits that are to be provided. Retirement benefits are based on the accumulated retirement capital which can either be drawn as a life-long annuity or as a lump sum payment. The annuity is calculated by multiplying the retirement capital with the currently applicable conversion rate. The accumulated retirement capital is made of the yearly contributions towards the old age risk by both employer and employee and the interest thereon until retirement. Contributions towards the old age risk are approved by the Parity Pension Committee, based on the rules defined by the Board of Trustees of the collective foundation. Minimum contributions and interest are defined by the BVG and the Swiss Parliament. In 2014 the minimum interest was 1.75%; in 2015 it will be 1.75%. Employer and employee are also making contributions towards the disability and death risks; the corresponding benefits are defined based on the current salary and fully re-insured with a life-insurance. The pension fund has concluded an insurance contract with Helvetia that covers death benefits, disability benefits and old age pensions. The pension fund is the policy holder and the beneficiary of the contract. If the applicable tariff of the insurance company results in a lower old age pension than the old age pension according to the plan rules, the pension fund has to finance this difference buy buying a further pension amount within the insurance company.

The benefit plan was replaced as of October 1, 2014 by two benefit plans. These benefit Plans differentiate one from another by the definition of the insured salary, by which the salaries higher than CHF 150'000 have now for the insured salary, a ceiling of 4.5 times the maximum AHV Pension.

These events qualify as a plan amendments and the past service gain/loss are reflected and recognized immediately in the service cost of the year.

As of October 1, 2014 a third Plan was introduced to cover the salary that will not be insured anymore by the Sammelstiftung Swisssanto and will be now insured by Pensflex. This plan also provides benefits in the event of retirement, death, or disability. The plan benefits are based on age, years of service, salary and on an individual old age account. The plan is funded by assets held within a separate independent legal entity. The plan is financed by contributions paid by the employees and by the employer. This new Plan will only pay at retirement the accumulated old-age account. This plan considers the free choice of investment strategy for the individual accounts and three savings model. Given the free choice for the investment strategy, there is no guarantee of interest rate to be allocated to these accounts.

In case of an underfunding of the pension plan measured based on its Swiss GAAP FER financial statements, various measures can be taken such as increasing current contributions of both employer and employee or decreasing the interest on the retirement capital.

## Italy

Employee severance indemnities are due under an Italian plan, the Trattamento di fine rapporto, which is mandatory for Italian companies pursuant to article 2120 of the Italian Civil Code. The deferred compensation to be paid when the employee leaves the Italian entity is based on the employees' years of service and the taxable compensation earned by the employee during the service period, i.e. the accumulated retirement capital at the time when the employment ends. Benefits are payable in the event of retirement, death, disability or resignation.

A liability has been recognized for this plan to be treated as a defined benefit plan for the amounts vested up to December 31, 2006. The liability is not associated with any vesting condition or period or any funding obligation; hence, there are no assets servicing the provision. From January 1, 2007, Italian law has provided that employees may choose whether they accrue their employee severance indemnity to supplementary pension funds or to the company: following the changes defined by Law no. 296 of 27 December 2006 (the "2007 Finance Act") and the subsequent decrees and regulations (the "Pension Reform"), the severance indemnities accruing from 2007 have been assigned, as elected by the employees, to either the INPS Treasury Fund or to supplementary pension funds and take the form of a defined contribution plan.

However, revaluations of the provision for the employee severance indemnities vested up to December 31, 2006, made on the basis of the official cost-of-living index and legally prescribed interest, are retained in the provision for employee severance indemnities.

### Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components. The movements in the table below represent mainly the Swiss plan. The unfunded Italian and Greek plan are also included but has no significant impact on the movements.

(in CHF 000s)	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2014	2013	2014	2013	2014	2013
Balance at 1 January	20'781	17'741	-16'568	-13'430	4'213	4'311
<b>Included in income statement</b>						
Current service cost	1'731	1'536	-	-	1'731	1'536
Plan amendments	-1'135	-	-	-	-1'135	-
Interest cost / (income)	559	357	-479	-277	80	80
Administration cost	-	-	35	29	35	29
	<b>1'155</b>	<b>1'893</b>	<b>-444</b>	<b>-248</b>	<b>711</b>	<b>1'645</b>
<b>Included in other comprehensive income</b>						
Remeasurements loss / (gain):						
- Actuarial loss / (gain) arising from:						
- demographic assumptions	-	856	-	-	-	856
- financial assumptions	5'005	-1'291	-	-	5'005	-1'291
- experience adjustments	1'025	285	-	-	1'025	285
- return on plan assets excluding interest income	-	-	-735	-553	-735	-553
Exchange rate differences	-12	8	-	-	-12	8
	<b>6'018</b>	<b>-142</b>	<b>-735</b>	<b>-553</b>	<b>5'283</b>	<b>-695</b>
<b>Other</b>						
Additions from business combinations	15	-	-	-	15	-
Contributions by employer	-	-	-1'292	-1'029	-1'292	-1'029
Plan participants' contributions	845	688	-845	-688	-	-
Benefits received, net	4'669	601	-4'669	-620	-	-19
	<b>5'529</b>	<b>1'289</b>	<b>-6'806</b>	<b>-2'337</b>	<b>-1'277</b>	<b>-1'048</b>
<b>Balance at 31 December</b>	<b>33'483</b>	<b>20'781</b>	<b>-24'553</b>	<b>-16'568</b>	<b>8'930</b>	<b>4'213</b>
<b>thereof: funded</b>					<b>8'371</b>	<b>3'735</b>
unfunded (refers to the Italian and Greek pension plan)					<b>559</b>	<b>478</b>

## Principal actuarial assumptions for the Swiss plan only

Calculation of defined benefit obligations	At December 31, 2014	At December 31, 2013
Discount rate	1.20%	2.40%
Future salary increases	1.50%	2.50%
Future pension indexations	0.25%	0.25%
Mortality table	BVG 2010G	BVG 2010G

At 31 December 2014, the weighted-average duration of the defined benefit obligation for the Swiss plan was 22.5 years (2013: 20.7 years).

### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to significant actuarial assumptions. The impact of a change in the respective assumptions on the defined benefit obligation at the end of the reporting period would be as follows:

	2014	2013	2014	2013
Change	+0.25%	+0.25%	-0.25%	-0.25%
(in CHF 000s)				
Change of the discount rate	-1'439	-843	1'571	167
Change of the expected increase in salaries	150	167	-157	-162

The sensitivity analysis is based on realistically possible changes as of the end of the reporting period. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

### Asset classes (Swiss plan only)

Fair value of plan assets (CHF 000s)	2014	2013
Equities	6'727	5'142
Bonds	10'669	7'531
Real estate	2'394	1'984
NTF Alternative investments	2'130	1'281
Qualified insurance policies	539	285
Cash	2'094	345
	<b>24'553</b>	<b>16'568</b>

All equity securities, and bonds have quoted prices in active markets.

### 16.2 Defined contribution plans

In 2014, group contributions recognized as an expense for defined contribution plans were TCHF 1'487 (2013: TCHF 1'038).

## 17 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary share capital CHF 000s	Share premium CHF 000s	Total CHF 000s
At January 1, 2013	6'305'032	5'675	94'132	99'807
Dividends paid-out			-6'375	-6'375
Options exercised during the year	150'464	135	4'799	4'934
<b>At December 31, 2013</b>	<b>6'455'496</b>	<b>5'810</b>	<b>92'556</b>	<b>98'366</b>
Dividends paid-out			-8'487	-8'487
Options exercised during the year	133'185	120	5'462	5'582
<b>At December 31, 2014</b>	<b>6'588'681</b>	<b>5'930</b>	<b>89'531</b>	<b>95'461</b>

### Ordinary share capital

The company's ordinary share capital at December 31, 2014 consists of 6'588'681 registered shares with a nominal value of CHF 0.90 each. Dividends per share of CHF 1.30 were paid out in 2014 (2013: CHF 1.00). Transaction costs related to the options exercised in 2014 amounting to TCHF 158 have been netted off with the deemed proceeds and recorded in share premium.

### Authorized share capital

At the ordinary shareholders meeting held on April 24, 2013, the shareholders resolved that the Board of Directors shall be authorized, at any time until October 16, 2015, to increase the share capital through the issuance of up to 1'261'000 fully paid-in registered shares with a nominal value of CHF 0.90 each. On December 31, 2014 the authorized share capital amounted to CHF 1'134'900 (1'261'000 shares of CHF 0.90 each).

### Conditional share capital

At the ordinary shareholders' meeting held on April 24, 2013, the shareholders resolved that the Board of Directors shall be authorized to increase the share capital by a maximum aggregate amount of CHF 567'452.70 by issuing no more than 630'503 fully paid-in registered shares with a nominal value of CHF 0.90. The conditional share capital is 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 2014, 133'185 options were exercised out of the conditional share capital (2013: 150'464). The conditional share capital amount available decreased accordingly to CHF 312'169 (346'854 shares with a nominal value of CHF 0.90).

## 18 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, 2014	For the year ended December 31, 2013
Net profit (in CHF 000s)	34'397	24'643
Weighted average number of outstanding shares (basic)	6'529'029	6'392'219
Effect of share options on issue	280'971	173'576
Weighted average number of outstanding shares (diluted)	6'810'000	6'565'795
Basic earnings per share (in CHF)	5.27	3.86
Diluted earnings per share (in CHF)	5.05	3.75

At December 31, 2014 the group had 437'574 outstanding options (December 31, 2012: 431'018 outstanding options) granted to employees (see note 19). All the potential ordinary shares arising from outstanding stock options were "in the money" at December 31, 2014. Therefore all granted options were considered for the calculation of the diluted earnings per share in 2014.

## 19 EMPLOYEE COMPENSATION AND BENEFITS

### Personnel expenses

Personnel expenses included in operating expenses consist of the following:

(in CHF 000s)	For the year ended December 31, 2014	For the year ended December 31, 2013
Salaries	32'236	26'122
Share-based payments	3'361	2'206
Social taxes	8'148	4'744
Pension cost	2'198	2'687
Other personnel related expenses	2'038	1'977
<b>Total personnel expenses</b>	<b>47'981</b>	<b>37'736</b>
Average number of employees (FTE*)	538.4	408.2

\* (FTE = Full Time Equivalent)

### Employee 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. For US, Belgium and Finland residents, the exercise price equals the closing price of the share on the SIX Swiss Exchange on the granting date. For all other employees, the exercise price is one third part lower than 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 grant date. One option grants the right to purchase one u-blox Holding AG share.

In 2014, 128'284 options were granted to certain members of the Board of Directors, Executive Committee members and employees at an exercise price of CHF 59.29 and 17'175 employee stock options at an exercise price of CHF 96.15.

In 2014, 133'185 options were exercised to buy one share with a nominal value of CHF 0.90 at a share price of CHF 19.15, 25.50, 26.25, 46.00, 48.48 and 50.30 per option respectively. Share transaction cost of TCHF 158 were deducted from the proceeds. Net proceeds were recorded in share capital TCHF 120 and share premium TCHF 5'462.

The following table details the movements of outstanding employee stock options:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Weighted average exercise price in CHF	Number of options	Weighted average exercise price in CHF	Number of options
<b>Opening balance</b>	<b>37.67</b>	<b>431'008</b>	<b>39.08</b>	<b>478'024</b>
Granted	63.64	145'459	26.72	117'026
Exercised	43.10	-133'185	33.37	-150'464
Forfeited	42.34	-5'708	40.49	-13'568
<b>Ending balance</b>	<b>44.59</b>	<b>437'574</b>	<b>37.67</b>	<b>431'018</b>
Thereof vested and exercisable	43.07	39'587	27.94	46'190

The following table summarizes the employee stock options outstanding at December 31, 2014 and December 31, 2013 respectively:

Expiry date	Exercise Price CHF	Options outstanding at December 31, 2014	Options outstanding at December 31, 2013
2014	46.00	0	8'599
2015	19.15	0	10'115
2016	25.50	9'477	26'657
2016	26.25	55	819
2017	48.58	28'909	118'578
2017	50.30	1'146	7'425
2018	39.91	133'309	135'219
2018	41.20	7'369	7'577
2019	25.50	104'886	105'673
2019	39.15	9'876	10'356
2020	59.29	126'190	0
2020	96.15	16'357	0
<b>Total</b>	<b>44.44</b>	<b>437'574</b>	<b>431'018</b>
Weighted average remaining expected life at December 31,		2.30 years	2.21 years
Weighted average remaining contractual life at December 31,		3.80 years	3.71 years

The weighted average fair value of the outstanding options was CHF 41.11 (2013: CHF 16.47). 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 valuation model applied at grant date and used for the consolidated financial statements ended December 31, 2014 and 2013 respectively:

	2014	2013
Dividend yield	1.34%	2.52%
Expected volatility	34.70%	43.10%
Risk-free interest rate	0.61%	0.26%
Expected life of option	4.50 years	4.50 years
Expected exit rate during vesting	3.00%	3.00%
Weighted average share price	CHF 63.64	CHF 62.53

For 2014 and 2013 the expected volatility was based on the historical volatility of the u-blox share.

The expense for employee services received is recognized over the vesting period. The expense from the employee stock option plan recognized in 2014 was TCHF 3'361 (2013: TCHF 1'894).

#### Other share-based compensation

A payment in u-blox Holding AG shares was made as the performance goals over the two years following the date of acquisition of a subsidiary were fulfilled during 2014. The share-based compensation was measured at the listed share price of one u-blox Holding AG share as of the acquisition date (CHF 41), less discounted dividend yield for the two years vesting period and multiplied by the amount of shares (15'822) that were paid after performance of the goals. For the year ended December 2014, a share-based compensation expense of TCHF 260 (2013: TCHF 312) was recorded in the income statement.

In 2014, based on the share purchase agreement of Fastrax in 2012 treasury shares in the amount of CHF 2.0 million were purchased and provided to the former owners of Fastrax.

## 20 RESEARCH AND DEVELOPMENT

(in CHF 000s)		2014	2013
Research and development expenditures		34'932	25'892
Depreciation and amortization		14'927	13'049
<b>Total research and development expenses</b>		<b>49'859</b>	<b>38'941</b>

## 21 OPERATING EXPENSES BY NATURE

(in CHF 000s)	Note	2014	2013
Material costs	9	138'825	113'421
Personnel expenses	19	47'981	37'736
Depreciation	10	6'272	4'141
Amortization	11	13'257	11'997
Travel- and representation expenses		4'564	3'773
Administration expenses		5'565	6'162
Marketing expenses		2'132	1'763
Rent expenses		2'710	2'380
Other expenses		10'532	8'473
<b>Total</b>		<b>231'838</b>	<b>189'846</b>

## 22 FINANCE INCOME/FINANCE COSTS

(in CHF 000s)		2014	2013
Interest income		517	596
Gains on financial instruments at fair value for trading		17	417
Foreign exchange result (gain), net		3'500	0
Other finance income		512	0
<b>Other finance income</b>		<b>4'546</b>	<b>1'013</b>
Losses on financial instruments at fair value for trading		-268	-445
Interest expenses		-11	-28
Foreign exchange result (loss), net		0	-1'587
Other finance costs		-379	-133
<b>Finance costs</b>		<b>-658</b>	<b>-2'193</b>
<b>Total, net</b>		<b>3'888</b>	<b>-1'180</b>

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

## 23 INCOME TAX EXPENSE

Income taxes can be analyzed as follows:

(in CHF 000s)	At December 31, 2014	At December 31, 2013
Current income taxes	3'194	2'834
Deferred income taxes	5'372	1'393
<b>Total income tax expense</b>	<b>8'566</b>	<b>4'227</b>

The group has operations in various locations, where differing tax laws and income tax rates apply. Consequently, the effective tax rate on consolidated income may vary from year to year, based on the source of earnings. The 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 main operating company in Thalwil, is as follows:

	2014		2013	
	in %	in CHF 000s	in %	in CHF 000s
<b>Profit before income tax</b>		<b>42'963</b>		<b>28'870</b>
Income tax rate of u-blox AG, Thalwil	19.2		19.2	
Expected income tax expense		8'249		5'543
Effect of different tax rates		1'524		356
Effect of non-tax-deductible expenses		756		236
Tax effect of tax-exempt income		-26		-314
Prior year adjustments		419		-73
R&D tax credits		-328		-111
Prior year tax loss newly recognised		-		-1'668
Tax loss carry forwards not recognised in current year		-		332
Withholding taxes (non recoverable)		-		-51
Utilisation of previously unrecognised tax losses		-2'064		-
Other		36		-23
<b>Effective income tax expense</b>		<b>8'566</b>		<b>4'227</b>

## Deferred tax assets and liabilities

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

(in CHF 000s)	At December 31, 2014		At December 31, 2013		Change 2014
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	
Trade accounts receivable (net)	182	-	130	-	52
Inventory	-	824	-	-	-824
Intangible assets	-	2'841	386	3'022	-205
Other assets	60	150	10	76	-24
Pension	830	-	849	-	-19
Accrued expenses personnel	842	-	249	8	601
Other liabilities	528	-	957	79	-350
Tax loss carry forwards	2'384	-	4'196	-	-1'812
<b>Deferred tax assets/liabilities<sup>1)</sup></b>	<b>4'826</b>	<b>3'815</b>	<b>6'777</b>	<b>3'185</b>	<b>-2'581</b>

<sup>1)</sup> 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)	2014	2013
Deferred income taxes recognized in the income statement	-5'372	-1'393
Addition due to business combination	-1'403	0
Deferred income taxes recognized in other comprehensive income	870	-135
Recognized in equity	3'169	3'706
Translation differences	155	-38
<b>Total changes compared to previous year</b>	<b>-2'581</b>	<b>2'140</b>

The tax deduction resulting from share-based payments exceeds the amount of the related cumulative remuneration expenses from share-based payments. The excess of the deferred tax in the amount of CHF 3.2 million was recognized directly in equity. On temporary differences from investments in subsidiaries of TCHF 1'720 (2013: TCHF 1'720), no deferred tax liability was recorded, as a reversal of the differences through realisation (dividend payment or sale of subsidiaries) is not expected in the foreseeable future.

### Tax loss carry forwards

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 carry forwards structured by expiry date are as follows:

(in CHF 000s)	Gross value of tax loss carry forwards		Potential tax benefits	
	2014	2013	2014	2013
<i>Expiry dates</i>				
Expiry within 1 year	309	836	62	205
Expiry within 2 years	20	21	4	5
Expiry within 3 years	183	186	37	46
Expiry within 4 years	95	97	19	24
Expiry between 5 and 16 years	1'749	550	306	135
To be carried forward unlimited	11'080	15'987	1'956	3'781
<b>Total tax loss carry forwards capitalized</b>	<b>13'436</b>	<b>17'677</b>	<b>2'384</b>	<b>4'196</b>
<i>Expiry dates</i>				
Expiry within 1 year	333	2'313	67	567
Expiry within 2 years	0	0	0	0
Expiry within 3 years	0	0	0	0
Expiry within 4 years	0	0	0	0
Expiry between 5 and 16 years	0	604	0	205
To be carried forward unlimited	131	7'862	26	1'572
<b>Total tax loss carry forwards not capitalized</b>	<b>464</b>	<b>10'779</b>	<b>93</b>	<b>2'344</b>
<b>Total tax loss carry forwards<sup>1)</sup></b>	<b>13'900</b>	<b>28'456</b>	<b>2'477</b>	<b>6'540</b>

<sup>1)</sup> The tax loss carry forwards and the deferred tax assets respectively are calculated at the respective closing date rate. Therefore, the movements in unrecognized tax loss carry forwards include currency differences.

## 24 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, 2014	For the year ended December 31, 2013
<b>Cash and cash equivalents</b>	<b>37'662</b>	<b>33'163</b>
Trade accounts receivables	38'842	29'204
Other receivables	6'591	6'765
Accrued income	1'706	412
Financial assets	584	1'222
<b>Loans and receivables</b>	<b>47'723</b>	<b>37'603</b>
Marketable securities	21'730	27'395
<b>Financial assets at fair value through profit or loss</b>	<b>21'730</b>	<b>27'395</b>
Trade accounts payables	28'623	15'318
Other payables	1'128	4'464
Accrued expenses	7'585	6'488
Loans	20'000	0
<b>Liabilities at amortized costs</b>	<b>57'336</b>	<b>26'270</b>
Other payables – contingent consideration	1'934	962
<b>Liabilities at fair value through profit or loss</b>	<b>1'934</b>	<b>962</b>

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. Information with respect to measurement of contingent consideration is found in note 4.

The contingent consideration contains the latest earn-out estimate in connection with the actual business combinations and as well the ones from the previous years. The earn-outs reflect the present value of the expected cash outflow which is measured on the basis of the achievement of profit goals defined in the corresponding purchase agreements.

### Fair value hierarchy

The different levels of financial instruments carried at fair value have been defined as follows in the table below:

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 assets or liabilities that are not based on observable market data (unobservable inputs).

#### For the year ended December 31, 2014

(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	21'730	21'730	0	0
<b>Total assets</b>	<b>21'730</b>	<b>21'730</b>	<b>0</b>	<b>0</b>
Other payables – contingent consideration	1'934	0	0	1'934
<b>Total liabilities</b>	<b>1'934</b>	<b>0</b>	<b>0</b>	<b>1'934</b>

#### For the year ended December 31, 2013

(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	27'395	27'395	0	0
<b>Total assets</b>	<b>27'395</b>	<b>27'395</b>	<b>0</b>	<b>0</b>
Other payables – contingent consideration	962	0	0	962
<b>Total liabilities</b>	<b>962</b>	<b>0</b>	<b>0</b>	<b>962</b>

There were no reclassifications between the various levels in 2014 and 2013.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

(in CHF 000s)	<b>2014</b>	<b>2013</b>
Balance at January 1,	962	969
Additions due to business combinations	1'520	0
Total gains or losses for the period recognized in P/L	-548	-7
<b>Balance at December 31,</b>	<b>1'934</b>	<b>962</b>

### **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 affected.

#### **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 cash and cash equivalents, trade accounts receivables from customers and investment securities.

#### **Trade accounts receivables 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. 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.

### Cash and cash equivalents and marketable securities

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 December 31, 2014 no guarantees were outstanding (December 31, 2013: 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 8.

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

(in CHF 000s)	For the year ended December 31, 2014	For the year ended December 31, 2013
Cash and cash equivalents	37'662	33'163
Marketable securities	21'730	27'395
Trade accounts receivables	38'842	29'204
Other receivables	6'591	6'765
Accrued income	1'706	412
Other financial assets	584	1'222
<b>Total</b>	<b>107'115</b>	<b>98'161</b>

### 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, 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 40.0 million overdraft facility that would be – in case of a draw down – secured by a pledge of the trade accounts receivables. Interest would be payable at the rate of 3% p.a. plus commission of 0.25% per quarter. Actual CHF 20.0 million of the undrawn access are used as a fixed advance under specific conditions (see note 14). The bank may adjust the interest rate in line with the market interest rates. 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:

<b>For the year ended December 31, 2014</b> (in CHF 000s)	<b>Carrying amounts</b>	<b>Contractual cash flows</b>	up to 6 months	6-12 months	1 - 5 years
Trade accounts payables	28'623	28'623	28'623	0	0
Other payables – other	1'128	1'128	1'128	0	0
Other payables – contingent consideration	1'934	1'934	414	0	1'520
Accrued expenses	7'585	7'585	7'585	0	0
Loans	20'000	20'000	20'000	0	0
<b>Total</b>	<b>59'270</b>	<b>59'270</b>	<b>57'750</b>	<b>0</b>	<b>1'520</b>

<b>For the year ended December 31, 2013</b> (in CHF 000s)	<b>Carrying amounts</b>	<b>Contractual cash flows</b>	up to 6 months	6-12 months	1 - 5 years
Trade accounts payables	15'318	15'318	15'318	0	0
Other payables – other	4'464	4'464	4'464	0	0
Other payables – contingent consideration	962	1'116	572	544	0
Accrued expenses	13'811	13'811	13'811	0	0
<b>Total</b>	<b>34'555</b>	<b>34'709</b>	<b>34'165</b>	<b>544</b>	<b>0</b>

### 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. 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 0.31% resulting in a negative impact of TCHF 66 on the profit before income tax.

The short term loan of CHF 20 million is exposed to the risk of interest rates fluctuations as its interest rate consists of the LIBOR plus a spread. The current interest rate is 0.6%.

#### c2) Currency risk

Almost all of the revenue and cost of sales 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 from time to time into economic hedging transactions pursuant to which u-blox purchases 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 cost of sales 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 a foreign currency from the perspective of the group entity which holds these financial instruments:

(in CHF 000s)	For the year ended December 31, 2014		For the year ended December 31, 2013	
	USD	EUR	USD	EUR
Cash and cash equivalents	16'859	3'828	12'300	5'824
Trade accounts receivables	16'500	5'165	10'568	3'170
Receivables from subsidiaries	22'078	2'829	16'593	2'721
Other receivables	134	4'381	7	3'260
Trade accounts payables	-24'371	-1'764	-12'844	-1'274
Other payables – other	-306	-1'371	-578	-1'813
Other payables – contingent consideration	-414	-1'520	-962	0
Payables to subsidiaries	-9'158	-6'656	-6'434	-3'930
Accrued expenses	-1'011	0	-1'361	-500
<b>Total currency exposure</b>	<b>20'311</b>	<b>4'892</b>	<b>17'289</b>	<b>7'458</b>

A 10% change in exchange rates at December 31, 2014 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	2014	2013	2014	2013
	USD/CHF	USD/CHF	EUR/CHF	EUR/CHF
Change	10%	10%	10%	10%
(in CHF 000s)				
Impact on income statement for positive change	1'641	1'397	395	603
Impact on income statement for negative change	-1'641	-1'397	-395	-603

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. In 2014 the group did not enter into any derivative financial instruments contracts (2013: none).

## 25 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 number of shareholders, as well as the return on capital, which the group defines as net profit divided by total shareholders' equity. Return on capital was 11.2% in 2014 (2013: 13.7%). 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 but also, based on the sound cash situation, wants to let the shareholders participate in the business result by dividend payments or by repaying part of the share premium.

## 26 OPERATING LEASES

Future minimal rental payments under equipment and facility leases at December 31, 2014 are as follows:

Operating leases due (in CHF 000s)	At December 31, 2014	At December 31, 2013
Within 1 year	2'769	3'702
Within 2 years	2'248	2'370
Within 3 years	2'086	1'622
Within 4 years	1'683	1'474
Thereafter	7'196	4'016
<b>Total</b>	<b>15'982</b>	<b>13'184</b>

This position mainly consists of office space rented.

## 27 GUARANTEES, PLEDGES IN FAVOR OF THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

At December 31, 2014 and 2013 there were no guarantees in favour 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.

## 28 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 to the Board of Directors and Executive Committee was:

(in CHF 000s)	For the year ended December 31, 2014	For the year ended December 31, 2013
Salaries	2'604	2'316
Share-based payments	606	572
Social taxes	344	241
Employee benefit costs	193	142
Other non cash benefits	9	9
<b>Total compensation</b>	<b>3'756</b>	<b>3'280</b>

There were no other significant transactions with related parties during the years ended December 31, 2014 and 2013. The detailed disclosure of compensation and shareholdings of the Board of Directors and Executive Committee as per Swiss law can be found in the compensation report.

## 29 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 24. The organization, principles, and reporting of risk management are described in Corporate Governance under the subtitle 'risk management'.

### 30 POST BALANCE SHEET EVENTS

At January 1, 2015 u-blox has founded u-blox Berlin GmbH for integration of the asset deal with Lesswire.

The following business combination took place at January 1, 2015.

#### Asset deal from Lesswire, Berlin

At January 1, 2015 u-blox AG acquired from Lesswire, a company specializing in short range radio communication modules the following asset.

The acquired part of Lesswire established itself as a successful player in the Vehicle-to-Vehicle (V2V) communication systems markets worldwide. With the asset deal u-blox take over 11 employee at the purchase date. The company is headquartered in Berlin, Germany. Lesswire products are an excellent complement to the existing portfolio of u-blox and will benefit from u-blox' worldwide market presence.

The asset deal has the following provisional effect on the Group's assets and liabilities:

(in CHF 000s)	Acquired assets and liabilities at fair value
Inventories	228
Property, plant and equipment	120
Intangible assets	
Acquired technology	2'237
Customer relationship	445
Intellectual property	360
<b>Total assets</b>	<b>3'390</b>
<b>Net assets</b>	<b>3'390</b>
Goodwill	4'426
<b>Total consideration transferred</b>	<b>7'816</b>
Settled by	
Cash payment	7'455
Deferred payment	361
<b>Total consideration transferred</b>	<b>7'816</b>
Paid in cash 2014	-7'455
Deferred payment	-361
Cash and cash equivalents acquired	
<b>Acquisition of subsidiary, net of cash acquired</b>	<b>-7'816</b>

The goodwill represents intangible assets that do not qualify for a separate recognition as well as the assembled workforce of Lesswire. The goodwill is fully allocated to the Positioning and Wireless products segment and expected to be not deductible for tax purposes. The asset will be transferred in the new founded Company u-blox Berlin GmbH in 2015. Due to the short time period the valuations are still provisional and might change in the future.

#### Discontinuation of the minimum exchange rate CHF/EUR by the Swiss National Bank

On January 15, 2015, the Swiss National Bank announced it would no longer defend the CHF/EUR minimum exchange rate. Subsequently, the value of the Swiss franc rose sharply against the euro and other currencies that are relevant for u-blox. The translation effect at subsidiaries that use a different functional currency results in lower amounts in the consolidated financial statements and an increase in the cumulative exchange differences recognised in equity.

There have been no other events between December 31, 2014 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, 2014.



Report of the Statutory Auditor to the General Meeting of Shareholders of

## **u-blox Holding AG, Thalwil**

### **Report of the Statutory Auditor on the Consolidated Financial Statements**

As statutory auditor, we have audited the consolidated financial statements of u-blox Holding AG, which are presented on page 24 to 64 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, 2014.

#### *Board of Directors' Responsibility*

The board of directors is responsible for the preparation 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 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, 2014 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

Daniel Haas  
*Licensed Audit Expert*  
*Auditor in Charge*

Nicole Charrière Roos  
*Licensed Audit Expert*

Lucerne, March 18, 2015

# Financial statements u-blox Holding AG

## Statement of financial position

(in CHF)	Note	At December 31, 2014	At December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank		1'769'343	3'871'367
Marketable Securities		21'729'965	27'395'343
Other receivables		38'683	34'986
	- third parties		
	- group companies	22'916'667	10'365'527
Prepaid expenses and accrued income		179'945	269'054
<b>Total current assets</b>		<b>46'634'603</b>	<b>41'936'277</b>
<b>Non-current assets</b>			
Loans to group companies		77'900'000	67'300'000
Investment in group company	2	14'697'917	14'697'917
<b>Total non-current assets</b>		<b>92'597'917</b>	<b>81'997'917</b>
<b>Total assets</b>		<b>139'232'520</b>	<b>123'934'194</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accrued expenses		396'781	425'033
<b>Total liabilities</b>		<b>396'781</b>	<b>425'033</b>
<b>Shareholders' equity</b>			
Share capital	3	5'929'813	5'809'946
Legal reserve		5'568'784	5'323'986
	- general reserves		
	- reserves from capital contributions	88'969'290	81'910'617
Available earnings		38'367'852	30'464'612
<b>Total shareholders' equity</b>		<b>138'835'739</b>	<b>123'509'161</b>
<b>Total liabilities and shareholders' equity</b>		<b>139'232'520</b>	<b>123'934'194</b>

## Income statement

(in CHF)	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Income</b>		
Dividend income	6'000'000	6'000'000
Interest and securities income	2'801'629	2'520'577
Service fee income	0	692
Other income	1'000	0
<b>Total income</b>	<b>8'802'629</b>	<b>8'521'269</b>
<b>Expenses</b>		
General and administrative expenses	-436'790	-918'122
Securities expenses	-338'489	-524'863
Foreign exchange gains	0	358
<b>Total expenses</b>	<b>-775'279</b>	<b>-1'442'627</b>
<b>Profit before income tax (EBT)</b>	<b>8'027'350</b>	<b>7'078'642</b>
Income tax expense	-124'110	-88'706
<b>Net profit for the year</b>	<b>7'903'240</b>	<b>6'989'936</b>
<b>Available earnings at beginning of the year</b>	<b>30'464'612</b>	<b>23'474'676</b>
<b>Available earnings at end of the year</b>	<b>38'367'852</b>	<b>30'464'612</b>

# 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 IN GROUP COMPANY

	Percentage held	Share capital	Purpose
u-blox AG, Thalwil (Switzerland)	100% Holding	CHF 4'226'238	Provider of embedded positioning and wireless communication solutions

## 3 SHARE CAPITAL

The share capital consists of 6'588'681 (2013: 6'455'496) registered shares with a nominal value of CHF 0.90 each.

## 4 AUTHORIZED SHARE CAPITAL

	At December 31, 2014	At December 31, 2013
Number of registered shares	1'261'000	1'261'000
With a nominal value of CHF 0.90 each	CHF 1'134'900.00	CHF 1'134'900.00

At the ordinary shareholders meeting held on April 24, 2013, the shareholders resolved that the Board of Directors shall be authorized, at any time until October 16, 2015, to increase the share capital through the issuance of up to 1'261'000 fully paid-in registered shares with a nominal value of CHF 0.90 each.

## 5 CONDITIONAL SHARE CAPITAL

	At December 31, 2014	At December 31, 2013
Number of registered shares	346'854	480'039
With a nominal value of CHF 0.90 each	CHF 312'168.60	CHF 432'035.10

In 2014, 133'185 options were exercised, which reduced the conditional share capital at December 31, 2014 to 346'854 shares with a nominal value of CHF 0.90. At December 31, 2014 there were 437'574 options (at December 31, 2013: 431'018 options) on u-blox Holding AG shares outstanding.

## 6 SIGNIFICANT SHAREHOLDERS

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

Black Rock Inc. (Indirectly), USA	9.82%
Werner Dubach, Hergiswil, Switzerland	9.56%
LB Swiss Investment AG, Zurich, Switzerland	4.89%
Credit Suisse Funds AG, Zurich, Switzerland	4.08%
UBS Fund Management AG, Basel, Switzerland	3.17%
BlackRock Global Funds-Swiss Small&MidCapOpportunities Fund, Switzerland	3.02%

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

The total number of u-blox shares and options owned by members of the Executive Committee, the Board of Directors and the persons related to them are shown in the tables below. The shares are not restricted.

### Shareholdings of Non-Executive members of the Board of Directors

	Number of u-blox Holding AG shares at December 31, 2014	Number of u-blox Holding AG shares at December 31, 2013
Fritz Fahrni Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	14'670	13'046
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	25'000	32'000
Gerhard Tröster Chairman of the nomination and compensation committee	23'190	24'760
Soo Boon Quek Member of the Board of Directors	0	0
Paul Van Iseghem Member of the Board of Directors	175	175
<b>Total Non-Executive members of the Board of Directors</b>	<b>63'035</b>	<b>69'981</b>

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

	Number of u-blox Holding AG shares at December 31, 2014	Number of u-blox Holding AG shares at December 31, 2013
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	120'964	114'356
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	34'805	47'718
Andreas Thiel Executive Vice President (R&D Wireless Products)	44'000	49'664
Daniel Ammann Executive Vice President (R&D Positioning Products)	39'000	41'620
Roland Jud CFO	300	0
<b>Total Executive Committee (incl. Executive members of the Board of Directors)</b>	<b>239'069</b>	<b>253'358</b>

## Options of Non-Executive members of the Board of Directors

	Number of u-blox Holding AG options at December 31, 2014	Number of u-blox Holding AG options at December 31, 2013
Fritz Fahrni Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	1'622	1'747
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	1'622	1'747
Gerhard Tröster Chairman of the nomination and compensation committee	1'622	3'619
Soo Boon Quek Member of the Board of Directors	1'622	2'995
Paul Van Iseghem Member of the Board of Directors	1'424	925
<b>Total Non-Executive members of the Board of Directors</b>	<b>7'912</b>	<b>11'033</b>

## Options Executive Committee (including Executive members of the Board of Directors)

	Number of u-blox Holding AG options at December 31, 2014	Number of u-blox Holding AG options at December 31, 2013
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	20'290	24'655
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	20'290	21'851
Andreas Thiel Executive Vice President (R&D Wireless Products)	20'290	27'704
Daniel Ammann Executive Vice President (R&D Positioning Products)	28'094	21'851
Roland Jud CFO	15'363	9'276
<b>Total Executive Committee (incl. Executive members of the Board of Directors)</b>	<b>104'327</b>	<b>105'337</b>

## 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 24 to the Group's 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

There have been no other events between December 31, 2014 and March 18, 2015 that would lead to an adjustment of the carrying amounts of assets and liabilities presented at December 31, 2014 or would otherwise have to be disclosed.

## Proposal of the Board of Directors for appropriation of available earnings and the use of reserves from capital contributions

The Board of Directors proposes to the Annual General Meeting the following appropriation of available earnings and the use of reserves from capital contributions at December 31, 2014

(in CHF)	2014	2013
Net profit for the year	7'903'240	6'989'936
Brought forward from previous year	30'464'612	23'474'676
<b>Available earnings before appropriation</b>	<b>38'367'852</b>	<b>30'464'612</b>
Release of reserves from capital contributions <sup>1)</sup>	10'541'890	8'392'145
<b>Total available earnings before appropriation</b>	<b>48'909'742</b>	<b>38'856'757</b>
Dividend payment out of reserves from capital contributions, CHF 1.60 per share on 6'588'681 shares <sup>1)</sup>	-10'541'890	-8'392'145
<b>To be carried forward</b>	<b>38'367'852</b>	<b>30'464'612</b>

<sup>1)</sup> Depending on the number of shares issued at April 30, 2015.

The Board of Directors is proposing to the General Meeting, to be held at April 28, 2015, to carry forward the available earnings 2014 of CHF 38'367'852 and to pay out a dividend of CHF 1.60 per share exempt from Swiss withholding tax out of the reserves from capital contributions. The last trading day with entitlement to receive the dividend is April 29, 2015. The shares will be traded ex-dividend as of April 30, 2015. The dividend will be payable as of May 5, 2015.

Thalwil, March 18, 2015

For the Board of Directors  
The Chairman Fritz Fahrni



Report of the Statutory Auditor to the General Meeting of Shareholders of

**u-blox Holding AG, Thalwil**

### **Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the accompanying financial statements of u-blox Holding AG, which are presented on page 66 to 70 and comprise the statement of financial position, income statement and notes for the year ended December 31, 2014.

#### *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, 2014 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 available 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

Daniel Haas  
*Licensed Audit Expert*  
*Auditor in Charge*

Nicole Charrière Roos  
*Licensed Audit Expert*

Lucerne, March 18, 2015



# Three year overview

## Condensed consolidated income statement

(in CHF 000s)	For the year ended December 31,		
	2014	2013	2012 restated
<b>Revenue</b>	<b>270'045</b>	<b>219'813</b>	<b>173'128</b>
% growth	22.9%	27.0%	38.8%
Cost of sales	-147'323	-118'654	-91'949
<b>Gross profit</b>	<b>122'722</b>	<b>101'159</b>	<b>81'179</b>
% gross profit margin	45.4%	46.0%	46.9%
Operating expenses	-84'515	-71'192	-58'343
Other income	868	83	112
<b>Operating profit (EBIT)</b>	<b>39'075</b>	<b>30'050</b>	<b>22'948</b>
% EBIT margin	14.5%	13.7%	13.3%
Finance income	4'546	1'013	922
Finance costs	-658	-2'193	-2'487
<b>Profit before income tax (EBT)</b>	<b>42'963</b>	<b>28'870</b>	<b>21'383</b>
% EBT margin	15.9%	13.1%	12.4%
Income tax expense	-8'566	-4'227	-4'305
<b>Net profit, attributable to owners of the parent</b>	<b>34'397</b>	<b>24'643</b>	<b>17'078</b>
% net profit margin	12.7%	11.2%	9.9%
Depreciation and amortization	19'529	16'138	12'240
<b>EBITDA<sup>*)</sup></b>	<b>58'604</b>	<b>46'188</b>	<b>35'188</b>
% EBITDA margin	21.7%	21.0%	20.3%

<sup>\*)</sup> EBITDA (earnings before interest, taxes, depreciation and amortization) calculated by adding depreciation and amortization to profit from operations (EBIT), in each case determined in accordance with IFRS.

## Condensed consolidated statement of financial position

(in CHF 000s)	At December 31, 2014	At December 31, 2013	At December 31, 2012 restated
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	37'662	33'163	33'416
Marketable securities	21'730	27'395	27'175
Trade accounts receivables	38'842	29'204	22'127
Other current assets	54'862	32'589	24'758
<b>Total current assets</b>	<b>153'096</b>	<b>122'351</b>	<b>107'476</b>
<b>Non-current assets</b>			
Property, plant and equipment	14'836	13'764	7'078
Goodwill	57'903	37'825	37'659
Other intangible assets	70'502	44'570	33'682
Financial assets	584	1'222	1'195
Deferred tax assets	4'826	6'777	4'543
<b>Total non-current assets</b>	<b>148'651</b>	<b>104'158</b>	<b>84'187</b>
<b>Total assets</b>	<b>301'747</b>	<b>226'509</b>	<b>191'633</b>
<b>Liabilities and equity</b>			
Current liabilities	70'860	35'974	26'868
Non-current liabilities	18'011	10'099	13'915
<b>Total liabilities</b>	<b>88'871</b>	<b>46'073</b>	<b>40'783</b>
<b>Shareholders' equity</b>			
Share capital	5'930	5'810	5'675
Share premium	89'531	92'556	94'132
Retained earnings	117'415	82'070	51'043
<b>Total equity, attributable to owners of the parent</b>	<b>212'876</b>	<b>180'436</b>	<b>150'850</b>
<b>Total liabilities and equity</b>	<b>301'747</b>	<b>226'509</b>	<b>191'633</b>

## Condensed consolidated statement of cash flows

(in CHF 000s)	For the year ended December 31,		
	2014	2013	2012
Net cash generated from operating activities	53'686	38'483	32'088
Net cash used in investing activities	-65'400	-33'638	-16'805
Net cash generated from/(used in) financing activities	14'991	-4'784	-15'618
<b>Net increase in cash and cash equivalents</b>	<b>3'277</b>	<b>61</b>	<b>-335</b>
Cash and cash equivalents at beginning of year	33'163	33'416	35'151
Exchange gains/(losses) on cash and cash equivalents	1'222	-314	-1'400
<b>Cash and cash equivalents at end of year</b>	<b>37'662</b>	<b>33'163</b>	<b>33'416</b>

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