A sustainable connected future

The u-blox Annual Report 2019

Content

Financial highlights 2019

Revenue in m CHF **385.1**	EBITDA (adjusted) in m CHF **71.7**	Operating profit (EBIT) (adjusted) in m CHF **43.1**
Net profit before minorities in m CHF **12.9**	Net profit before minorities (adjusted) in m CHF **32.0**	Gross profit margin (adjusted) in % **45.5**
Operating cash flow in m CHF **77.3**	Free cash flow in m CHF (before acquisitions) **21.3**	Equity ratio in % **60.0**

Our achievements

We sold our 500 millionth GNSS receiver

Satellite positioning is playing an ever-greater role in consumer, industrial and automotive applications. We are riding this strong wave of demand and 2019 saw us sell our 500 millionth global navigation satellite system (GNSS) receiver.

We unveiled exciting new products

Some were evolutionary. Others were revolutionary. Highlights include the SARA-R5 cellular series, which delivers high-security, low-energy communication and positioning to the IoT. The Bluetooth NINA-B40 and BMD-360 short range modules enable completely new types of applications. And the ZED-F9K dead reckoning module caters to the automotive market's safety-critical need for high precision positioning.

Markus Schaefer joined our Executive Team

To accelerate our global expansion, continuously grow our sales channels, and define our product marketing and communications strategy, we appointed Markus Schaefer to our Executive Team as Director of Global Marketing and Sales. Markus Schaefer has an impressive track record in senior sales leadership positions at global semiconductor companies.

We acquired Rigado's Bluetooth module business

To broaden our short range product portfolio, particularly for the consumer market, we acquired the Bluetooth module business from Rigado. In addition to having a more compelling proposition for customers who require highly cost-effective communication modules, we also now have a large number of new customers.

Our customer base continued to grow

Thanks to the efforts of our teams around the world, we have continued to expand our customer base. It now numbers 7,200 organizations, spread across 22 countries. As always, we continue to minimize our reliance on any one customer – our 10 largest customers account for just 19.5% of our sales.

Our Senior 5G Tech Lead was named on the Women of M2M and IoT list

Everyone at u-blox was both proud and delighted when Sylvia Lu, our Senior 5G Tech Lead, was selected for the prestigious Women of M2M and IoT Award, by Connected World. Selected by a panel of senior business technology leaders, the IoT list recognizes the impact Lu and others are having on the wider connected tech industry.

How we create value

At u-blox, we develop the tech solutions to tomorrow's toughest challenges

We develop innovative, reliable positioning and wireless communication solutions that securely connect vehicles, industries, cities, buildings and millions of people around the world. Our innovation enables life-saving medical care, sustainable communities, efficient utility networks and robust global communications infrastructure.

To continue providing leading solutions – capable of linking up billions of people and devices – we have aligned our growth strategy with four megatrends: mobility, Industry 4.0, urbanization and new health – all underpinned by a fifth megatrend: security.

The foundations underpinning our value-creation

1. Our 20+ years of **experience** and strong market position in wireless location-awareness and communication are the bedrock from which we serve around 7,200 global customers.

2. Extensive **R&D investments, strategic acquisitions, an ethos of embracing new technologies**, and our in-house semiconductor design and testing capabilities, all underpin our leading position in the market.

3. Our **engineers** are encouraged to immerse themselves in the wider tech community, both online and in person. These interactions broaden our perspectives and help keep us at the forefront of innovation across our key markets and geographies.

4. We proactively protect **our intellectual property**, to safeguard the fruits of our innovation work and to help us secure fair terms for standard essential patents.

5. Our unique, customer and market-focused **product portfolio**, made up of leading chipsets, modules, and services, underpins the digital transformations taking place across our target markets and regions.

6. Strong **relationships** with our suppliers, customers and ecosystem partners enable us to reliably meet evolving market needs.

The value we create for our key stakeholders

Customers
We reliably deliver innovative, responsibly sourced products and services, designed to maximize customer competitiveness and growth.

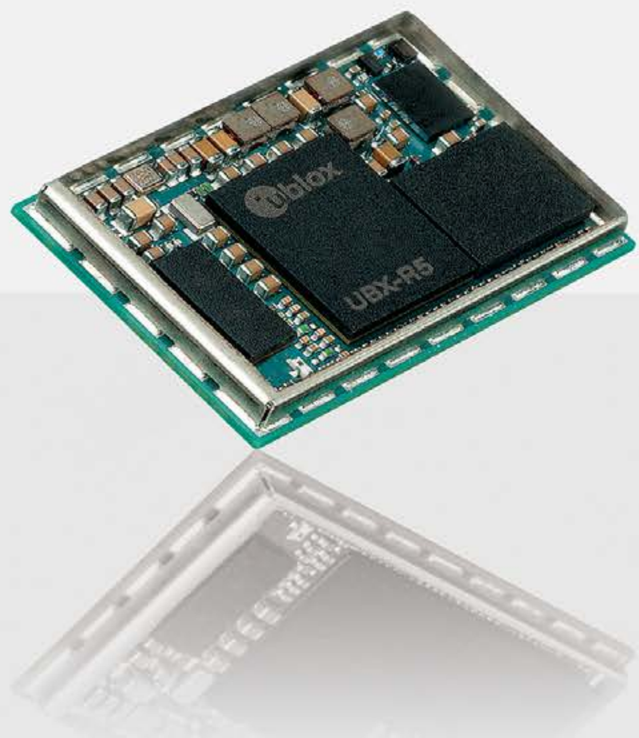
Employees
We offer our global teams a safe, healthy, inclusive and inspiring workplace, rewarding salaries, ample development opportunities and a generous pension plan.

Shareholders
For decades, we have consistently delivered profitable growth, while always maintaining high standards of business ethics. Given the role we are playing in the future of vehicles, cities, industry and healthcare, we are ideally placed to continue on this path of profitability.

Society
We create the building blocks that will make tomorrow's world smarter for millions of people. And by providing more than 1,000 highly skilled and highly paid jobs, we are a major contributor to many national economies.

The environment
The high sustainability standards we demand of ourselves and our suppliers minimizes the environmental impact of our operations. Moreover, our products and services open up whole new ways for people and businesses to reduce their environmental footprints, from wireless communication replacing travel, to positioning technology that guides vehicle drivers to the quickest route home, avoiding traffic jams.

Smart.
Reliable.
Secure.



Letter to the shareholders

Dear Shareholders,

Leadership requires vision, the ability to plan for the long-term and to successfully navigate operations during challenging conditions.

Despite the industry and macro-economic forces that created headwinds in our business this year, we maintained steady operations, generating CHF 385.1 million in revenue and improved gross profit margin from 2018.

We remained focused on the driving force of our business – a world and a future that will undoubtedly be one defined by connectivity, location and communication.

In 2019, we continued to bring to market leading products in positioning and wireless communication, such as the SARA-R5 cellular LTE chipset and module series, a high performing dead reckoning module that caters to the automotive market's need for high precision positioning, and our new next generation M9 positioning chipset and modules catering to the demanding automotive and high-end telematics applications. We grew our wireless services business which will be a source of recurring revenue and further diversify our revenue stream. We acquired the Bluetooth business of Rigado, expanding our customer base, distribution relationships and our team of engineers.

In short, we remained resolute on taking the steps that will continue to position u-blox as a leader in our industry and in our vision of the future.

In 2019, we experienced adverse market conditions particularly in EMEA and the Americas which impacted our business in those regions. Ongoing global trade tensions and geopolitical uncertainty created an overall negative sentiment across the EMEA region. Bright spots in EMEA were noticeable growth in new niche markets such as micro-mobility and sustainability applications, which include solar converters and electric charging vehicles. In the Americas, with the delayed readiness of the LTE Cat M network, adoption occurred at a slower than anticipated pace, although we saw acceleration of LTE sales in the second half of 2019. Offsetting sluggish activity in these two regions, our business in Asia rebounded, with strong performance in China driven by growth in technology for infrastructure, industrial IoT and automotive end markets. These long-term secular trends are very positive for u-blox and its long-term prospects for the region.

Four pillars of our strategy

The four pillars of our strategy keep us focused as we position the company for the long-term. The four pillars are:

1) further develop leadership in our markets,
2) strengthen our product portfolio to meet current and forecast trends,
3) achieve operational excellence, thereby driving efficiencies for customers, and
4) pursue external opportunities that augment our own capabilities and intellectual property.

Below is the progress we have made in achieving these initiatives in 2019.

Market position: further develop market leadership by expanding sales channels, building distinct capabilities and complementing products with value-added services.

We continue to focus our attention on building a portfolio of products and data services that makes us a valuable – or even indispensable – partner for customers in the automotive, industrial and consumer markets. We are expanding sales channels to reach an even broader range of customers in all our territories.

All our market sectors require connectivity, location-awareness, and in some cases, timing. But the specific demands in each space are very different, and our strength lies in having a portfolio of products that covers the needs of all three.

Plus, by complementing these products with value-added data services, we move ourselves up the value chain, further strengthening our position in each market.

Technology and innovation: it remains our goal to strategically strengthen our product portfolio to meet current and forecast trends.

To do this, we spend large amounts on targeted research and development every year. Focus areas include building more products on our own silicon, developing additional combination modules that blend u-blox technologies, and miniaturization. All of this work is done with the aim of delivering a unique and truly compelling product offering to our markets.

"Technology forms the core of our business. It remains our goal to strategically strengthen our product portfolio to meet current and forecast trends."

99%

of orders reached our customers on the confirmed delivery date.

Complementing this, we have our growing data services portfolio, which augments our products in ways that solve real-world customer challenges. Crucially for u-blox, the combination of products and services ensures we are more than a commodity component supplier. Instead, we become the highly valued – or even indispensable – partner we want to be for our customers.

- **Operational excellence:** the efficiencies that we continue to strive for improve our customers' experiences.

We work in fast-moving markets in a sustainability-conscious world. That means we must fine-tune every process in our business, while ensuring we are operating in an ethical and environmentally responsible way.

This covers everything from product and service design to manufacturing, customer delivery and through-life support. Operational optimization remains a key focus for us, because it makes such a difference to our clients.

Firstly, it means we are able to deliver our products with extremely short lead times. And secondly, it enables us to achieve exceptional levels of delivery reliability: in 2019, 99% of orders arrived with customers on the confirmed delivery date as in the years before.

As a result, our focus on operational optimization directly supports our customers' needs to get products to market as quickly as possible.

Rigorous quality assurance is a critical part of our drive for operational excellence. Our own processes are periodically audited by customers, and we regularly review our partners and suppliers, to ensure every area of our operations is as robust, efficient and sustainable as possible.

- **Strategic partnerships and acquisitions:** We create value by augmenting our own capabilities and intellectual property by investing in partnerships and acquisitions.

Supplementing our own expertise with that of others has helped us grow the company to the point we are today. We will continue to partner with complementary businesses and research institutions, and to acquire companies and intellectual property, where this helps further our strategic goals. We have continued to extend our partnerships with Kudelski and Sapcorda, and with the acquisition of the Rigado business strengthened our market footprint. Such strategic action drives u-blox's long-term growth and ensures future organic growth.

2019 financial highlights

Revenues of CHF 385.1 million were in line with the latest guidance, with EBIT (adjusted) of CHF 43.1 million and EBITDA (adjusted) of CHF 71.7 million. We saw a resurgence in the Asia Pacific (APAC) region, including a strong rebound in China, which is offset by declines in our Europe, Middle East and Africa (EMEA) and Americas regions due to broader industry and macro-economic forces.

In APAC, revenues grew by 5% to CHF 145.6 million in 2019 from CHF 139.3 million in 2018, driven by solid demand in the industrial and automotive end markets. China rebounded with a 16.0% increase in revenues from 2018, driven by increased domestic investment in technology for infrastructure and growth in industrial IoT. We also experienced good growth in Japan. APAC growth was partially offset by the elimination of a large customer in Taiwan who failed to meet our standards of compliance with terms and conditions.

Revenues in EMEA decreased to CHF 119.3 million in 2019 from CHF 126.4 million in 2018 (-6%), the latter of which included non-recurring individual projects. EMEA experienced growth in new markets, including micro-mobility and sustainability applications such as solar converters and electric vehicle charging. EMEA also observed an uptick in the auto sector in the second half of 2019 compared to the prior year period driven by increased content in vehicles. Overall the region continues to be constrained by the negative sentiment caused by the ongoing global trade wars, which have induced our customers in this region to slow their rate of investment and dampened the level of cross border business activity.

In the Americas, revenues decreased by CHF 7.2 million, or -6% year over year to CHF 119.2 million, as there were lingering delays associated with the migration to LTE based connectivity. However, we experienced accelerated LTE-sales in the second half of 2019, and we are optimistic about the increased pace of adoption in 2020.

Future outlook

The Internet of Things continue to accelerate and expand across the world, impacting the global economy as it transforms and shapes the way we live our everyday lives. It is estimated that there are currently 14.2 billion things in use, with the forecast for 25 billion things in use by 2021.[1] In the automotive market, where change and adoption are occurring rapidly, it is estimated that 71.6 million connected cars will be sold globally in 2023, up from 19 million connected cars sold in 2015.[2] As devices become increasingly connected, security will become increasingly important, with $3.1 billion USD market value of the worldwide IoT security sector in 2021 more than doubling from $1.9 billion in 2019.[3] Overall, it is estimated that $14.2 trillion USD will be added to the global economy by 2030 driven by the industrial IoT alone.[4]

These secular trends are the core, long-term drivers to our business of developing reliable, innovative and secure positioning and wireless communication solutions that connect vehicles, industries, things, and millions of people around the world.

"We currently have 6 new chip platforms in our development pipeline that will be tomorrow's drivers of growth."

To do so, we continue to invest in innovation in our products and in our business. In 2019 we invested over CHF 78.9 million (adjusted) in R&D, and employed 835 engineers in 16 research and development centers globally. We currently have 6 new chip platforms in our development pipeline that will be tomorrow's drivers of growth. We also continue to invest in our operations. We recently revised our sales structure in the Americas to become more efficient and effective and hired Markus Schaefer, an experienced industry veteran, to lead the charge in our consolidated marketing and sales efforts. We completed an

[1 3 4] Gartner, 2018
[2] IHS Market, 2018

acquisition that broadened our product portfolio, added valuable customers and distribution relationships, and a team of talented engineers.

We are confident in our approach. We believe it ensures that we will be able to deliver value to our customers today and into the future.

Board and management
As was previously announced, u-blox appointed Markus Schaefer as the new Executive Director for Global Marketing and Sales effective September 1, 2019. Markus Schaefer, a veteran of the semiconductor industry with a solid track record in growing market share in his previous positions, joined and has now completed u-blox's executive leadership team. In his new role, Markus Schaefer will define and implement the company’s sales and marketing strategy in the Americas, EMEA, and APAC sales regions. In addition to managing the company’s business expansion, he will be responsible for growing the sales channels, as well as for defining u-blox’s product marketing communication strategy.

Finally, a word of thanks
On behalf of the Board of Directors and Executive Committee, we would like to take this opportunity to thank all our employees. Your talent and commitment are what make u-blox the successful company we are today. We would also like to extend our thanks to you, our shareholders, for your continuing trust and confidence in u-blox.

Lastly, we would like to thank all our customers, suppliers and manufacturing partners.

Together, we will continue to make great strides in 2020.

Yours faithfully,

Thomas Seiler CEO	Roland Jud CFO	Andre Müller Chairman

Financial summary

Financial summary

Financial highlights (adjusted)

(CHF in million)	2019	2018	2017
Revenue	**385.1**	**393.3**	**403.7**
Growth rate over previous year	-2.1%	-2.6%	12.1%
Gross Profit adjusted[2)]	**175.1**	**177.9**	**184.8**
Growth rate over previous year	-1.6%	-3.7%	10.1%
Gross Profit adjusted[2)] in % of revenue	45.5%	45.2%	45.8%
EBITDA[1)] adjusted[2)]	**71.7**	**81.2**	**97.8**
Growth rate over previous year	-11.8%	-16.9%	8.7%
EBITDA adjusted in % of revenue	18.6%	20.7%	24.2%
Operating profit (EBIT) adjusted[2)]	**43.1**	**60.4**	**78.0**
Growth rate over previous year	-28.7%	-22.6%	11.8%
Operating profit (EBIT) adjusted[2)] in % of revenue	11.2%	15.4%	19.3%
Net Profit before minority interest adjusted[2)]	**32.0**	**48.2**	**61.5**
Growth rate over previous year	-33.5%	-21.7%	13.3%
Net Profit adjusted[2)] in % of revenue	8.3%	12.2%	15.2%
Cash generated from operating activities	**77.3**	**36.3**	**60.5**
Growth rate over previous year	112.7%	-39.9%	-35.3%
in % of revenue	20.1%	9.2%	15.0%
Equity	**351.5**	**348.9**	**318.5**
in % of total assets	60.0%	63.1%	60.7%
Adjusted[2)] earnings per share	4.69	6.99	8.91

[1)] 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.
[2)] excl. share based payments, impacts based on IAS-19, amortization of intangible assets acquired, impairments and non-recurring expenses.

Financial highlights (IFRS)

(CHF in million)	2019	2018	2017
Revenue	**385.1**	**393.3**	**403.7**
Growth rate over previous year	-2.1%	-2.6%	12.1%
Gross Profit	**174.5**	**177.1**	**184.0**
Growth rate over previous year	-1.5%	-3.7%	10.1%
Gross Profit in % of revenue	45.3%	45.0%	45.6%
EBITDA[1)]	**65.2**	**71.6**	**87.4**
Growth rate over previous year	-8.9%	-18.0%	6.9%
EBITDA in % of revenue	16.9%	18.2%	21.6%
Operating profit (EBIT)	**22.1**	**48.3**	**65.1**
Growth rate over previous year	-54.3%	-25.8%	10.3%
Operating profit (EBIT) in % of revenue	5.7%	12.3%	16.1%
Net Profit before minority interests	**12.9**	**38.5**	**51.3**
Growth rate over previous year	-66.4%	-24.9%	11.0%
Net Profit before minority interests in % of revenue	3.4%	9.8%	12.7%
Cash generated from operating activities	**77.3**	**36.3**	**60.5**
Growth rate over previous year	112.7%	-39.9%	-35.3%
in % of revenue	20.1%	9.2%	15.0%
Equity	**351.5**	**348.9**	**318.5**
in % of total assets	60.0%	63.1%	60.7%
Earnings per share	1.89	6.99	8.91

[1)] 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.

Revenue breakdown

u-blox operates in two segments:

Positioning and wireless products

u-blox develops and sells chips and modules for positioning and wireless connectivity that are used in automotive, industrial and consumer applications. Revenue was CHF 385.1 million for 2019 as compared to CHF 393.3 million in 2018.

Wireless services

u-blox also offers wireless communication technology services in terms of reference designs and software. In 2019, revenue for wireless services was CHF 32.1 million compared to CHF 31.4 million in 2018 (including intra group revenue).

Consolidated income statement (IFRS and adjusted)

	Jan - Dec 2019			Jan - Dec 2019		Jan - Dec 2018	
(in CHF 000s)	(IFRS)	% revenue	Adjustments[2]	(adjusted)	% revenue	(adjusted)	% revenue
Revenue	**385'099**	100.0%		**385'099**	100.0%	**393'269**	100.0%
Cost of sales	-210'606	-54.7%	584	-210'022	-54.5%	-215'342	-54.8%
Gross Profit	**174'493**	45.3%	**584**	**175'077**	45.5%	**177'927**	45.2%
Distribution and marketing expenses	-36'646	-9.5%	1'454	-35'192	-9.1%	-34'782	-8.8%
Research and development expenses	-96'253	-25.0%	17'348	-78'905	-20.5%	-67'818	-17.2%
General and administrative expenses	-23'272	-6.0%	1'650	-21'622	-5.6%	-18'744	-4.8%
Other income	3'732	1.0%		3'732	1.0%	3'818	1.0%
Operating Profit (EBIT)	**22'054**	5.7%	**21'036**	**43'090**	11.2%	**60'401**	15.4%
Finance income	547	0.1%		547	0.1%	5'305	1.3%
Finance costs	-4'133	-1.1%		-4'133	-1.1%	-2'158	-0.5%
Share of profit of equity-accounted investees, net of taxes	-4'249	-1.1%		-4'249	-1.1%	-3'339	-0.8%
Profit before income tax (EBIT)	**14'219**	3.7%	**21'036**	**35'255**	9.2%	**60'209**	15.3%
Income tax expense	-1'306	-0.3%	-1'932	-3'238	-0.8%	-12'039	-3.1%
Net profit	**12'913**	3.4%	**19'104**	**32'017**	8.3%	**48'170**	12.2%
Minority interests	-149	0.0%		-149	0.0%		
Net Profit, attributable to owners of the parent	**13'062**	3.4%		**32'166**	8.4%	**48'170**	12.2%
Earnings per share in CHF Diluted earnings per share in CHF	1.89 1.89			4.69 4.69		6.99 6.96	
Operating Profit (EBIT)	22'054	5.7%	21'036	43'090	11.2%	60'401	15.4%
Depreciation and amortization	43'189	11.2%	-14'589	28'600	7.4%	20'844	5.3%
EBITDA[1]	**65'243**	16.9%	**6'447**	**71'690**	18.6%	**81'245**	20.7%

[1] Management calculates EBITDA (earnings before interest, taxes, depreciation and amortization) by adding back depreciation and amortization to operating profit (EBIT), in each case determined in accordance with IFRS.
[2] Adjustments are impacts of Share based payments, Pension calculation according to IAS-19, Non-recurring expenses, impairments and amortization of intangible assets acquired.

In 2019 based on reporting by region, Asia Pacific generated 37.8%, EMEA 31.2% and the Americas 31.0% of total revenue. Revenue in Asia-Pacific grew by 4.5% to CHF 145.6 million. Due to the difficult macro-economic environment, revenue in EMEA declined by 5.6% to CHF 119.3 million and revenue in the Americas declined by 5.7% to CHF 119.2 million.

In 2019, approximately 80% of total revenue was generated by 108 customers. u-blox's largest customer accounted for only 4.0% of revenue. u-blox served over 7,200 customers and achieved global expansion into new regions and markets.

Gross profit

Adjusted gross profit decreased by 1.6% to CHF 175.1 million in 2019 from CHF 177.9 million in 2018. Gross profit adjusted margin was slightly more favorable at 45.5% for 2019 compared to 45.2% in 2018 due to favorable changes in product mix and reduced cost for licenses.

Distribution and marketing activities

Distribution and marketing expenses (adjusted) in 2019 were CHF 35.2 million as compared to CHF 34.8 million in the previous year. As a percentage of revenue, distribution and marketing expenses (adjusted) were 9.1% in 2019 compared to 8.8% in 2018.

Research and product development
Adjusted R&D expenses in 2019 were CHF 78.9 million as compared to CHF 67.8 million in 2018 due to increased amortization expense of capitalized projects entering the production phase and a lower overall capitalization rate of current projects. As a percentage of revenue, adjusted R&D expenses in 2019 were 20.5% as compared to 17.2% in 2018.

Share based payment
Share based payment expenses recognized according to IFRS in 2019 were CHF 5.3 million as compared to CHF 8.4 million in 2018.

Operating profit (EBIT)
Adjusted EBIT was CHF 43.1 million in 2019 as compared to CHF 60.4 million in 2018, a decline of 28.7%. Accordingly, adjusted EBIT margin was 11.2% in 2019 compared to 15.4% in 2018. Adjusted operating profit before depreciation and amortization was 71.7 million, a decline of 11.8% from 2018. The decline was primarily due to increased expense for R&D projects and further R&D investments into new products.

Finance income and costs
Adjusted finance income was CHF 0.5 million. Adjusted finance costs of CHF 4.1 million consisted primarily of interest payments for the two outstanding bonds and unrealized foreign currency losses. Share of profit of equity-accounted investees net of tax was CHF 4.3 million in 2019.

Net cash generated from operating activities
In 2019, u-blox generated cash from operating activities in the amount of CHF 77.3 million as compared to CHF 36.3 million in 2018, an increase of 112.7% compared to previous year, due to better margins and a decrease in net working capital driven by lower inventories and trade accounts receivables as well as the effects of changes in IFRS accounting standards.

Main investing activities
Investments in property, plant and equipment, and intangible assets amounted to CHF 56.9 million in 2019 compared to CHF 61.4 million in 2018. As a percentage of sales, the investment ratio decreased slightly to 14.8% in 2019 from 15.6% in 2018.

Despite the continued expansion of the R&D pipeline and the increased number of development projects across all product categories, capitalized development costs decreased slightly to CHF 50.0 million from CHF 53.8 million in 2018. There were no investments in intellectual property rights in 2019 or 2018. Investments in software amounted to CHF 0.4 million in 2019 compared to CHF 0.3 million in 2018. In 2019, investments in property, plant and equipment were CHF 6.5 million compared to CHF 7.3 million in 2018.

In 2019, 87.9% of total investments went into the development of new products compared to 87.6% in 2018. No investments were made into capacity expansion in 2019 or 2018.

Financing activities
In 2019 u-blox paid dividends of CHF 11.1 million and received proceeds of CHF 0.9 million from the issuance of ordinary shares in connection with its employee share option plan. The cash flow from financing activities contains also the effects of IFRS accounting standard changes.

Solid financial position
u-blox has a strong balance sheet with an equity ratio of 60.0%.

Cash and cash equivalents and marketable securities amounted to CHF 128.3 million on December 31, 2019, compared to CHF 137.7 million on December 31, 2018.

Goodwill increased due to the acquisition of the shares of Tashang and the assets of Rigado from CHF 55.2 million in 2018 to CHF 56.0 million or 9.6% of total assets in 2019.

On the basis of this strong financial position, the Board of Directors is proposing at the Annual General Meeting a payment in the form of a tax-free par value reduction. For this year, a par value reduction of CHF 0.60 per share is proposed, which represents a payout ratio of 33.1% of consolidated net profit, in line with previous years' payout ratios.

Condensed consolidated statement of financial position

(in CHF 000s)	At December 31, 2019 (audited)	At December 31, 2018 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	127'424	136'296
Marketable securities	898	1'401
Trade accounts receivables	48'469	60'802
Other assets	83'670	78'415
Total current assets	**260'461**	**276'914**
Non current assets		
Property, plant and equipment	12'707	14'829
Right-of-use assets	21'824	0
Goodwill	56'027	55'231
Intangible assets	219'194	193'445
Financial assets (incl. equity accounted investees)	8'844	9'041
Deferred tax assets	6'886	3'570
Total non-current assets	**325'482**	**276'116**
Total assets	**585'943**	**553'030**
LIABILITIES AND EQUITY		
Current liabilities	61'431	55'476
Non-current liabilities	172'913	148'677
Total liabilities	**234'344**	**204'153**
Shareholders' equity		
Share capital	109'569	6'390
Share premium	16'600	66'296
Retained earnings	225'295	276'191
Total equity, attributable to owners of the parent	**351'464**	**348'877**
Non-controlling interest	135	0
Total equity	**351'599**	**348'877**
Total liabilities and equity	**585'943**	**553'030**

Financial summary

Consolidated cash flow statement

(in CHF 000s)	For the period ended December 31, 2019	For the period ended December 31, 2018
Net Profit	12'913	38'481
Depreciation & Amortization	43'189	23'356
Other non-cash transactions	5'263	9'814
Financial income & financial expense	7'835	192
Income tax expense	1'306	9'617
Change in networking capital and provision	16'186	-32'235
Income tax paid	-9'401	-12'883
Net cash generated from operating activities	**77'291**	**36'342**
Net investment into property, plant and equipment	-6'454	-7'312
Net investment into intangibles	-50'446	-54'075
Net investment into financial assets	874	2'103
Acquisition of subsidiaries, net of cash acquired and participations	-10'734	-4'107
Net cash used in investing activities	**-66'760**	**-63'391**
Free Cash Flow (before acquisitions and participations)	*-21'265*	*-22'942*
Free Cash Flow	*-10'531*	*-27'049*
Proceeds from issuance of ordinary shares	876	15'286
Dividends paid to owners of the parent	-11'077	-15'441
Payment of lease liabilities	-4'996	0
Purchase of treasury shares	0	-7'609
Non-controlling interests	85	0
Interest paid	-2'544	-1'917
Net cash provided by / used in financing activities	**-17'656**	**-9'681**
Net decrease in cash and cash equivalents	**-7'125**	**-36'730**
Cash and cash equivalents at beginning of year	136'296	169'624
Exchange gains/(losses) on cash and cash equivalents	1'747	3'402
Cash and cash equivalents at end of the period	**127'424**	**136'296**

Competitiveness

u-blox's unique, compelling and sustainable value proposition

Many of today's megatrends are entirely dependent on connectivity and location-awareness. From smart cities to autonomous vehicles, and from Industry 4.0 to new health, everything hinges on knowing what's happening, when it's happening and where it's happening.

Millions of products are being manufactured for these markets every year. And that means there is enormous demand for precisely the capabilities u-blox provides.

Our strength across the global industrial, automotive and consumer markets comes down to our unique blend of four things: our products, our services, their longevity and our commitment to leading the field through innovation.

Here is why we are so strongly positioned in each area:

Our broad product portfolio
With many megatrend products requiring both location-awareness and wireless communication capabilities, we give customers the convenience of one competent supplier for their positioning, cellular and short range technologies. Equally important, we have a range of products within our portfolio to service the many different applications that megatrends are made of.

Whether it is an automobile manufacturer creating a semi-autonomous car, or a designer crafting an autonomous lawnmower, we have chips and modules that deliver the right balance of form factor, capability, energy consumption and other critical features.

Complementary data services
A lot of our customers' applications demand heightened levels of performance and security. This is where our services dovetail with our products, giving customers options such as faster or more-precise location readings to ensure data security, or the ability to remotely update devices in the field.

Long-term availability: we build to last
Many of our customers' products are manufactured to last for many years and remain in use for many more. Therefore - component longevity is critical - both in terms of continuous availability and maintainability.

We build an increasing number of products using our own silicon. This means u-blox customers are assured that the u-blox product they choose today, or a newer but compatible newer version, will be available throughout the time they expect to produce their products.

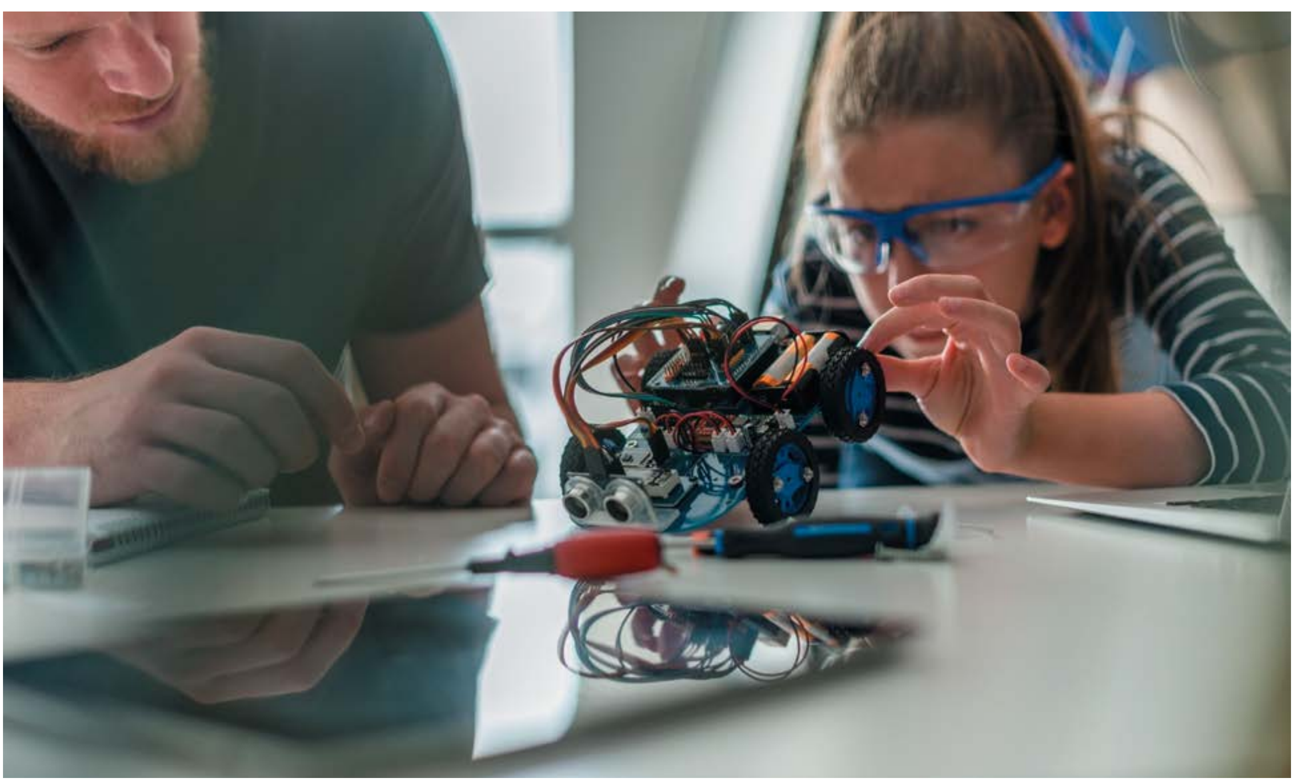
Moreover, because older u-blox products can easily be swapped for new-generation models, our customers can continually improve the performance and functionality of their own products over their manufacturing lifetimes, without costly redesign.

Meanwhile, services such as u-blox Firmware Over The Air (FOTA), mean customers can further evolve or lock down their products, even after they leave the factory.

Our commitment to leading the way with research and development
Our ongoing commitment to R&D with an annual spend of more than CHF 78.9 million, makes all of this possible and enables us to create more and more of our products on our own silicon, so that we are in control of our critical components.

R&D drives our intellectual property value creation and is essential to our product differentiation, shaping them to become integral enablers of their long-term roadmaps.

The perfect blend for our customers
Our customers are the businesses creating the products that shape and respond to these modern megatrends. Our unique, compelling and sustainable value proposition is why our customer base now numbers more than 7,000 worldwide - and why hundreds of u-blox customers have worked with us for more than a decade.



Strategy

Shaping the megatrends that transform lives

Megatrends

Megatrends are changing the way we live, work, travel and spend our free time. They pave our strategy

Industry 4.0 is revolutionizing manufacturing

New health is improving our wellbeing

Smarter mobility is making it simpler to get around

Ever-smarter cities are enabling better qualities-of-life

Operational excellence

Sustainably driving efficiencies that improve our customers' experiences
We work in fast-moving markets in a sustainability-conscious world. This means we must fine-tune every process in our business while ensuring we are operating in an ethical and environmentally responsible way.

Operational optimization remains a key focus for us, because it makes such a difference to our clients. This covers everything from product and service design to manufacturing, customer delivery and through-life support.

Firstly, it means we are able to deliver our products with extremely short lead times. And secondly, it enables us to achieve exceptional levels of delivery reliability: in 2019, 99% of orders arrived with customers on the confirmed delivery date (2018: 99%, 2017: 98%).

As a result, our focus on operational optimization directly supports our customers' needs to get products to market as quickly as possible.

Rigorous quality assurance is a critical part of our drive for operational excellence. Our own processes are periodically audited, and we regularly review our partners and suppliers, to ensure every area of our operations is as robust, efficient and sustainable as possible.

Strategic partnerships and acquisitions

Augmenting our capabilities and intellectual property
Supplementing our expertise with that of others has helped us grow the company to the point we are today. Where this helps further our strategic goals, we will continue to partner with complementary businesses and research institutions and acquire companies and intellectual property.

We have extended our partnerships with Kudelski and Sapcorda, and with the acquisition of the Rigado business, strengthened our market footprint. Such strategic action drives u-blox's long-term growth and ensures future organic growth.

Market position

Channeling products to the distinct needs of the automotive, industrial and consumer markets
We continue to focus our attention on building a portfolio of products and data services that makes us a valuable – or even indispensable – partner for customers in the automotive, industrial and consumer markets. We are expanding sales channels to reach an even broader range of customers in all our territories.

All our market sectors require connectivity, location-awareness, and in some cases, timing. But the specific demands in each space are very different and our strength lies in having a portfolio of products that covers the needs of all three.

Plus, by complementing these products with value-added data services, we move up the value chain, further strengthening our position in each market.

Technology and innovation

Always pushing the envelope
Technology forms the core of our business. It remains our goal to strategically strengthen our product portfolio to meet current and forecast trends.

Delivering a unique and truly compelling product offering to our markets means we spend significant amounts on targeted research and development every year. Focus areas include building more products on our own silicon, developing additional combination modules that blend u-blox technologies, and miniaturization.

Complementing this, we have our growing data services portfolio, which augments our products in ways that solve our customers' real-world challenges. Crucially for u-blox, the combination of products and services ensures we are more than a commodity component supplier. Instead, we become the highly valued – or even indispensable – partner we want to be for our customers.

Innovation

Successful innovation is about using technology to solve real-world challenges in a lasting way

For u-blox to remain at the forefront of our field, we need to keep innovating. This is why we invest more than CHF 78.9 Million every year on R&D and now have 16 research facilities around the world - home to 835 engineers.

Of course, innovation is about more than simply money and people power. Successful innovation, we believe, is when you create products and services that deliver long-term solutions to real-life challenges. This is why the first step of our R&D process is to listen – so that we truly understand the problems we are trying to solve.

The art of listening
We listen to our customers and their customers. We listen to our partners. We listen to academics and researchers. We listen to our peers in related industries. And we listen to our people, who are our eyes and ears on the ground. We have a direct sales channel with highly competent technical staff dialoguing daily with our customers.

Curating and analyzing this insight gives us a broad and deep understanding of the issues customers are facing today. It also provides us with the intelligence to forecast where our markets are heading next.

Innovation that delivers results
As a result, our R&D engineers are able to create solutions that are genuinely valuable to our customers in the short, medium and long- term. And the evidence shows it works.

Take our decision, some years ago, to invest heavily in our 802.11p-based vehicle-to-everything (V2X) communications products, in anticipation of this becoming the key short range V2X technology. Fast-forward to today and we are seeing major vehicle manufacturers launching cars with 802.11p-based driver-assistance systems. Thanks to our foresight and investment in this area, we are in exactly the right place to play a key role in the evolution of the car.

Our customer-centric innovation process

1 Finger on the pulse

By listening to our customers and other experts, we keep abreast of challenges, market trends, social changes and technology developments. This insight feeds our ongoing innovation process.

2 Explore the potential

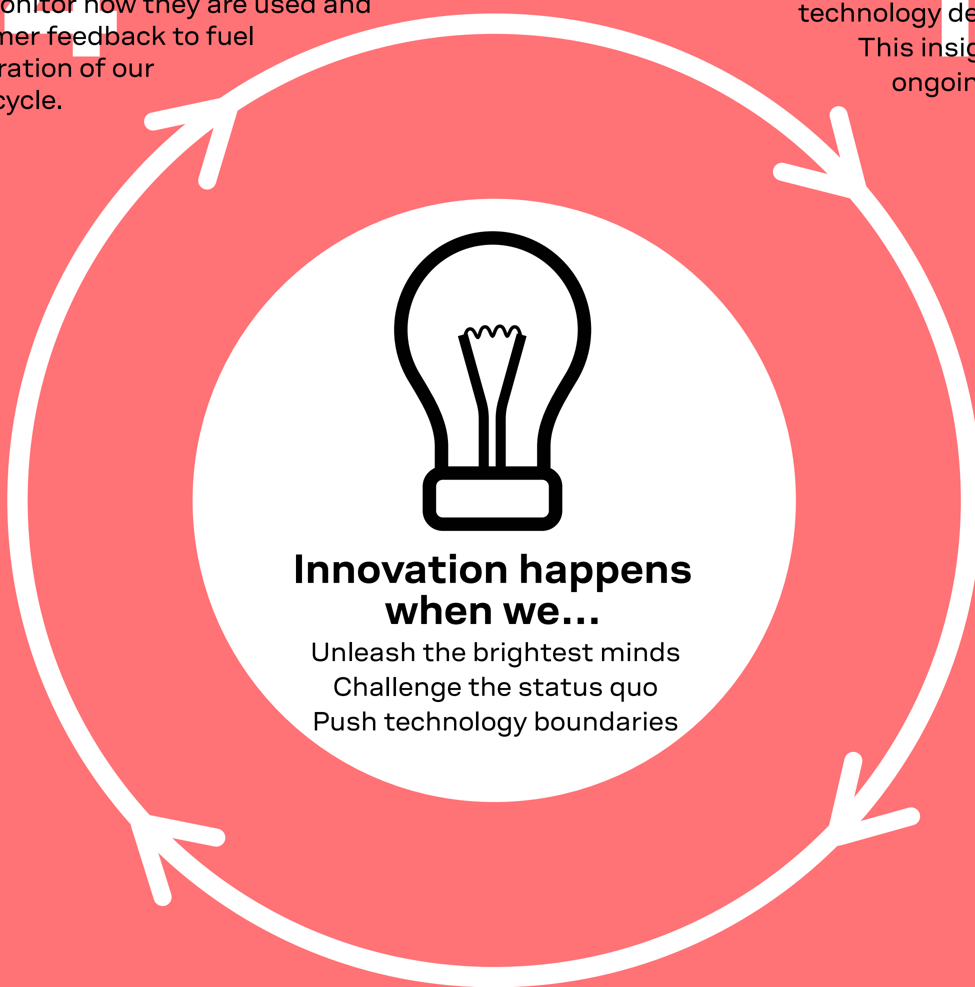
Our team of innovative engineers explore interesting prospects in greater depth. By bringing bright minds together and challenging one another, we ensure we truly understand our customers' problems and market trends. This enables us to identify ideas and explore the potential to address the challenges.

3 Co-create and refine

We focus on the ideas we believe will make a real difference. Co-creation workshops with key customers for sharp specifications, followed by trials and evaluations, enable us to develop and refine the best concepts.

4 New products and services

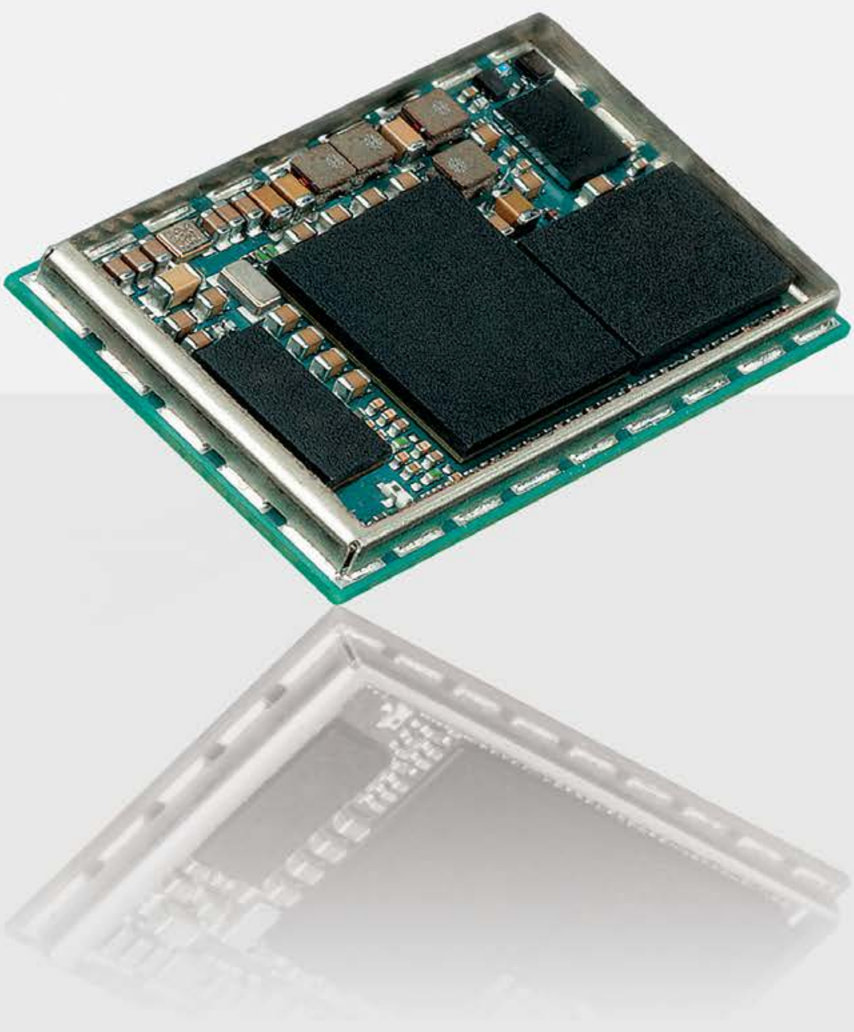
The refinement process results in products and services that will deliver tangible customer benefits – and are technically and commercially viable. Once we launch them, we monitor how they are used and seek customer feedback to fuel the next iteration of our innovation cycle.



Products and services

How we set ourselves apart

Our blend of market-leading products and growing portfolio of data services to complement them makes us an indispensable partner for our customers



Ensuring our products and data services continue to meet customer needs

Central to the success of our products and data services is our relentless drive to innovate. Carefully targeted innovation enables us to unleash exciting new solutions that meet customer needs in the short, medium and long-term. You can discover more about how our innovation work drives our product and service development in the Innovation section of this report.

Key achievements in 2019

Cellular

2019 saw us strengthen our cellular module offering, notably with the launch of the **SARA-R5** chipset and its LTE-M and NB-IoT modules. These also include u-blox M8 GNSS positioning technology.

The SARA-R5 series delivers on the needs of the many IoT applications requiring secure wide area connectivity, using very little energy. Hardware-based Root of Trust, in a discrete, secure element within the module, gives customers EAL5+ High Common Criteria-compliant security, from the chip to the cloud. The modules are also compatible with our Firmware Over The Air (FOTA) service, enabling customers to deliver updates to SARA-R5-based devices in the field during their often multi-year lifetimes.

Short range communication

It's been an exciting year for u-blox in the short range communication space. The July **acquisition of Rigado's Bluetooth modules business** is massively significant for us. By bringing Rigado engineers and modules into the u-blox family, we have broadened and improved our offering, particularly for customers building consumer products.

We have also built on Rigado intellectual property to launch new Bluetooth modules. Key among them is the **BMD-360**, a state-of-the-art consumer-grade Bluetooth 5.1-compliant module that supports direction-finding and long-range communications – all in an exceptionally cost-effective package.

Meanwhile, the latest iteration of our industrial-grade NINA modules, the **NINA-B4 series**, brings Bluetooth 5.1 low energy capabilities to customers building connected solutions for use in challenging conditions.

Having both the BMD-360 and NINA-B40 series ensures we have Bluetooth products to address the short range connectivity and positioning demands of two significant – but very different – segments of the IoT.

Positioning and timing

Building on the success of our F9 high precision positioning platform, this year's newly launched **ZED-F9K dead reckoning module** addresses the needs of autonomous vehicles and advanced driver-assistance system designers. Mission-critical systems demand decimeter-level positioning at all times, even when the vehicle cannot receive a signal from a GNSS satellite.

The ZED-F9K module delivers this, using inertial sensors to complement multi-band GNSS and information from correction data services. This results in a 10-fold increase in positioning performance over standard positioning solutions.

We are also really excited about the launch of our **M9 positioning platform**. We call it 'ultra-robust', and we mean it. With concurrent reception of up to four GNSS constellations, sophisticated interference mitigation and advanced spoofing and jamming detection, customers enjoy an exceptionally reliable location reading. The M9 platform is designed for automotive, telematics and UAV applications.

Future focus

Our long-term product and data service development strategies are delivering results, and we will continue to pay particular attention to three broad areas:

- Building more products on our own silicon
- Enhancing security
- Developing data services to complement our products

Combined, these empower us to provide a compelling offering to our customers, whereby they see us as more than a commodity component supplier - we become a strategic and indispensable long-term partner.

Our own silicon

Building products on our own silicon means we have greater control over everything from performance and capability to long-term product availability. This is critical in enabling us to differentiate our offering and create products that genuinely meet our markets' longer-term needs. Finally, we offer a lot more value to our customers. We will continue with this strategy in 2020 and beyond.

Security

Recent years have seen us make significant investments in both hardware and software security. In 2020, we expect to see many of these developments coming to market, in the shape of new products and commercially available services. We will continue to drive forward our security-related R&D, looking at new ways to enhance the robustness of our customers' solutions. As we do today, where appropriate, this will include partnerships with carefully selected security specialists.

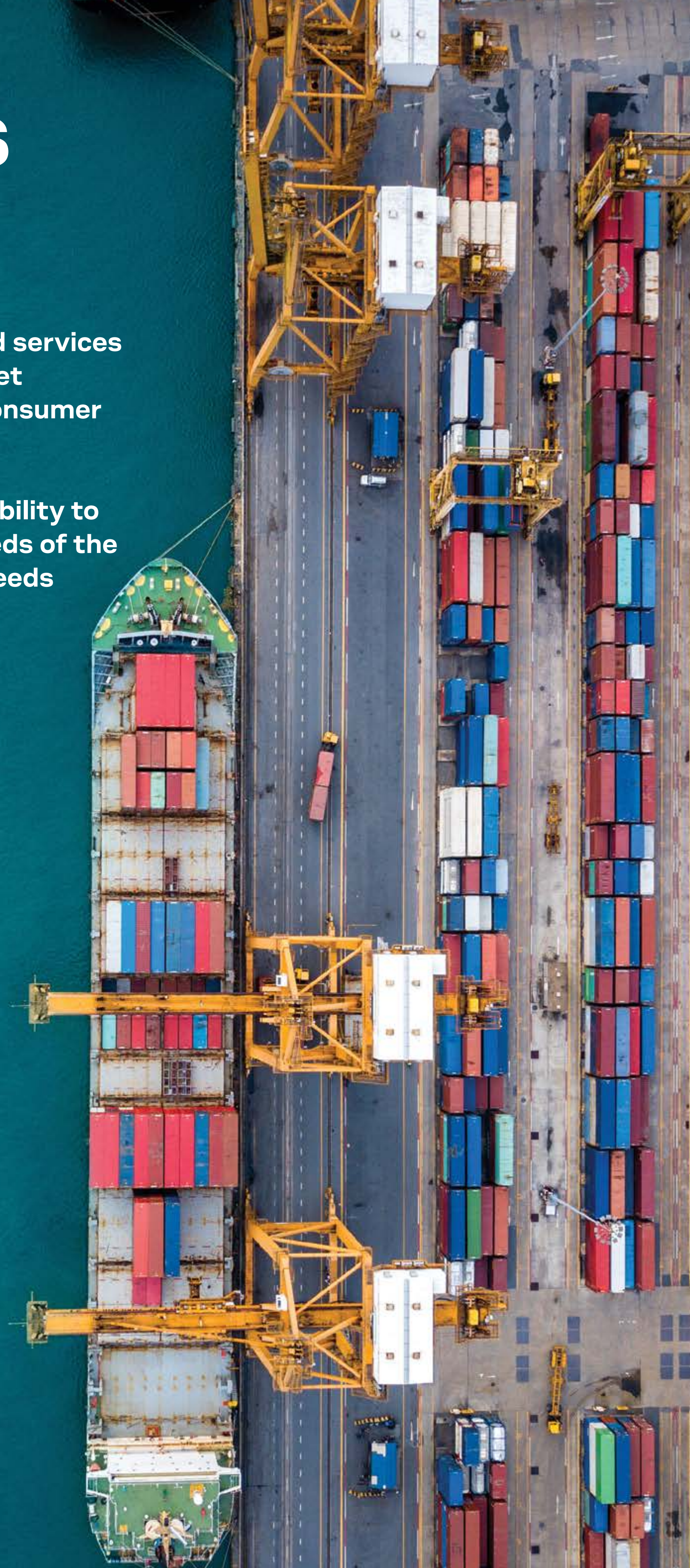
Value-added data services

We will invest further in our portfolio of data services. This is a key area when it comes to differentiating our offering. By providing customers with both high-quality chips and modules, and data services that push their capabilities to new and unique levels, we deliver unmatched value and make ourselves ever-more-critical to our customers' operations.

Markets

Demand for the products and services remains high across our target industrial, automotive and consumer markets

u-blox's strength lies in our ability to address the very specific needs of the megatrends and customer needs driving each sector



Industrial

In the industrial market, we continue to see healthy demand for our cellular low-power, wide-area (LPWA) communication technologies. Moreover, the new possibilities around high precision positioning and longer-range point-to-point communication, unleashed by Bluetooth 5.1, mean we can solve more problems than ever before.

Driving this demand are applications that rely on knowing what is happening, when it is happening, and where it is happening – often with very high certainty. The Industrial Internet of Things (IIoT) is becoming a reality, enabling smarter cities, ease of use and remotely configurable equipment and intelligent medical devices.

Standout resilience

Our products' robustness enables such applications to really stand out and help our customers succeed. From being able to communicate effectively in the face of electromagnetic interference, to deliver precise location readings in challenging conditions, and to withstand harsh environmental conditions, u-blox modules give our industrial customers the high confidence their applications demand.

Automotive

It is a similar story in the automotive space, albeit for different use cases. Our vehicle-to-everything (V2X) connectivity options and high precision positioning capabilities are striking a chord with automakers, as they develop their advanced driver-assistance systems and ever more autonomous vehicles.

Here again, our products' reliability is essential. For example, autonomous and semi-autonomous vehicles depend on exceptionally accurate positioning. Achieving this in tunnels, urban canyons and other locations, where it is difficult or impossible to get an accurate reading using GNSS signals alone, was a difficult problem to solve. Mitigating the risk posed by signal jamming and spoofing attempts is essential to the overall robustness of our products.

Dependable positioning information

Automakers are demanding exceptionally resilient GNSS technologies and seeking to augment them with correction data services and dead reckoning.

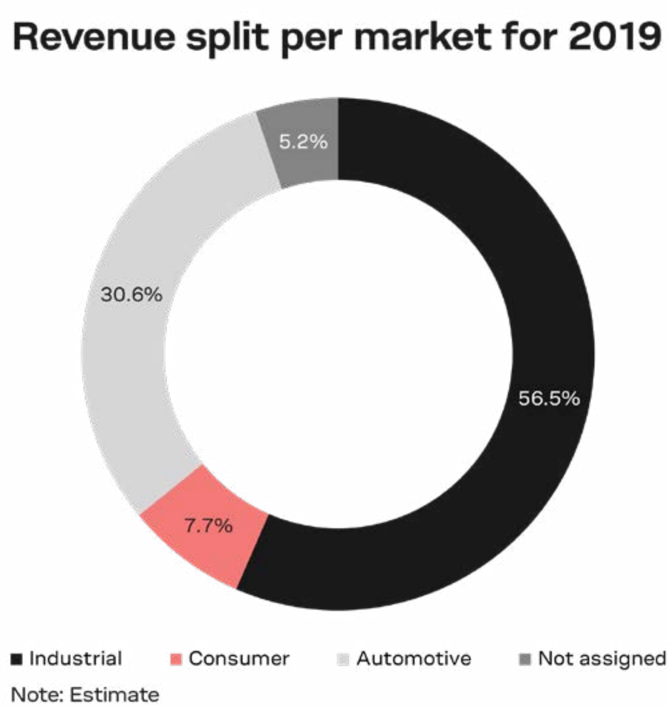
Our range of high precision positioning products – including the newly launched ZED-F9K – means we have a comprehensive offering to meet these demanding location-awareness requirements. And with our dedicated V2X communication range alongside it, we are ideally placed to ride the wave for enhanced car safety.

Consumer
Demand in the high touch consumer market for location-awareness and connectivity is ever increasing. Consumers are educated by all the modern capabilities in their smartphones. Product lifespans are typically much shorter. There is a greater emphasis on speed-to-market and price point. In addition, small form factors, low weight and minimal energy-consumption are also high on the list of requirements.

Key applications include action cameras, drones, fitness equipment, tracker devices and, of course, wearable technology, notably in the new health space.

Expanding our presence
Demand in the consumer market for the types of product we provide is booming. And with our worldwide engineering support presence and exceptionally short product lead times, we are ideally set up to play a big part in helping manufacturers get products to market fast.

We increased our footprint in this space this year with the acquisition of Rigado's Bluetooth modules business with deep expertise and an established product line targeting the needs of consumer equipment makers. As well as opening doors in the immediate term, the knowledge and market access we have gained will enable us to further strengthen our offering for this market over the coming years.



Customers

Our diversified, global base of customers and how we acquire and support them

The size and diversity of our customer portfolio are two of our greatest strengths. It numbers more than 7,200, spans the Americas, EMEA and APAC, and services the industrial, automotive and consumer sectors. Importantly, our largest customer is responsible for just 4.0% of annual revenues. This all combines to give us a broad and stable foundation on which to grow the business further. With our 100 largest customers based in 22 different countries, we are truly diversified across accounts and geographies.

Exceptional customer experiences
This success is underpinned by our ongoing focus on looking after customers at every stage of their u-blox journey. We pride ourselves in having both sales and engineering resources close to our global customer base to help them get the most out of our products and services.

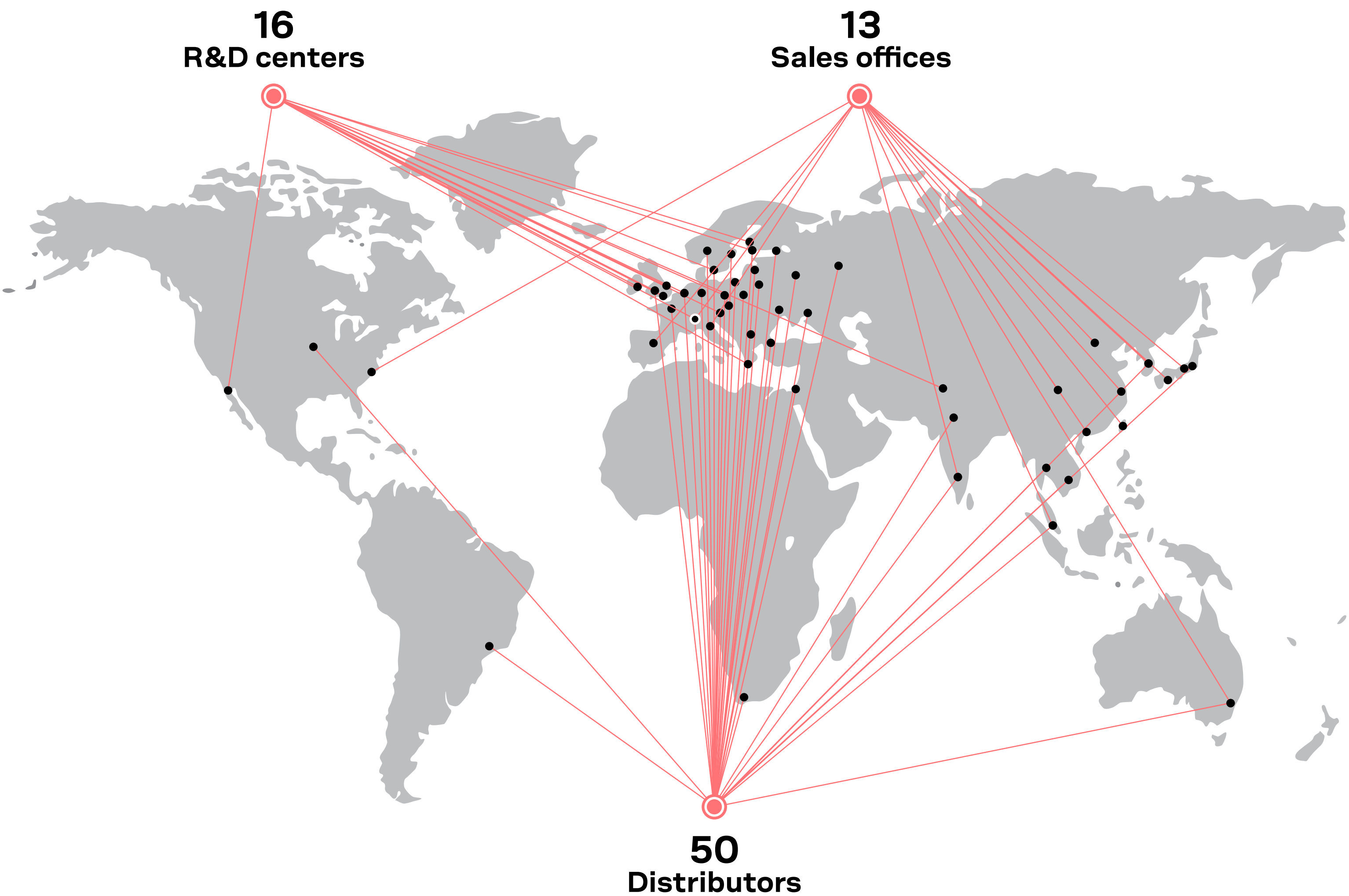
Increased presence in the Americas
2019 saw us make a significant change in the way we go to market in the Americas. In this region, our salesforce was traditionally made up of u-blox employees. This direct sales channel ensured a great experience for customers and delivered direct feedback from the markets.

Over the last 12 months, we have added a regional network of channel partners. This was a fast and cost-effective way for us to get more people on the ground, gain access to some strategic customers and present our products to a large new audience.

We have hand-picked each of these organizations based on their ability to deliver the exceptional customer service we always strive for. Some partners have strong ties to large accounts and key decision-makers in these accounts. Others are specialized in serving the multitude of smaller accounts and supplying samples upon request.

Every partner has a strong field application engineering and support function. We have set up comprehensive training programs to ensure these teams are equipped with extensive u-blox product knowledge.

We are confident that our enhanced sales force will rapidly increase our customer footprint in the Americas while still providing them with the level of service and technical expertise u-blox has become famous for. We expect to see the first results in the coming 12 months.


16
R&D centers
13
Sales offices
50
Distributors

How u-blox products are making construction sites safer and more efficient

Our positioning, cellular and short range modules are helping make building projects safer and more efficient

For construction projects to run safely and smoothly, operations teams need to know where workers, visitors and equipment are at all times. AddMobile's comprehensive management platform, the AddMobile Toolbox, helps enable this – and more.

At the heart of AddMobile's asset management products are u-blox technologies, from all three of our product families. They include the MAX-M8 GNSS module, SARA-G3 GSM/GPRS cellular module and NINA-B1 Bluetooth 5 low energy module.

How it works
Tracking hubs are placed around construction sites and in works vehicles. These pick up signals from asset tags, such as Bluetooth beacons or GPS-trackers, and send data back to the AddMobile cloud.

The AddMobile Toolbox suite empowers project managers to monitor asset locations and conditions, control site access, manage work orders and much more.

"There are two big attractions about working with u-blox," says Bo Lyvall, Business Development Manager at AddMobile. "Our beacons and hubs rely on a combination of GNSS positioning, cellular connectivity and Bluetooth short range radio interfaces. Firstly, u-blox provides all three technologies in one place which makes it easier (no need to find several suppliers, all embedded). And secondly, they have great support engineers local to our Malmö base. This is hugely valuable in helping us use their technology to realize our vision."

Bright future
And this is only the start. There are exciting opportunities to use longer-range Bluetooth and cellular technologies to further enhance the AddMobile portfolio.

We are looking forward to continuing our relationship, to help ensure our future buildings and infrastructure are constructed more safely and efficiently than ever before.

On a mission to make their customers more profitable, IntSpo in Norway is leading the transition to 4G/5G, while keeping customers' physical assets safe and secure with SARA-N210, SARA-N410 and ZOE-M8

IntSpo delivers Tracking-as-a-Service and sensor IoT-solutions for the management of physical assets and are on a mission to make their customers more profitable with better oversight and control. With years of experience and research on IoT and mobile technologies, and in collaboration with the main mobile operators in Norway, IntSpo is helping its customer base make the 4G/5G mobile technology transition so they can benefit from the IoT innovation ahead.

"u-blox is a trusted partner of many industrial partners worldwide, and they supported our collaboration with Huawei Technologies, which was paramount for our work together. We feel very comfortable mentioning both the good name and reputation of u-blox together with our offerings. We currently integrate SARA-N210 and SARA-N410 and will expand this to newer u-blox releases. Our customers also rely on the u-blox module ZOE-M8. Forward compatibility with new mobile technology is part of the design of our solutions to ensure that the customers' investments have a long life", explains Hans Erik Karsten, CEO IntSpo.

When IntSpo is invited to a meeting with new customers, the idea process starts immediately, and with their leading-edge expertise in various technologies, they are an ideal innovation partner. The IntSpo focus on customer profitability lays the foundation for how new solutions are created. Customers can also integrate their own system with the IntSpo API, further customizing the digitalization of their physical asset management program.

Hans Erik Karsten, CEO IntSpo states: "One of the strategic advantages of working with u-blox is our close and solid collaboration. In u-blox, we have found a great partner to help us innovate with good solutions. Our partnership ensures technical lead-times and helps us remain at the forefront. Both companies have made security a priority and have focused on delivering state-of-the-art security solutions to our customers. Together with u-blox, we create a leading-edge, stable and trustworthy environment for our customers."

NINA-B1 and SARA-R4 combine to make industry smarter

u-blox short range and cellular products dovetail to create pioneering monitoring capabilities

As we've seen elsewhere in this annual report, Industry 4.0 is one of the megatrends shaping the world around us. Manufacturing and other industrial facilities are getting smarter – thanks to innovators such as u-blox customer Treon, and its customer, Sulzer.

Founded in 2016 by former Microsoft smartphone engineers in Tampere, Finland, Treon has created a pioneering hardware platform that enables wireless condition monitoring of rotating equipment.

Its monitoring nodes keep tabs on the condition and performance of machinery and other assets. Each node contains a u-blox NINA-B1 short range module to send data, via a Wirepas mesh network, to another NINA-B1 in a Treon Gateway. The Gateway also contains a u-blox SARA-R4 cellular module, enabling it to push the data to the cloud for operations teams to view.

Industrial product vendors love the possibilities this unleashes, and are using the Treon products to create their own solutions.

Sulzer Sense IoT
One customer that has done this is pumping process specialist Sulzer. It has used the u-blox-enabled Treon products to underpin its pioneering and versatile Sulzer Sense IoT asset-monitoring solution.

Without the need to install expensive wiring around large facilities, Sulzer Sense IoT enables operators to wirelessly and remotely monitor their pumps, agitators, motors and other rotating equipment, using a smartphone, tablet or computer. Alerts enable them to pinpoint potential faults at an early stage, meaning they can proactively address issues and minimize unplanned downtime.

Crucially, Sulzer Sense IoT is compatible with virtually any brand or type of pump and rotating machinery. When you consider how many facilities around the world use this type of equipment, you realise what an exciting growth area this represents.

Risk manangement

u-blox – a resilient global partner

Assessing and controlling risk is crucial to sustainable business success. u-blox employs strategies that effectively mitigate risk and prevent losses.

RISKS	RISK MITIGATION
Markets and customers Macro-economoc uncertainties, slow demand and disruption by natural disasters could impact our business and customer demand. This may lead to lower volumes and decreased profitability.	• Customer diversification: No single customer accounts for more than 4.0% of u-blox's turnover. • Continual expansion of the customer base. • Continuous monitoring and assessment of market developments and needs. • Focusing on most promising market sectors.
Competition Our markets are highly competitive in terms of pricing, product features, and service quality. In many sectors we face price pressures that could negatively impact our results.	• Review and replan R&D activities every 6 months. • Foster a high level of innovation. • Maintain high technical support capabilities globally. • Product range well structured to provide customers with solutions tailored to their needs.
IP Competitors or other parties in our industry may seek to yield benefits from our technical innovations by duplicating our products.	• Maintain a high level of trade secrecy. • Protect our current business and IP from being copied or used by others by appropriate use of patents, copyrights, and trade secrets on a global basis. • Accelerate the innovation rate. • Manage third party licenses.
Product quality Poor product quality may result in reputational and brand damage, resulting in lower volumes and financial claims.	• Continual expansion of the quality management system and laboratory capabilities. • Thorough testing and qualification at our own laboratory facilities. • Maintain high technical support level globally. • Guide and manage the quality system of our suppliers.
Innovation u-blox's competitive position, sales and earnings depend significantly on the development of new products and technologies. Failure to achieve our aggressive R&D and innovation goals could negatively impact our ability to grow.	• Continual stream of new products launched yearly with targeted features to several markets. • Expensed CHF 78.9 million, or 20.5% of revenues in R&D in 2019. • Early engagement of lead customers. • Intense market communication.

RISKS	RISK MITIGATION
Personnel Skilled and dedicated employees are essential for the success of our growth-oriented corporate strategy. The loss of these individuals could disrupt the company's operations.	• Globally positioning the company as an attractive employer. • Develop careers and increase knowledge and talent. • Regular employee satisfaction survey. • Maintain attractive employment conditions and compensation packages plus a stock option plan. • Offer career path opportunities group wide.
Suppliers u-blox outsources its capital-intensive production to leading production suppliers around the world. Rising raw material prices, capacity constraints, or business interruption could lead to a shortage of supply with negative consequences for our business.	• Lean supply base with few key suppliers. • Long-term relationships with suppliers and close interaction to plan and manage capacity. • Inventory buffers to respond to unplanned demand fluctuations. • Close contact to customers to predict demands.
Compliance Non-compliant or unethical behavior could lead to reputational damage, fines, and liability claims.	• Active fostering of high ethical standards and membership in the UN Global Compact. • u-blox Code of Conduct. • Anti-bribery policy. • Speak-up culture, formal compliance process and sanctions. • Sustainable supplier program containing regular risk assessments and inspections of production suppliers' operations.
Currency fluctuations The majority of u-blox's revenue, material costs and R&D expenses are in US dollar currency.	• Foster natural hedging by matching revenue currency amounts with expense currency amounts.
Credit Credit risks arising from financial institutions and from customers could have a negative impact on u-blox's financial performance.	• Individual risk assessment of customers and definition of appropriate credit lines. • Insurance for all customer credit lines. • Frequent and thorough follow-up on late payments.
Liquidity Failure in liquidity management may have a negative effect on u-blox's financial performance.	• Monitor our liquidity on a quarterly basis. • Cash flow program to optimize liquidity and cash flow management. • Efficient use of available cash through cash pooling. • Manage OPEX tightly to achieve positive free cash flow.

Contributing to a sustainable future in Madagascar

By providing financial, material, and human resources support to ADES, a humanitarian organization in Madagascar, u-blox has been helping to reduce deforestation, improve public health, and create jobs for ten years.

We look forward to sharing our sustainability report with you at the end of Q2 2020. In the meantime, we invite you to read on to learn more about how we are supporting the environment and the population in Madagascar in partnership with ADES, a non governmental organization we have been backing over the past decade.

Ten years of support for Madagascar
2020 will be the tenth consecutive year that ADES, the Association for the Development of Solar Energy, will benefit from the support of u-blox. Learn more about how ADES is committed to sustainability on many different fronts.

For twenty years, ADES has been engaged in promoting environmental sustainability, public health, and job opportunities across Madagascar. With a current staff of 160 local employees, the NGO produces and distributes energy-efficient cookers powered by wood, charcoal, or solar energy. Since ADES was founded, its national network of animation teams has sold 250,000 cookers, impacting well over one million people and saving more than two million tons of CO_2. Education and awareness programs have raised the consciousness of environmental issues across the country. Find out more here: www.adesolaire.org.

Our support for ADES has left a lasting impact directly contributing to over 4,000 cookers currently in use and saving each household 600 hours spent gathering firewood each year. All in all, our donations have cut the country's CO_2 emissions by 38,610 tons. In a country where 92% of the population lives on less than two US dollars per day, and 85% of the population has no access to electricity, the activities of ADES make a big difference.

Recognizing the positive outcome of this long-standing partnership, we decided to step up our involvement. In 2019, we made a donation that made it possible to plant 2,500 trees and guarantee their survival for three years.

uGive employee volunteering
Over time, Madagascar has suffered enormous deforestation, largely due to demand for firewood. Swiss non-governmental organization ADES has been working on the island for almost 20 years, running programs to tackle this pressing issue.

u-blox is a proud supporter. Through our uGive program, we donate money for every hour that our employees volunteer for non-profit organizations. Herbert Blaser, Head of the Product Center Short Range Radio, continues the story: "The work ADES does, including its environmental awareness and reforestation programs, is making a real difference to the people in Madagascar. I have been a volunteer for ADES since u-blox became involved ten years ago. ADES stands out as an extremely efficient NGO. For every Franc donated, two Francs are spent in Madagascar, made possible thanks to the sales of CO2 certificates."

"The flagship ADES program – the production and sales of energy-efficient cooking stoves – has engineering at its heart, and I'm delighted to have joined the organization's board three years ago.

It is amazing to see what ADES has become - a recognized brand and a highly respected employer. We live such privileged lives here. That is why it is so great that u-blox has been supporting ADES for so long, through donations, and through uGive. I'm really excited about what we can achieve with ADES over the coming years."

Reforestation with ADES in partnership with Vozama
Conservation researchers have found that over the course of the past 70 years, Madagascar as lost 44% of its natural forests. Not only that, most forested areas that survive to this day are heavily fragmented. Forests which provide a vital habitat for Madagascar's many endemic species of wildlife, and are a critical component of the island's ecosystem, are threatened by slash-and-burn agriculture, illegal logging, and domestic demand for firewood.

To reverse this trend, ADES runs several reforestation projects to increase the island nation's forest cover. In 2019, a donation by u-blox led to 2,500 trees being planted, reforesting a large surface area.

Selling cooking stoves with a pinch of IoT
Fleet management for a good cause /
ADES cooking stoves are renowned for the dramatic improvements they offer to households that adopt them. They cut the amount of firewood needed (coal 50 %, wood up to 70 %) to prepare a meal in half, saving time and money. By burning wood more efficiently, they reduce the amount of smoke people, in particular women and children, are exposed to. Because they end up paying for themselves, the stoves have become immensely popular wherever they are sold.

In a country with around 60% of its population living in rural, and often very remote areas, getting the stoves to the villages and finding an opportunity to present how and why they make such a difference, can be quite challenging.

ADES solved this problem in 2017 in the form of a sales platform on wheels. Since then, an ADES promotion truck has been touring the country, going from one village market to the next.

Today, ADES operates a fleet of vehicles that are often on the road for weeks at a time. With no real-time visibility on where each vehicle is located or what route they have taken, optimizing logistics and transportation capacity was becoming increasingly difficult.

To help ADES headquarters track their vehicles u-blox donated vehicle trackers. The selected trackers, which feature u-blox cellular and positioning products and offer a French-language tracking application, are produced by Geotab, based in Canada. In addition to the hardware, u-blox has pledged to cover the yearly fees required to operate the devices.

Information for investors

Share price performance

The share price increased by approximately 24% during this year going from CHF 78.95 to CHF 97.80. On December 31, 2019, u-blox had 6,289 shareholders. Information on our major shareholders can be found in the Corporate Governance section of the Financial Report.

Dividend

In light of the positive future business outlook and the good cash situation of the company, the Board of Directors has proposed a payout for 2019 of CHF 0.60 per share, in the form of a par value reduction, equivalent to a total payment of approximately CHF 4.3 million. The proposed payout will be put to shareholders for approval at the Annual General Meeting of the company that will be held at 4 PM, April 23, 2020.

Share information (on December 31, 2019)

Stock Exchange	SIX Swiss Exchange Swiss Security Number / ISIN 3336167 / CH0033361673
Ticker	UBXN
Nominal value	CHF 15.40
Shares issued	7'114'839
Reuters	UBXN S
Bloomberg	UBXN SW

Publications and calendar

u-blox pursues an open and ongoing information policy with the general public and the capital markets. The company also meets investors regularly throughout the year, presents its financial results at analyst meetings and road shows, hosts an analyst day, and keeps its shareholders regularly informed about its business through press releases.

The annual report is published in March and presented at the press conference. It is also available online at: www.u-blox.com/en/investor relations section. html. The half year report is published in August.

April 16, 2020:
Closing of share register for the Annual General Meeting

April 23, 2020:
Annual General Meeting

July 9, 2020:
Estimated pay out date

July 10, 2020:
Ex date

July 14, 2020:
Payout date

August 21, 2020:
Publication of half-year results 2020

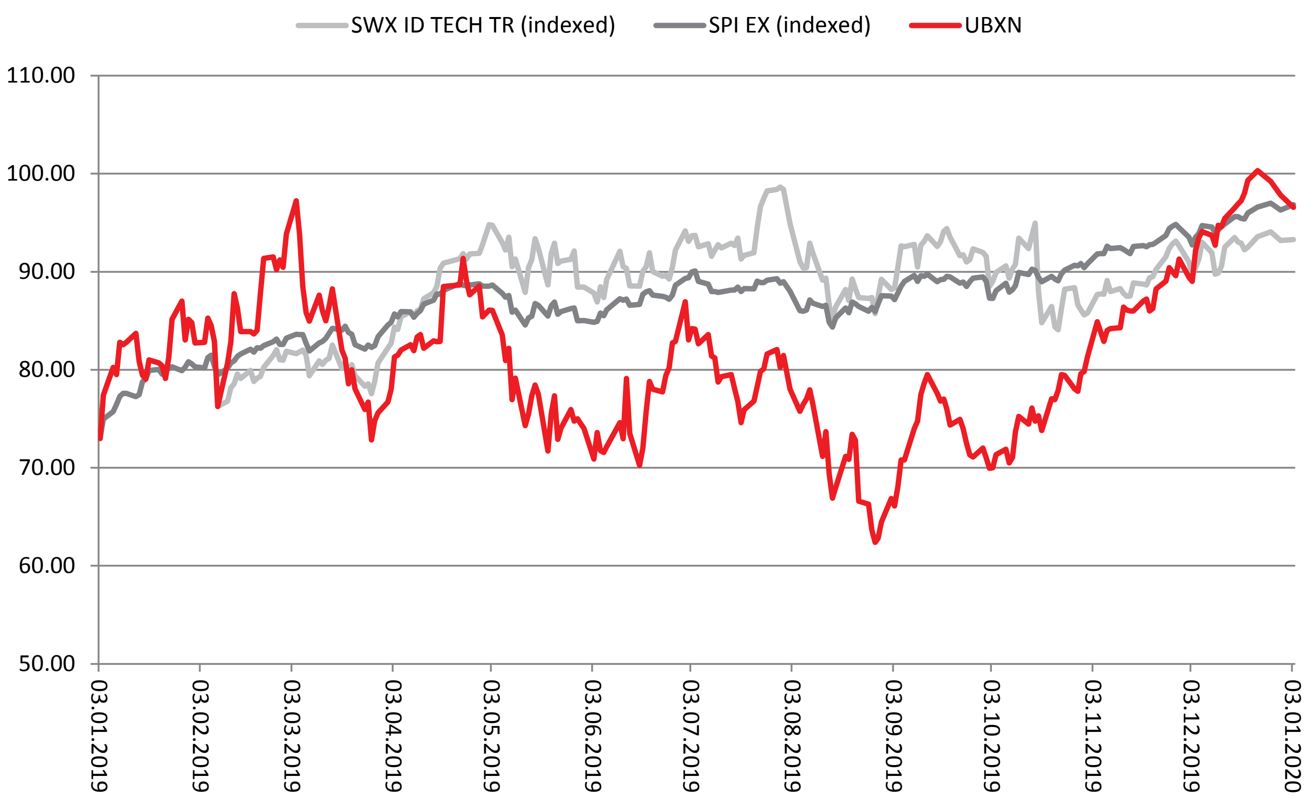
Share price (in CHF)	**2019**	**2018**	**2017**
Highest	100.30	218.60	220.50
Lowest	62.40	72.50	164.70
Closing on December 31,	97.80	78.95	191.80
Market capitalization on December 31, (Mio CHF)	**696**	**561**	**1'334**

Key Figures	**2019**	**2018**	**2017**
Registered shares with a nominal value of CHF 15.40 (resp. CHF 0.90)	7'114'839	7'099'857	6'957'170
Nominal share capital (in thousand CHF)	109'569	6'390	6'261
Basic earnings per share (in CHF)	**1.89**	**5.58**	**7.42**

696
Market capitalization on December 31, 2019 in Mio CHF

1.89
Basic earnings per share (in CHF)

u-blox share price (CHF per share):



Investor contact

Corporate address
u-blox Holding AG
Zürcherstrasse 68
8800 Thalwil
Switzerland
Phone +41 44 722 74 44
Fax +41 44 722 74 47

Investor Relations
Roland Jud
Chief Financial Officer
roland.jud@u-blox.com

Website
www.u-blox.com

Corporate Governance 2019

The u-blox Annual Report 2019

Content

Corporate Governance

The report describes the management structure, organization and control within the u-blox group at December 31, 2019. The report in conjunction with the Compensation Report fulfills 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, 2019 was CHF 696 million based on the outstanding ordinary share capital (7'114'839 shares).

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, 2019, u-blox had 6'265 registered shareholders. According to the disclosures of shareholders, the largest shareholders (> 3%) were:

Baillie Gifford & Co, Edinburgh, UK	5.53%
Credit Suisse Fund Management S.A.	5.16%
Atlantic Value General Partner Limited, London, UK	4.73%

The shareholders reduced or increased their shareholding progressively.
For further detail see: 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, 2019 the outstanding ordinary share capital of u-blox was CHF 109'568'521 fully paid in and divided into 7'114'839 shares of CHF 15.40 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.

Conditional share capital

According to article 3a of the articles of association, the share capital of u-blox may be increased by a maximum amount of CHF 3'636'663.80 by the issuance of no more than 236'147 registered shares that are to be fully paid-in and have a nominal value of CHF 15.40 each; this increase being the result of the exercise of option rights granted to the employees of the Company and its subsidiaries in accordance with one or more equity investment plans. The Board of Directors will determine the issue price for the new shares as well as the equity investment plan. Subscription and pre-emptive rights of shareholders are excluded for this conditional capital increase.

The conditional share capital of CHF 3'636'663.80 corresponds to 3.3 % of the outstanding ordinary share capital.

Authorized share capital

According to article 3b of the articles of association, the Board of Directors is authorized to increase the share capital at any time but no later than by April 30, 2021, by way of issuance of no more than 700'000 registered shares that are to be fully paid in with a nominal value of CHF 15.40 each, by a maximum nominal amount of CHF 10'780'000. An increase in partial amounts is permitted. The Board of Directors will determine the amount of issue, date of dividend entitlement and kind of contributions.

The Board of Directors is entitled to exclude the subscription right of shareholders and allocate such right to third parties in cases where such new shares are to be used for the takeover of companies by way of exchange of shares, or for financing the acquisition of companies, or divisions thereof, or equity interests, or new investment projects of the Company. Shares for which subscription rights were granted but are not exercised will be allocated by the Board of Directors.

The authorized share capital of CHF 10'780'000 corresponds to 9.8% of the outstanding ordinary share capital. The Board of Directors has not increased the share capital on the basis of article 3b of the articles of association in 2019.

Changes in share capital
On 1 January 2019, the outstanding ordinary share capital amounted to 7'099'857 registered shares. As a result of the exercise of options in 2019 the outstanding ordinary share capital has increased to 7'114'839 registered shares. Accordingly, the conditional share capital amounted to 235'245 registered shares. Refer to section "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 (including Executive Committee) at December 31, 2019 was 811'943 (11.4% of the outstanding ordinary share capital).

Grant	Vesting date	Expiry date	Exercise price in CHF	Options outstanding at Dec. 31, 2019
2015	January 1, 2018	January 1, 2021	136.72	74'375
2015	January 1, 2018	January 1, 2021	137.40*	9'742
2016	January 1, 2019	January 1, 2022	210.28	130'132
2016	January 1, 2019	January 1, 2022	214.50**	27'432
2017	January 1, 2020	January 1, 2023	187.09	155'623
2017	January 1, 2020	January 1, 2023	191.20**	26'059
2018	January 1, 2021	January 1, 2024	191.55	149'110
2018	January 1, 2021	January 1, 2024	191.80**	30'078
2019	January 1, 2022	January 1, 2025	78.95	178'207
2019	January 1, 2022	January 1, 2025	78.95**	31'185
Total				811'943

* Options granted to employees of u-blox America Inc., u-blox San Diego Inc., u-blox Espoo Oy, u-blox Cambridge Ltd., Leuven branch.
** Options granted to employees of u-blox America Inc., u-blox San Diego Inc., u-blox Espoo Oy, u-blox Cambridge Ltd., Leuven branch and CSOP options.

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 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).

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, 2019:

André Müller, Swiss and Italian

André Müller

Function at u-blox
André Müller acts as chairman of the Board of Directors of u-blox Holding AG and u-blox AG since 2018. He is a Non-Executive Director.

Professional background
André Müller holds a master degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETH). André Müller was active as CEO of Cicorel SA (Switzerland) and member of the CICOR group management from 2006 to 2009. From 1998 to 2007 he was CEO and as of 1999 chairman of the board of HCT Shaping Systems SA (Switzerland). From 1993 to 1996 he was vice-president and from 1996 to 1998 General Manager of ESEC SA (Switzerland). Prior to that, he held different positions in research and development divisions in the aerospace industry.

Other positions or consultancy agreements
Mr. André Müller is member of the board of Essemtec AG (Switzerland), DW Holding AG (Switzerland), Dispenser Holding AG (Switzerland) and Bangerter Microtechnik AG (Switzerland).

Gina Domanig, Swiss and French

Gina Domanig

Function at u-blox
Gina Domanig has served as a member of the Board of Directors of u-blox Holding AG and u-blox AG since her appointment in 2016. She chairs the nomination and compensation committee of u-blox Holding AG. She is a Non-Executive Director.

Professional background
Mrs. Gina Domanig holds a bachelor's degree in Finance and Economics (Arizona State University) and two MBA degrees (Thunderbird School of Management, USA and ESADE, Spain). Gina Domanig is managing partner at Emerald Technology Ventures AG since 2000. From 1991 to 1999, she held various positions at Sulzer AG prior to becoming Senior Vice President, Head of strategic planning and acquisitions. She held different positions in the finance industry from 1988 to 1991.

Other positions or consultancy agreements
Gina Domanig is a Board member of Die Mobiliar Genossenschaft (Switzerland), Solarpack Corporación Tecnológica SA (Spain), GeoDigital International Inc (Canada), TaKaDu Inc (Israel), Spear Power Systems Inc (USA), Urgent.ly Inc (USA) and Emerald Technology Ventures AG (Switzerland).

Ulrich Looser

Function at u-blox
Mr. Looser was elected member of the Board of Directors of u-blox Holding AG and u-blox AG since 2018. He chairs the audit committee. He is a Non-Executive Director.

Professional background
Mr. Looser holds a master's degree (dipl.) in physics from ETH Zurich and a master's degree (lic.oec.) in economics from the University of St. Gallen.
Mr. Looser has vast experience in private equity investments and consultancy. Prior to founding Berg Looser Rauber & Partners in 2009, he was managing director at Accenture from 2001 – 2009, after a career at McKinsey & Company (1987 – 2001).

Other positions or consultancy agreements
Mr. Looser is a board member of three listed companies (Kardex Group, Straumann Group and LEM) and the following non-listed companies Bachofen Holding, Spross Entsorgungs-Holding, Baitella AG, Bless Art, Mestex.

Annette Rinck

Function at u-blox
Dr. Annette Rinck was elected member of the Board of Directors of u-blox Holding AG and u-blox AG in 2019. She is a member of the audit committee. She is a Non-Executive Director.

Professional background
Dr. Rinck holds a PhD in Applied Economics and Communications Science from the University of Leipzig, a master's degree in Communications Science from the Ludwig Maximilian's University in Munich, Germany, and a diploma in medical technical science. Since 2014, she has held various positions at Honeywell, most recently in Process Solutions / Smart Energy and Automotive units. From 2011 to 2014, Dr. Annette Rinck was EMEA Vice President Strategic Marketing & Key Account Management at Eaton Electrical Industries, and GM for the German subsidiary. From 1995 to 2011, she held management positions in sales, marketing and strategic planning at Caterpillar, DHL and BMW Group.

Other positions or consultancy agreements
She is a member of the management of Honeywell Building Management Systems.

5 Board of Directors (cont.)

Markus Borchert, German

Thomas Seiler, Swiss

Markus Borchert

Function at u-blox
Mr. Borchert was elected member of the Board of Directors of u-blox Holding AG and u-blox AG in 2019. He is a member of the nomination and compensation committee. He is a Non-Executive Director.

Professional background
Mr. Borchert holds a master's degree in Electrical Engineering from the Technical University of Munich and an MBA from the Massachusetts Institute of Technology.
From 2015 to 2018, Mr. Borchert was leading the European operations of Nokia. Earlier leadership positions with Nokia and Siemens include roles in global sales, strategy, marketing, portfolio management, business unit management and key account management.

Other positions or consultancy agreements
Mr. Borchert is the CEO of Nokia Shanghai Bell.
He is the chairman of TD Tech Ltd and a member of Advisory Board of RFS Radio Frequency Systems. He is the president of DIGITALEUROPE (industry association).

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 of u-blox AG since 2002 and Head of Marketing and Sales from 2002 to 2019. In 2006 he was appointed member of the Board of Directors of u-blox AG.

Professional background
Thomas Seiler holds a master's degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and an MBA degree 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 Executive Director Production and Quality of u-blox AG.

Professional background

He holds a master's 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.

Name	Member since	Age	Position	Position Committee
André Müller	2015	67	Chairman	
Gina Domanig	2016	56	Member	Chairman NCC
Ulrich Looser	2018	62	Member	Chairman AC
Annette Rinck	2019	54	Member	Member AC
Markus Borchert	2019	54	Member	Member NCC
Thomas Seiler	2007	64	Member	
Jean-Pierre Wyss	2007	51	Member	

AC: Audit Committee
NCC: Nomination and Compensation Committee

Limitations on the number of mandates outside of u-blox Group

The total cumulative number of mandates outside of the u-blox group is limited for members of the Board of Directors as defined in article 24 of the articles of association available on u-blox's website under Investors / Corporate Governance / Articles of Association.

Election and term of office

The members of the Board are elected annually at the ordinary general assembly and for a one-year term as defined in article 16 and 17 of the articles of association available on u-blox's website under Investors / Corporate Governance / Articles of Association.

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 payable to members of the Executive Committee and of the Board of Directors.

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

The Board of Directors convened 13 times in 2019. The duration of each meeting was typically between 1 and 3 hours. No external consultants advised the Board of Directors. Each Board of Directors member attended the meetings, with the exception of four meetings, where the attendance rate was 85%.

Role and functioning of the Board Committees
Each Committee member and its chairperson are elected by the Board with the exception of the members of the Nomination and Compensation Committee, which are elected by the General Meeting. For further detail see the Rules of Procedure available under the Investors / Corporate Governance / Rules of Procedure section of the company website.

Audit Committee
The Audit Committee is composed of Ulrich Looser (chair) and Annette Rinck. 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 audit committee has no authority to take decisions.

The Committee convened four (4) times. The auditors, the members of the audit committee, the CFO, each Board member and the General Counsel participated in the meetings for the half year and annual report. At the other meetings, the members of the audit committee, the Chairman of Board, the CEO and the CFO participated. The duration of each meeting was about 1 hour. No external consultants advised the Audit Committee.

Nomination and Compensation Committee
The Nomination and Compensation Committee is currently composed of Gina Domanig (chair) and Markus Borchert. 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, appointment and removal of members of the board of Directors;
- It structures the remuneration and compensation payable to members of the Board of Directors and of the Executive Committee;
- It drafts the compensation policy, the shareholding requirement policy and LTI stock options program;
- It proposes the allotment of options within the scope of the LTI stock options program.
- It ensures compliance with the policies.

The Nomination and Compensation Committee has no authority to take decisions.

The Committee convened five (5) times. The members of the Committee and the CEO participated at each, except one, meeting. The chairman of the Board participated at three meetings. The duration of each meeting was typically one to two hours. Two external consultants advised the Committee particularly with regard to compensation benchmarking.

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 Investors / Corporate Governance / Rules of Procedure 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 Quality 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 participate in each Audit Committee meeting. The minutes of 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.

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 is 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:

Position	Name	Age
CEO	Thomas Seiler	64
CFO	Roland Jud	53
ED Production and Quality	Jean-Pierre Wyss	51
ED Sales and Marketing	Markus Schäfer	50
ED Product Centers	Andreas Thiel	53

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 development 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.

Limitations on the number of mandates outside of u-blox Group

The total cumulative number of mandates outside of the u-blox group is limited for members of the Executive Committee as defined in article 24 of the articles of association available on u-blox's website under Investors / Corporate Governance / Articles of Association.

9 Executive Committee

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 of u-blox AG since 2002 and Head of Marketing and Sales from 2002 to 2019. In 2006 he was appointed member of the Board of Directors of u-blox AG.

Professional background

Thomas Seiler holds a master's degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich (ETH) and an MBA degree 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

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 Executive Director Production and Quality of u-blox AG.

Professional background

He holds a master's 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.

Andreas Thiel, German and Swiss

Markus Schäfer, German

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 acted as Executive Director Cellular Product Development and IC Design Services from 2012 to 2019. He heads the Product Centers since 2019.

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.

Markus Schäfer

Function at u-blox
Markus Schäfer serves as Executive Vice President Sales and Marketing since 2019.

Professional background
He holds a degree in electrical engineering from Aachen University (RWTH) in Germany and an MBA from Tiffin University, USA.
From 1995 to 2008 he held various marketing and sales positions at Infineon Technologies in Germany and USA.
He was senior sales director and global head of sales for RF and power management products at NXP from 2009 to 2014.
From 2014 to 2019 he was head of sales EMEA and India for Macom Technologies in Germany.

Other positions or consultancy agreements
None.

9 Executive Committee (cont.)

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 master 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, 2019 (including holdings of "persons closely linked"*) is shown in the tables below.

Non-executive members of the Board

	Number of shares
André Müller	2'000
Ulrich Looser	2'330
Gina Domanig	400
Annette Rinck	200
Markus Borchert	650

Executive Committee

	Number of shares
Thomas Seiler	137'254
Andreas Thiel	40'510
Jean-Pierre Wyss	18'087
Roland Jud	4'363
Markus Schäfer	0

* "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
Board member do not own options. The total number of u-blox options owned by members of the Executive Committee at December 31, 2019 is shown in the tables below.

Executive Committee	Number of vested Options*	Number of non vested Options**
Thomas Seiler	10'976	19'867
Andreas Thiel	14'476	19'867
Jean-Pierre Wyss	14'476	19'867
Roland Jud	14'115	19'371
Markus Schäfer	0	2'000

* Stock option grants in 2015, 2016
** Stock option grants in 2019, 2018, 2017.

With respect to options with a grant date on or after January 1, 2015, 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.

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 2019, 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. Silvan Jurt, Partner, has been acting as the lead auditor since 2019. As provided under the Swiss Code of Obligations, the lead auditor will be rotated every seven years.

Auditing fees
Total auditing fees charged by KPMG for mandatory audits of u-blox for the financial year 2019 amount to CHF 530'000 (excl. VAT).

Additional fees
Additional fees charged by KPMG during the financial year 2019 amounted to CHF 145'000 (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 two Audit Committee meetings in 2019.

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 publishes an interim financial report. u-blox provides stock-price-sensitive information in accordance with the ad hoc publicity requirements of the Listing Rules of the SIX Swiss Exchange and on its website under:
https://www.u-blox.com/de/investor-relations.

Official notices are published in the Swiss Official Gazette of Commerce. 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: https://www.u-blox.com/en.

Contact address
u-blox Investor Relations
u-blox Holding AG
Roland Jud, CFO
Zürcherstrasse 68
8800 Thalwil, Switzerland
Phone: +41 44 722 74 44
E-mail: info@u-blox.com

u-blox Communications
Gitte Jensen
Zürcherstrasse 68
8800 Thalwil, Switzerland
Phone: +41 44 722 74 86
E-mail: gitte.jensen@u-blox.com

13 Compensation policy and report 2019

Dear Shareholder,

As Chair of the Nomination and Compensation Committee, I am pleased to present the 2019 Compensation Policy and Report which provide an overview of u-blox's policy and the compensation for the Board of Directors and Executive Committee for the year under review. The policy and report include important information to be considered by the shareholders and complies with the Articles 14-16 of the Ordinance against Excessive Compensation in Listed Stock Corporations, Article 633c of the Swiss Code of Obligations, the SIX Swiss Exchange's Directive on Information relating to Corporate Governance, as well as the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

2019 Company Performance

In 2019 we reached important goals and significantly expanded our product offer. Although on the revenue side we did not reach the initial growth expectations, EBITDA margins were maintained at a similar level as the prior year. We experienced growth in APAC by 5% in both of our automotive and industrial segments. On the other hand, the Sino-US trade conflict continued to have a negative impact on the EMEA and in the US markets and the late availability of the LTE-M network in the US delayed expected ramp-ups to the last quarter. Despite the stagnating market in 2019 we maintained a largely stable business in Automotive where we sold more value in this market and will continue to do so. In the Industrial market, even with the slow demand in EMEA we stabilized volume by gaining new customers in micro-mobility and infrastructure. The Consumer market declined by some 27%. A special highlight in 2019 was the sale of our 500 millionth GNSS receiver.

Throughout the year, we saw strong interest and first good design activities on newly launched products. In cellular we announced the SARA-R5, our own new LTE-M platform based on our new differentiated chipset which enables secure connectivity. NINA-B40 and BMD-360, the latter from our very successful acquisition from Rigado, are highly versatile short range modules utilizing the latest technologies. The ZED-F9K is a dead reckoning module which caters for the automotive market's increasing need for high-precision navigation.

We laid a solid foundation in 2019 to expand our capabilities for the future which will allow us to leverage and utilize more complete solutions across our three product areas thereby creating additional value for our customers. Key achievements were as follows:

- We acquired Rigardo's Bluetooth modules business – to broaden our short-range product portfolio and enlarge our access to the Consumer market;
- We hired Markus Schäfer as a member of the Executive Team to lead the Sales and Marketing organization on a global scale;
- We continued to invest strongly in R&D so that we can provide the products of the future; and
- We launched a number of new products and services including new chipsets.

Nomination and Compensation Committee Activities

In the past year the Nomination and Compensation Committee met five times. The focus was on assessing 2018 performance, setting targets for 2019, hiring our new Head of Sales and Marketing, compensation benchmarking, as well as reviewing and ensuring compliance with regulatory and corporate governance developments. During the year, we engaged in dialogue with our major shareholders and proxy advisors to gather feedback on our compensation systems and disclosures, and we considered their feedback when taking decisions.

Key changes made to the Compensation Policy include the following:
Inclusion of Environmental, Social and Governance criteria in Executive Committee Compensation:

In keeping with the growing interests of our stakeholders in environmental, social and governance (ESG) objectives, the board has decided to implement an ESG component into the short-term incentive system for the Executive Committee (EC). We are confident that the additional ESG reporting will serve to keep our stakeholders apprised of our continued achievements and progress in pursuing our ESG goals and the link to compensation is an important step in this process.

Adaptation of Executive Committee Shareholding Requirement:

During the search for a new EC member and in anticipation of any future EC-level organizational development, we recognized that the EC shareholding requirement was made at a time when all EC members already owned a substantial number of shares, often dating back to the founding of the company. For new EC members, a more flexible approach was needed to allow u-blox to retain the most qualified candidates. To this end, we have not changed the level of shareholding required but rather modified the period of time in which such shareholding must be attained.

Adaptation of the Board of Directors Compensation:
The tri-annual compensation benchmarking for both the EC and the Board of Directors (BoD) revealed a substantial deviation of BoD compensation from the median of Swiss small and mid-cap companies per HCM's Compensation Study for Swiss Boards of Directors June 2019. In particular, the chairman compensation is 50% of the median and the other directors' compensation is 75%. Given the last change to board compensation was in 2016, we propose to gradually increase the compensation in a phased approach over several years to get closer to the median.

At the 2020 Annual General Meeting, we will seek your approval of the total maximum compensation amount for the Board of Directors for the period until the 2021 Annual General Meeting and for the Executive Committee for the financial year 2021. Further, you will have the opportunity to participate in the consultative vote on the 2019 Compensation Report. In the Compensation Report, you will find that the actual compensation awarded to the Board of Directors for the compensation period ending with the 2020 Annual General Meeting and the actual compensation awarded to the Executive Committee in 2019 are within the limits approved at the Annual General Meetings 2018.

Looking ahead, we will continue to regularly review our compensation policy to ensure it promotes and rewards performance in alignment with the long-term interests of our shareholders and compliance with the evolving regulatory framework. We will also continue to engage constructively with regulators, shareholders and other stakeholders and value the insight these discussions provide.

We trust that you will find this report informative.

Gina Domanig
Chair of the Nomination and Compensation
Committee u-blox AG

13.1 Compensation Policy

Executive Committee

Compensation Objectives

The compensation policy for the u-blox Executive Committee is designed to achieve the following objectives:

- Competitive
  Total remuneration package is competitive, enabling u-blox to attract and retain highly skilled and motivated entrepreneurial executive staff over the long term.
- Alignment of Interests
  The form of compensation provides an incentive to achieve a sustainable increase in the shareholder value thus ensuring an alignment of interests between management and the long-term interests of shareholders.
- Reward Performance and Team Spirit
  The compensation system is designed to promote medium and long-term success and to foster team spirit among Executive Committee members. Remuneration that is independent of performance, guaranteed or discretionary, and in particular "pay for failure", should be avoided. The achievement of Key Performance Indicators should be rewarded as a team achievement.
- Fair and Transparent
  The compensation decisions are fair and transparent based on function and level of responsibility and ensuring that variable components are based on agreed and clear measurable performance metrics in line with the company's KPIs.

The compensation policy for the Board of Directors is designed to attract and retain experienced and motivated people for the Board of Directors function. The remuneration should be competitive and in an appropriate relation to the market as well as ensure the independence of the Board of Directors in its supervisory capacity of the Executive Committee.

Determination of Compensation

Nomination and Compensation Committee

In accordance with the Articles of Incorporation and the Organizational Regulations of u-blox, the Nomination and Compensation Committee (NCC) supports the Board of Directors in fulfilling its duties and responsibilities regarding compensation, including

- Preparation of personnel-related decisions including personnel planning
- Periodic review and structuring of the compensation policy and principles
- Periodic benchmarking of the levels of compensation to ensure market conformity and competitiveness
- Annual review of performance metrics: KPI selection and targets
- Annual assessment of the performance of the CEO and the Executive Committee members
- Annual review of the compensation of the CEO and the Executive Committee members
- Review of compliance with the relevant policies

Annual Process and Responsibilities for Compensation of Executive Committee and Board of Directors

	Q1	Q2	Q3	Q4
EC and BoD succession planning		NCC BoD		
Compensation policy review and compensation principles for next financial year			NCC BoD	
Compensation benchmarking, plans, budget and share award plan design				CEO*, NCC BoD
Target compensation of EC members for next financial year	NCC BoD			
Annual Performance Assessment and Calculation of Variable Bonus for EC members for previous financial year	CEO*, NCC BoD			
Option grant proposal for EC members for previous financial year	CEO*, NCC BoD			
Maximum aggregate compensation amount of the EC for next compensation period	NCC **BoD**	AGM		
Compensation of Board of Directors for next compensation period	NCC **BoD**	AGM		
Compensation Policy and Report (consultative vote)	NCC **BoD**	AGM		

* CEO is not present when discussing his assessment or compensation

■ body which recommends
■ body which decides to propose to AGM
■ body which approves

BoD = Board of Directors
NCC = Nomination and Compensation Committee
CEO = Chief Executive Officer

The members of the NCC are exclusively independent, non-executive members of the Board of Directors and are elected annually by the General Assembly. The NCC is chaired by a member nominated by the Board of Directors. Since the 2019 Annual General Meeting, the NCC consists of Gina Domanig (chair) and Markus Borchert. The NCC meets on an as-needed basis but no less than twice per annum. The CEO, CFO, other members of the Board of Directors, the auditors or external consultants 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 Board of Directors. The NCC Chair reports on the activities of the NCC at the following meeting of the Board of Directors.

Annual Process and Responsibilities for Compensation of Executive Committee and Board of Directors

Process of Determining Compensation

To assess the competitiveness of the total remuneration for Group Executive Management, the NCC conducts a periodic compensation policy review which is supported by external consultants considering market and regulatory developments. Proposed changes to the policy are submitted to the Board of Directors for approval.

The Board of Directors approves the compensation policy and proposes the total maximum compensation of the members of the Executive Committee and for the members of the Board of Directors to the annual General Assembly for approval. Only non-executive members of the Board of Directors have voting rights on the compensation policy and the total compensation. The total compensation is based on a discretionary decision of the Board of Directors based the salary structure of the Executive Committee and periodic benchmarking.

The NCC reviews the actual compensation of members of the Board of Directors and the Executive Committee members annually. On a tri-annual basis, the Executive Committee total compensation is benchmarked against a peer group chosen to reflect relevant industry, size and geographic considerations. The peer group consists of the following companies, hereinafter the “Benchmark”):

Jenoptik	Germany	Electronic Equipment and Instruments
Kudelski	Switzerland	Electronic Equipment and Instruments
Melexis	Belgium	Semiconductors
X Fab Silicon Foundries	Belgium	Semiconductors
ADVA Optical Networking	Germany	Communications Equipment
Soitec	France	Semiconductors
Comet	Switzerland	Electronic Equipment and Instruments
Telit Communications	United Kingdom	Communications Equipment
Inficon	Switzerland	Electronic Equipment and Instruments
Euromicron	Germany	Communications Equipment
Lem	Switzerland	Electronic Equipment and Instruments
Gigaset	Germany	Communications Equipment
Elmos Semiconductor	Germany	Semiconductors
Nordic Semiconductor	Norway	Semiconductors
IQE	United Kingdom	Semiconductors
Sensirion	Switzerland	Electronic Equipment and Instruments
First Sensor	Germany	Semiconductors
Isra Vision	Germany	Electronic Equipment and Instruments
Basler	Germany	Electronic Equipment and Instruments

In 2019, a thorough benchmarking exercise was undertaken with the support of an external consultant for the Executive Committee. As a reference point, median compensation points are targeted. The results of the exercise confirmed that no material changes are necessary.

On a tri-annual basis the Board of Directors’ compensation is benchmarked against similar-sized Swiss public companies. In 2019 a benchmarking of the Board of Directors compensation was undertaken based on HCM’s Compensation Study for Swiss Boards of Directors (June 2019). The results were that the u-blox board compensation is well below the median of small and mid cap public companies in Switzerland. Specifically, the u-blox chairman compensation is 50% of the median and the other board of directors’ compensation is 75% of the median. Therefore, it is proposed to gradually increase the board compensation over several years to get closer to the median. Note that the last adjustment was made in 2016.

During the year, an external consultant also advised the NCC on best practices and evolving regulatory framework in the area of corporate governance and executive remuneration. No other mandate was given to the consultant.

Compensation System for the Executive Committee

The remuneration of the Executive Committee members consists of a base salary, variable bonus (short term incentive), stock options (long term incentive), contributions to pension funds and social insurance.

The compensation system is a combination of fixed and variable components based on short and long-term performance. A greater portion of the overall compensation is dependent upon performance yet capped as to not incentivize excessive risk taking or maximizing short-term performance at the risk of long-term sustainable performance. Executive Committee members are not remunerated for Board of Director membership or other executive positions held within the Group.

Base Salary
The base salary of the CEO is determined to ensure a competitive base salary compared to base salaries offered by other companies in the Benchmark and considering the tasks, responsibilities and experience.

The base salary of the other Executive Committee members is defined to achieve both a competitive base salary compared to base salaries offered by other companies in the Benchmark. In 2019, the Executive Committee salaries were adjusted in line with inflation and the general workforce salary increase. As roles and responsibilities change, the NCC will review salaries accordingly.

Variable Bonus
The bonus is designed to reward the achievement of Key Performance Indicators (KPIs) which reflect the interest of shareholders.

As a rule, KPIs are measurable against objective criteria and, wherever reasonable, identical for each EC member. For the year 2021, an environmental, social and governance (ESG) component will be added to the Variable Bonus system, which includes goals which are both relevant for the company and important for its stakeholders. The ESG performance will be included as a factor of the base bonus calculation whereby the effect can reduce the actual bonus to 93% or increase it to 107% of the base bonus.

The base bonus depends on two value-driving KPIs:
I. increase in EBIT margin, and
II. revenue growth rate.

For the CEO, the percentage of base salary for the KPI related bonus is higher than for other members of the Executive Committee. 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 base bonus for the CEO is defined as a multiplier of the base salary as follows:

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

For example: a 20% revenue growth rate and a 10% EBIT margin results in a base bonus of 67.7% of the base salary; while a 20% increase in revenue and a 15% EBIT margin results in a base bonus of 87%.

The CEO has a maximum bonus of 150% of the base salary. For other Executive Committee members, the impact of KPI related bonus on overall compensation is lower and considers both the revenue growth and the EBIT growth with a linear model. The base bonus rate as a multiplier of the base salary is defined as follows for the other EC members:

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

For example: a 20% revenue growth rate and a 10% EBIT margin results in a base bonus of 39% of base salary; while a 20% revenue increase and a 15% EBIT margin would result in a 49.5% base bonus.

The bonus of the other Executive Committee members is limited to 100% of the base salary.

For both cases, 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.

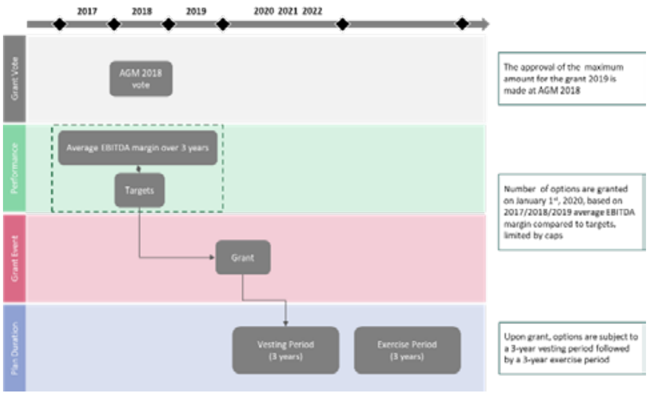
Note that maximum bonus levels have not increased despite the inclusion of ESG criteria.

Long Term Incentive Stock Option Plan 2019
The goal of the long-term incentive stock option plan (LTI-ESOP) is three-fold: encourage the long-term commitment of management to u-blox; ensure that both shareholders and management have aligned long term interests; and foster team spirit. Each Executive Committee member receives the same number of options.

The Long-Term Incentive Stock Option Plan focuses on EBITDA margins (as defined by IFRS accounting standards) as it best reflects the financial performance of the company's operations, is a main indicator for comparing market capitalization within a peer group and is aligned with shareholder interests. To ensure the long-term component, the grant is based on the three-year average EBITDA margin relative to a target. The plan includes a defined maximum allocation and a minimum performance threshold below which no allocations are made.

At the beginning of each fiscal year, the NCC proposes the target EBITDA margins to be used in the LTI-ESOP plan for the following fiscal year taking into consideration the EBITDA margins of the relevant industry peer group, the company's ongoing business expectations and the financial goals. The Board of Directors approves the minimum, target and maximum goals and payout. Approval is sought from the

AGM for the maximum compensation including the fair value of the maximum option grant based on a set of assumptions regarding the anticipated business development within the timeframes covered by the proposal and the possible market performance of the u-blox share within those timeframes. The NCC is of the opinion that the performance targets for the LTI-ESOP are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the end of the relevant performance period. The performance against those measures will be disclosed after the end of the relevant financial year in that year's compensation report subject to the sensitivity no longer remaining.



After the performance period, the NCC

i. defines the level of actual achievement whereby the number of options granted depends on the achievement of the average EBITDA margins compared to the minimum (0%), target (100%) and maximum (150%), calculated linearly, whereby 100% is equal to 6.000 options;
ii. defines the fair value of an option at grant date;
iii. calculates the number of options to be granted and limited by the following maximum thresholds:
    - the total number of options to be granted to the Executive Committee of five members does not exceed 40'000 options
    - the Fair Value of options at grant does not exceed 100% of the Base Salary of the members
    - the Fair Value of the options at grant does not exceed the amount allocated to the LTI-ESOP as approved by the General Assembly
iv. proposes to the Board the grant for each member of the Executive Committee.

The Board of Directors decides within its discretion and within the maximum total compensation approved at the previous AGM.

Each option grants the owner the right to purchase one share at a defined price (exercise price). The option can be exercised within the earliest of three years and the latest six years after the grant date. If not exercised, options expire six years after the grant date. In the case of termination of employment, any unvested options expire on the day following the last day of employment of the Executive Committee member. Vesting is accelerated in case of death or disability and, with respect to options granted as from 2014, upon retirement. There are no special provisions (e.g. vesting acceleration) in case of a change of control.

However, the compensation committee will strive to apply a fair approach, i.e. no more will be paid than is warranted in each individual case and that for good leavers, and in case of change-in-control, LTI-ESOP awards will be prorated for time and performance, if and where possible and appropriate.

The exercise price is defined as the lower of a) the volume-weighted average share price on the SIX Swiss Exchange during the 30 trading days preceding the grant date and b) the closing share price at the SIX Swiss Exchange on the last trading day before the grant date.

The LTI-ESOP amount can represent a significant portion of the total compensation and thus achieves the objectives of ensuring long-term commitment and incentivizing sustainable increase in shareholder value.

Malus and claw-back provisions

Malus and claw-back provisions apply to forfeit or recover payments made as bonus and under the LTI-ESOP. Such provisions cover situations where the company is required to restate its accounts due to non-compliance with financial reporting requirements under the securities laws at the time of disclosure. In such cases, the Board of Directors is empowered to recalculate the respective payout according to the restated financial results and seek reimbursement of any bonus amount or LTI-ESOP grant allocated in excess of the newly calculated amount. The claw-back clause is applicable for three years after the payment or grant of the respective compensation.

Pension funds and social insurance benefits

The aim is to provide the Executive Committee members and 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 Executive Committee, as 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 60% of the obligatory pension scheme fees and approximately 65% of the non-obligatory private pension scheme fees.

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

Employment contracts
The employment contracts of the members of the Executive Committee may be subject to a minimum of six and a maximum of twelve-months' notice period. No termination benefits are payable. The contracts do not contain a clause relating to change of control. Executive Committee 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 Executive Committee member terminates the employment contract, the company may trigger the non-compete obligation in exchange for a fee limited to 50% of the Executive Committee member's annual base salary.

Loans
No guarantees or loans are granted to members of the Board of Directors or Executive Committee.

Share Ownership Requirements
Executive share ownership guidelines were introduced for the Executive Committee in 2018 at a time when all EC members held substantial shareholdings, often dating back to the founding of the company. The guideline stipulated that the members will acquire and hold u-blox shares equivalent to 250% of base salary for the CEO and 200% for the other Executive Committee members. The minimum levels were to be achieved within four years, and such achievement would not be altered by later share price variation. Unexercised options do not count towards the ownership requirement.

Due to recent changes in the Executive Committee, it was necessary to adapt this requirement to allow for a more flexible period of time to achieve the shareholding requirement. Therefore, the new policy is as follows:

The members will acquire and hold u-blox shares equivalent to 250% of base salary for the CEO and 200% for the other Executive Committee members. Until this shareholding level is met, the CEO and other EC members are expected to hold shares (net of tax) acquired under the LTI-ESOP, Achievement will not be altered by later share price variation. Unexercised options do not count towards the ownership requirement.

Approach to recruitment remuneration
On hiring a new Executive Committee member, the NCC would align the proposed remuneration package with the policy in place for Executive Committee at the time of the appointment. In determining the actual remuneration for a new Executive Committee member, the NCC would consider the package in totality, taking into account elements such as the skills and experience of the individual, local market benchmarks, remuneration practice, and the expected contribution of the individual. The NCC would ensure any arrangements agreed would be in the best interests of u-blox and its shareholders and would aim to pay no more than necessary to secure the right candidate. Where considered appropriate, an external candidate may be compensated for remuneration arrangements forfeited on leaving a previous employer. In doing so, relevant factors including any performance conditions attached to these awards, the form in which it was paid and the timeframe of awards would be considered. Buyout awards would be awarded on a 'like for like' basis compared to remuneration being forfeited and would be capped to reflect the value being forfeited. The maximum level of variable pay, which could be awarded to a new Executive Committee member, excluding any buyouts, would be in line with the Policy set out. If an Executive Committee member is appointed following u-blox's acquisition of, or merger with, another company, legacy terms and conditions may be honored.

Board of Directors

Compensation System for the Board of Directors
To ensure the independence of the Board of Directors in its supervisory capacity of the Executive Committee, members of the Board of Directors only receive a fixed remuneration and do not participate in the share option scheme, pension scheme and/or performance related pay. In addition to the base director fees, an additional fixed fee is paid for positions of chairman, committee chairman and committee member. The Chairman of the Board is not eligible for additional compensation for participation in committees.

As explained above, the compensation benchmarking revealed that the board compensation is well below the median of Swiss small and mid-cap public companies. To date, the compensation has been as follows:

Board compensation including social insurance	**Period AGM 2019 through AGM 2020**
Base Compensation for chairman of the Board	CHF 158’000
Base Compensation for member of the Board	CHF 90‘000
Additional compensation for committee membership	CHF 15‘000
Additional compensation for committee chairman	CHF 25’000

To gradually get closer to the median, it is proposed to increase the overall board compensation for the period AGM 2020 – AGM 2021 from CHF 600’000 to CHF 660’000. The resulting compensation breakdown would be as follows:

Board compensation including social insurance	**Period AGM 2020 through AGM 2021**
Base Compensation for chairman of the Board	CHF 180’000
Base Compensation for member of the Board	CHF 98‘000
Additional compensation for committee membership	CHF 17‘000
Additional compensation for committee chairman	CHF 27’000

The remuneration is paid out in the form of cash only and on a pro-rata basis, twice per annum. Board of Directors compensation does not include any performance or profit-related components such as shares or options.

Actual expenses incurred are reimbursed, according to the company policy, for travel arising out of duties performed on behalf of the Board of Directors. No pension, social insurance contributions or benefits are granted to the Board members, except where compulsory under Swiss law.

In 2019, a new formal board evaluation system was implemented to identify areas of improvement. The evaluation is led by the Chairman and discussed with the entire Board of Directors.

Share Ownership Requirements
Board of Director share ownership guidelines were introduced for the Board of Directors in 2018. This guideline stipulates that each member will acquire and hold u-blox shares equivalent to 100% of the annual board fee. The minimum levels are to be achieved within three years and such achievement is not altered by later share price variation.

13.2 Compensation report 2019

13.2.1 Board of Directors

The total amount of compensation of the Board of Directors remained unchanged from 2018. However, individual compensation amounts varied to reflect committee membership changes. The total compensation stayed within the limits as approved by the shareholder meeting (TCHF 600).

Compensation for the members of the Board of Directors 2019[1]

	Fee	Social insurance[2]	Total Compensation
	CHF	CHF	CHF
André Müller (Chairman)	147'334	10'815	158'149
Paul Van Iseghem[3] (Chairman Audit Committee)	36'000	2'700	38'700
Ulrich Looser (Chairman Audit Committee)	103'667	7'775	111'442
Gerhard Tröster[3] (Member NCC)	32'333	2'425	34'758
Gina Domanig (Chairman NCC)	107'333	8'050	115'383
Annette Rinck[4] (Member Audit Committee)	64'667	4'850	69'517
Markus Borchert[4] (Member NCC)	64'667	4'850	69'517
Thomas Seiler	0	0	0
Jean-Pierre Wyss	0	0	0
Total	**556'001**	**41'465**	**597'466**

1) The compensation is shown for fiscal year 2019, whereas the approved budget covers the period AGM 2019 to AGM 2020.
2) Mandatory social insurance.
3) Resigned AGM 2019.
4) Elected at AGM 2019.

Compensation for the members of the Board of Directors 2018[1]

	Fee	Social insurance[2]	Total Compensation
	CHF	CHF	CHF
Fritz Fahrni[3] (Chairman)	49'334	3'157	52'491
André Müller (Chairman)	131'000	9'770	140'770
Paul Van Iseghem (Chairman Audit Committee)	108'000	6'912	114'912
Gerhard Tröster (Member NCC)	100'667	7'550	108'217
Gina Domanig (Chairman NCC)	104'333	7'825	112'158
Ulrich Looser[4]	64'667	4'139	68'806
Thomas Seiler	0	0	0
Jean-Pierre Wyss	0	0	0
Total	**558'001**	**39'353**	**597'354**

1) The compensation is shown for fiscal year 2018, whereas the approved budget covers the period AGM 2018 to AGM 2019.
2) Mandatory social insurance.
3) Resigned AGM 2018.
4) Elected at AGM 2018.

13.2.2 Executive Committee

In fiscal year 2016 a review of the total compensation including base salary, bonus, and stock options of EC members was performed by the NCC and adjustments were made in 2017. A compensation review has taken place in 2019. The results of the review confirmed that no material changes are necessary.

Base Salary

The Base Salaries in 2019 increased by 1.1%.

Variable Bonus

CEO:

For 2019, the bonus of the CEO amounted to 51.75% of the base salary. For the CEO, the bonus amount has decreased due to lower achieved EBIT margin and declining revenue growth rate.

Input data	
Revenue growth rate	–2.1%
EBIT margin	5.7%
Output	
Bonus rate	51.75%

Other Executive Committee members:

For 2019, the bonus of the other Executive Committee members amounted to 21.06% of the base salary. Compared to 2018, the bonus amount for the Executive Committee members has decreased due to lower revenue growth and lower EBIT margins.

Input data	
Revenue growth rate	–2.1%
EBIT margin	5.7%
Output	
Bonus rate	21.06%

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 Executive Committee. Furthermore, over the last decade, the KPIs have remained unchanged.

Long Term Incentive Stock Option Plan

For 2019, the Board of Directors approved the proposal by the NCC, in accordance with the LTI Stock Option Plan 2018, to grant 5'111 options per Executive Committee member. The number of options was determined based on the achieved preceding three-year average EBITDA margin of 19.0% compared to the targets. The Targets were defined as follows:

	EBITDA% targets	Options vesting
Min	13%	0%
Objective	20%	100%
Max	27%	150%

Options are granted at-the-money (i.e. the strike price equals the lower of the average stock price of the last 30 trading days before the grant date and the stock price at grant date).

13.2.3 Compensation paid to the members of the Executive Committee 2019

The total compensation stayed within the limits as approved by the shareholder meeting (TCHF 7'000).

	Base Salary	Number of Options	Value of Options[1]	Bonus[2]	Pension and Social insurance funds[3]	Other benefits[4]	Total Compen-sation
	CHF		CHF	CHF	CHF	CHF	CHF
Thomas Seiler, CEO	471'886	5'111	143'772	244'182	199'978	7'911	1'067'729
Jean-Pierre Wyss	321'741	5'111	143'772	67'773	176'413	7'200	716'899
Andreas Thiel	321'741	5'111	143'772	67'773	175'865	0	709'151
Daniel Ammann[7]	123'272	0	0	28'947	45'818	0	198'037
Roland Jud[5]	313'697	4'983	140'172	66'079	174'838	0	694'786
Markus Schäfer[6]	107'247	1'704	47'934	22'591	29'499	0	207'271
Total	**1'659'584**	**22'020**	**619'422**	**497'345**	**802'411**	**15'111**	**3'593'873**

1) Options granted in 2020 for performance of 2019. The fair value of the options is CHF 28.13 per option at grant date. Strike price: CHF 91.87, Vesting date: January 1, 2023; Expiry date: January 1, 2026.
2) Bonus paid out in 2020 for performance of 2019.
3) Mandatory social insurance paid on the base salary, bonus and on the fair value of options when granted.
4) Company car and child and education allowance.
5) Mr. Jud has a 97.5% working time contract.
6) Joined September 1, 2019.
7) Resigned March 31, 2019.

Pursuant to the Group's compensation policy, on September 1, 2019 Markus Schäfer received a grant of 2,000 options with a fair value of CHF 17.03 per option to compensate him for remuneration he forfeited upon leaving his previous employer.

Compensation for the members of the Executive Committee 2018

The total compensation stayed within the limits as approved by the shareholder meeting (TCHF 7'000).

	Base Salary	Number of Options	Value of Options[1]	Bonus[2]	Pension and Social insurance funds[3]	Other benefits[4]	Total Compen-sation
	CHF		CHF	CHF	CHF	CHF	CHF
Thomas Seiler, CEO	466'752	6'366	108'413	332'082	204'108	7'977	1'119'332
Jean-Pierre Wyss	318'240	6'366	108'413	109'374	175'032	7'200	718'259
Andreas Thiel	318'240	6'366	108'413	109'374	174'477	0	710'504
Daniel Ammann	318'240	6'366	108'413	109'374	174'532	0	710'559
Roland Jud[5]	310'284	6'207	105'705	106'640	158'581	0	681'210
Total	**1'731'756**	**31'671**	**539'357**	**766'844**	**886'730**	**15'177**	**3'939'864**

1) Options granted in 2019 for performance of 2018. The fair value of the options is CHF 17.03 per option at grant date. Strike price: CHF 78.95, Vesting date: January 1, 2022; Expiry date: January 1, 2025.
2) Bonus paid out in 2019 for performance of 2018.
3) Mandatory social insurance paid on the base salary, bonus and on the fair value of options when granted.
4) Company car and child and education allowance.
5) Mr. Jud has a 97.5% working time contract.

13.2.4 Other Compensations

Share allotment
No shares were allocated to the members of the Board of Directors or Executive Committee in 2019.

Additional fees, remunerations, guarantees and loans
No additional fee or remuneration was paid to the members or former members of the Board of Directors or Executive Committee in 2019.

No guarantees or loans were granted by a group company to the members of the Board of Directors or Executive Committee or were outstanding on December 31, 2019.

Persons closely linked
No remuneration, fees or loans were paid, respectively granted, to persons closely linked to members of the Board of Directors or Executive Committee in 2019. Persons closely linked are defined as (i) a spouse or partner, (ii) children, (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 of u-blox Holding AG for the year ended December 31, 2019. 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 13.2 of the compensation report 2019 on pages 26 to 28.

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 remuneration system and defining individual remuneration 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 remuneration, 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, 2019 of u-blox Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Sandro Rohrer
Licensed Audit Expert

Lucerne, March 12, 2020

u-blox Holding AG
Zürcherstrasse 68
8800 Thalwil
Switzerland
Phone +41 44 722 74 44
www.u-blox.com

Financial Report 2019

The u-blox Annual Report 2019

Financial Report 2019

Consolidated financial statements u-blox Group

Financial statements u-blox Holding AG

Three year overview

Financial Report 2019

Consolidated financial statements u-blox Group

Consolidated statement of financial position

(in CHF 000s)	Note	At December 31, 2019	At December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	6	127'424	136'296
Marketable securities	7	898	1'401
Trade accounts receivable	8	48'469	60'802
Other receivables		13'881	11'197
Current tax assets		6'098	1'574
Inventories	9	51'563	57'486
Prepaid expenses and accrued income		11'502	7'685
Derivative financial assets		626	473
Total current assets		**260'461**	**276'914**
Non-current assets			
Property, plant and equipment	10	12'707	14'829
Right-of-use assets	27	21'824	0
Goodwill	11	56'027	55'231
Intangible assets	11	219'194	193'445
Other financial assets		1'067	1'063
Equity-accounted investees	12	7'777	7'978
Deferred tax assets	24	6'886	3'570
Total non-current assets		**325'482**	**276'116**
Total assets		**585'943**	**553'030**
Liabilities and equity **Current liabilities**			
Trade accounts payable	13	25'421	21'562
Other payables		8'503	7'206
Lease liabilities	27	5'313	0
Current tax liabilities		665	3'200
Accrued expenses	14	21'529	23'508
Total current liabilities		**61'431**	**55'476**
Non-current liabilities			
Financial liabilities	15	119'422	119'165
Other payables		77	56
Provisions	16	8'292	6'948
Pension liability	17	21'310	17'958
Lease liabilities	27	16'866	0
Deferred tax liabilities	24	6'939	4'472
Non-current tax liabilities		7	78
Total non-current liabilities		**172'913**	**148'677**
Total liabilities		**234'344**	**204'153**
Shareholders' equity			
Share capital	18	109'569	6'390
Share premium	18	16'600	66'296
Treasury shares		-32'031	-32'031
Cumulative translation differences		-17'663	-14'225
Retained earnings		274'989	322'447
Total equity, attributable to owners of the parent		**351'464**	**348'877**
Non-controlling interest		**135**	**0**
Total equity		**351'599**	**348'877**
Total liabilities and equity		**585'943**	**553'030**

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, 2019	For the year ended December 31, 2018
Revenue	5	**385'099**	**393'269**
Cost of sales		-210'606	-216'151
Gross profit		**174'493**	**177'118**
Distribution and marketing expenses		-36'646	-36'966
Research and development expenses	21	-96'253	-74'925
General and administrative expenses		-23'272	-20'755
Other income		3'732	3'818
Operating profit		**22'054**	**48'290**
Finance income	23	547	5'305
Finance costs	23	-4'133	-2'158
Share of loss of equity-accounted investees, net of taxes	12	-4'249	-3'339
Profit before income tax (EBT)		**14'219**	**48'098**
Income tax expense	24	-1'306	-9'617
Net profit		**12'913**	**38'481**
Net profit attributable to non-controlling interest		-149	0
Net profit attributable to equity holders of the parent		**13'062**	**38'481**
Basic earnings per share (in CHF)	19	1.89	5.58
Diluted earnings per share (in CHF)	19	1.89	5.56

Consolidated statement of comprehensive income

(in CHF 000s)	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Net profit		**12'913**	**38'481**
Other comprehensive income			
Remeasurements on pension liability	17	-2'123	-974
Income tax on remeasurements on pension liability	24	219	213
Items that will not be reclassified to income statement		**-1'904**	**-761**
Currency translation differences		-3'438	-4'021
Items that are or may be reclassified subsequently to income statement		**-3'438**	**-4'021**
Other comprehensive income, net of taxes		**-5'342**	**-4'782**
Total comprehensive income		**7'571**	**33'699**
Comprehensive income attributable to non-controlling interest		-149	0
Total comprehensive income, attributable to equity holders of the parent		**7'720**	**33'699**

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	Retained earnings	Total equity, attributable to equity holders of the parent	Total non-controlling interest	Total equity
Balance at January 1, 2018		**6’261**	**66’579**	**-24’222**	**-10’204**	**280’298**	**318’512**	**0**	**318’512**
Net profit for the period		0	0	0	0	38’481	38’481	0	38’481
Other comprehensive income for the period, net of taxes		0	0	0	-4’021	-761	-4’782	0	-4’782
Total comprehensive income		*0*	*0*	*0*	*-4’021*	*37’720*	*33’699*	*0*	*33’699*
Share-based payments[1]	20/24	0	0	0	0	4’429	4’429	0	4’429
Purchase of treasury shares		0	0	-7’609	0	0	-7’609	0	-7’609
Dividend out of share premium		0	-15’441	0	0	0	-15’441	0	-15’441
Options exercised during the year, net of transaction costs	20	*129*	15’158	0	0	0	15’287	0	15’287
Total transactions with equity holders of the parent		*129*	*-283*	*-7’609*	*0*	*4’429*	*-3’334*	0	*-3’334*
Balance at December 31, 2018		**6’390**	**66’296**	**-32’031**	**-14’225**	**322’447**	**348’877**	**0**	**348’877**
Net profit for the period		0	0	0	0	13’062	13’062	-149	12’913
Other comprehensive income for the period, net of taxes		0	0	0	-3’438	-1’904	-5’342	0	-5’342
Total comprehensive income		*0*	*0*	*0*	*-3’438*	*11’158*	*7’720*	*-149*	*7’571*
Share-based payments[1]	20/24	0	0	0	0	5’068	5’068	0	5’068
Dividend out of share premium		0	-11’077	0	0	0	-11’077	0	-11’077
Increase in par value	18	103’152	-39’468	0	0	-63’684	0	0	0
Options exercised during the year, net of transaction costs	20	27	849	0	0	0	876	0	876
Total transactions with equity holders of the parent		*103’179*	*-49’696*	*0*	*0*	*-58’616*	*-5’133*	*0*	*-5’133*
Changes in non-controlling interest		0	0	0	0	0	0	284	284
Balance at December 31, 2019		**109’569**	**16’600**	**-32’031**	**-17’663**	**274’989**	**351’464**	**135**	**351’599**

1) Represents the amount of stock option expense of CHF 5.26 million (2018: CHF 8.43 million) including respective tax effects of CHF -182 thousand (2018: CHF -4.00 million) recognized for 2019 and 2018 respectively.

For further information on share capital and share premium see Note 18.

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

Consolidated statement of cash flows

(in CHF 000s)	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Net profit		**12'913**	**38'481**
Adjustments for:			
Depreciation	10, 27	13'881	9'303
Amortization	11	16'661	14'053
Impairment of intangible assets	11	12'647	0
Share-based payment transactions	20	5'258	8'431
Change of pension liability		1'179	1'135
Other non-cash transactions		-814	184
Change of allowance for doubtful receivables		-360	64
Finance income	23	-547	-5'305
Finance costs	23	4'133	2'158
Share of loss of equity accounted investees		4'249	3'339
Income tax expense	24	1'306	9'617
Change in trade and other receivables, prepaid expenses and accrued income		6'148	-16'614
Change in inventories	9	6'398	-13'282
Change in trade and other payables and accrued expenses		2'296	-889
Change in provisions		1'344	-1'450
Income tax paid		-9'401	-12'883
Net cash generated from operating activities		**77'291**	**36'342**
Acquisition of property, plant and equipment	10	-6'488	-7'319
Acquisition of intangible assets	11	-50'446	-54'075
Proceeds from disposal of property, plant and equipment	10	34	7
Acquisition of businesses (net of cash acquired)	30	-7'348	0
Proceeds from sale of marketable securities		1'000	1'400
Acquisition of financial assets		-63	-20
Proceeds from disposal of financial assets		44	91
Acquisition of marketable securities		-500	0
Participation in a capital increase in an associate	12	-3'386	-4'107
Interest received		393	632
Net cash used in investing activities		**-66'760**	**-63'391**
Proceeds from exercise of options		876	15'286
Dividends paid to owners of the company		-11'077	-15'441
Payments of lease liabilities	27	-4'996	0
Purchase of treasury shares		0	-7'609
Interest paid		-2'544	-1'917
Proceeds from capital increase non-controlling interest		85	0
Net cash generated (used in)/from financing activities		**-17'656**	**-9'681**
Net decrease in cash and cash equivalents		**-7'125**	**-36'730**
Cash and cash equivalents at beginning of year		136'296	169'624
Exchange gains/(losses) on cash and cash equivalents		-1'747	3'402
Cash and cash equivalents at end of year	6	**127'424**	**136'296**

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 2015 and 2014, u-blox expanded its wireless activities by acquisition into short range radio area. 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, which 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

The Group adopted IFRS 16 Leasing from January 1, 2019. The Group adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from January 1, 2018. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 Leasing

Transition

IFRS 16 Leases replaces IAS 17 Leases and related interpretations, and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main impact on the Group is that IFRS 16 introduces a single lessee accounting model requiring a lessee to recognize right-of-use assets and lease liabilities for all qualifying leases which results in an increase of property, plant and equipment (right-of-use assets) and total financial debt (lease liabilities) at January 1, 2019.

The Group has applied the modified retrospective approach and therefore has not restated the comparative figures from prior periods. The initial application of IFRS 16 did not result in a material impact, which is why the Group has not adjusted retained earnings as of January 1, 2019.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for leases existing prior to the date of the initial application of IFRS 16. On transition, the Group has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at that date.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to calculate lease liabilities recognized under IFRS 16 was 3.89 %. The Group has elected the policy to calculate the incremental borrowing rate based on the remaining lease term.

On transition to IFRS 16 the Group accounts for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

On transition to IFRS 16, the Group recognized an additional CHF 25'815 thousand of right-of-use assets and CHF 25'815 thousand of lease liabilities.

(in CHF 000's)	**January 1, 2019**
Operating lease commitments at December 31, 2018 as disclosed in the group's consolidated financial statements	25'426
Discounted using the incremental borrowing rate at January 1, 2019	-1'920
Finance lease liabilities recognized as at December 31, 2018	0
Recognition exemption for leases with less than 12 months of lease term at transition	-50
Extension options reasonably certain to be exercised	2'359
Lease liability recognized at January 1, 2019	25'815

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, 2019 and 2018:

Company	**Share capital (million)**	**Ownership interest Dec. 31, 2019**	**Ownership interest Dec. 31, 2018**	**Function**
u-blox AG, CH-Thalwil	CHF 4.23	100%	100%	E
u-blox Europe Ltd., UK-Charing	GBP 0.10	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 0.06	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 Cambridge Ltd., UK-Cambridge	GBP 0.51	100%	100%	D
u-blox Espoo Oy, FI-Espoo (formerly Fastrax)	EUR 0.05	100%	100%	E
u-blox Luton Ltd., UK-Luton	GBP 0.00	100%	100%	D
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 (formerly connectBlue)	SEK 0.83	100%	100%	E
u-blox Athens S.A., GR-Athens (formerly Antcor)	EUR 0.18	100%	100%	D
u-blox Berlin GmbH, DE-Berlin	EUR 0.03	100%	100%	D
Sapcorda Services GmbH, DE-Berlin	EUR 0.03	42.96%	42.96%	D
u-blox Wireless Technology (Shanghai) Ltd.	RMB 0.27	100%	100%	D
u-blox Electronics (Shanghai)	RMB 0.13	100%	100%	D
Tashang Semiconductor (Shanghai) Co., Ltd.	RMB 25.00	70%	-	E
Tashang Holding (HK) Ltd.	RMB 0.00	70%	-	S

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

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. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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 recognizes 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 recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and its subsequent settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized 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 recognized in profit or loss.

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes directly attributable transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss of equity-accounted investees, until the date on which significant influence ceases.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized 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, which is 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 recognized 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 recognized 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, 2019		**December 31, 2018**	
	Average rate	**Closing rate**	**Average rate**	**Closing rate**
EUR	1.11276	1.08547	1.15493	1.12874
USD	0.99358	0.96740	0.97809	0.98370
GBP	1.26916	1.28297	1.30535	1.25284
HKD	0.12681	0.12417	0.12480	0.12560
SGD	0.72848	0.71723	0.72503	0.72177
CNY	0.14391	0.13893	0.14801	0.14301
JPY	0.00912	0.00890	0.00886	0.00897
PKR	0.00664	0.00625	0.00808	0.00703
SEK	0.10515	0.10327	0.11260	0.11106

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, 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 receivable and other receivables
Trade accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less loss allowances. The loss allowance on trade accounts receivable and other receivables is calculated using the 'expected credit loss' (ECL) model. See section impairment of financial assets.

Inventories
Inventories consist 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.

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:

	Estimated useful life (years)
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 recognized 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 derecognized. 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 (CGUs), or groups of CGUs, 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 of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Intangible assets
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:

	Estimated useful life (years)
Intellectual property rights/acquired technology	2–5
Software	2–5
Capitalized development costs	3–7
Customer relationships/other intangible assets	2–5

Intangible assets with finite useful lives are amortized over their estimated useful lives as stated above.

Capitalized development costs
Development activities involve a plan or design for the production of new or substantially improved products and services. Development expenditures are capitalized if they can be measured reliably, the product or service 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 labor 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 commences 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 unit's 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.

Other financial assets
Other 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 other financial assets are recorded in the income statement. Impairments in value of other financial assets are expensed in the income statement, see section "impairment of financial assets".

Impairment of financial asset
The IFRS 9 impairment model applies to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments. Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade accounts receivable without a significant financing component. The Group has chosen to apply this policy also for trade receivables with a significant financing component.

The Group calculated ECLs based on actual credit loss experience over the past three years or based on external counterparty credit ratings.

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 payable 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.

Financial liabilities
Interest-bearing loans and borrowings are recognized initially at fair value less directly 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

For any new contract entered into, the Group considers whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. For leaseholds the depreciation period is between one and eleven years. In addition The Group also assesses right-of-use assets for impairment when such indicators exist.

The Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted with the Group's incremental borrowing rate. The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease, type and location of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this manner, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exemptions applied

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases with a term of 12 months or less. The Group recognizes lease payments associated to these leases as an expense on a straight-line basis over the lease term.
As a practical expedient, the Group elected for the leasehold category not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Policy applicable before 1 January 2019 – IAS 17

In the comparative period, all leases of the Group classified as IAS 17 operating leases, which were not recognized in the Group's statement of financial position. Operating lease payments were recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense over the term of the lease.

Employee benefits

Pension obligations

The Group maintains pension plans for employees located in Switzerland, the United Kingdom (UK), Italy, Japan, 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 recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.
The Swiss plan 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 qualify as defined benefit plans.

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 liability 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.

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 recognized 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 is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good to a customer.

The Group sells standardized positioning and wireless products generally via purchase orders to customers, i.e. end customers and distributors. In general, customers obtain control of the goods when they are dispatched from the Group's warehouse. Invoices are generated and revenue is recognized at that point in time. Invoices are usually payable within 30 days. Contracts with customers may contain variable consideration such as volume rebates. Variable consideration are generally not constrained as the Group has experience with these type of contracts and it is not probable that a significant reversal in the amount of revenue recognized will occur once the uncertainty associated with the variable consideration is resolved.

Contracts include a standard warranty clause to guarantee that the products comply with agreed specifications.

Financial instruments

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

Share capital

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

New IFRSs issued but not yet effective in 2019

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:

Standard/Interpretation	Impact	Effective date	Planned application by u-blox
New Standards and Interpretations			
Amendments to References to Conceptual Framework in IFRS Standards	[1])	January 1, 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	[1])	January 1, 2020	Reporting year 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	[1])	January 1, 2020	Reporting year 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	[1])	January 1, 2020	Reporting year 2020

[1]) No significant impacts are expected on the consolidated financial statements of u-blox.

3 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements is dependent upon estimates and assumptions in applying the accounting policies for which management exercise a certain degree of judgment. In applying the relevant accounting policies to the consolidated financial statements, certain assumptions and estimates are made about the future, which may have a material influence on the amount and presentation of assets and liabilities, revenues and expenses as well as Note disclosure information. The estimates used in preparing the consolidated financial statements and valuations are based on empirical values and other factors which are deemed appropriate in the given circumstances.

The following estimates used and assumptions made in applying the accounting policies have a critical influence on the consolidated financial statements.

Decription	Judgemental decisions and estimation insecurity	Further information
Impairment of intangible assets	Assessment of whether an impairment exists, estimates of expected future cash flows, including estimated growth rates, discount rates and estimated useful life.	Note 11
Impairment of goodwill	Key assumptions such as projected cash flows, weighted average cost of capital (WACC) and long-term growth rate for determination of recoverable amount.	Note 11
Provisions	A number of third parties in the wireless sector protect and enforce their intellectual property rights. Reliance on third party technology integrated into some of the Group's product carries the risk of paying royalties for such technology. Defendant in royalty- and warranty-related proceedings incidental to the ordinary course of business. Estimates of outcome and financial effect, probability of occurrence and of expected cash outflow.	Note 16
Pension liability	Assumptions such as discount rates, life expectancy and pension growth increases are required to calculate the present value of the respective defined benefit obligations. These estimates and assumptions used are based on future projections.	Note 17

4 CHANGES IN SCOPE OF CONSOLIDATION

In 2019 u-blox acquired 70% of Tashang Semiconductor (Shanghai) Co. Ltd. See Note 30 for further information.
In 2018 no business combination took place.

5 SEGMENT REPORTING

In accordance with the management structure and the reporting made to the Board of Directors (the Group's Chief Operating Decision Maker, which is the Board of Directors of u-blox Holding AG), the reportable segments are the two operating Corporate Groups 'Positioning and Wireless products' and 'Wireless services'. Segment accounting is prepared at the level of Operating Profit (EBIT) because this is the key figure used for management purposes. No distinction is made between the accounting policies of segment reporting and those of the consolidated financial statements. No operating segments were aggregated.

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.

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.

Segment information at December 31

	Positioning and Wireless products		Wireless services		Total segments		Non-allocated/ eliminations		Group	
(in CHF 000s)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue third	384'956	393'000	143	269	385'099	393'269	0	0	385'099	393'269
Revenue Intra-Group	0	0	31'916	31'178	31'916	31'178	-31'916	-31'178	0	0
Total Revenue	**384'956**	**393'000**	**32'059**	**31'447**	**417'015**	**424'447**	**-31'916**	**-31'178**	**385'099**	**393'269**
EBITDA	58'946	68'616	6'297	3'098	65'243	71'714	0	-68	65'243	71'646
Depreciation	-10'335	-6'650	-3'546	-2'653	-13'881	-9'303	0	0	-13'881	-9'303
Amortization	-16'626	-14'023	-35	-30	-16'661	-14'053	0	0	-16'661	-14'053
Impairment of intangible assets	-12'647	0	0	0	-12'647	0	0	0	-12'647	0
Operating profit (EBIT)	**19'338**	**47'943**	**2'716**	**415**	**22'054**	**48'358**	**0**	**-68**	**22'054**	**48'290**
Finance income									547	5'305
Finance costs									-4'133	-2'158
Share of loss of equity-accounted investees, net of taxes									-4'249	-3'339
EBT									**14'219**	**48'098**

Revenues are derived from:

(in CHF 000s)	For the year ended December 31, 2019	For the year ended December 31, 2018
Sale of goods	383'130	390'248
Services rendered	602	259
License fees	2	197
Revenue from contracts with customers	**383'734**	**390'704**
Other revenues	1'365	2'565
Total	**385'099**	**393'269**

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 u-blox customers involved in various geographic regions.

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

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	in CHF 000s	% share	in CHF 000s	% share
EMEA	115'177	29.9	128'880	32.8
thereof: Switzerland	2'643	0.7	1'896	0.5
Germany	31'175	8.1	30'614	7.8
America	85'341	22.1	84'098	21.4
thereof: United States of America	73'695	19.2	77'087	19.6
Asia Pacific	184'581	47.9	180'291	45.8
thereof: China	104'306	27.1	99'261	25.2
Total	**385'099**	**100.0**	**393'269**	**100.0**

The following table summarizes Property, plant and equipment, Right-of-use assets, Intangible assets and Goodwill by geographic region as allocated:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	in CHF 000s	% share	in CHF 000s	% share
EMEA	302'677	97.7	259'318	98.4
thereof: Switzerland	277'401	73.4	190'564	72.3
UK	23'960	7.7	21'295	8.1
Italy	15'021	4.8	14'518	5.5
Sweden	13'725	4.4	14'081	5.3
Finland	11'542	3.7	9'597	3.6
Germany	3'567	1.2	4'217	1.6
America	4'847	1.6	3'032	1.2
Asia Pacific	2'231	0.7	1'155	0.4
Total	**309'755**	**100.0**	**263'505**	**100.0**

Revenue by market
(in CHF 000s)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Automotive	116'457	112'233
Consumer	29'469	40'201
Industrial	217'666	225'094
Others	20'142	13'176
Total revenue from contracts with customers	**383'734**	**390'704**

Revenue by product type
(in CHF 000s)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Module	285'662	290'000
Chips	93'722	95'508
Others	4'350	5'196
Total revenue from contracts with customers	**383'734**	**390'704**

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

6 CASH AND CASH EQUIVALENTS

(in CHF 000s)	At December 31, 2019	At December 31, 2018
Petty cash	7	50
Cash at banks	64’536	70’375
Call and fixed-term deposits	62’881	65’871
Total	**127’424**	**136’296**
Composition of cash and cash equivalents by currency (in CHF 000s)		
CHF	37’646	48’951
USD	76’929	74’808
EUR	9’362	9’119
Other	3’487	3’418

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 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 in which u-blox invest meet highest credit ratings at purchase date, see Note 25. The agreement can be terminated with immediate effect.

8 TRADE ACCOUNTS RECEIVABLE

(in CHF 000s)	At December 31, 2019	At December 31, 2018
Gross amount	48’764	61’465
Loss allowance	-295	-663
Total	**48’469**	**60’802**
Composition by currency (in CHF 000s)		
USD	42’797	53’385
EUR	5’670	7’783
JPY	217	297
CNY	80	0
Composition by regions (in CHF 000s)		
EMEA	20’605	16’069
Americas	10’943	25’464
Asia Pacific	17’216	19’932

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

9 INVENTORIES

(in CHF 000s)	At December 31, 2019	At December 31, 2018
Raw material (components)	28’103	30’720
Work in progress	5’504	7’294
Finished products	17’956	19’472
Total	**51’563**	**57’486**

Components and changes in finished products recognized as cost of sales amounted to CHF 198.0 million (2018: CHF 203.6 million).

In addition, inventories have been reduced by CHF 689 thousand (2018: CHF 979 thousand) as a result of the write-down to net realizable value. This write-down was recognized as an expense during the respective year in cost of sales.

10 PROPERTY, PLANT AND EQUIPMENT

Cost (in CHF 000s)	Furniture, equipment and vehicles	IT infra-structure	Tools and test infra-structure	Total
Balance at January 1, 2018	**18'870**	**3'027**	**43'904**	**65'801**
Additions	1'571	891	4'857	7'319
Disposals	-107	-22	-93	-222
Translation differences	-613	-149	-689	-1'451
Balance at December 31, 2018	**19'721**	**3'747**	**47'979**	**71'447**
Additions	265	1'008	5'215	6'488
Disposals	-103	-304	-105	-512
Change in scope of consolidation	0	34	324	358
Translation differences	-554	-109	-266	-929
Balance at December 31, 2019	**19'329**	**4'376**	**53'147**	**76'852**

Accumulated depreciation (in CHF 000s)	Furniture, equipment and vehicles	IT infra-structure	Tools and test infra-structure	Total
Balance at January 1, 2018	**14'226**	**2'197**	**31'884**	**48'307**
Depreciation	1'905	582	6'816	9'303
Disposals	-100	-22	-93	-215
Translation differences	-417	-92	-268	-777
Balance at December 31, 2018	**15'614**	**2'665**	**38'339**	**56'618**
Depreciation	1'386	898	6'369	8'653
Disposals	-58	-304	-104	-466
Translation differences	-489	-67	-104	-660
Balance at December 31, 2019	**16'453**	**3'192**	**44'500**	**64'145**
Net carrying amount at January 1, 2018	**4'644**	**830**	**12'020**	**17'494**
Net carrying amount at December 31, 2018	**4'107**	**1'082**	**9'640**	**14'829**
Net carrying amount at December 31, 2019	**2'876**	**1'184**	**8'647**	**12'707**

The Group did not have any capital commitments at December 31, 2019 (December 31, 2018: none). Depreciation for the year is recorded in the following income statement positions:

(in CHF 000s)	2019	2018
Cost of sales	2'560	3'210
Distribution and marketing expenses	104	99
Research and development expenses	5'596	5'479
General and administrative expenses	393	515
Total depreciation	**8'653**	**9'303**

11 GOODWILL AND INTANGIBLE ASSETS

Cost (in CHF 000s)	**Goodwill**	Intellectual property rights/ acquired technology	Software	Capitalized development costs	Customer relation-ships/ other intan-gible assets	**Total intangible assets**
Balance at January 1, 2018	**57'628**	**56'311**	**13'868**	**179'586**	**5'814**	**255'580**
Addition	0	0	278	53'797 [1]	0	54'075
Disposal	0	0	0	0	-6	-6
Change in scope of consolidation	0	0	0	0	0	0
Reclassification within the Group	0	0	0	0	0	0
Translation differences	-2'397	-908	-192	-58	-235	-1'393
Balance at December 31, 2018	**55'231**	**55'403**	**13'954**	**233'325**	**5'573**	**308'255**
Addition	0	0	406	50'040 [1]	0	50'446
Disposal	0	-1'599	-1'737	0	0	-3'336
Change in scope of consolidation	2'557	2'077	86	0	2'410	4'573
Translation differences	-1'761	-345	-175	-58	-160	-738
Balance at December 31, 2019	**56'027**	**55'536**	**12'534**	**283'307**	**7'823**	**359'200**

Accumulated amortization and impairment losses (in CHF 000s)	**Goodwill**	Intellectual property rights/ acquired technology	Software	Capitalized development costs	Customer relation-ships/ other intan-gible assets	**Total intangible assets**
Balance at January 1, 2018	**0**	**36'049**	**12'496**	**48'129**	**4'919**	**101'593**
Amortization	0	3'273	977	9'245	558	14'053
Disposal	0	0	0	0	-6	-6
Change in scope of consolidation	0	0	0	0	0	0
Reclassification within the Group	0	-564	0	564	0	0
Translation differences	0	-403	-186	-49	-192	-830
Balance at December 31, 2018	**0**	**38'355**	**13'287**	**57'889**	**5'279**	**114'810**
Amortization	0	2'637	464	12'947	613	16'661
Disposal	0	-1'599	-1'737	0	0	-3'336
Impairment	0	0	0	12'647	0	12'647
Reclassification within the Group	0	-14	0	14	0	0
Translation differences	0	-491	-79	-58	-148	-776
Balance at December 31, 2019	**0**	**38'888**	**11'935**	**83'439**	**5'744**	**140'006**
Net carrying amount at January 1, 2018	**57'628**	**20'262**	**1'372**	**131'457**	**895**	**153'986**
Net carrying amount at December 31, 2018	**55'231**	**17'048**	**667**	**175'436**	**294**	**193'445**
Net carrying amount at December 31, 2019	**56'027**	**16'648**	**599**	**199'868**	**2'079**	**219'194**

[1] The capitalized development costs consist primarily of internally developed costs.

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

(in CHF 000s)	**2019**	**2018**
Cost of sales	55	52
Distribution and marketing expenses	275	553
Research and development expenses	16'239	13'303
General and administrative expenses	92	145
Total amortization	**16'661**	**14'053**

During 2019 CHF 12'647 million impairment losses on capitalized development cost (2018: CHF 0) were recognized on intangible assets. The impairment was caused by suppliers ending life of core components and changing product road maps, both requiring re-focusing development efforts. u-blox also accelerated certain newer developments making some ongoing projects obsolete. The Group did not have any capital commitments at December 31, 2019 (December 31, 2018: none).

Goodwill

Goodwill has been allocated to a group of the Group's Cash Generating Units ("CGU") which are identical to the Group's reportable segments as follows:

(in CHF 000s)	At December 31, 2019	At December 31, 2018
Positioning and Wireless products	55'189	54'360
Wireless services	838	871
Total goodwill	**56'027**	**55'231**

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 five-year mid-term plan is used. Subsequent years are included using a perpetual annuity. The projections are based on knowledge and experience and also on judgments made by management as to the probable economic development. Consequently, it is assumed that for all CGUs, there are no planned significant changes in their organization. The underlying projections for the next five years are therefore calculated based on historical amounts and the latest market estimates. Pre-tax discount rates were applied in determining the recoverable amount of the units. The discount rates were estimated based on an industry weighted average cost of capital.

Following parameters have been used for the calculations:

			2019			**2018**
	Pre tax discount rate	**Post tax discount rate**	**Growth rate (residual value)**	**Pre tax discount rate**	**Post tax discount rate**	**Growth rate (residual value)**
Positioning and Wireless products	10.56%	9.24%	3%	10.21%	8.66%	3%
Wireless services	14.11%	11.33%	3%	10.84%	8.65%	3%

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

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately CHF 21 million for the Positioning and Wireless products (2018: CHF 90 million) and CHF 30 million for the Wireless services (2018: CHF 1 million). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following tables show the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Sensitivity analysis for goodwill related to:

Positioning and Wireless products

	Change required for carrying amount to equal recoverable amount 2019	**Change required for carrying amount to equal recoverable amount 2018**
Discount rate	0.36%	1.3%
Growth rate (residual value)	-0.48%	-2.0%

Wireless services

	Change required for carrying amount to equal recoverable amount 2019	**Change required for carrying amount to equal recoverable amount 2018**
Discount rate	17.22%	0.6%
Growth rate (residual value)	-47.15%	-0.9%

12 EQUITY ACCOUNTED INVESTEES

u-blox and three other partners created Sapcorda Services GmbH to bring high precision GNSS positioning services to mass market applications. The four parties recognized that existing solutions for GNSS positioning services do not meet the needs of emerging high precision GNSS mass markets.

Sapcorda will offer globally available GNSS positioning services via internet and satellite broadcast and will enable accurate GNSS positioning at centimeter level. The services are designed to serve high volume automotive, industrial and consumer markets. The real time correction data service will be delivered in a public, open format and is not bound to receiver hardware or systems.

The following table shows the reconciliation of movements of equity-accounted Investees in 2019.

(in CHF 000s)	2019	2018
Balance at January 1	**7'978**	**7'210**
Capital increase[1]	4'048	4'107
Share of net results	-4'249	-3'339
Balance at December 31	**7'777**	**7'978**

1) Cash outflow amounted to CHF 3'386 thousand (2018: CHF 4'107 thousand)

Selected key performance indicators for equity-accounted investees:

(in CHF 000s)	2019	2018
Income statement		
Total expenses	-9'919	-7'770
Net profit	**-9'919**	**-7'770**
Balance sheet at December 31		
Current assets	13'563	17'936
Non-current assets	4'135	4'580
Total assets	**17'698**	**22'516**
Liabilities	7'227	1'672
Equity	10'471	20'844
Total liabilities and equity	**17'698**	**22'516**

13 TRADE ACCOUNTS PAYABLE

(in CHF 000s)	At December 31, 2019	At December 31, 2018
Trade accounts payable	25'421	21'562
Total	**25'421**	**21'562**
Composition by currency (in CHF 000s)		
CHF	2'298	685
USD	20'670	19'476
EUR	1'876	613
Other	577	788

14 ACCRUED EXPENSES

(in CHF 000s)	At December 31, 2019	At December 31, 2018
Personnel related	12'030	11'392
Other accruals	9'499	12'116
Total	**21'529**	**23'508**
Thereof classified as financial instruments (Note 25)	9'635	11'952

Accrued expenses include accruals for personnel (such as bonus, social security etc.) as well as licenses, insurance premiums, warranties, attorney fees and administration services.

15 FINANCIAL LIABILITIES

The following table shows the reconciliation of movements of liabilities to cash flows arising from financing activities.

(in CHF 000s)	Liabilities 2019	Liabilities 2018
Balance at January 1	**119'165**	**118'913**
Changes from financing cash flows		
Proceeds from loans and borrowings	0	0
Interest paid	-1'812	-1'812
Total changes from financing cash flows	**-1'812**	**-1'812**
Other changes		
Interest expenses	2'069	2'064
Balance at December 31	**119'422**	**119'165**

On April 18, 2017, u-blox issued a bond for CHF 60.0 million (net cash inflow of CHF 59.3 million) with a coupon of 1.375% p.a. and a term to maturity of 6 years.

On April 23, 2015, u-blox issued a bond for CHF 60.0 million (net cash inflow of CHF 59.2 million) with a coupon of 1.625% p.a. and a term to maturity of 6 years.

16 PROVISIONS

(in CHF 000s)	current provisions	Royalties	Other	Total non-current provisions	Total provisions
At January 1, 2018	150	8'213	35	8'248	8'398
Used	0	-930	0	-930	-930
Additions	0	2'319	0	2'319	2'319
Release	-150	-2'689	0	-2'689	-2'839
At December 31, 2018	**0**	**6'913**	**35**	**6'948**	**6'948**
Used	0	0	0	0	0
Additions	0	2'332	189	2'521	2'521
Release	0	-1'177	0	-1'177	-1'177
At December 31, 2019	**0**	**8'068**	**224**	**8'292**	**8'292**

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 be revised. The provisions for royalties are considered to have a duration of more than one year and therefore are classified as non-current. Provisions are recorded based on the best estimate of future probable economic outflow. Management believes that these provisions are sufficient.

17 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, Japan, 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.

17.1 Defined benefit plans

The most material plans are in Switzerland, accounting for 99% of u-blox entire defined benefit obligation and 100% of the plan assets.

17.2 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 collective funds administrating the pension plans of various unrelated employers. The pension plans of u-blox are fully segregated from those of other participating employers. One collective fund bears longevity risk but has reinsured the investment and other demographic risks with an insurance company. The other collective fund bears the investment risk but has no longevity risks.

The most senior governing body of the collective fund is the Board of Trustees, which is also ultimately responsible for the investment strategy and policy, taking into account the fund's objectives, benefit obligations (i.e. asset and 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 company, 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 Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans *'Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge'* or 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 fund. Minimum contributions and interest are defined by the BVG and the Swiss Parliament. In 2019 the minimum interest was 1.0% (2018: 1.0%). 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 reinsured with a life insurance company. The pension fund has concluded an insurance contract with Helvetia Schweizerische Versicherungsgesellschaft AG 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 finances this difference by purchasing a further pension amount with the insurance company.

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

As of October 1, 2014 a third Plan was introduced to cover the salary that will not be insured any longer by the Sammelstiftung Swisscanto 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 choice of investment strategy for the individual accounts and three savings models. Given the choice for the investment strategy, there is no guarantee of interest rate to be allocated to these accounts.

During the year 2019, the conversion rates were amended for the year 2020: 5.00% / 5.00% (2019: 5.13% / 5.13%) for the non-mandatory part at age 65 / 64 (M/F). Overall these changes resulted in a past service credit of CHF 441 thousand (2018: CHF 346 thousand). In 2018, the Board of Trustees made following amendment in the Swiss pension plan: The pension Fund VZ has in place flexible conversion rates for the non-mandatory component of the old-age accounts; these are reviewed annually. The mandatory pension remains guaranteed. 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.

Movement in net defined benefit liability

The following table shows the net defined benefit liability and its components. The movements in the table below represent mainly the Swiss plan. The unfunded Italian and Greek plans are also included but have no significant impact on the movements.

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit liability**	
(in CHF 000s)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Balance at January 1	75'455	69'639	-57'497	-53'788	17'958	15'851
Included in income statement						
Current service cost	4'419	4'157	0	0	4'419	4'157
Plan amendments	-441	-346	0	0	-441	-346
Interest cost / (income)	645	569	-510	-458	135	111
Administration cost	0	0	50	45	50	45
	4'623	**4'380**	**-460**	**-413**	**4'163**	**3'967**
Included in other comprehensive income						
Remeasurements loss / (gain): - Actuarial loss / (gain) arising from:						
- financial assumptions	4'878	-1'501	0	0	4'878	-1'501
- experience adjustments	3'558	-1'146	0	0	3'558	-1'146
- demographic assumptions	0	0	0	0	0	0
- return on plan assets excluding interest income	0	0	-6'313	3'621	-6'313	3'621
	8'436	**-2'647**	**-6'313**	**3'621**	**2'123**	**974**
Other						
Contributions by employer	0	0	-2'906	-2'799	-2'906	-2'799
Plan participants' contributions	1'852	1'786	-1'852	-1'786	0	0
Benefits received, net	-4'866	2'320	4'866	-2'332	0	-12
Exchange rate differences	-28	-23	0	0	-28	-23
	-3'042	**4'083**	**108**	**-6'917**	**-2'934**	**-2'834**
Balance at December 31	**85'472**	**75'455**	**-64'162**	**-57'497**	**21'310**	**17'958**
thereof: funded					**20'583**	**17'273**
unfunded (refers to the Italian and Greek pension plans)					**727**	**685**

The expected contribution of the Group for defined benefit plans for the financial year 2020 amounts to CHF 3'063 thousand.

Principal actuarial assumptions (Swiss plan only)

Calculation of defined benefit obligations	At December 31, 2019	At December 31, 2018
Discount rate	0.35%	0.95%
Future pension indexations	0.00%	0.25%
Mortality table	BVG 2015G	BVG 2015G

At December 31, 2019, the weighted-average duration of the defined benefit obligation for the Swiss plan was 21.3 years (2018: 20.8 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:

	2019	2018	2019	2018
Change	+0.25%	+0.25%	-0.25%	-0.25%
(in CHF 000s)				
Change of the discount rate	-2’886	-2’298	3’152	2’507
Pension growth	1’403	1’082	-1’340	-1’035
	-1 Year	-1 Year	+1 Year	+1 Year
Life expectancy	-1’262	-948	1’255	943

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)	2019	2018
Equities	21’383	15’305
Bonds	22’857	18’786
Real estate	4’476	3’666
Investment Funds	10’221	12’480
Non Traditional Funds (e.g. Hedge Funds)	1’487	3’204
Other	1’579	0
Cash	2’159	4’056
Total fair value of plan assets	**64’162**	**57’497**

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

The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance and thus of generating income on a long-term basis in order to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments in both developed and emerging markets.

17.3 Defined contribution plans
In 2019, Group contributions recognized as an expense for defined contribution plans were TCHF 4’043 (2018: TCHF 3’853).

18 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary share capital CHF 000s	Share premium CHF 000s
At January 1, 2018	**6’957’170**	**6’261**	**66’579**
Dividends paid-out			-15’441
Options exercised during the year	142’687	129	15’158
At December 31, 2018	**7’099’857**	**6’390**	**66’296**
Dividends paid-out			-11’077
Options exercised during the year	14’982	27	849
Increase in par value of shares		103’152	-39’468
At December 31, 2019	**7’114’839**	**109’569**	**16’600**

Ordinary share capital
The company’s ordinary share capital at December 31, 2019 consists of 7’114’839 registered shares with a nominal value of CHF 15.40 (2018: 7’099’857 registered shares with a nominal value of CHF 0.90) each. Dividends per share of CHF 1.60 were paid in 2019 (2018: CHF 2.25).

When options from the share-based compensation plans are exercised, the company issues new shares. The cash proceeds received less directly attributable transaction costs and the nominal value are credited to share premium. Transaction costs related to the options exercised in 2019 amounted to CHF 13 thousand (2018: CHF 271 thousand).

Due to differences in accounting policies between the Group’s consolidated financial statements (IFRS) and the company’s statutory financial statements (Swiss law), the share premium in the Group’s consolidated financial statements at December 31, 2018 was CHF 63’241 thousand lower than the reserves from capital contribution in the company’s financial statements.

During 2019 u-blox executed a par value increase of shares outstanding from CHF 0.90 to CHF 15.40. The par value increase resulted in a share value increase of CHF 103’152 thousand. In the company’s statutory financial statements, the par value increase was drawn from the reserves from capital contribution. In the Group’s consolidated financial statements, u-blox debited CHF 39’468 thousand to share premium and CHF 63’684 thousand to retained earnings. The allocation was made with the aim to align the difference between the reserves in the Group’s consolidated financial statements and the company’s statutory financial statements at December 31, 2019.

Approximately CHF 24.0 million (2018: 3.4 million) of the share premium and retained earnings is not available for distribution due to legal restictions.

Authorized share capital
The Board of Directors is authorized, at any time until April 30, 2021, to increase the share capital through the issuance of up to 700’000 fully paid-in registered shares with a nominal value of CHF 15.40 each in an aggregate amount not to exceed CHF 10’780’000.

Conditional share capital
At the extraordinary shareholders’ meeting held on December 12, 2019, the shareholders resolved that the Board of Directors shall be authorized to increase the share capital by a maximum aggregate amount of CHF 3’636’663 by issuing no more than 236’147 fully paid-in registered shares with a nominal value of CHF 15.40. The conditional share capital is used for the exercise of option rights that are and will be granted 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 2019, 14’982 options were exercised out of the conditional share capital (2018: 142’687). At the annual general meeting held on April 25, 2019 new shares amounting to 142’000 were issued (2018: 137’450). The conditional share capital amount available increased accordingly to CHF 3’622’773 (235’245 shares with a nominal value of CHF 15.40) (2018: 108’227 with a nominal value of CHF 0.90).

Treasury shares
In 2019 u-blox purchased 0 treasury shares (2018: 53’000 at the average purchase price of CHF 143.55 per share).

19 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the equity holders of u-blox Holding AG by the weighted average number of shares outstanding during the year. In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted.

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net profit (in CHF 000s)	**13'062**	**38'481**
Weighted average number of outstanding shares (basic)	**6'923'987**	**6'897'533**
Effect of share options on issue	0	25'711
Weighted average number of outstanding shares (diluted)	**6'923'987**	**6'923'244**
Basic earnings per share (in CHF)	**1.89**	**5.58**
Diluted earnings per share (in CHF)	**1.89**	**5.56**

At December 31, 2019 the Group had 811'943 outstanding options (December 31, 2018: 692'846 outstanding options). granted to employees. See Note 20.

20 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, 2019	For the year ended December 31, 2018
Salaries	53'347	45'096
Share-based payments	5'258	8'431
Social taxes	11'368	12'197
Pension cost	8'206	7'820
Other personnel related expenses	5'736	4'702
Total personnel expenses	**83'915**	**78'246**

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 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 2019, 191'669 options were granted to certain members of the Executive Committee members and employees at an exercise price of CHF 78.95 and 36'981 employee stock options at an exercise price of CHF 78.95.

In 2018, 173'762 options were granted to certain members of the Executive Committee members and employees at an exercise price of CHF 191.55 and 41'278 employee stock options at an exercise price of CHF 191.80.

In 2019, 14'982 options were exercised to buy one share with a nominal value of CHF 0.90 respectively CHF 15.40 at a share price of CHF 59.29 per option. Share transaction costs of CHF 13 thousand were deducted from the proceeds. Net proceeds were recorded in share capital CHF 27 thousand and share premium CHF 849 thousand.

In 2018, 142'687 options were exercised to buy one share with a nominal value of CHF 0.90 at a share price of CHF 25.50, 39.15, 59.29, 96.15, 136.72 and 137.40 per option respectively. Share transaction costs of CHF 271 thousand were deducted from the proceeds. Net proceeds were recorded in share capital CHF 129 thousand and share premium CHF 15'158 thousand.

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

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Weighted average exercise price in CHF	Number of options	Weighted average exercise price in CHF	Number of options
Opening balance	**185.37**	**692'846**	**167.46**	**660'375**
Granted	78.95	228'650	191.60	215'040
Exercised	59.29	-14'982	109.06	-142'825
Forfeited	141.01	-94'571	195.61	-39'744
Ending balance	**159.66**	**811'943**	**185.37**	**692'846**
Thereof vested and exercisable	185.18	241'681	124.98	106'618

The following table summarizes the employee stock options outstanding at December 31, 2019 and December 31, 2018 respectively:

Expiry date	Exercise Price CHF	Options outstanding at December 31, 2019	Options outstanding at December 31, 2018
2020	59.29	0	15'102
2020	96.15	0	2'219
2021	136.72	74'375	77'779
2021	137.40	9'742	11'518
2022	210.28	130'132	137'614
2022	214.50	27'432	41'141
2023	187.09	155'623	155'747
2023	191.20	26'059	49'254
2024	191.55	149'110	167'036
2024	191.80	30'078	35'436
2025	78.95	178'207	0
2025	78.95	31'185	0
Total	159.76	**811'943**	**692'846**
Weighted average remaining expected life at December 31		1.84 years	2.20 years
Weighted average remaining contractual life at December 31		3.34 years	3.70 years

The weighted average fair value of the outstanding options was CHF 37.00 (2018: CHF 43.92). 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, 2019 and 2018 respectively:

	2019	2018
Dividend yield	2.77%	1.15%
Expected volatility	37.20%	34.20%
Risk-free interest rate	-0.29%	-0.19%
Expected life of option	4.50 years	4.50 years
Expected exit rate after vesting	7.00%	3.00%
Weighted average share price	CHF 78.95	CHF 191.60

For 2019 and 2018 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 2019 was TCHF 5'258 (2018: TCHF 8'431).

21 RESEARCH AND DEVELOPMENT

(in CHF 000s)	2019	2018
Research and development expenditures	58'213	56'144
Depreciation and amortization	25'393	18'781
Impairment[1])	12'647	0
Total research and development expenses	**96'253**	**74'925**

[1]) See Note 11.

22 OPERATING EXPENSES BY NATURE

(in CHF 000s)	Note	2019	2018
Material costs	9	197'982	203'626
Personnel expenses	20	83'915	78'246
Depreciation	10, 27	13'881	9'303
Amortization and impairment	11	29'308	14'053
Travel- and representation expenses		6'884	6'699
Administration expenses		12'390	8'715
Marketing expenses		4'277	4'602
Rent expenses		766	6'067
Other expenses		17'374	17'486
Total		**366'777**	**348'797**

The position other expenses mainly consists of product development and software maintenance expenses.

23 FINANCE INCOME/FINANCE COSTS

(in CHF 000s)	2019	2018
Interest income	242	348
Foreign exchange gain	0	4'792
Other finance income	304	165
Finance income	**547**	**5'305**
Losses on financial instruments at fair value	-68	-94
Financial liabilities measured at amortized costs-interest expenses	-2'968	-2'064
Foreign exchange loss	-1'097	0
Finance costs	**-4'133**	**-2'158**
Total, net	**-3'587**	**3'147**

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

24 INCOME TAX EXPENSE

Income taxes can be analyzed as follows:

(in CHF 000s)	2019	2018
Current income taxes	1'964	11'921
Deferred income taxes	-658	-2'304
Total income tax expense	**1'306**	**9'617**

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:

		2019		2018
	in %	in CHF 000s	in %	in CHF 000s
Profit before income tax		**14'219**		**48'098**
Income tax rate of u-blox AG, Thalwil	19.4		19.4	
Expected income tax expense		2'758		9'331
Effect of different tax rates		114		-1'117
Effect of non-tax-deductible expenses		-170		1'102
Prior year adjustments		-39		285
R&D tax credits		-1'436		0
Tax loss carry forwards not recognized in current year		-7		0
Witholding taxes (non recoverable)		0		5
Other		86		11
Effective income tax expense		**1'306**		**9'617**

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:

	At December 31, 2019		At December 31, 2018		
(in CHF 000s)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Change 2019
Trade accounts receivable (net)	15	1'813	93	1'532	-358
Inventory	0	2'740	0	3'241	501
Property Plant and Equipment	136	121	37	56	34
Intangible assets	282	1'773	182	1'872	199
Other assets	0	644	0	349	-295
Pension	4'305	0	3'502	0	803
Accrued expenses personnel	556	0	544	0	12
Other liabilities	766	185	808	923	697
Provision	44	722	10	0	-688
Tax loss carry forwards	1'841	0	1'895	0	-54
Deferred tax assets/liabilities (gross)	**7'945**	**7'998**	**7'071**	**7'973**	**852**
Netting	-1'059	-1'059	-3'501	-3'501	0
Deferred tax assets/liabilities (net)[1)]	**6'886**	**6'939**	**3'570**	**4'472**	**852**

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

In 2019, the cumulative remuneration expenses from share-based payments exceeds the amount of the tax deduction resulting from share-based payments. The subsequent reduction in the excess in the amount of CHF 182 thousand was recognized directly in equity (2018: CHF 4.0 million). In 2018, the excess of the deferred tax of CHF 2.36 million was recorded in equity. In 2019, deferred income taxes in the amount TCHF 219 (2018: TCHF 213) were recognized in the other comprehensive income relating to the remeasurement of the pension liability.

25 FINANCIAL RISK MANAGEMENT

The following table shows the carrying amount of all financial instruments per category.

(in CHF 000s)	For the year ended December 31, 2019	For the year ended December 31, 2018
Cash and cash equivalents	**127'424**	**136'296**
Trade accounts receivable	48'469	60'802
Other receivables	524	352
Accrued income	680	769
Other financial assets	1'063	1'063
Financial assets at amortized costs	**50'736**	**62'986**
Marketable securities	898	1'401
Derivative financial assets	626	473
Financial assets at fair value through profit or loss	**1'524**	**1'874**
Trade accounts payable	25'421	21'562
Other payables	5'511	6'556
Accrued expenses	9'635	11'952
Lease liabilities	22'179	0
Financial liabilities	119'422	119'165
Liabilities at amortized costs	**182'168**	**159'235**
Other payables – contingent consideration	0	56
Liabilities at fair value through profit or loss	**0**	**56**

With the exception of financial lliabilities and lease liabilities the carrying amounts above are a reasonable approximation of the fair values.

The carrying amount of the marketable securities recognized at their fair value is determined on the basis of the bonds prices at the balance sheet date. The contingent consideration contains the latest earn-out estimate in connection with the business combinations 2014. 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 or for which the fair value is disclosed 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, 2019

	Carrying amounts	Fair value		
(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	897	897	0	0
Derivative financial assets	626	0	626	0
Total assets	**1'523**	**897**	**626**	**0**
Financial liabilities	119'422	122'622	0	0
Total liabilities	**119'422**	**122'622**	**0**	**0**

For the year ended December 31, 2018

(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	1'401	1'401	0	0
Derivative financial assets	473	0	473	0
Total assets	**1'874**	**1'401**	**473**	**0**
Other payables – contingent consideration	56	0	0	56
Financial liabilities	119'165	118'140	0	0
Total liabilities	**119'221**	**118'140**	**0**	**56**

There were no reclassifications between the various levels in 2019 and 2018. The Group has not disclosed the fair value for financial instruments such as trade accounts receivable and payables, because their carrying amounts are a reasonable approximation of fair value.

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)	2019	2018
Balance at January 1	56	438
Total gains for the period recognized in income statement	-56	-382
Balance at December 31	**0**	**56**

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 Group Accounting assist the Group Audit Committee in its oversight role. Internally both regular and ad hoc reviews of risk management controls and procedures are performed.

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 receivable from customers and investment securities.

Trade accounts receivable
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 through credit insurance or a requirement of customers to either guarantee their payment by Letter of Credit or to make a payment in advance. Collections and payments are continuously monitored.

u-blox has a contract with the credit insurances company AXA Versicherungen AG. This agreement includes a coverage of 90% of the agreed credit line for each customer. For every new customer a credit test by AXA takes place and customers are granted a defined credit line. As long as the u-blox customer outstanding invoices are within the agreed credit limits, AXA covers 90% of the receivables in the case of a loss. Therefore the impairment of a loss cannot be higher than 10% for all outstanding which are in the defined credit limits.

The Group applies the simplified approach which allows using an allowance matrix to measure the ECLs of trade accounts receivable. Under this approach, u-blox calculates historical loss rates based on days past due buckets. Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data have been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The movement in the loss allowance in respect of trade accounts receivable during the year was as follows.

(in CHF 000s)	**2019**	**2018**
Balance at January 1	**663**	**608**
Amounts written off	-181	-72
Net remeasurement of loss allowance	-187	127
Balance at December 31	**295**	**663**

The following table provides information about the exposure to credit risk and ECLs for trade accounts receivable.

December 31, 2019 (in CHF 000s)	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	0.04%	30'474	-13	No
1–30 days past due	0.04%	15'085	-6	No
31–90 days past due	0.07%	1'733	-1	No
91–180 days past due	0.05%	384	-1	No
More than 180 days past due	25.21%	1'088	-274	Yes
Total		**48'764**	**-295**	

December 31, 2018 (in CHF 000s)	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	0.01%	41'239	-4	No
1–30 days past due	0.01%	13'249	-2	No
31–90 days past due	0.05%	3'185	-2	No
91–180 days past due	0.25%	314	-2	No
More than 180 days past due	18.78%	3'478	-653	Yes
Total		**61'465**	**-663**	

Trade accounts receivable 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.

Cash and cash equivalents and marketable securities
The Group held cash at bank of TCHF 64'536 at December 31, 2019 (2018: TCHF 70'375). The major part of the Cash at bank is held in Switzerland with banks and financial institutions counterparties rated AAA to A according to Standard & Poor's. A minor part of Cash at banks is held with banks and financial institutions abroad with ratings from AA to BB. Furthermore, the Group limits its exposure to credit risk by investing only 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 except for cash. 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, 2019 no guarantees were outstanding (December 31, 2018: 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.

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

(in CHF 000s)	**For the year ended December 31, 2019**	**For the year ended December 31, 2018**
Total cash and cash equivalents	127'424	136'296
Marketable securities	898	1'401
Derivative financial assets	626	473
Total trade accounts receivable (net)	48'469	60'802
Total other receivables	524	352
Accrued income	680	769
Other financial assets	1'063	1'063
Total	**179'684**	**201'156**

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. Interest would be payable at the rate of 3% p.a. plus a commission of 0.25% per quarter. The bank may adjust the interest rate in line with the market interest rates. Management consider that the Group is not exposed to any significant risks arising from not being able to meet the financial obligations at the end of the reporting period.

The following are the contractual maturities of financial liabilities:

For the year ended December 31, 2019 (in CHF 000s)	**Carrying amounts**	**Contractual cash flows**	up to 6 months	6 – 12 months	1 – 5 years	more than 5 years
Total trade accounts payable	25’421	25’421	25’421	0	0	0
Other payables	5’511	5’511	5’511	0	0	0
Accrued expenses	9’635	9’635	9’635	0	0	0
Lease liabilities	22’179	23’531	2’961	2’533	15’086	2’951
Financial liabilities	119’422	125’379	1’812	0	123’567	0
Total	**182’168**	**189’477**	**45’340**	**2’533**	**138’652**	**2’951**

For the year ended December 31, 2018 (in CHF 000s)	**Carrying amounts**	**Contrac-tual cash flows**	up to 6 months	6 – 12 months	1 – 5 years	more than 5 years
Total trade accounts payable	21’562	21’562	21’562	0	0	0
Other payables	6’556	6’556	6’556	0	0	0
Other payables – contingent consideration	56	56	0	0	56	0
Accrued expenses	11’952	11’952	11’952	0	0	0
Financial liabilities	119’165	127’110	1’812	0	125’298	0
Total	**159’291**	**167’236**	**41’882**	**0**	**125’354**	**0**

c) Market risk

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

c1) Interest rate risk

Interest rate risk arises from movements in interest rates which could have adverse effects on the Group’s net income or financial position.

- The cash position is used for general corporate purposes and to fund the planned growth. The Group places a part of its cash and cash equivalents 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.
- In 2017, the Group entered into an interest rate swap with a maturity of 6 years, which exchanges fixed-rate payments for floating-rate payments based on LIBOR. The interest rate swap increases the Group’s exposure to fluctuations in market interest rates. The underlying transaction is the u-blox bond of 2017.
- Revenue and operating cash flows are substantially independent of changes in market interest rates.

Management consider that the Group is not exposed to any significant risks arising from changes in market interest rates and therefore no hedging instruments are utilized.

For 2019, an increase of the Swiss Franc interest rate of 0.25% would decrease the value of the marketable securities by 0.22% resulting in a negative impact of CHF 1 thousand on the net profit and equity. An increase of the Swiss Franc interest rate of 0.25% on the interest swap would result in a negative impact of CHF 185 thousand on the net profit and equity.

For 2018, an increase of the Swiss Franc interest rate of 0.25% would decrease the value of the marketable securities by 0.22% resulting in a negative impact of CHF 3 thousand on the net profit and equity. An increase of the Swiss Franc interest rate of 0.25% on the interest swap would result in a negative impact of CHF 167 thousand on the net profit and equity.

c2) Currency risk

Most 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. 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. Revenues and cost of sales are to a certain extent denominated in the same currency, which 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:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
(in CHF 000s)	**USD**	**EUR**	**USD**	**EUR**
Cash and cash equivalents	76'928	9'362	66'856	3'698
Trade accounts receivable	42'797	5'670	32'167	7'486
Receivables from subsidiaries	12'219	11'554	14'780	2'210
Other receivables	112	46	22	17
Trade accounts payable	-20'669	-1'876	-21'443	-163
Other payables – other	-1'462	-1'194	-2'850	-4'317
Other payables – contingent consideration	0	0	0	-56
Payables to subsidiaries	-2'901	-8'717	-10'344	-7'706
Accrued expenses	-964	-2'309	-233	0
Lease liabilities	-1'756	-6'005	0	0
Total currency exposure	**104'304**	**6'531**	**78'955**	**1'169**

A 10% change in exchange rates at December 31, 2019 would have increased or decreased net profit and equity by the amounts listed below. The assumption underlying this analysis is that all other variables, in particular interest rates, remain unchanged.

Sensitivity analysis	**2019**	**2018**	**2019**	**2018**
	USD/CHF	**USD/CHF**	**EUR/CHF**	**EUR/CHF**
Change	10%	10%	10%	10%
(in CHF 000s)				
Impact on income statement and equity for positive change	8'511	6'380	533	94
Impact on income statement and equity for negative change	-8'511	-6'380	-533	-94

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

26 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the number of shareholders, as well as the return on capital, which the Group defines as net profit divided by total shareholders' equity (based on IFRS values). Return on capital was 3.7% in 2019 (2018: 11.0%). 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.

27 LEASES

Overview of Group's lease contracts

The Group differentiates its lease contracts into leasehold and other leases. Leasehold includes office premises and related parking spaces, which consist of approximately 98% of the Group's right-of-use assets. All other assets classified as leases under IFRS 16 are reported as leases other. Leases other consists mainly of leased vehicles, IT and office equipment. The Group has not identified any service-type contracts that would include identified right-of-use assets. The Group does not have leases in which it would act as a lessor.

Lease terms

The Group leases buildings for office space in several different locations. Each leasehold contract is assessed on an individual basis. Management judgment has been used to assess the term of leases with indefinite duration. If a contract includes an extension option or termination option, assessment is made whether or not an option would be reasonably certain to be exercised.

In case of a significant event or significant change of circumstances within the Group's control a reassessment is performed. The lease term for leaseholds is generally not assessed longer than three years due to the business' normal planning uncertainty, with the exception of contracts already in force or with fixed contractual lease terms.

The lease term of assets other than leasehold is determined according to the contracts' duration.

Payments

Some leasehold rentals are linked to annual changes in local price indices and some include a property tax. These amounts are generally determined annually and are taken into account at the effective date of the change.

Lease components recognized in the income statement

When measuring lease:

2018	**in CHF 000s**
Rent expenses	6'067
2019	
Short-term lease expenses	107
Depreciation of right-of-use assets	5'226
Interest expense on lease liabilities	585

Right-of-use-assets (ROU)

Information about leases for which the Group is a lessee is presented below.

2019 (in CHF 000s)	**Leasehold**	**Other**	**Total ROU**
Balance at January 1, 2019	25'531	284	25'815
Depreciation charge of the year	5'112	114	5'226
Additions to right-of-use assets	931	304	1'235
Balance at December 31, 2019	21'350	474	21'824

Lease liabilities

(in CHF 000s)	**Liabilities 2019**
Balance at January 1	**25'815**
Changes from financing cash flows	
Payment of lease liabilities	-4'996
Interest paid	-585
Total changes from financing cash flows	-5'581
Other changes	
New leases	1'360
Interest expenses	585
Balance at December 31	**22'179**

Amounts recognized in the Consolidated statement of cash flows

(in CHF 000s)	For the year ended December 31, 2019
Payment of lease liabilities	4'996
Short-term lease payments	110
Interest paid for leases	585
Total cash outflows for leases	**5'691**

28 GUARANTEES, PLEDGES IN FAVOR OF THIRD PARTIES AND CONTINGENT LIABILITIES

At December 31, 2019 and 2018 there were no guarantees in favor of third parties. The Group is not exposed to any significant contingent liabilities. There is no known, threatened or pending litigation against any Group companies.

29 RELATED PARTIES

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

(in CHF 000s)	For the year ended December 31, 2019	For the year ended December 31, 2018
Salaries	2'861	3'048
Share-based payments	943	1'557
Social taxes	238	323
Employee benefit costs	586	650
Other cash benefits	7	7
Other non cash benefits	8	8
Total compensation	**4'643**	**5'593**

Refer to Note 12 for related party transactions with respect to Sapcorda GmbH.

There were no other significant transactions with related parties during the years ended December 31, 2019 and 2018. 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.

30 ACQUISITIONS

Rigado

On August 1, 2019 u-blox acquired Rigado Inc.' Bluetooth modules business in an agreement, which qualifies as a business combination. This acquisition enables u-blox to extend it range of products in the area of Bluetooth low energy, Zigbee and Thread, as well as to access additional market segments and channels and synergies from combining operations of the acquired business together with u-blox. The total purchase price was CHF 7'309 thousand, paid in cash.

For the five months ended December 31, 2019 the acquisition contributed revenue of CHF 3'042 thousand and net profit of CHF 410 thousand to the group's results. If the acquisition had occurred on January 1, 2019, management estimate, the acquisition's effect on consolidated revenue would have been CHF 8.1 million, and consolidated profit for the year CHF 980 thousand. In determining these amounts, management has assumed the fair value adjustments as determined, which arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2019. Acquisition costs were negligible and included in General and administrative expenses.

The following table summarizes the recognized amounts of assets acquired at the date of acquisition.

	CHF 000's
Inventory	160
Property, plant and equipment	296
Acquired technology	2'058
Customer relationships	2'410
Liabilities assumed	-48
Total identifiable net assets acquired	**4'876**
Goodwill	2'433
Purchase price	**7'309**

The valuation techniques used to measure the fair value of assets acquired were as follows.
Inventory: market comparison technique, which considers the estimated selling price in the ordinary course of business less estimated costs to complete the sales process;
Property, plant and equipment: market comparison technique, which considers market prices for similar items;
Acquired technology: estimated historical product development costs from seller, considering market prices for comparable product development as well as potential impairment issues; and
Customer relationships: a discounted income approach, factoring in projected earnings less contributory asset charges for Production, Inventory and Workforce.

Tashang
On September 1, 2019 u-blox acquired 70% of Tashang Semiconductor (Shanghai) Co., Ltd. In a share transaction. This acquisition enables u-blox to expand its presence in China with a domestic product offering. The initial purchase price was CHF 483 Thousand, paid in cash.

For the four months ended December 31, 2019 the acquisition contributed revenue of CHF 560 thousand and net loss of CHF 488 thousand to the group's results. If the acquisition had occurred on January 1, 2019, management estimate, the acquisition's effect on consolidated revenue would have been CHF 2'170 thousand, and consolidated loss for the year CHF 574 thousand. In determining these amounts, management has assumed the fair value adjustments as determined, which arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2019. Acquisition costs were negligible and included in General and administrative expenses.

The following table summarizes the recognized amounts of assets acquired at the date of acquisition.

	CHF 000's
Cash	445
Accounts receivable, net	357
Inventory	332
Other current assets	234
Property, plant and equipment	61
R&D software	86
Total assets	**1'515**
Total identifiable net assets acquired	566
Goodwill	124
Purchase price (for 100%)	**690**

The non-controlling interest in the net assets of Tashang at the acquisition date totaled CHF 170 Thousand.

The valuation techniques used to measure the fair value of assets acquired were as follows.
Inventory: market comparison technique, which considers the estimated selling price in the ordinary course of business less estimated costs to complete the sales process;
Property, plant and equipment: market comparison technique, which considers market prices for similar items; and
R&D software: estimated historical product development costs from seller, considering any potential impairment issues.
Goodwill has been measured on a full goodwill basis, reflecting the goodwill value for both controlling and non-controlling interest.

31 SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors authorized these consolidated financial statements for issuance on March 12, 2020. In January 2020 u-blox granted 189'389 employee stock options at an exercise price of CHF 91.87 and 37'119 employee stock options at an exercise price of CHF 97.80 under a new stock option plan to the Executive Committee members and the employees. There have been no other events between December 31, 2019 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, 2019.

Statutory Auditor's Report

To the General Meeting of u-blox Holding AG, Thalwil

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of u-blox Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 4 to 44) give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Capitalization of development costs

Valuation of capitalized development costs

Valuation of goodwill, acquired technology and intellectual property rights

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalization of development costs

Key Audit Matter

For the Group, as a fabless supplier of positioning and wireless semiconductors and modules, research & development (R&D) belongs to the core activities.

If certain criteria are met, the Group recognizes development costs as intangible assets. These criteria include, among others, the feasibility of the product, reliably measurable attributable expenditure and probable future economic benefits. In 2019, the Group capitalized development costs of TCHF 50,040 (2018: TCHF 53,797), while R&D expenditure in the amount of TCHF 58,213 (2018: TCHF 56,144) was recognized in the consolidated income statement. The assessment of the amount of costs to be capitalized for each product requires significant judgment.

There is a risk of over- or understatement of the capitalized development costs, either when the relevant criteria are not met but development costs are still capitalized, or when the criteria for capitalization are met but the costs are expensed.

Our response

Our audit procedures included, amongst others, the following:

We tested the operating effectiveness of key internal controls over the Group's approval and assessment relating to the recognition of development costs and the approval of R&D expenses.

In addition, we obtained a list of the products for which development costs incurred in the period were capitalized. We assessed if the capitalization criteria for each product were met. We challenged in our discussion with the management the business case and the underlying assumptions, as well as the stage of the development of the product, based on the internal operational reports that are prepared by the product managers. We furthermore assessed the consistency and completeness of the list of capitalized products with the operational reports. On a sample basis, we tested the accuracy of the calculation model and the underlying data, including cost rates and registered hours of the respective employees.

Based on our reading of the internal operational product reports and the discussion with management we assessed whether R&D expenses should have been capitalized.

For further information on the capitalization of development costs refer to the following:

- Note 2 to the consolidated financial statements: Accounting policies
- Note 3 to the consolidated financial statements: Critical accounting judgments and estimates
- Note 11 to the consolidated financial statements: Goodwill and other intangible assets
- Note 21 to the consolidated financial statements: Research and Development

Valuation of capitalized development costs

Key Audit Matter

The Group capitalized a significant amount of development costs, as described above. As at December 31, 2019, the carrying amount of capitalized development costs was TCHF 199,868 (2018: TCHF 175,436).

In order to assess the valuation of the capitalized costs, the Group performs an annual impairment test for those costs relating to products that are not yet available for use. In addition, the Group assesses indicators for impairment for the capitalized development costs of finalized products that are already available for use.
The recoverability of these intangible assets depends on the successful launch of the new products in the market and the continuing sale of established products. Consequently, management's assessment of the valuation involves significant judgment, among others concerning the future cash flows, associated discount rate, growth rates as well as the estimated useful life.

There is a risk of over- or understatement of capitalized development costs if they are not fully recoverable or if the estimated useful lives are not accurate.

Our response

Our work focused on challenging the assumptions used by management in conducting their valuation assessment (determination of useful life, impairment calculation and review of potential impairment indicators).

This included:

— evaluating the reasonableness of current forecasts - including a trend analysis of margins, sales and development costs against those achieved historically;
— using our valuations specialists to independently develop expectations for the discount rate and comparing the expectations to those used by management;
— assessing the accuracy of the Group's budgeting process by comparing historical sales with the original forecasts;
— for products not yet in use - considering the internal operational reports that address the development status of each product;
— for products in use - challenging management's assessment of indicators for impairment; and
— assessing management's documentation over the appropriateness of the useful lives including an analysis of expected future and actual historical sales of products.

We also evaluated the sensitivity analysis prepared by management, re-performed the calculation and assessed the disclosures relating to the impairment review.

For further information on the valuation of capitalized development costs refer to the following:

— Note 2 to the consolidated financial statements: Accounting policies

— Note 3 to the consolidated financial statements: Critical accounting judgments and estimates

— Note 11 to the consolidated financial statements: Goodwill and other intangible assets

Valuation of goodwill, acquired technology and intellectual property rights

Key Audit Matter

Goodwill, acquired technology and intellectual property rights form a significant part of the Group's assets. As at December 31, 2019, the carrying amount of goodwill was TCHF 56,027 (2018: TCHF 55,231) and of acquired technology and intellectual property rights TCHF 16,648 (2018: TCHF 17,048).

Management's assessment of the potential impairment of these assets requires estimates concerning the future cash flows of each cash-generating unit, associated discount rates and growth rates based on management's view of future business prospects.

The risk is that the targets of the business plans are not met and that consequently these balances are overstated.

Our response

Our work focused on challenging the assumptions used by management in their assessment of potential impairment.

This included:
- — assessing management's key assumptions relating to the estimated future cash flows, growth rates and the discount rates applied to the separate cash-generating units including consideration of our understanding of the future prospects of the business;
- — challenging the reasonableness of forecasted cash flows with reference to historical performance and benchmarking assumptions such as growth rates and discount rates to macroeconomic and market data;
- — using our valuation specialists to independently develop expectations for the discount rates and comparing the expectations to those used by management; and
- — comparing applied long-term growth rates included in the terminal value to historical results as well as to economic and industry forecasts using publicly available sources.

We have also evaluated the sensitivity analysis prepared by management, re-performed the calculation and assessed the disclosures relating to the impairment review.

For further information on the valuation of goodwill, acquired technology and intellectual property rights technology refer to the following:

- — Note 2 to the consolidated financial statements: Accounting policies
- — Note 3 to the consolidated financial statements: Critical accounting judgments and estimates
- — Note 11 to the consolidated financial statements: Goodwill and other intangible assets

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Silvan Jurt Licensed Audit Expert Auditor in Charge	Sandro Rohrer Licensed Audit Expert

Lucerne, March 12, 2020

Financial statements u-blox Holding AG

Statement of financial position

(in CHF)	Note	At December 31, 2019	At December 31, 2018
Assets			
Current assets			
Cash at bank		23’030’586	21’321’485
Marketable securities		897’910	1’400’840
Other receivables - third parties		15’795	40’833
- companies in which the entity holds an investment		19’113’881	26’043’234
Prepaid expenses and accrued income		300’654	276’835
Derivative financial assets		625’980	472’620
Total current assets		**43’984’806**	**49’555’847**
Non-current assets			
Prepaid expenses and accrued income		315’655	577’642
Loans granted to companies in which the entity holds an investment		237’210’111	229’882’951
Investment	2.1	15’379’632	14’697’917
Total non-current assets		**252’905’397**	**245’158’510**
Total assets		**296’890’203**	**294’714’357**
Liabilities and shareholders’ equity			
Current liabilities			
Other payables - companies in which the entity holds an investment		5’010’205	169’311
Accrued expenses		2’024’085	1’711’591
Total current liabilities		**7’034’290**	**1’880’902**
Non-current liabilities			
Long-term interest-bearing liabilities	2.2	120’000’000	120’000’000
Total non-current liabilities		**120’000’000**	**120’000’000**
Total liabilities		**127’034’290**	**121’880’902**
Shareholders’ equity			
Share capital	2.3	109’568’521	6’389’871
Legal capital reserve			
- Reserves from capital contributions	2.4	16’599’548	129’536’678
Legal retained earnings			
- general legal retained earning		6’527’778	6’519’025
Voluntary retained earnings			
Available earnings			
- profit brought forward		62’418’447	56’008’815
- profit for the year		6’772’185	6’409’632
Treasury shares	2.5	-32’030’566	-32’030’566
Total shareholders’ equity		**169’855’913**	**172’833’455**
Total liabilities and shareholders’ equity		**296’890’203**	**294’714’357**

Income statement

(in CHF)	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Income			
Dividend income	2.6	6'000'000	6'000'000
Other financial income	2.7	4'452'051	3'932'056
Total income		**10'452'051**	**9'932'056**
Expenses			
Financial expenses	2.8	-2'250'436	-2'433'194
Other operating expenses		-1'333'773	-1'027'682
Direct taxes		-95'657	-61'548
Total expenses		**-3'679'866**	**-3'522'424**
Profit for the year		**6'772'185**	**6'409'632**

Notes to the financial statements

1 PRINCIPLES

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.

1.1 GENERAL ASPECTS

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2 DERIVATIVES & MARKETABLE SECURITIES

Securities with a short-term holding period and derivative instruments are valued at their quoted market price as at the balance sheet date. No valuation adjustment reserve has been made.

1.3 LOANS TO GROUP COMPANIES

Financial assets include a long-term loan to u-blox AG. It is valued at its acquisition cost.

1.4 TREASURY SHARES

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expense.

1.5 SHARE-BASED PAYMENTS

Shares awarded to employees within share-based payment programs are granted by capital increase. The amount paid by the employees for the nominal value of the shares awarded is recorded in share capital, while the paid amount exceeding the nominal value is considered to be a share premium and is recorded in legal capital reserves. The difference between the amount paid and the market value of the shares is also recorded in legal capital reserves. u-blox Holding AG is compensated for the difference by subsidiaries.

1.6 LONG-TERM INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as prepaid expenses and amortized on a straight-line basis over the bond's maturity period.

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 INVESTMENTS

	Share capital in (million)		Share in capital and voting rights in %		
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	
u-blox AG, CH-Thalwil	CHF 4.23	CHF 4.23	100%	100%	directly held
u-blox Europe Ltd., UK-Charing	GBP 0.10	GBP 0.06	100%	100%	indirectly held
u-blox Asia Pacific Ltd., HK-Hong-Kong	USD 0.10	USD 0.10	100%	100%	indirectly held
u-blox America Inc., US-Reston	USD 0.10	USD 0.10	100%	100%	indirectly held
u-blox Singapore Pte. Ltd., SG-Singapore	SGD 0.06	SGD 0.10	100%	100%	indirectly held
u-blox Japan K.K., JP-Tokyo	JPY 10.00	JPY 10.00	100%	100%	indirectly held
u-blox Italia S.p.A., IT-Sgonico	EUR 0.40	EUR 0.40	100%	100%	indirectly held
u-blox UK Ltd., UK-Reigate	GBP 0.00	GBP 0.00	100%	100%	indirectly held
u-blox San Diego Inc., US-San Diego	USD 0.00	USD 0.00	100%	100%	indirectly held
u-blox Cambridge Ltd., UK-Cambridge	GBP 0.51	GBP 0.14	100%	100%	indirectly held
u-blox Espoo Oy, FI-Espoo (formerly Fastrax)	EUR 0.05	EUR 0.05	100%	100%	indirectly held
u-blox Luton Ltd., UK-Luton	GBP 0.00	GBP 0.00	100%	100%	indirectly held
u-blox Lahore (Private) Ltd., PK-Lahore	PKR 14.11	PKR 14.11	100%	100%	indirectly held
u-blox Cork Ltd., IE-Cork	EUR 0.00	EUR 0.00	100%	100%	indirectly held
u-blox Malmö AB, SE-Malmö (formerly connectBlue)	SEK 0.83	SEK 0.83	100%	100%	indirectly held
u-blox Athens S.A., GR-Athens	EUR 0.18	EUR 0.18	100%	100%	indirectly held
u-blox Berlin GmbH, DE-Berlin	EUR 0.03	EUR 0.03	100%	100%	indirectly held
Sapcorda Services GmbH, DE-Berlin	EUR 0.03	EUR 0.03	42.96%	42.96%	indirectly held
u-blox Wireless Technology (Shanghai) Ltd.	RMB 0.27	USD 0.02	100%	100%	indirectly held
u-blox Electronics (Shanghai)	RMB 0.13	USD 0.02	100%	100%	indirectly held
Tashang Semiconductor (Shanghai) Co., Ltd.	RMB 25.00	-	70%	0%	directly held
Tashang Holding (HK) Ltd.	RMB 0.00	-	70%	0%	indirectly held

2.2 LONG-TERM INTEREST-BEARING LIABILITIES

At April 18, 2017, u-blox issued a bond for CHF 60’000 thousand (net cash inflow of CHF 59’284 thousand) with a coupon of 1.375% p.a. and a term to maturity of 6 years.
At April 23, 2015, u-blox issued a bond for CHF 60’000 thousand (net cash inflow of CHF 59’200 thousand) with a coupon of 1.625% p.a. and a term to maturity of 6 years.

2.3 SHARE CAPITAL

The share capital consists of 7’114’839 (2018: 7’099’857) registered shares with a nominal value of CHF 15.40 (2018: CHF 0.90) each.

During 2019 u-blox executed a par value increase of shares outstanding from CHF 0.90 to CHF 15.40. This resulted in a share value increase of CHF103’152 thousand.

AUTHORIZED SHARE CAPITAL

	At December 31, 2019	At December 31, 2018
Number of registered shares	700’000	1’018’000
With a nominal value of CHF 15.40 (2018: CHF 0.90) each	CHF 10’780’000	CHF 916’200

The Board of Directors is authorized, at any time until April 30, 2021, to increase the share capital through the issuance of up to 700’000 fully paid-in registered shares with a nominal value of CHF 15.40 each in an aggregate amount not to exceed CHF 10’780’000.

CONDITIONAL SHARE CAPITAL

	At December 31, 2019	At December 31, 2018
Number of registered shares	235’245	108’227
With a nominal value of CHF 15.40 (2018: CHF 0.90) each	CHF 3’622’773	CHF 97’404

In 2019, 14’982 options were exercised out of the conditional share capital (2018: 142’687). At the annual general meeting held on April 25, 2019 new share amounting to 142’000 were issued (2018: 137’450). The conditional share capital amount available increased accordingly to CHF 3’622’733 (235’245 share with a nominal value of CHF 15.40) (2018: 108’227). At December 31, 2019 there were 811’943 options on u-blox Holding AG share outstanding (at December 31, 2018: 692’846 options).

2.4 RESERVES FROM CAPITAL CONTRIBUTIONS

The reserves from capital contributions include the premium from capital increases less the dividends distributed to date.

From a fiscal point of view, any distributions made from reserves from capital contributions are treated as a repayment of share capital. With regard to the amendments of the capital contribution principle in connection with the Swiss Tax Reform and AHV Financing (TRAF), companies listed on Swiss stock exchanges can only repay reserves from capital contributions tax-free to shareholders if they distribute taxable dividends to at least the same extent. The Swiss Federal Tax Administration (SFTA) has confirmed that it will recognize disclosed reserves from capital contributions as a capital contribution as per article 5 paragraph 1bis Withholding Tax Act and that they confirm the reclassification of CHF 103’152’087 capital contribution reserves into share capital.

2.5 TREASURY SHARES

In 2019 u-blox purchase 0 treasury shares.

In 2018 u-blox purchased 53’000 treasury shares at the average purchase price of CHF 143.55 per share.

In 2017 u-blox purchased 125’000 treasury shares at the average purchase price of CHF 195.38 per share.

	Number of transactions	Lowest rate in CHF	Highest rate in CHF	Average rate of transaction in CHF	Quantity
Inventory as at January 1, 2018					**125’000**
Acquisitions	10	136.14	147.38	143.55	53‘000
Sales	0	0	0	0	0
Allocation to board members	0	0	0	0	0
Inventory as at December 31, 2018					**178‘000**
Acquisitions	0	0	0	0	0
Sales	0	0	0	0	0
Allocation to board members	0	0	0	0	0
Inventory as at December 31, 2019					**178‘000**

2.6 DIVIDEND INCOME

In the reporting year, dividend income amounted to CHF 6,000 thousand (year ended December 31, 2018: CHF 6,000 thousand) from u-blox AG.

2.7 OTHER FINANCIAL INCOME

The other financial income mostly consists of interest income from u-blox AG of CHF 4.0 million (previous year: CHF 3.5 million).

2.8 FINANCIAL EXPENSES

CHF 1'000	At December 31, 2019	At December 31, 2018
Securities expenses	477	829
Interest on bonds	1'765	1'596
Amortization of discounts and issue costs	8	8
Total	**2'250**	**2'433**

3 OTHER INFORMATION

3.1 FULL-TIME EQUIVALENTS

u-blox Holding AG does not have any employees.

3.2 SIGNIFICANT SHAREHOLDERS

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

	Voting rights as at December 31, 2019	Voting rights as at December 31, 2018
Credit Suisse Group AG, Zurich, Switzerland	n.a.	9.24%
Baillie Gifford & Co.	5.53%	5.53%
Credit Suisse Funds AG, Zurich, Switzerland	5.16%	5.16%
Atlantic Value General Partner Limited, London, UK	4.73%	4.73%

*) n.a. = 0-3% voting rights.

3.3 SHAREHOLDING OF 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, 2019	Number of u-blox Holding AG shares at December 31, 2018
Fritz Fahrni[1] Chairman of the Board of Directors Member of the Audit Committee Member of the nomination and compensation committee	n.a.	0
Gerhard Tröster[4] Chairman of the nomination and compensation committee[1] Member of the nomination and compensation committee	n.a.	14'161
Annette Rinck[3] Member of the Audit Committee	200	0
Paul Van Iseghem[4] Vice Chairman of the Board of Directors Chairman of the Audit Committee	n.a.	2'524
André Müller Chairman of the Board of Directors[2]	2'000	2'000
Gina Domanig[2] Member of the nomination and compensation committee Chairman of the nomination and compensation committee[2]	400	400
Markus Borchert[3] Member of the nomination and compensation committee	650	0
Ulrich Looser[2] Member of the Board of Directors Member of the Audit Committee	2'330	1'000
Total Non-Executive members of the Board of Directors	**5'580**	**20'085**

[1]) Resigned at the AGM 2018. [2]) Elected at the AGM 2018. [3]) Elected at the AGM 2019. [4]) Resigned at the AGM 2019.

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

	Number of u-blox Holding AG shares at December 31, 2019	Number of u-blox Holding AG shares at December 31, 2018
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	137’254	136’854
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	18’087	23’087
Andreas Thiel Executive Vice President (R&D Wireless Products)	40’510	40’510
Daniel Ammann[1]) Executive Vice President (R&D Positioning Products)	n.a.	30’547
Roland Jud CFO	4’363	4’363
Total Executive Committee **(incl. Executive members of the Board of Directors)**	**200’214**	**235’361**

[1]) resigned March 31, 2019

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

	Number of u-blox Holding AG options at December 31, 2019	Number of u-blox Holding AG options at December 31, 2018
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	30’843	24’477
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	34’343	27’977
Andreas Thiel Executive Vice President (R&D Wireless Products)	34’343	27’977
Daniel Ammann[1]) Executive Vice President (R&D Positioning Products)	n.a.	20’173
Roland Jud CFO	33’486	27’279
Markus Schäfer Executive Vice President Sales and Marketing	2’000	0
Total Executive Committee **(incl. Executive members of the Board of Directors)**	**135’015**	**127’883**

[1]) resigned March 31, 2019

3.4 OPTIONS ON SHARES FOR MEMBERS OF THE BOARD AND EXECUTIVE COMMITTEE

	2019		2018	
	Quantity	Value CHF 1’000	Quantity	Value CHF 1’000
Allocated to members of the Board	0	0	0	0
Allocated to Executive Committee	27’305	465	33’974	1’483

3.5 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There have been no events between December 31, 2019 and March 13, 2020 that would lead to an adjustment of the carrying amounts of assets and liabilities presented at December 31, 2019 or would otherwise require disclosure.

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, 2019.

(in CHF)	2019	2018
Profit for the year	6'772'185	6'409'632
Brought forward from previous year	62'418'447	56'008'815
Available earnings before appropriation	**69'190'632**	**62'418'447**
Release of reserves from capital contributions	0	11'359'771
Total available earnings before appropriation	**69'190'632**	**73'778'218**
2018: Dividend payment out of reserves from capital distributions, CHF 1.60 per share on 7'099'867 shares	0	-11'359'771
To be carried forward	**69'190'632**	**62'418'447**

The Board of Directors is proposing to the General Meeting, to be held on April 23, 2020, to carry forward the available earnings 2019 of CHF 69'190'632.

Thalwil, March 12, 2020

For the Board of Directors
The Chairman André Müller

KPMG

Statutory Auditor's Reports

To the General Meeting of u-blox Holding AG, Thalwil

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of u-blox Holding AG, which comprise the balance sheet as at December 31, 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 52 to 58) for the year ended December 31, 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Sandro Rohrer
Licensed Audit Expert

Lucerne, March 12, 2020

Three year overview

Condensed consolidated income statement

(in CHF 000s)	2019	2018	2017
	For the year ended December 31,		
Revenue	**385’099**	**393’269**	**403’712**
% growth	-2.1%	-2.6%	12.1%
Cost of sales	-210’606	-216’151	-219’695
Gross profit	**174’493**	**177’118**	**184’017**
% gross profit margin	45.3%	45.0%	45.6%
Operating expenses	-156’171	-132’646	-120’852
Other income	3’732	3’818	1’921
Operating profit (EBIT)	**22’054**	**48’290**	**65’086**
% operating profit (EBIT) margin	5,7%	12.3%	16.1%
Finance income	547	5’305	5’668
Finance costs	-4’133	-2’158	-5’652
Share of profit of equity-accounted investees, net of taxes	-4’249	-3’339	-400
Profit before income tax (EBT)	**14’219**	**48’098**	**64’702**
% operating profit (EBIT) margin	3,7%	12.2%	16.0%
Income tax expense	-1’306	-9’617	-13’442
Net profit before minority interests	**12’913**	**38’481**	**51’260**
Minority interest	149	0	0
Net profit, attributable to owners of the parent	**13’062**	**38’481**	**51’260**
% net profit margin	3.4%	9.8%	12.7%
Depreciation and amortization	43’189	23’356	22’290
EBITDA*)	**65’243**	**71’646**	**87’376**
% EBITDA margin	16.9%	18.2%	21.6%

*) 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, 2019	At December 31, 2018	At December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	127’424	136’296	169’624
Marketable securities	898	1’401	2’813
Trade accounts receivable	48’469	60’802	50’401
Other current assets	83’670	78’415	60’476
Total current assets	**260’461**	**276’914**	**283’314**
Non-current assets			
Property, plant and equipment	12’707	14’829	17’494
Right-of-use assets	21’824	0	0
Goodwill	56’027	55’231	57’628
Other intangible assets	219’194	193’445	153’986
Other financial assets	1’067	1’063	1’141
Equity-accounted investees	7’777	7’978	7’210
Deferred tax assets	6’886	3’570	3’739
Total non-current assets	**325’482**	**276’116**	**241’198**
Total assets	**585’943**	**553’030**	**524’512**
Liabilities and equity			
Current liabilities	61’431	55’476	58’946
Non-current liabilities	172’913	148’677	147’054
Total liabilities	**234’344**	**204’153**	**206’000**
Shareholders’ equity			
Share capital	109’569	6’390	6’261
Share premium	16’600	66’296	66’579
Treasury shares	-32’031	-32’031	-24’422
Retained earnings	257’326	308’222	270’094
Total equity, attributable to owners of the parent	**351’464**	**348’877**	**318’512**
Non-controlling interest	135	0	0
Total liabilities and equity	**585’943**	**553’030**	**524’512**

Condensed consolidated statement of cash flows

	For the year ended December 31,		
(in CHF 000s)	**2019**	**2018**	**2017**
Net cash generated from operating activities	77’291	36’342	60’504
Net cash used in investing activities	-66’760	-63’391	-63’511
Net cash provided by/used in financing activities	-17’656	-9’681	26’012
Net increase in cash and cash equivalents	**-7’125**	**-36’730**	**23’005**
Cash and cash equivalents at beginning of year	136’296	169’624	149’545
Exchange gains/(losses) on cash and cash equivalents	-1’747	3’402	-2’926
Cash and cash equivalents at end of year	**127’424**	**136’296**	**169’624**

u-blox Holding AG
Zürcherstrasse 68
8800 Thalwil
Switzerland
Phone +41 44 722 74 44
www.u-blox.com