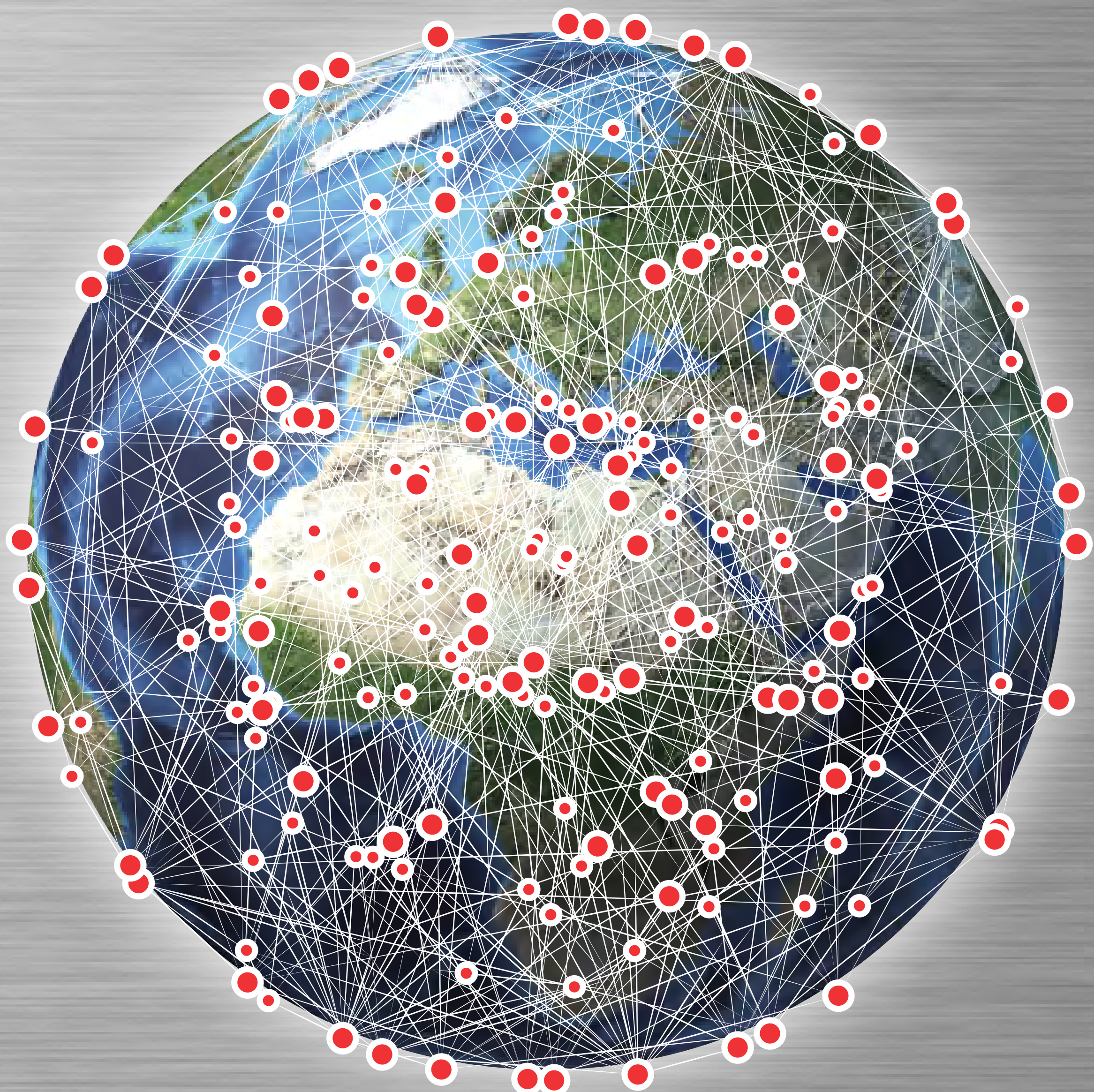


THE WORLD OF MOBILITY

Annual Report 2012

At u-blox, we believe in
the freedom of mobility:
being aware and present,
informed and assured,
safe and secure…
No matter where you are.

Contents

u-blox at a glance

Foundation	1997
Business	Fabless semiconductor provider of embedded positioning and wireless communication solutions
Headquarter	Thalwil, Switzerland
Offices in	USA, Belgium, Italy, United Kingdom, Finland, Pakistan, Singapore, China, Hong Kong, Taiwan, Korea, Japan and India
Listed	SIX Swiss Exchange (UBXN)
Employees	End of 2012, FTE based

372

Revenue (million CHF in 2012)

173.1

EBIT (million CHF in 2012)

23.1

Net Profit (million CHF in 2012)

17.2

Markets	Consumer, Industrial and Automotive
Mission	u-blox aims to be the leading provider of embedded positioning and wireless communication solutions to the global electronics industry

How we create value

Fabless business model

We work with the world's leading semiconductor fabrication and module assembly companies. This allows us to focus our resources on research and development in order to deliver the breakthrough technologies that our customers need to stay ahead of their competitors.

Close customer relationships

We are a close and reliable partner to our customers, fully supporting them from prototype to final production. Providing the highest levels of local technical and customer support is critical for us to capitalize on opportunities in new markets, and essential for our customers to achieve fast time-to-market.

Global presence

With physical presence in all the world's main markets, we stay close to our customers to make sure our innovation cycles are in-synch. Our broad array of over 3'500 customers in the consumer, industrial and automotive markets also allows us to stay close to market requirements and emerging trends.

Comprehensive product lines and IP

Our success depends on our ability to deliver continuous innovation. We therefore direct our research and development efforts to the development of ever smaller, higher-performance products.

Over the years we have also amassed an extensive intellectual property portfolio of numerous issued and pending patents covering key technologies used in our target markets.

Focus on quality

Millions of our products are deployed in the field, connecting people and enabling device mobility across the globe. From product concept to final shipment, our quality systems ensure that every component we deliver is of the highest quality and reliability while supporting environmental sustainability.

Financial highlights

Key figures (CHF in million)

	2010	2011	2012
Revenue	**112.8**	**124.7**	**173.1**
Growth rate over previous year	53.4%	10.6%	38.8%
Operating profit (EBIT)	**19.1**	**21.2**	**23.1**
Margin on revenue	16.9%	17.0%	13.3%
Growth rate over previous year	267.7%	11.2%	8.7%
Net profit, attributable to owners of the parent	**12.9**	**16.5**	**17.2**
Margin on revenue	11.5%	13.2%	9.9%
Growth rate over previous year	288.3%	27.8%	4.2%
Net cash generated from operating activities	**20.7**	**18.6**	**32.1**
Margin on revenue	18.3%	14.9%	18.5%
Growth/(decline) rate over previous year	40.3%	-10.0%	72.5%

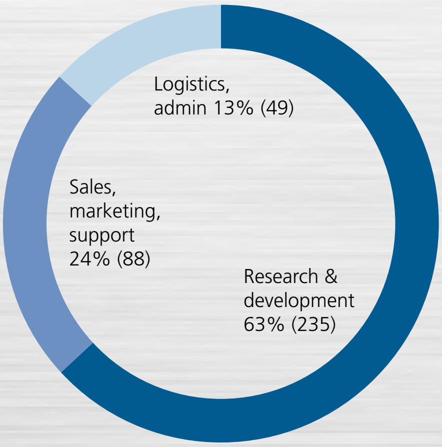
Net profit (CHF in million)

17.2

Employees

Employee breakdown total: 372 (end of 2012, FTE based)

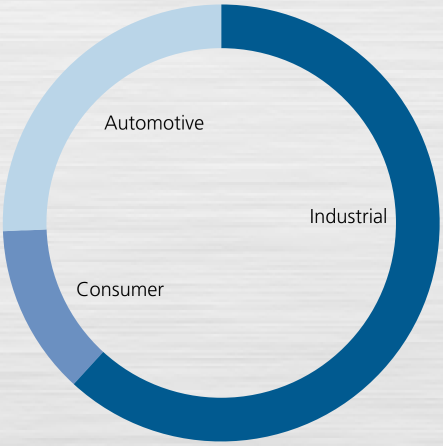
71% of employees based outside Switzerland (spread over 13 countries)



Revenue

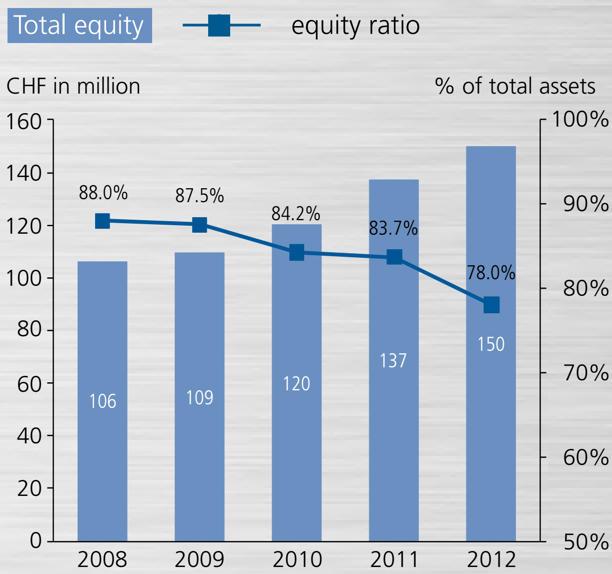
u-blox revenue split per market

Estimate



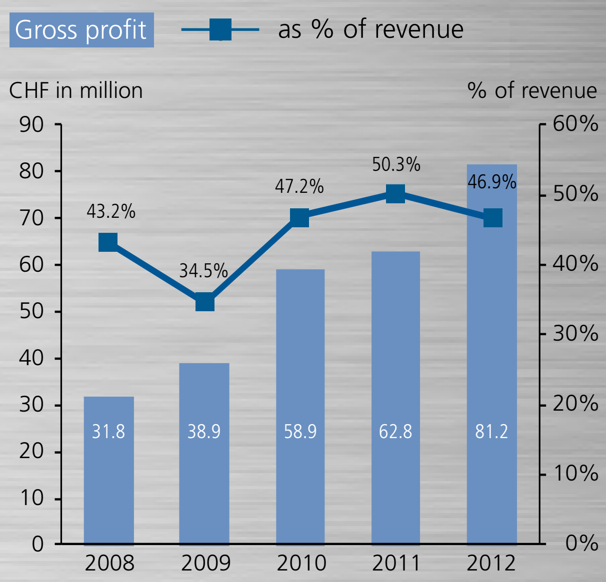
Equity

Total equity and equity ratio



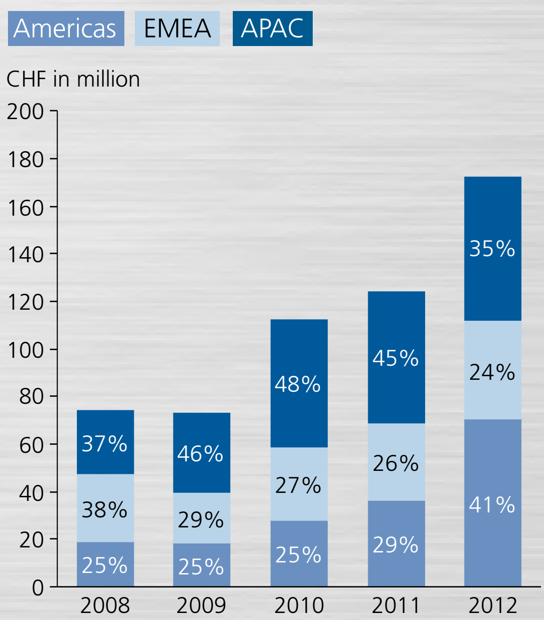
Gross profit

Gross profit and gross profit margin



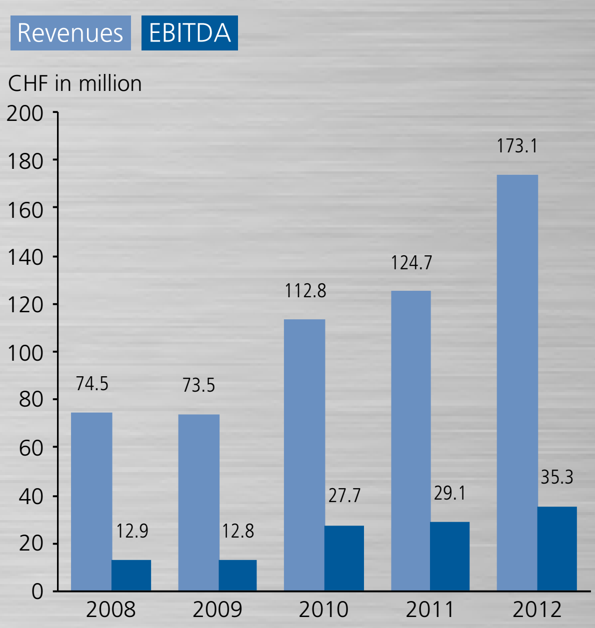
Revenues

Revenues by geography



Performance

Revenues/EBITDA



Operational highlights

Strong growth in revenue

Sales increased strongly in 2012 over the previous year with growth recorded primarily in the industrial and automotive market sectors. Significantly accelerated growth was experienced by our wireless products. We increased our revenues by 38.8% and EBIT increased by 8.7% as compared to 2011.

Industry awards

u-blox was presented with two prestigious awards during 2012; the Swiss ICT award for a clear, logical and sustainable business model and track record, and M2M magazine's Global Top 100 award as one of the most innovative providers of machine-to-machine technology.

Corporate Social Responsibility

u-blox' CSR program was expanded, with emphasis on human rights and conducting our business in a socially and environmentally responsible manner. u-blox became a member of the UN Global Compact on social responsibility.

Strategic new products

Our portfolio of positioning and wireless products was strengthened by the addition of eight new positioning, and five new wireless products designed to support the mobility of people and goods around the globe. Refer to the Products section for details.

Excellent logistics performance

u-blox achieved high marks for service level and delivery reliability for both modules and chipsets while maintaining low stock levels. The company won the Austrian Logistics Awards together with Flextronics for optimization of supply chain as well as the Austrian Fab award for a highly efficient production system.

Positioning platform upgrade

u-blox introduced the 7th generation of its satellite positioning platform, expanding its portfolio to support Russia's GLONASS and Japan's QZSS, in addition to GPS and the EU's Galileo standards. The lowest power consumption on the market was achieved, a vital feature for battery powered applications and consumer devices.

Certifications of wireless modules

Global certifications of our wireless modules continued at a rapid pace with key approvals received by Orange (Europe), Softbank and NTT Docomo (Japan), Telstra (Australia), Sprint and Verizon (USA). This has paved the way for numerous new opportunities, particularly in Japan and the USA where operator approval is prerequisite to achieve new design wins.

Extraordinary growth in the Americas

Revenues in the Americas expanded by 94.0% as u-blox continued to gain market share with both positioning and wireless products in the fleet management and in-car navigation sectors. North America became u-blox' largest regional market for the first time in the company's history. EMEA achieved solid growth (+28.1%), and a modest increase in Asia-Pacific sales was achieved (+9.1%) mainly due to the weakened economy in China.

Quality milestones

Our quality and reliability efforts resulted in our first LISA 3G wireless module qualified according to the automotive ISO 16750 standard. We maintained our ISO 9001 certification at our R&D sites in Thalwil and Sgonico and passed key customer audits. An extensive reliability lab was set up in Thalwil at a cost of 0.5 million Swiss Francs.

Increased revenues

38.8%

Employees (headcount, end of 2012)

379

Acquisitions

u-blox made three key acquisitions in 2012; UK-headquartered Cognovo and 4M Wireless, and Finland-based Fastrax. Cognovo brought u-blox a team of industry experts in 4G chip design, while 4M Wireless added an established provider of mature 4G protocol stack technology. The acquisition of Fastrax consolidated u-blox' position as the leading provider of embedded positioning modules.

Increased staff and expertise

After integration of all three acquired companies, u-blox expanded its global presence in four countries; UK, Belgium, Finland and Pakistan. Staff was increased to 379 employees, primarily through the addition of new R&D, Sales and Support engineers. Successful integration of all acquisitions was achieved with no layoffs, and the company's quality and program management programs were extended to cover all eight R&D centers.

The markets we serve: Industrial

Fleet management

Positioning & Wireless

With the rising cost of fuel, fleet managers are constantly searching for ways to reduce costs and streamline operations. With combined GPS/GNSS and wireless connectivity in the vehicle cockpit, a wide range of cost-optimizing features are instantly available including calculation of optimal routes, traffic jam avoidance, and logging of engine and fuel efficiency.

Remote monitoring and control

Positioning & Wireless

With the proliferation of automation in factories and supply chains, GPS/GNSS-enabled computers with mobile connectivity are increasingly deployed to oversee robots, sensors, unmanned vehicles or vending machines to insure proper operation, as well as to identify problems before they occur.

Automatic Meter Reading (AMR)

Wireless

With hundreds of millions of gas, water and electric meters distributed over vast urban areas around the world, the cost of manual meter reading generates significant costs. AMR with embedded wireless connectivity means that meters can now be remotely and reliably read from a central computer with improved overview of energy consumption.

Remote displays

Wireless

Remote electronic displays, whether for advertising, traffic signs, or general information, are replacing the paper-and-glue signs of yesterday. The ability to update or rotate content on remote displays from a central location requires embedded wireless connectivity to support rich and attractive multimedia messages.

Point-of-Sales

Positioning & Wireless

The ability to make a sale from any location is good for business: whether at outdoor restaurants, markets, or in service vehicles. PoS terminals equipped with u-blox' wireless modules give consumers the confidence to conveniently purchase goods or services anywhere.

Remote security and surveillance

Wireless

With the increasing security demands for both people and possessions, reliable 24/7 surveillance is becoming a job for machines. With u-blox wireless modules and broadband mobile connectivity now available almost everywhere, remote surveillance is both feasible and cost-effective.

The markets we serve: Automotive

Automatic road pricing

Positioning & Wireless

As global traffic increases geometrically, highways are pushed to their limits. The answer to maintaining and expanding road infrastructure is to extract revenues from those that use it. The solution is automated road pricing; the recording of road usage based on GPS/GNSS and wireless technologies.

Stolen vehicle recovery

Positioning & Wireless

The recovery of stolen vehicles has become a hot global issue. The combination of GPS/GNSS with wireless connectivity embedded in cars has become the answer to not only finding stolen vehicles, but also to prevent their theft in the first place.

Emergency call

Positioning & Wireless

Rapid emergency assistance after a collision can mean the difference between life and death. Unfortunately, thousands of car accidents each year result in dire consequences due to the inability of the driver to summon assistance, or accidents occurring in remote areas. This is where automated GPS/GNSS with mobile connectivity can help: systems such as Europe's eCall and Russia's ERA-GLONASS emergency call systems combine positioning and wireless technologies to make driving safer for millions of drivers in over 30 countries.

Mobile Internet

Wireless

The availability of high-speed Internet anywhere has become the expectation of today's consumers. Whether in your pocket, or in your car dashboard, the delivery of broadband Internet, video and VoIP relies on small, embedded 3G wireless modules such as u-blox' LISA wireless module families.

Vehicle black-box

Positioning & Wireless

Recording of driver behavior and crash logging for insurance purposes: devices using our GPS/GNSS receivers can not only log where a vehicle was, but also how fast it was going. More and more insurance companies now offer this option to lower costs by offering pay-as-you-drive insurance.

Navigation

Positioning & Wireless

This is where consumer GPS/GNSS began; telling you how to get from point A to point B. With the combination of positioning with wireless communications, navigation systems have now become much smarter. In addition to updating maps, they can also warn you of traffic jams and tell you what there is to see along the way while keeping you informed, in-touch and entertained.

The markets we serve: Consumer

Smartphones

Positioning

With a u-blox GPS/GNSS receiver in your smartphone, you can walk or drive to your destinations confidently with precise instructions along with text, multimedia and voice-guided directions to restaurants, shops, and other destinations that are of interest to you.

Personal Navigation Devices

Positioning & Wireless

Embedded in PNDs, our GPS/GNSS and wireless solutions do much more than guide you to your destination; they can help you find your friends, your car, useful services and points of interest that are relevant to where you are, and where you are going.

Notebooks and Mobile Internet Devices

Positioning & Wireless

Reliable, high-speed Internet access is becoming a standard feature in mobile computers. Combined with u-blox' Windows and Android-compliant GPS/GNSS receivers, a whole new array of location based services are instantly enabled, delivering information and information relevant to where you are.

Cameras

Positioning

A built-in u-blox GPS/GNSS receiver enables digital cameras to instantly capture a location, allowing people to sort, store, and share their photos online based on where they were taken. Photo geotagging takes travel photography to a new level of fun and interactivity.

Person locators

Positioning & Wireless

Small, light-weight tracking devices with built-in GPS/GNSS and wireless connectivity enable users to automatically notify friends.

Bike computer

Positioning

Bike GPS/GNSS systems are becoming the latest "must-have" accessory for on- and off-road bikers, allowing cyclists to not only know where they are, but also log where and how high they went, how long the trip took, and what points of interest were along the way.

Recreational devices: Golf

Positioning

Embedded GPS/GNSS technology is becoming an indispensable tool for golfers: GPS/GNSS range finders makes it possible for golfers to know the precise distance to upcoming holes as well as the type of terrain ahead, including distances to hazards and fairway targets that would not be visible with the naked eye.

Letter to the shareholders

Dear Shareholders,

2012 was another year of innovation, growth and expansion for u-blox, with strong revenue increase and healthy EBIT. We experienced a growth surge in our core market sectors, with especially robust sales in the USA.

As a result of the good results, u-blox proposes an increased dividend payout of CHF 1.00 per share. The proposed dividend will be put to shareholders for approval at the Annual General Meeting.

Outstanding revenue growth and more profit

In 2012 we experienced outstanding revenue growth in the Americas (+94.0%), strong growth in EMEA (+28.1%) and solid development in APAC (+9.1%), resulting in overall sales growth of 38.8% over 2011. Excellent growth was experienced in primary target market sectors, particularly automotive navigation and mobile resource management. Both our product and service business segments generated positive EBIT during 2012. Consolidated revenue was up by CHF 48.4 million to CHF 173.1 million with increased volumes, while EBIT increased from CHF 21.2 million to CHF 23.1 million, an 8.7% increase over the previous year. Net profit was CHF 17.2 million, representing a 9.9% net profit margin for 2012.

> In 2012 we recorded revenue growth in America (+94.0%), the EMEA (+28.1%) and APAC (+9.1%) resulting in overall growth of 38.8% over 2011.

Successful strategy for continued growth

We maintained a continuous cycle of innovation to diversify our existing product portfolio to meet new market requirements. We continued to update our R&D schedule on a bi-annual basis to maintain a solid pipeline of new products that meet impending market demands. In parallel, we reacted quickly to address longer term market trends by investing in strategic new technologies, particularly in the area of 4G (LTE – Long Term Evolution) mobile communications. These activities resulted in strong sales growth while laying the foundation for our next-generation of wireless products which are necessary to secure long-term growth and maintain profitability. These activities are in line with our proven strategy of offering both chips and modules.

Acquisitions

During 2012, we made important acquisitions that brought crucial 4G (LTE) chip and software technology in-house. UK-based Cognovo and UK-Pakistan based 4M Wireless gave us the necessary intellectual property and proven technologies to develop our own 4G (LTE) chip. u-blox has now acquired Cognovo's "Software Defined Modem" chip design technology which will give us the speed and agility to react quickly to specific market requirements for 4G connectivity combined with special features. We see this as an important differentiator in the medium and long-term future as it allows us to better target diverse markets for machine-to-machine communications, markets that are experiencing an exponential increase in the number of connected devices.

A third acquisition, Finland-based Fastrax, consolidated our global position as the leading provider of positioning modules. It also brought the company industry experts on GPS/GNSS modules with integrated antenna, a module technology that allows us to address an additional customer base.

With healthy liquidity of CHF 60.6 million, we remain positioned to quickly acquire new products, technology and expertise to maintain our market lead and momentum.

Positioning products highlights

We announced eight new positioning products during the year targeting markets for devices compatible with GPS plus the Russian GLONASS and Japanese QZSS satellite navigation systems, as well as addressing market demands for lower power consumption, smaller profile, and integrated antenna.

Of special significance was the introduction of our seventh generation satellite receiver engine, u-blox 7, a technology embodied in our new multi-GNSS chip with the industry's lowest power consumption. This chip family is used for many high volume applications, especially in the consumer markets. It is also at the core of our new line of u-blox 7 positioning module series MAX-7, NEO-7, and LEA-7.

Wireless products highlights

The wireless product line was expanded by five new modules designed to serve global requirements for 3G connectivity (our LISA-U200 module series), as well as 2G module variants designed for specific price/feature combinations (SARA-G300 series). Additionally, important certifications with major carriers such as Softbank and NTT Docomo (Japan), Orange (Europe), Verizon (USA) and Telstra (Australia) were achieved.

u-blox' CellLocate® hybrid GPS/Wireless positioning technology, an attractive differentiator for both our wireless and positioning products, was significantly upgraded to provide higher accuracy for applications that must operate in the absence of GPS signals.

Innovation
Fast and timely innovation is what generates our success. During 2012 we spent CHF 32.7 million in R&D. Innovation was achieved in these areas:

- Upgrade of our core positioning technology to u-blox 7, the company's seventh generation platform with multi-GNSS capability
- Acquisition of semiconductor and software technology for 4G (LTE) which gives us the capability of developing our own in-house 4G (LTE) chip
- Expansion of our positioning module product line to include GNSS antenna modules
- Diversification of SARA 2G and LISA 3G wireless module products to meet more specific regional, operator and customer requirements

Industry recognition
During the year, u-blox was presented with two prestigious industry awards, the Swiss Information and Communication (ICT) "Champion" award for a clear, logical and sustainable business model and track record, and M2M magazine's Global Top 100 award as one of the most innovative providers of machine-to-machine technology and connected devices.

Streamlining of production capacities and new quality lab
We worked closely with Flextronics, our main module production partner based in Austria to reduce production time, stock levels and further increase quality. This resulted in two major awards jointly presented to u-blox and Flextronics, the Austrian Logistics Award, and Austrian Fab Award for a highly efficient production system. Additionally, a new quality and reliability lab was set up at u-blox headquarters in Thalwil with state-of-the-art test equipment.

Corporate Social Responsibility program extended
Our CSR program was further expanded and deployed throughout the company, with emphasis on human rights, social and environmental responsibility. u-blox now adheres to the United Nations Global Compact.

Challenges and risks
Continued uncertainty in several European economies as well as other markets will continue to be an issue in 2013 and will affect some of our customers. The strength of the Swiss Franc remains at a high level, though we count on a more stable currency situation in the near future. At the gross margin level we again enjoy a perfect natural hedge as all our production costs are incurred in the same currencies we use to invoice our customers. Our increased headcount also occurred primarily outside of Switzerland.

Board and management members
There were no changes in Board of Directors, or Executive Management during the year.

Outlook
We have gained strong momentum and market traction to allow us to outgrow our core markets, and this trend should continue. Our current product portfolio is well-positioned to meet the demands of our automotive and industrial customers, and we expect a growth in the consumer markets where we see a growing opportunity in several promising markets. The market demand for embedded connectivity based on 4G (LTE) technology will begin during 2013, with major ramp-up from 2014. Our 4G (LTE) product development is synchronized with this market development.

Mobility of people and goods will continue to form the basis of our growth:

- A strong expansion of mobile internet-connected devices requiring our technologies in both end-devices and infrastructure
- The continuing adoption of industrial M2M applications requiring connected machines and mobile resource management
- Increasing demand for personal security and mobile healthcare
- The accelerating demand for automotive navigation, emergency call and anti-theft systems

With a very strong and diverse base of global customers and an excellent business strategy and brand, we look forward to continued revenue growth. For the year 2013, u-blox gives an EBIT guidance of approximately CHF 28 million, and a revenue guidance of approximately CHF 215 million. This outlook is based on the absence of unforeseen economic adversity and exchange rates assumed at budget level (USD/CHF: 0.95; EUR/CHF: 1.20).

On behalf of the Board of Directors and the Executive Committee, we would like to thank our growing team of highly-skilled employees for their commitment and excellent performance delivered during 2012. Our gratitude also goes to our shareholders for their belief and trust in u-blox, and to our valued customers, suppliers and manufacturing partners.

We look forward to an exciting and successful 2013.

Fritz Fahrni
Chairman of the Board of Directors

Thomas Seiler
CEO

Roland Jud
CFO

Brief an unsere Aktionäre

Sehr geehrte Aktionärinnen und Aktionäre,

Das Jahr 2012 stand für u-blox wieder ganz im Zeichen von Innovation, Wachstum und Expansion, was sich in einem kräftigen Umsatzwachstum und soliden operativen Ergebnis (EBIT) niederschlug. Wir verzeichneten einen Umsatzsprung in unseren primären Zielmärkten, mit besonders robusten Umsätzen in den USA.

Aufgrund der guten Ergebnisse schlägt u-blox die Auszahlung einer erhöhten Dividende von CHF 1.00 pro Aktie zur Genehmigung durch die Aktionäre an der Generalversammlung vor.

Ausgezeichnete Geschäftsentwicklung und Ausbau des Gewinns

In Nord- und Südamerika konnten wir ein ausgezeichnetes Umsatzwachstum von 94.0% gegenüber dem Vorjahr verzeichnen. In der EMEA-Region erhöhte sich der Umsatz um starke 28.1%, während er sich in Asien/Pazifik mit einem Anstieg von 9.1% solide entwickelte. Daraus ergab sich ein Gesamtumsatzwachstum von 38.8% gegenüber 2011. Ein massiver Umsatzanstieg wurde in den primären Zielmärkten Fahrzeugnavigation und mobiles Ressourcen-Management verzeichnet. Sowohl das Produkt- als auch das Dienstleistungssegment erreichten 2012 einen positiven EBIT. Der Konzernumsatz erhöhte sich bei höheren Volumen um CHF 48.4 Millionen auf CHF 173.1 Millionen. Der EBIT verbesserte sich im um 8.7% von CHF 21.2 Millionen auf CHF 23.1 Millionen. Der Reingewinn betrug CHF 17.2 Millionen, was einer Reingewinnmarge von 9.9% entspricht.

Erfolgreiche Strategie für weiteres Wachstum

Wir unterhielten unseren kontinuierlichen Innovationszyklus zur Diversifizierung unserer Produkte mit dem Ziel, neue Marktanforderungen zu erfüllen. Die Forschungs- und Entwicklungspläne werden weiterhin zweimal jährlich aktualisiert. Dies gewährleistet eine solide Pipeline neuer Produkte, die den aufkommenden Marktbedarf decken. Parallel dazu reagierten wir schnell, um längerfristige Markttrends durch Investitionen in strategische neue Technologien, insbesondere im Bereich des 4G (LTE)-Mobilfunkstandards (LTE, Long Term Evolution), aufzugreifen. All diese Aktivitäten führten zu einem starken Umsatzwachstum und legten gleichzeitig den Grundstein für unsere Wireless-Produkte der nächsten Generation, um das langfristige Wachstum und den Erhalt der Profitabilität sicherzustellen. Wir erweitern damit unsere bewährte Strategie des kombinierten Angebotes von Halbleiterbausteinen und Modulen.

Akquisitionen

2012 tätigten wir wichtige Akquisitionen, mit denen das Unternehmen jetzt über grundlegende hauseigene 4G (LTE)-Chip- und Softwaretechnologie verfügt. Durch die Übernahme von Cognovo in Grossbritannien und der britisch-pakistanischen Firma 4M Wireless sicherten wir uns wichtige geistige Eigentumsrechte und erprobte Technologien für die Entwicklung eines eigenen 4G (LTE)-Chips. Mithilfe der von Cognovo erworbenen SDM-Chip-Technologie (SDM, Software Defined Modem) kann schnell und agil auf spezifische Marktanforderungen für 4G-Verbindungen in Kombination mit speziellen Funktionen reagiert werden. Wir sehen dies mittel- bis langfristig als ein wichtiges Differenzierungsmerkmal, da wir dadurch besser in der Lage sind, diverse Märkte für die automatisierte Datenübertragung zwischen technischen Geräten (M2M-Kommunikation) zu bedienen – Märkte, die einen exponentiellen Anstieg in der Anzahl vernetzter Geräte verzeichnen.

Mit der dritten Akquisition, Fastrax in Finnland, festigten wir unsere weltweite Position als führender Anbieter von Positionierungsmodulen. Gleichzeitig brachte Fastrax das Know-how seiner Spezialisten für GPS/GNSS-Module mit integrierter Antenne ein, eine Modultechnologie, die u-blox die Erschliessung einer weiteren Kundenzielgruppe ermöglicht.

Mit einer soliden Liquidität von CHF 60.6 Millionen sind wir weiterhin gut aufgestellt, um schnell neue Produkte, Technologien und Know-how zu erwerben und so unsere Marktführerschaft und Dynamik aufrechtzuerhalten.

Produkthighlights Positionierung

u-blox lancierte 2012 acht neue Positionierungsprodukte, die den kombinierten Betrieb von GPS mit dem russischen Satellitennavigationssystemen GLONASS und der japanischen QZSS-Technologie unterstützen und die Marktnachfrage nach geringerem Stromverbrauch, extrem kompakter Bauweise und integrierter Antenne zu erfüllen.

Von besonderer Bedeutung war die Einführung von u-blox 7, der siebten Generation unserer Satellitenempfänger-Technologie, die im neuen Multi-GNSS-Halbleiterbaustein mit dem branchenweit niedrigsten Energieverbrauch integriert ist. Diese Chip-Familie wird bei vielen Volumenanwendungen, insbesondere in den Konsumgütermärkten, eingesetzt. Sie bildet auch das Kernstück der u-blox 7 Positionierungsmodule MAX-7, NEO-7 und LEA-7.

Produkthighlights drahtlose Kommunikation

Die Wireless-Produktlinie wurde mit fünf neuen Modulen ergänzt, welche die weltweiten Anforderungen für 3G-Verbindungen (Modulserie LISA-U200) abdecken, sowie mit 2G-Varianten, die speziell für kostensensitive Anwendungen gedacht sind (Produktlinie SARA-G300). Ausserdem wurden wichtige Zertifizierungen durch grosse Netzbetreiber wie Softbank und NTT Docomo (Japan), Orange (Europa), Verizon (USA) und Telstra (Australien) erreicht.

Das hybride GPS-/Mobilfunkortungssystem CellLocate®, das ein attraktives Differenzierungsmerkmal sowohl für die Wireless- als auch die Positionierungsprodukte bildet, wurde erheblich verbessert, um eine höhere Genauigkeit von Ortungsanwendungen bei fehlendem Empfang der Satellitensignale zu ermöglichen.

Innovation

Schnelle und zeitnahe Innovation ist ausschlaggebend für unseren Erfolg. 2012 beliefen sich die Aufwände für Forschung und Entwicklung auf CHF 32.7 Millionen. Innovationen wurden in folgenden speziellen Bereichen erreicht:

- Aktualisierung unserer Positionierungstechnologie auf u-blox 7, der Plattform der siebten Generation mit Multi-GNSS-Fähigkeit
- Akquisition von Halbleiter- und Softwaretechnologie für 4G (LTE), wodurch wir in der Lage sind, einen eigenen 4G (LTE)-Chip zu entwickeln
- Ergänzung unserer Produktlinie von Positionierungsprodukten mit Modulen mit integrierter Antenne
- Diversifizierung der SARA 2G- und LISA 3G-Wireless-Module, um zusätzliche spezifische Anforderungen von Regionen, Mobilfunkbetreibern oder Kunden zu erfüllen

Branchenauszeichnungen
2012 wurde u-blox mit zwei renommierten Branchenauszeichnungen geehrt. Das Unternehmen gewann die Kategorie „Champion" bei den Swiss ICT Awards für sein klares, schlüssiges und nachhaltiges Geschäftsmodell sowie den daraus erzielten Erfolgen, und wurde vom Magazin M2M in die Liste der Global Top 100 aufgenommen, ein Verzeichnis der innovativsten Anbieter von Machine-to-Machine-Technologie und vernetzten Geräten.

Optimierung der Produktionskapazitäten und neues Qualitätslabor
In enger Zusammenarbeit mit Flextronics, unserem wichtigsten Fertigungspartner für Module mit Sitz in Österreich, ist es uns gelungen, die Produktionszeit zu verkürzen, den Lagerbestand zu reduzieren und die Qualität weiter zu erhöhen. Diese Verbesserungen wurden mit zwei wichtigen Auszeichnungen bedacht, die u-blox und Flextronics gemeinsam entgegen nahmen: dem österreichischen Logistik-Preis und einem Preis beim österreichischen Wettbewerb Fabrik2012. Ausserdem wurde am Hauptsitz von u-blox in Thalwil ein neues Qualitäts- und Zuverlässigkeitslabor mit modernster Ausstattung eingerichtet.

Corporate Social Responsibility-Programm ausgeweitet
Das Nachhaltigkeits-Programm, das besonderen Nachdruck auf Menschenrechte, gesellschaftliche und ökologische Verantwortung legt, wurde im gesamten Unternehmen weiter ausgebaut und umgesetzt. u-blox ist nun Mitglied des Programmes „Global Compact" der UNO.

Herausforderungen und Risiken
Die anhaltende Unsicherheit in mehreren europäischen Ländern und anderen Märkten wird auch 2013 ein bestimmender Faktor für einige unserer Kunden sein. Der Wert des Schweizer Franken bleibt auf einem hohen Niveau, auch wenn in naher Zukunft eine stabilere Währungssituation erwartet wird. Auf Ebene der Bruttogewinnmarge verfügen wir über eine perfekte natürliche Absicherung, weil alle Produktionskosten in denselben Währungen anfallen, in denen wir die Rechnungen an unsere Kunden ausstellen. Die Zunahme der Belegschaft betraf ebenfalls hauptsächlich Standorte ausserhalb der Schweiz.

Mitglieder in Verwaltungsrat und Geschäftsleitung
Die Zusammensetzung des Verwaltungsrates und der Geschäftsleitung hat sich 2012 nicht verändert.

Ausblick
u-blox hat eine hohe Dynamik und Markttraktion erzielt, um in unseren Kernmärkten überdurchschnittlich zu wachsen. Dieser Trend dürfte sich fortsetzen. Mit dem aktuellen Produktportfolio befinden wir uns in einer guten Position, um die Anforderungen unserer Kunden im Automobil- und Industriegütermarkt zu erfüllen. Ausserdem rechnen wir mit Zuwachs in den Konsumgütermärkten, wo sich wachsende Chancen in mehreren viel versprechenden Märkten abzeichnen. Die Marktnachfrage nach integrierten Mobilfunkverbindungen auf Basis der 4G (LTE)-Technologie wird 2013 beginnen und ab 2014 an Fahrt gewinnen. Unsere 4G (LTE)-Produktentwicklung ist auf diese Marktentwicklung abgestimmt.

Die Mobilität von Personen und Gütern wird weiter die Grundlage unseres Wachstums bilden:

- Starke Zunahme von mobilen Geräten mit Internetanschluss, für die unsere Technologien sowohl in den Endgeräten als auch in der Infrastruktur benötigt werden
- Anhaltender Trend zu industriellen M2M-Anwendungen mit vernetzten Geräten und mobilem Ressourcen-Management
- Steigende Nachfrage nach Personensicherheit und mobiler Krankenpflege
- Weiter anziehende Nachfrage nach Navigations-, Notruf- und Diebstahlsicherungssystemen für Fahrzeuge

Mit einer sehr soliden, vielfältigen weltweiten Kundenbasis und einer überzeugenden Geschäftsstrategie und Marke rechnen wir mit einem weiteren Umsatzwachstum. Wir erwarten für 2013 einen Umsatz von ca. CHF 215 Millionen und einen EBIT von ca. CHF 28 Millionen. Dieser Ausblick basiert auf der Annahme, dass keine unvorhergesehenen negativen wirtschaftlichen Entwicklungen eintreten und die Wechselkurse im Planbereich liegen (USD/CHF: 0.95; EUR/CHF: 1.20).

Im Namen des Verwaltungsrats und der Geschäftsleitung möchten wir unserer wachsenden Belegschaft hoch qualifizierter Mitarbeiter für ihren Einsatz und ihre ausgezeichnete Leistung 2012 bestens danken. Ein Dank geht auch an unsere Aktionäre für ihre Unterstützung und ihr Vertrauen in u-blox und an unsere geschätzten Kunden, Lieferanten und Fertigungspartner.

Wir freuen uns auf ein interessantes und erfolgreiches Jahr 2013.

Fritz Fahrni
Verwaltungsratsvorsitzender

Thomas Seiler
CEO

Roland Jud
CFO

Business review 2012

Financial summary

Revenue million CHF

173.1

Gross profit margin

46.9%

Financial highlights

u-blox achieved strong top- and bottom line growth:

- Consolidated revenue of u-blox was CHF 173.1 million in 2012, a growth of 38.8% as compared to 2011
- Gross profit improved from CHF 62.8 million to CHF 81.2 million, with a good gross profit margin of 46.9% in 2012
- Operating profit (EBIT) increased from CHF 21.2 million to CHF 23.1 million, a growth of 8.7% as compared to 2011
- EBITDA margin of 20.4%, EBIT margin of 13.3%
- Net profit increased by 4.2% from CHF 16.5 million to CHF 17.2 million, representing a 9.9 % net profit margin for 2012
- Strong net cash generated from operating activities was CHF 32.1 million, representing 18.5% of revenue
- Healthy balance sheet with a high equity ratio of 78.0%
- The payout of an increased dividend of CHF 1.00 per share from capital reserves is to be proposed at the Annual General Meeting

Consolidated income statement

(in CHF 000s)	**For the year ended December 31, 2012**	% revenue	**For the year ended December 31, 2011**	% revenue
Revenue	**173'128**	100.0%	**124'704**	100.0%
Cost of sales	-91'949	-53.1%	-61'953	-49.7%
Gross profit	**81'179**	46.9%	**62'751**	50.3%
Distribution and marketing expenses	-17'807	-10.3%	-14'200	-11.4%
Research and development expenses	-32'678	-18.9%	-22'081	-17.7%
General and administrative expenses	-7'754	-4.5%	-5'526	-4.4%
Other income	112	0.1%	256	0.2%
Operating profit (EBIT)	**23'052**	13.3%	**21'200**	17.0%
Finance income	922	0.5%	1'034	0.8%
Finance costs	-2'436	-1.4%	-1'286	-1.0%
Profit before income tax (EBT)	**21'538**	12.4%	**20'948**	16.8%
Income tax expense	-4'335	-2.5%	-4'440	-3.6%
Net profit, attributable to owners of the parent	**17'203**	9.9%	**16'508**	13.2%
Operating profit (EBIT)	23'052	13.3%	21'200	17.0%
Depreciation and amortization	12'240	7.1%	7'919	6.4%
EBITDA[1]	**35'292**	20.4%	**29'119**	23.4%

[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.

Net cash generated from operating activities million CHF

32.1

Revenue breakdown
u-blox operates in two segments:
- Positioning and Wireless products
  u-blox develops and sells GPS/GNSS chips and modules, and wireless modules which are used in automotive, industrial and consumer applications. Revenue was CHF 171.1 million for 2012 as compared to CHF 123.0 million in 2011.
- Wireless services
  u-blox also offers wireless communication technology services in terms of reference designs and software, an activity which was reinforced by the acquisitions of Cognovo Ltd. and 4M Wireless Ltd. In 2012, revenue for Wireless services was CHF 14.4 million compared to CHF 9.2 million in 2011 (including intra-group revenue).

In 2012, Asia Pacific generated 35.1%, EMEA 24.2% and Americas 40.7% of total revenue. Revenue for the Americas grew by 94.0% to CHF 70.5 million, EMEA grew by 28.1% to CHF 41.9 million and the revenue for the region Asia Pacific increased to CHF 60.7 million which is an increase of 9.1% compared to 2011.

In 2012, the company made about 80% of its total revenue from 57 customers. u-blox' largest customer accounted for less than 13% of revenue. u-blox served 3'500 customers and achieved global expansion into new regions and markets.

Increased gross profit
Gross profit increased by 29.4% to CHF 81.2 million in 2012 from CHF 62.8 million in 2011. Gross profit margin was 46.9% for 2012, declining from 50.3% in 2011 because of the changes in product mix.

Distribution and marketing activities
Distribution and marketing expenses increased in 2012 due to the expansion of the business. In 2012, distribution and marketing activities were CHF 17.8 million as compared to CHF 14.2 million in the previous year. As a percentage of revenue, distribution and marketing expenses were 10.3% in 2012 compared to 11.4% in 2011.

Research and product development
R&D expenses in 2012 were CHF 32.7 million as compared to CHF 22.1 million in 2011. As a percentage of revenue, R&D expenses in 2012 were 18.9% as compared to 17.7% in 2011. The increase is due to the strategic investments into 4G (LTE) technology and three acquisitions.

With the acquisition of Cognovo Ltd. and 4M Wireless, u-blox is now able to develop a new wireless modem platform based on own IP, allowing the company to meet market demand for wireless integrated circuits.

Through the acquisition in October 2012 of Espoo based Fastrax Oy, u-blox strengthened its positioning module product offering and expanded GNSS R&D capacity.

Stock option expenses
The stock option expenses recognized in 2012 were CHF 1.9 million as compared to CHF 1.6 million in 2011.

Growth of operating profit (EBIT)
EBIT was CHF 23.1 million in 2012 as compared to CHF 21.2 million in the previous year. Growth rate from 2011 to 2012 was 8.7%. EBIT margin was 13.3% and EBITDA margin was 20.4% in 2012.

Finance income and costs
In 2012, finance income was CHF 0.9 million. Finance costs were CHF 2.4 million, mainly due to negative foreign exchange results from operations and translation effects of amounts converted for the acquisitions.

Positive net cash generated from operating activities
In 2012, u-blox generated cash from operating activities in the amount of CHF 32.1 million as compared to CHF 18.6 million in 2011. Inventory level has decreased with a positive impact on cash generated from operating activities in the amount of CHF 1.9 million despite higher revenue.

Main investing activities
In 2012, investments in capitalized development costs were CHF 3.7 million as compared to CHF 4.0 million in 2011. CHF 4.3 million was invested in furniture, equipment, tools and test infrastructure for the further expansion of capacity and approximately CHF 4.0 million in intellectual property rights and acquired technology.

Financing activities
In 2012, there was a repayment of CHF 11.1 million of a financial liability out of acquisitions, a dividend payment of CHF 5.7 million and proceeds from the issuance of ordinary shares connected with employee share option plan of CHF 1.2 million.

Strong financial position
u-blox has a very strong balance sheet with an equity ratio of 78.0%. Cash and cash equivalents and marketable securities were CHF 60.6 million at December 31, 2012 compared to CHF 81.1 million at December 31, 2011.

With the acquisitions goodwill increased from CHF 17.1 million in 2011 to CHF 37.7 million or 19.6 % of total assets in 2012.

Due to this strong financial position and the positive outlook, the Board of Directors proposes at the Annual General Meeting to pay-out dividends. For this year a dividend of CHF 1.00 per share is suggested which represents a raise of 11.1%, and a payout ratio of 36.7% of consolidated net profit, attributable to owners of the parent.

Condensed consolidated statement of financial position

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	33'416	35'151
Marketable securities	27'175	45'981
Trade accounts receivables	22'127	16'877
Other current assets	24'758	24'648
Total current assets	**107'476**	**122'657**
Non-current assets		
Property, plant and equipment	7'078	5'331
Goodwill	37'659	17'137
Other intangible assets	33'682	15'965
Financial assets	1'195	425
Deferred tax assets	4'808	2'068
Total non-current assets	**84'422**	**40'926**
Total assets	**191'898**	**163'583**
Liabilities and equity		
Current liabilities	26'868	19'169
Non-current liabilities	15'274	7'461
Total liabilities	**42'142**	**26'630**
Shareholders' equity		
Share capital	5'675	5'619
Share premium	94'132	98'694
Retained earnings	49'949	32'640
Total equity, attributable to owners of the parent	**149'756**	**136'953**
Total liabilities and equity	**191'898**	**163'583**

Condensed consolidated statement of cash flows

(in CHF 000s)	For the year ended December 31, 2012	For the year ended December 31, 2011
Net cash generated from operating activities	32’088	18’597
Net cash used in investing activities	-16’805	-6’217
Net cash used in financing activities	-15’618	-2’397
Net (decrease)/increase in cash and cash equivalents	**-335**	**9’983**
Cash and cash equivalents at beginning of year	35’151	25’184
Exchange losses on cash and cash equivalents	-1’400	-16
Cash and cash equivalents at end of year	**33’416**	**35’151**

Growth driver mobility

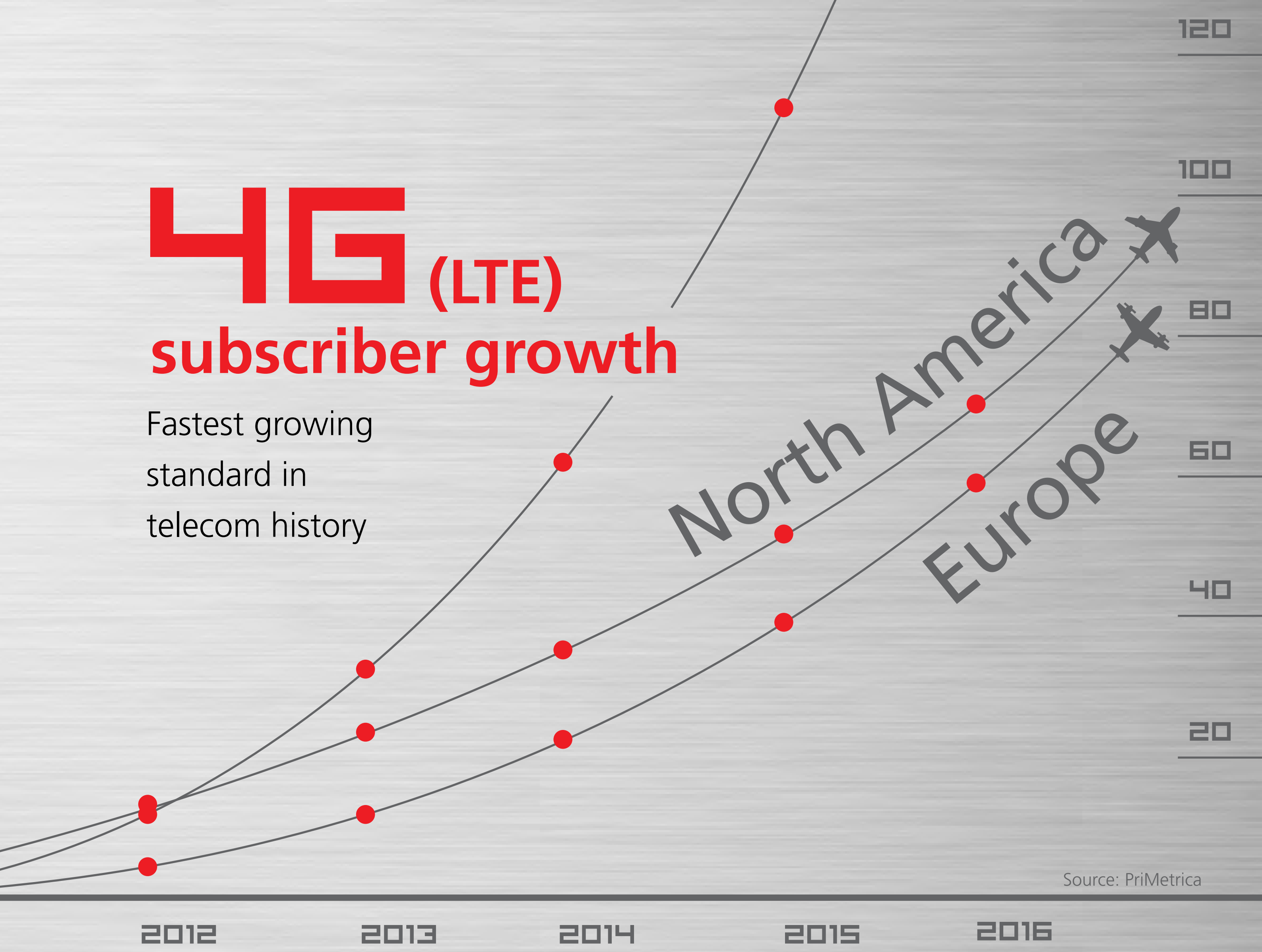
MOBILE INTERNET

Mobility is the freedom to be present, from anywhere

u-blox’ 4G Internet ambition:
Deliver core technology that enhances mobility, increases efficiency, and expands visibility of people, devices and vehicles.

4G (LTE) subscriber growth

Fastest growing standard in telecom history



Source: PriMetrica

400 Million total subscribers

Strategy

Our four strategic initiatives expanded our business and positioned u-blox for new market opportunities driven by the growing need for mobility. By aggressively pursuing the strategies described below, we achieved excellent results during 2012.

Technology and Innovation 1

Goals

- Extend roadmap with next-generation positioning and wireless technologies
- Replicate our successful GPS/GNSS chip and module strategy in the 4G wireless domain
- Expand product offering to address new emerging mobility solutions
- Achieve differentiation and broaden product offering

Achievements 2012

- 13 new products were launched: eight positioning and five wireless
- Foundation for next-generation 4G products laid: LTE hardware and protocol stack expertise brought in-house
- u-blox 7 positioning platform upgrade enabled us to address additional markets in Russia and Japan
- Introduction of LISA-U2 3G wireless modem series
- Positioning technologies expanded to support GLONASS and QZSS, as well as module products with parallel GPS/GLONASS operation and integrated antenna
- CellLocate indoor positioning system footprint and accuracy significantly expanded on a global basis

Outlook 2013

- Introduce first LTE modules to target the 4G industrial M2M, automotive and consumer markets
- Launch next generation positioning platform for the Chinese BeiDou system
- Achieve market penetration with both positioning and wireless products designed for the Russian ERA-GLONASS emergency call devices
- Develop and launch successor products of Fastrax positioning modules based on u-blox platform
- Bring to market variants of existing products dedicated to specific customer and operator requirements

Market position 2

Goals

- Win and retain customers in positioning markets thereby maintaining our leading position in module and automotive navigation markets
- Leverage GLONASS, BeiDou, and LTE technologies to enter new markets and geographical regions worldwide
- Continue market penetration with competitive wireless products and exceed market growth

Achievements 2012

- Revenue increase was achieved in virtually all market sectors: expansion outpaced overall market growth
- Significant positioning customer wins in the global automotive in-car navigation markets, considerable new wins in the USA
- Robust growth achieved in North American CDMA wireless market with existing and new customers
- Gained additional market share over competition

Outlook 2013

- Continue growth momentum in all regions
- Capitalize on expansion of our sales force to achieve growth
- Maintain our strong momentum in the global automotive markets
- Continue dominance in the industrial vehicle and asset tracking sectors and exploit new machine-to-machine (M2M) market opportunities

3 Operational excellence

Goals

- Continue expanding economies of scale and quality of our products and services
- Integrate newly acquired technology into our next generation product platforms
- Accelerate product design cycles

Achievements 2012

- Successfully integrated the acquired Cognovo, 4M Wireless and Fastrax personnel, products and technologies
- Expanded capacity at our production and assembly partners
- Improved relationships with distributors through partner portal consolidated within our CRM system
- Established new quality lab based in Thalwil allowing extensive in-house testing of product reliability
- Selected again for Connected World magazine's "top-100" most innovative providers of M2M devices
- Won the Swiss ICT Champion award for a clear, logical and sustainable business model and track record
- Upgraded our Online Shop for easier usability and inclusion of volume price reductions

Outlook 2013

- Further increase production capacity to meet customer demands
- Expand program management system across newly expanded product development activities
- Strive for higher operational efficiency

4 Strategic partnerships and acquisition opportunities

Goals

- Accelerate shareholder value creation
- Acquire new products and technologies to bring attractive products to market quickly
- Establish key industry partnerships to broaden our market footprint

Achievements 2012

- Acquisitions:
  - Cognovo, a technology leader for 4G chip technology
  - 4M Wireless, an established provider of mature 4G protocol stack technology
  - Fastrax, a providing complementary positioning module products to the global market
- Partnerships: u-blox became an official affiliate member of Intel's Intelligent Systems Alliance.

Outlook 2013

- Continue to deploy and evaluate new and complementary technologies to maximize our growth potential in both positioning and wireless sectors
- Expand relationship with our customers for delivering more values to their products
- Establish more partnerships for easy access to our technologies

4 questions about u-blox' markets and strategy

"Meeting the demand for embedded mobility"

Thomas Seiler, CEO

Thomas Seiler, what do you see as the main barriers to the embedded mobility markets?
The markets for embedded mobile devices rely on a complex value chain involving component providers up through end-device makers, network service and application providers. Two main challenges are:

- **Lack of standards:** typically these types of systems have well-defined lower-layer protocols, but few at the application layer. Most implementations use proprietary technology. Standardization is important and is a challenge being addressed by ETSI. This is crucial to allow billions of machines to talk with and understand each other.

- **Complex revenue models:** carriers are used to billing for voice and data based on simple metrics. Today's embedded mobile devices act differently, often utilizing small amounts of data periodically. Billing for services rely less on traffic, but rather on attributes such as provisioning costs, cost per device query, device leasing, and applications that process data to provide a meaningful service.

What is u-blox's strategy for overcoming these barriers?
Our business strategy is based on 3 basic pillars:

- **Focus on what we do best:** we concentrate on being a reliable, best-in-class supplier of high-quality chips and modules based on our in-house intellectual property for chips and systems. We focus on technologies where standards are well-defined such as GSM, UMTS, LTE, GPS and GLONASS. Our dual-track focus on wireless and positioning means we can maximize their synergies resulting in innovative features for our customers in the embedded mobility markets.

- **Make it easy for customers to stay with u-blox:** we stay synchronized with our customer's innovation cycles and make it easy and cost-effective to upgrade their designs. An example is our module form-factor philosophy: our GNSS module form factors are de-facto industry standards. Each generation is backwards compatible with previous ones. For wireless, footprint compatibility is maintained across our GSM, UMTS, CDMA and LTE modems. The result is lower cost and fast time-to-market for each new generation of mobile device.

- **Maintain a strict non-compete policy with our customers:** and do not impose application or device management services on them. We believe there are many excellent players who focus on providing mobile services and generating revenues from them. To be successful our customers should focus on best-in-class solution providers for each link of the value chain.

u-blox entered the embedded wireless market in 2009. Yet you've quickly become a competitive player. How?
This is not entirely true; our history as a leading vendor of GPS/GNSS chips and modules extends back to 1997. Global positioning is the second pillar of embedded mobility, and our long history in GPS gives us the blueprint for replicating success in the wireless arena. Our success is based on these core beliefs:

- **Give our customers a choice:** we provide a wide range of product options including multi-standard support, basic or advanced features, multiple interfaces, package size, standard and automotive grades, as well as chip vs. module solutions. This gives our customers a wide choice of price/performance options.

- **React quickly to customer demands:** the markets for embedded mobility are moving quickly. To keep pace with our customer's demands, we have expanded rapidly through acquisitions: NeonSeven (GSM/UMTS experts, Italy), Geotate (positioning software experts, UK), Fusion Wireless (CDMA experts, USA), 4M Wireless (4G stack specialists, UK), Cognovo (4G modem specialists, UK) and Fastrax (GNSS antenna modules, Finland). This has quickly positioned us as a serious player in these markets.

- **Be close to our customers with the right knowledge:** our applications engineering know-how is a core strength. Whether it's for low-power tracking devices, navigation, telematics or automation, we have accumulated an enormous wealth of GNSS and wireless communications know-how. Combined with our global offices, we can solve customer issues usually within 24 hours.

What new developments can we expect to see in the markets for embedded mobility?

Mobile applications will continue to grow until there are no transport systems or containers that are not wirelessly networked and location aware. The adoption of personal trackers is also growing fast: monitoring of people and pets is becoming commonplace. The future of embedded mobility is clear: high bandwidth applications. Here are just 3 examples:

- **Telehealth:** 4G networks will enable "virtual presence" of healthcare providers to patients no matter where they are. Remote transmission of multimedia and diagnostic information will routinely complement the visit to the doctor's office.

- **In-car infotainment:** passengers in every seat of the car will be able to watch their own independent content thanks to 4G technology.

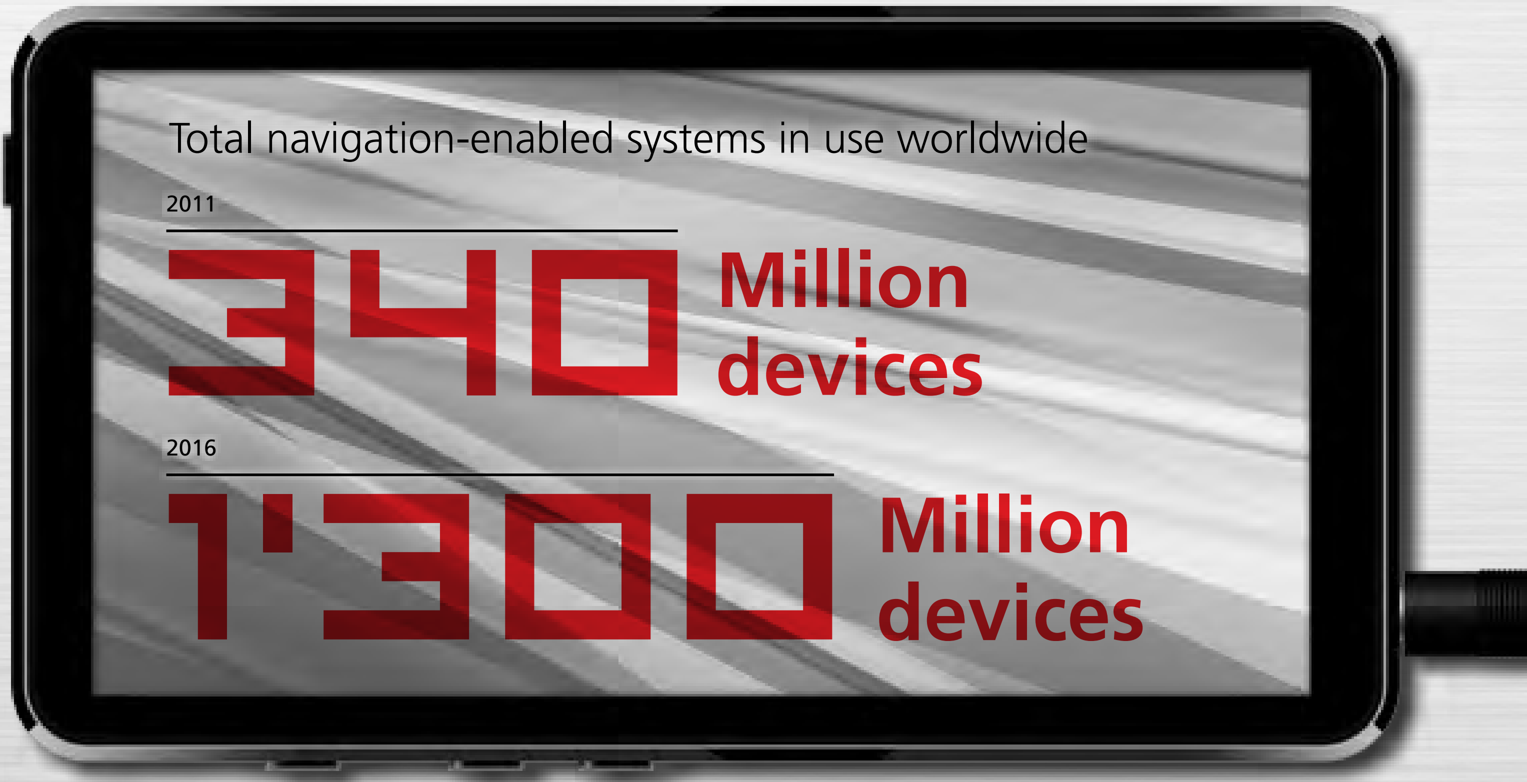
- **Remote security:** the cost of video surveillance will drop significantly as cameras can be placed anywhere and monitored by personnel located thousands of kilometers away.

To meet the low-bandwidth mobile applications of today and tomorrow, u-blox already provides the right products. We are now well-positioned to meet tomorrow's demands for connected systems that require positioning, 4G mobile connectivity and application specific functionality on a single integrated circuit.

Our Mobility Solutions depend on the industry's best engineers.

NAVIGATION

Mobility is knowing where you are, where you‘re going, and what‘s on the way

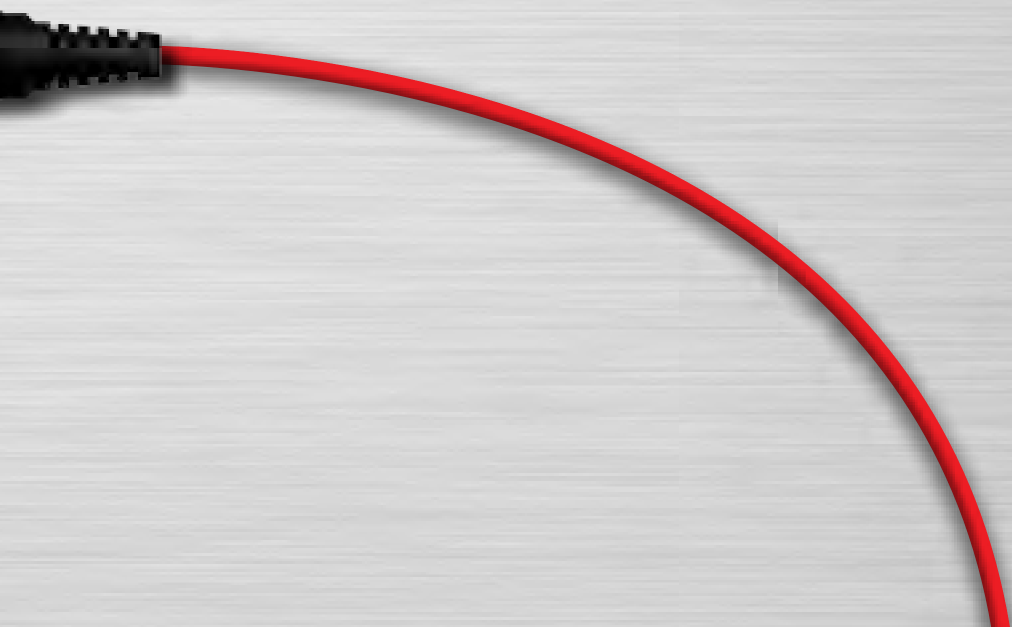


Source: Berg Insight

u-blox technology supports mobility in Consumer markets

u-blox 7 chip in CSP package
Ultra-small multi-GNSS receiver chip gives handheld products positioning capability anywhere in the world, with the lowest power consumption on the market.

Thanks to satellite positioning technology, our phones, notebooks, tablets, and gaming devices know where you are, where you've been, where you're going, as well as what and who is around you.



Innovation

2012 was a significant milestone for u-blox in terms of innovation and acquisition. It was the year the company released its first multi-standard positioning platform supporting American, Russian, Japanese, and European satellite positioning systems. The company also acquired the software and hardware expertise necessary to enter the embedded 4G mobile communications market. u-blox is now well positioned to address the rapidly growing markets for increased mobility, navigation and security and high speed wireless communications based on the next-generation positioning and wireless standards. See innovation highlights on page 40.

Cutting-edge technology for high-speed wireless modems

u-blox now owns intellectual property required for the creation of the industry's most advanced wireless modems with extremely high speed. With the acquisition of Cognovo's Software Defined Radio (SDR) chip design technology, u-blox will be able to react quickly to customer demands for 4G wireless communications integrated with features such as positioning or other connectivity technologies on the same chip or module.

Future proofed module technology

u-blox leads the industry in module technology by maintaining a smooth upgrade philosophy. For this reason, customers have come to rely on u-blox as the ideal partner for continuous innovation. Of primary importance is the layout and software compatibility of each successive generation of modules. This allows our customers to easily and cost-effectively upgrade their products as well as develop product variants based on a single printed circuit board (PCB) design.

Combining technologies to deliver value

u-blox' product offering is especially strong where complementary technologies are leveraged. One example: u-blox' eCall (Emergency Call) solution enables vehicles to autonomously initiate a call for assistance in an emergency. This safety feature relies on a tight integration of positioning and wireless technologies to automatically contact a response center, transmit position and vehicle information, and set up a voice channel.

The high-tech markets are adapting to customer needs at a rapid pace, especially the demand for increased mobility. During 2012, u-blox responded to this challenge through both internal investments in R&D as well as rapid expansion through strategic acquisition of technology leaders. Continuing the company's dual-track strategy of leveraging the synergies between wireless and positioning technologies, u-blox achieved two major technological goals:

- Compatibility with all deployed positioning systems: GPS, GLONASS, Galileo, and QZSS. BeiDou readiness achieved.
- Acquisition of the software stack and semiconductor design expertise necessary to address the fast growing markets for embedded 4G wireless communications.

During the year, u-blox increased its global staff of R&D engineers by 91.3% to 235. The company now employs experts in the major mobile telecommunication and positioning standards, and has laid the foundation for its next stage of growth. The company now has eight R&D sites worldwide employing leading industry experts. Processes and tools for multisite collaboration and project management were extended across all development centers. u-blox spent 18.9% of revenues for ongoing research and development.

u-blox' 3 pillars of innovation

1. Continuously improve performance and features
u-blox continually improves its positioning and wireless technologies to boost performance. In 2012 u-blox upgraded its positioning platform to u-blox 7, resulting in 8 new positioning chip and module products, and launched 5 new wireless products supporting 2G and 3G wireless standards.

2. Leverage complementary technologies
u-blox' CellLocate system for indoor positioning had its accuracy significantly upgraded in Europe, Asia, Middle-east and the Americas. By combining GPS and cellular technologies, the system overcomes one of the main problems in Global Positioning: the ability to establish a position even in partial or complete absence of satellite signals.

3. Optimize cost of ownership
Sometimes less is more. In 2012, u-blox responded to market demands for very specific or limited requirements that do not call for the price or functionality of a full-featured product. This was accomplished by introducing several 2G (SARA) and 3G (LISA-U2) wireless modules with scaled-down functionality. In this way, we offer our customers a choice of price/performance tradeoffs, while maintaining the option to upgrade to higher-performance variants quickly and easily.

Multi-standard GNSS support

2012 was the year that u-blox truly "went global" in the positioning sector. GPS is now one of 5 satellite navigation systems, and u-blox is firmly positioned to serve customers requiring any one, or combination of these systems. This is crucial for regions where reliance on GPS only is no longer acceptable, such as in Russia. It also gives navigation systems increased accuracy and reliability by tracking two systems in parallel.

USA
GPS:
the first satellite navigation system, fully operational since 1994.

Russia
GLONASS:
fully operational with 24 satellites.

EU
Galileo
final deployment of 30 satellites planned for 2019.

China
BeiDou:
final deployment of 35 satellites planned for 2020.

Japan
QZSS:
final deployment of 3 satellites planned for 2013.

Growth driver mobility

INFRASTRUCTURE

Mobility relies on dependable wireless connectivity

Expansion of wireless networks for mobile communications

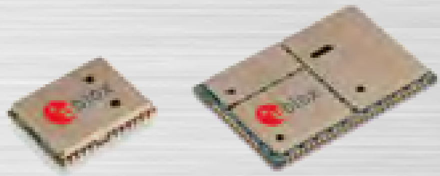
2012	2016
0.2	3.0

Million small cells

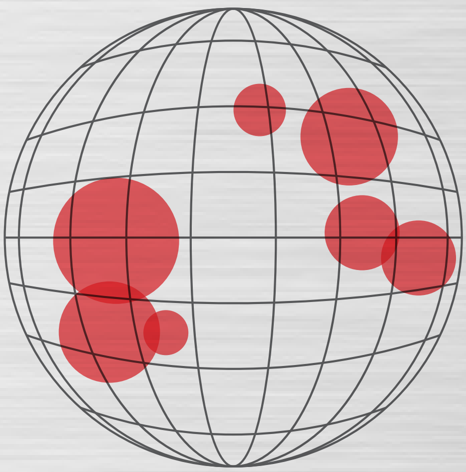
Small cells
Growing cities demand concentrated connectivity. Small cells deliver high-speed Internet to thousands who work, shop and live within tight urban boundaries.

Hot spot routers
At concerts, meetings, and shows, mobile hotspots keep your events connected anywhere, anytime, on any device.

u-blox: building the foundation for the mobile Internet

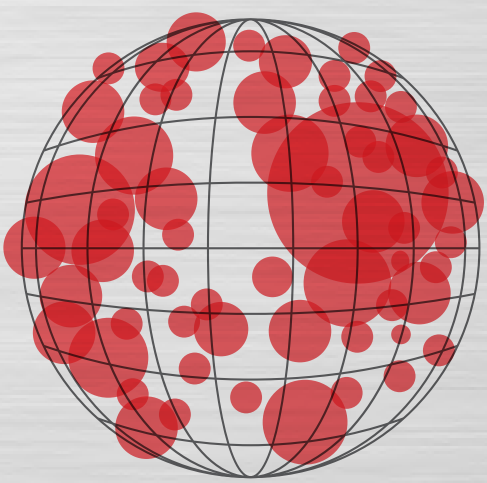


u-blox Timing & Wireless modules
Highly accurate and reliable technology builds stable mobile networks!



2012

7 Million hot spot routers



2016

60 Million hot spot routers

Source: Infonetics Research, ABI Research

Products

During 2012, u-blox focused on enhancing mobile applications in new regions of the planet, including products supporting the new Russian and Japanese satellite navigation systems. On the wireless side, the company expanded its family of 2G and 3G modules to cover all global standards, while laying the foundation for the next generation of 4G networked devices.

Positioning products

Positioning platform upgrade
The u-blox positioning platform was upgraded to u-blox 7, expanding the company's core positioning technology beyond GPS to support all deployed GNSS ("Global Navigation Satellite Systems") and SBAS ("Satellite Based Augmentation System") standards worldwide. u-blox 7 gave the company immediate access to the Russian GLONASS market, as well as Japan's QZSS satellite augmentation system which operates over most of Southeast Asia. To support the requirements of mobile devices, two crucial goals were achieved: the industry's lowest power consumption to support long battery life, and ultra-small product packaging to enable sleek consumer product designs and covert installations.

New positioning products
The introduction of the UBX-G7020 GNSS single-chip brought u-blox' 7th generation positioning engine to the market. This resulted in the first members of the NEO-7 and MAX-7 multi-GNSS satellite receiver module series. The acquisition of Fastrax added several GNSS modules, two with parallel GPS/GLONASS tracking capabilities. This makes the company's products attractive for the recently launched ERA-GLONASS standard, a nation-wide emergency call system planned for comprehensive deployment in all commercial vehicles in Russia.

Through the acquisition of Fastrax, u-blox also acquired a new line of GNSS antenna modules. Thanks to the integrated antenna, this type of module is the easiest to use; everything customers need to enable positioning is integrated in a single compact module. As the smallest complete GNSS positioning modules with antenna, these new products allow u-blox to expand its market footprint in the industrial and consumer markets.

Technology outlook
In 2013, u-blox will complete its MAX, NEO and LEA module migration to the u-blox 7 platform, while actively developing the next generation platform. This includes the next major upgrade of our chips for in-car navigation, our largest market sector. The Fastrax products with the highest market success potential will be migrated to u-blox 7, and successor products released mid-year.

Wireless products

New 2G and 3G products
2012 saw major growth in our wireless business, with impressive ramp-up of both our 2G and 3G module families. Innovation included the launch of the world's smallest six-band UMTS modules, the LISA-U2 series. Six band capability allows the modules to operate in all regions of the world. Low-cost dual-band versions as customized modules for Japan and Korea were introduced to serve customers with specific regional requirements.

Our 2G (GSM/GPRS) module family contributed the largest volume in terms of wireless units shipped. As this market matures, price has become an important issue. This is why u-blox introduced the cost-efficient and feature-scalable SARA family targeted at cost-sensitive as well as full-featured applications.

u-blox' core wireless module philosophy, layout compatibility across 2G and 3G modules, was maintained, giving our wireless customers benefits in terms of ease of manufacturing, product upgrade, and fast time-to-market.

Technology outlook
In 2013, u-blox will focus on new 2G and 3G module variants that support the European eCall and Russian ERA-GLONASS emergency call systems. Our proprietary hybrid CellLocate positioning system will be expanded to support our CDMA modules for the North American markets. Our most significant development, the introduction of our first 4G (LTE) module, is planned for mid-year.

Wireless services

In April of 2012, u-blox' wireless services was strengthened by the acquisition of 4M Wireless. The company designs and develops leading stack software and test solutions for fourth generation (4G) mobile wireless devices based on the latest LTE standards. The software that runs on a baseband chip (commonly referred to as the "Protocol Stack"), is crucial in order to conform to 4G industry standards. 4M Wireless enhances u-blox' wireless services with existing customers and a profitable software licensing business.

New, attractive products are the direct result of our in-house expertise and acquisition strategy. Our innovation focuses on rapid improvement of existing products while developing new ones to meet market demands.

Product launches 2012

27th February

The ultra compact **LISA-U200 and LISA-U230** surface mount modems supporting all global UMTS standards. These wireless modules support high-speed voice and Internet access for wireless terminals designed for use anywhere in the world

2nd April

LEA-6N, a low-power, cost-effective module targeted at industrial telematics applications in Russia such as vehicle tracking, mobile resource management and the ERA-GLONASS emergency call system

4th June

u-blox 7, our 7th generation positioning platform. Supporting all deployed Global Navigation Satellite Systems (GNSS), u-blox 7 is based on two package versions of our **UBX-G7020** multi-GNSS chip which boasts the lowest power consumption on the market

18th September

LISA-U260 and **LISA-U270** low cost 3G modules provide high-speed mobile connectivity used in diverse M2M applications in the Americas and Asia

1st October

SARA, a new line of versatile, scalable low-power GSM/GPRS modules targeted at full featured as well as cost-sensitive applications

4th October

MAX-7, NEO-7 and **LEA-7,** u-blox' industry proven module form factors upgraded to the latest platform. The modules target applications such as mobile resource management and portable tracking devices

1st November

IT530M, a surface-mount, parallel GPS/GLONASS receiver. This module completes the company's ultra-compact positioning module portfolio to address all positioning and navigation requirements around the world

8th November

UC530M, the world's smallest parallel GPS/GLONASS positioning module with built-in antenna, easily embedded in ultra-small devices

UBX-G7020 Positioning | MAX Positioning | NEO Positioning | SARA Wireless | LEON Wireless | LISA Wireless

Growth driver mobility

M2M COMMUNICATION

Mobility for people and goods depends on networked machines

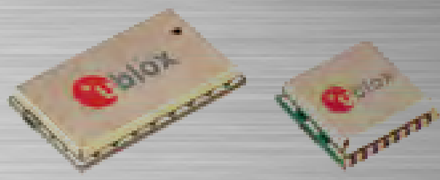
Total connected devices

2011

2020

Source: Berg Insight, GSMA

u-blox gives your machines and assets a digital voice



u-blox Wireless + Positioning modules
Converged technologies let you track your mobile assets, outside and indoors.

2010

Fleet management devices for trucks in Europe

2015

Markets

Revenue growth for the company was positive in all regions, resulting in overall sales growth of 38.8% over the previous year. Growth was driven by strong performance in u-blox' three core applications; automotive navigation, vehicle and asset tracking. Exceptional results were achieved in the Americas.

General
2012 proved to be a strong year for growth, especially with respect to our wireless products, and increasing penetration into the North American market. The automotive markets for in-car navigation systems continued to grow strongly, while other vehicle-based systems such as road pricing, vehicle recovery and emergency call systems exhibited over-proportionate growth.

Europe, Middle-east, Africa (EMEA)
Continued demand for European-made vehicles contributed to increased sales of our GPS chips for in-dash navigation systems where u-blox has a dominant market position at many major European car brands. Overall revenue growth in EMEA was driven by successes in the automotive navigation, asset and vehicle tracking as well as in point-of-sale terminal markets. The consumer market in EMEA remained small as most of this market activity is located in Asia.

Overall revenue growth in EMEA based on billing location increased by 28.1% to 41.9 million Swiss Francs, excellent growth considering that many countries in the Eurozone experienced severe economic difficulties.

Asia Pacific (APAC)
Asia Pacific business saw a small growth, with the slowdown in China negatively affecting sales during the year. The most significant market was for in-dash navigation systems and speed radar detectors where u-blox is a preferred supplier to car electronics manufacturers. Sales into the vehicle tracking market continued to increase. A general slowing of sales in consumer products was experienced, particularly for mobile phones, personal navigation devices and portable computing devices whose navigation and communication features are being cannibalized by high-end, aggressively priced smartphones. Several consumer device types, however, escaped this trend and showed interesting sales levels.

Overall revenue growth in APAC based on billing location increased by 9.1% to 60.7 million Swiss Francs.

Americas
Sales in the Americas experienced a strong surge as u-blox continued to gain traction with both positioning and wireless products for in-dash automotive navigation systems (GPS chips) and vehicle/asset tracking systems (Positioning and Wireless products). Sales for in-car navigation experienced strong growth as u-blox made major inroads with products that provide industry-leading features for navigation solutions widely used in North American car production.

Growing awareness and recognition of u-blox' wireless products and certification of our CDMA wireless modules by some of the region's largest mobile operators, particularly AT&T, Sprint and Verizon, contributed significantly to this excellent performance.

Overall revenue growth in the Americas based on billing location increased by 94.0% to 70.5 million Swiss francs, becoming u-blox' largest sales region.

Industrial applications

The demand for mobile resource management continues to grow as automation, Internet and wireless connectivity combine to lower costs and streamline supply chains. The main drivers for innovation in the industrial sector for mobile devices are:

- Requirement for higher speed data connectivity
- Compatibility with multiple wireless and global positioning standards
- Robust timing solutions to support network stability
- Parallel systems that enhance positioning within buildings and cities

The strongest growth was for vehicle telematics which consists of a wide range of systems that enhance safety, lower transportation costs, and enable insurance solutions. Demand for products that enable reliable connectivity in routers and synchronization of cell infrastructure also increased.

For more details about our industrial applications, see page 10.

Automotive applications

Automotive-grade GPS chips for in-dash navigation systems continued to be one of u-blox' strongest product lines. Many new cars now incorporate built-in navigation systems, and u-blox is firmly established as both a feature and quality leader in this market. The stringent demands of our automotive customers is driving the u-blox quality program, and contributes significantly to the overall high quality levels achieved by all our products. Automotive customers require:

- Qualification and certification according to demanding automotive standards
- Continuous navigation even in tunnels and park houses
- Rigorous quality and logistics requirements

u-blox has achieved the position as preferred supplier to tier-1 automotive electronics suppliers worldwide.

For more details about our automotive applications, see page 12.

Consumer applications

The overall consumer market continues to expand as Internet connectivity and positioning capability extends to all types of consumer products. u-blox' participation in the consumer markets is migrating towards high-end dedicated products for sports, health, safety and security. All these applications have specific demands:

- Long battery life
- Integration of wireless connectivity
- Aiding systems that enable positioning indoors

Due to the aging population, u-blox products were increasingly chosen for personal, location-aware monitoring devices, especially for those living alone at home or in assisted care facilities.

For more details about our consumer applications, see page 14.

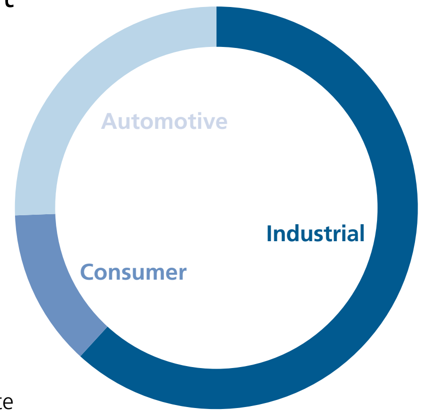
Customers

In 2012 we were able to expand our customer base worldwide. Approximately 80% of revenue was generated from sales and services to 57 customers where the largest customer accounted for less than 13% of total revenue.

Local presence, strong customer relationships
u-blox serves more than 3’500 customers on 5 continents through its global sales and support team. Our offices in 13 countries (Switzerland, Italy, Finland, Belgium, UK, Pakistan, India, Singapore, China, Korea, Japan, Taiwan and the USA) plus global distribution network means we are quickly onsite when our customers need us. Local presence does not just mean a sales desk, but also complete design-in support, documentation and tools with onsite Field Application Engineers who speak the local languages. This is an intrinsic part of our total offering; industry leading products, high quality, and quick, reliable, local support. The result we strive for is total customer satisfaction.

Our commitment to product quality
u-blox product are recognized as the industry leader for reliability and product lifetime. We expanded our team of quality engineers, and established as a new, state-of-the-art quality and reliability lab at our Swiss headquarters. Our significant growth in the automotive markets during 2012 is testament to our commitment to quality; automotive customers are our most stringent customers in terms of demanding technical and environment features, quality and reliability. u-blox and all its manufacturing partners conform to ISO 9001, and our main manufacturing partners comply with the demanding automotive quality standards ISO/TS 16949 and ISO 14001.

u-blox revenue split per market



Estimate

Industrial customers

The industrial market was again our strongest performing sector in 2012. The increasing adoption of machine-to-machine communications to track mobile assets at lower cost and increase operational efficiency in virtually all industrial market sectors is driving this technology trend.

New industrial customers in 2012 included:

- US-based Grace Industries designed their "SuperCell" personal tracking device based on u-blox' low-voltage satellite receiver technology for use in hazardous environments. The device is designed to be "intrinsically safe", an industry term meaning the device is incapable of igniting flammable substances, a critical feature when used in the gas industry or during the transport of combustible materials.

- Israeli-based Starcom introduced the "WatchLock®" high-security padlock with built-in u-blox GPS and GSM wireless communications capability. It is the first padlock that can report tampering while simultaneously transmitting its location to an online web application, making it ideal for static (ex. warehouses, fuel pipes, fences) and mobile applications (ex. trucks, trailers, containers and vending machines).

- Rosmerta, a leading manufacturer of transport and road safety devices in India, selected u-blox' GPS and GSM modules for use in their Multitrack product line of high security vehicle tracking devices used in personal and corporate vehicles in the logistics and transportation industries, as well as in public and school transport systems.

Automotive customers

u-blox continued to gain market share with GPS chips used for in-dash car navigation, and with wireless modules used in vehicle telematics systems. Increased demand for safety, security and comfort are increasing this market demand.

- u-blox' expanded its leading positioning as preferred supplier of GPS chips to tier-1 suppliers of in-dash automotive navigation equipment. The company's positioning chip technology is now integrated into even more leading car brands in Europe, Asia and the USA.

- Foryou General Electronics, a major Chinese supplier of in-car navigation and infotainment systems for the domestic and global automotive markets, designed in u-blox GPS receiver modules for two lines of advanced Android-based in-car infotainment systems.

- South Africa-based Digital Matter Embedded launched the GPS Log Book. Based on a u-blox GPS module, it provides an easy way for drivers to keep an accurate travel log which can be securely accessed from the web.

Consumer customers

Location awareness and wireless connectivity have become standard features in consumer electronics, a testament to the expanding world of mobile users. People expect to know where they are, where they were, and what is around them. They also expect to know more about their location, and as well as communicate with others and the Internet. u-blox' embedded solutions for positioning and wireless address these demands for increased mobility.

In 2012, our products were integrated into a wide variety of consumer electronic devices. Here are a few examples:

- Yupiteru selected u-blox' QZSS module for their enhanced Radar Detector for Japan. This was the first consumer positioning device to use Japan's new "Quazi Zenith Satellite System" designed to improve GPS performance in Japan's high-rise cities.

- Swiss-based LostNFound, a company specializing in solutions for the protection, monitoring and retrieval of people and property, launched WATCHIE®, a wristwatch that integrates u-blox wireless and positioning modules to enable tracking of the elderly or hospital patients both indoors and outside.

- Raymarine, a UK provider of premium marine displays, designed u-blox' GPS technology into their newest line of maritime instrumentation panels for boating enthusiasts. u-blox was chosen due to superior SBAS performance ("Satellite Based Augmentation System") which results in superior accuracy by monitoring GPS signal delays while traversing the upper atmosphere.

Customer focus: Bryton

Bryton Incorporated was established in 2009 by an elite team of consumer electronics product developers and marketing professionals. With headquarters in Taipei, Taiwan, and business partners around the world, Bryton has established its brand of electronic sports equipment on 5 continents.

Bryton currently carries a complete line of Sports GPS products that fulfills consumer needs in 4 main sports activities: Cycling, Fitness, Outdoor Adventure and Athletic-Training. Bryton's sports electronics leverage u-blox' advanced GPS technology to provide rich, attractive and useful applications that bring fun and enjoyment into everyday fitness, and exercise and to mobility sports.

Mr. Wolf Lin is President at Bryton, and is in charge of product definition and development. u-blox interviewed Mr. Lin recently to ask about why they selected u-blox as their preferred partner for embedded GPS electronics. The two companies have been working together since 2010 when the decision was made to integrate u-blox' GPS semiconductor technology into their wide range of sports monitoring equipment.

What types of features do your customers look for?
Wolf Lin: At Bryton, we understand the mindset of sport enthusiasts, and know exactly what they are looking for when they shop for electronic equipment to enhance their exercise experience: it must be smart, attractive, accurate, dependable, and packed with interesting and useful features that make their workouts more fun and informative. Leveraging location information into their exercise routines such as route, history, speed, elevation, distance and stride rate not only enhances their activities, but encourages them to train longer, and more often.

Are there specific reasons why you chose u-blox for GPS?
Wolf Lin: Bryton initially evaluated all leading vendors of GPS technology but selected u-blox' GPS single-chip based on 4 key product features: small size, high sensitivity, low power consumption, and upgradeability. Our products must be compact, handheld or worn on the wrist. Consumers want sleek, compact products that fit easily in their pockets. u-blox' extremely small GPS chip solution requires very few external components, meaning we don't need to allocate much space in our products to achieve state-of-the-art, extremely sensitive GPS positioning capability. Another primary selling feature of our product is long battery life. Thanks to u-blox' low power chip design with sophisticated power saving modes, the GPS receiver, which must be active much of the time, requires only a small fraction of the device's power. Perhaps most importantly, u-blox' rapid and continuous product upgrade cycle means that for every new generation of our products we can count on attractive new features and capabilities.

Which product did you decide for, and what other value did u-blox provide?
Wolf Lin: Bryton integrates u-blox' UBX-G6010 GPS single chip to give all its products location-aware features. Small space requirements, low power consumption, high sensitivity and easy upgrade with each new product generation were key to our decision for u-blox. u-blox' local presence in Taiwan was also important for us. Evaluating and designing our first prototypes was greatly simplified by u-blox' complete line of support tools and evaluation kits. Their local field application engineers made sure we were on the right track, providing helpful tips and practical considerations during the design phase. This allowed us to meet our aggressive time-to-market deadline.

Company
Bryton designs sports GPS products for 4 main sports activities: Cycling, Fitness, Outdoor Adventure and Athletic-Training.

Consumer focus
Bryton's product strategy is to redefine sports electronics with GPS applications, improving usability and rich features to keep consumers interested and motivated. Bryton brings game, fun and friends into normal everyday fitness and exercise activities.

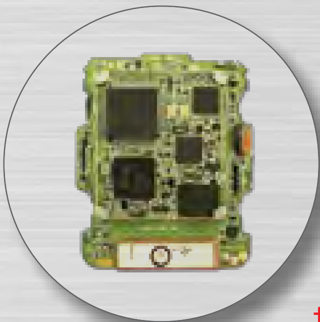
Goals
Develop compelling, sleek, smart, and useful sports monitoring equipment with embedded GPS to runners, bikers and explorers at an attractive price.

Solution
Portable running and cycling computers based on u-blox' GPS chip technology.

Results
Bryton's products deliver
- Compelling location based features
- Long battery life
- Compact portable design
- Easy upgradeability and fast time-to-market

...to fun!

...to finished product...



...to system...

From chip...

Growth driver mobility

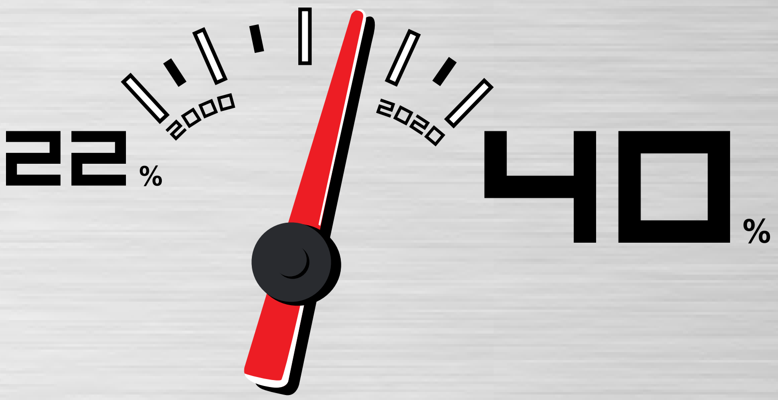
THE CONNECTED CAR

Driving is enhanced by reliable mobile connectivity

Estimated by Yano Research Institute, Japan

Cost of electronics in cars

Today's cars are packed with networked electronics that provide navigation, safety, information and entertainment. The trend is increasing.



u-blox technology delivers highly reliable emergency call capabilities

SARA and LISA modules for Emergency Call
u-blox' eCall & ERA-GLONASS ready 2G and 3G modules keep your car in touch with emergency services, even when you can't be.

No matter how far you drive, u-blox positioning and wireless technology lets you take your world with you.

Source: Accenture, oica

Our brand

The u-blox brand is recognized around the world as a symbol of high quality, reliability and integrity. This applies not only to our products, but also to our services, support and how we conduct our business.

Now in our 15th year, u-blox is proud to occupy a position of respect and trust among our customers, partners and shareholders. Our belief in innovation based on customer-driven requirements, and a sustainable and ethical approach to how we conduct our business is at the core of the u-blox brand.

Values

Our values, consistently applied across our global organization, are what unite us in a common vision:

We are customer focused
All our activities must bring value and earn trust with our customers.

We are innovation driven
Constant innovation is the lifeblood of our company. We are constantly examining how we can improve our products and services either by ourselves or through partners and acquisitions.

We are a reliable partner
From initial contact and design-in through to prototypes and production, our customers can rely on us for technical and logistical support every step of the way.

We are quality focused
Only by conforming to the industry's most demanding quality standards can we maintain the trust we have built with our customers.

Polishing our brand

As u-blox becomes a true global player, we strive to improve our brand around the world through our commitment to customers, quality, reliability, helpfulness, as well as ethical and sustainable behavior. As the world increasingly recognizes the interconnectedness of societies and environmental ecosystems, this global view is becoming increasingly significant to all our stakeholders. We are now making Corporate Social Responsibility a key element of our global brand, and encourage our partners and customers to join us in this philosophy.

Consistency

We present the u-blox brand globally in a visually and textually consistent manner in print, as well as electronic media. Our in-house CI style guide is distributed to everyone within the company, as well as to selected suppliers and resellers. Acquisitions are integrated quickly under the u-blox brand, with a smooth transition from their former brands.

Creativity

u-blox maintains its own internal team of communication and design experts who execute all electronic, print and PR activities. An integrated marketing communications approach is deployed across all our marketing activities both online and offline.

Branding through new platforms

Mobility is changing the way people perceive our company. Smartphones and tablets are becoming the preferred medium for learning about our products and brand. To adapt to this change, u-blox has implemented a new mobile version of our website, with the most popular content and convenient navigation customized to the compact dimensions of mobile computing devices.

Brand protection

The u-blox brand is protected through trademark, and is defended on a worldwide basis. We believe strongly in protecting core technology trademarks such as CellLocate® and AssistNow™, service differentiators that bring unique selling values to our products.

Local adaption to global markets is of primary importance for our brand. Some examples:
our website in Chinese and product advertisements for trade magazines in the USA and Germany.

Our approach to sustainability

Our sustainability strategy is centered on the key areas that we believe contribute to a sustainable business model: people, marketplace environment and communities. In 2012, we focused on fully integrating ethics and integrity into our corporate culture and operations.

Our Code of Conduct

Our Code of Conduct is our compass for doing business with integrity. It provides practical advice on how to comply with laws and regulations and how to relate to customers, communities and colleagues. Our Code of Conduct was introduced to employees through briefing sessions and training and is available in all relevant languages where we have a presence. Depending on their role and geographical location, certain employees were assigned more in-depth ethics and compliance training.

During the year we worked proactively to prevent corruption and illegal activities and disassociate ourselves from corruption in any form. We have an anti-corruption policy that clearly states what employees should do if they suspect corruption, fraud or other illegal behavior.

During 2012, u-blox was not subject to any investigations, legal cases or incidents involving Human Rights violations.

UN Global Compact member

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

We committed ourselves to the UN Global Compact in January 2012. With the participation in the UN Global Compact u-blox commits to report and publish its progress on implementing these principles throughout the organization.

In January 2013, we made our first communication on progress (COP) highlighting our longstanding commitment to the UNGC principles. In our next COP we will aim to focus on specific achievements and progress that build on the themes outlined in this report.

1 Sustainability:
Employees

We recognize that innovation comes from the minds of talented engineers, and that attracting and retaining them is the key to our ongoing success.

At the end of 2012, u-blox had a total of 372 employees (FTE based), of which 28.8% were based at our headquarters in Switzerland. The remaining 71.2% worked in eight R&D centers and eight sales and marketing offices across the globe. During 2012, we increased our head count by 144 positions, which included three acquisitions.

Fostering and retaining talent

u-blox has developed a corporate culture where continuous improvement of both technical and leadership skills is integrated into our working environment. This philosophy is maintained as a core function of our Human Resources team who work closely with management and technical teams in all locations to promote continuous improvement. With acquisition increasingly contributing to the expansion of our company, this program is crucial to insure the smooth integration of new employees into the u-blox community, as well as to retain and motivate employees coming from different corporate cultures.

We have regular appraisals and feedback loops throughout our company to encourage our people to improve their performance and skills, and increase their job satisfaction. Compensation and advancement are coupled with clearly defined individual as well as corporate goals, and regularly assessment against these goals is institutionalized throughout the company.

Attractive compensation

To attract and keep talented personnel, u-blox offers its employees excellent working conditions, compensation, social benefits, training and the opportunity to achieve an optimal work-life balance.

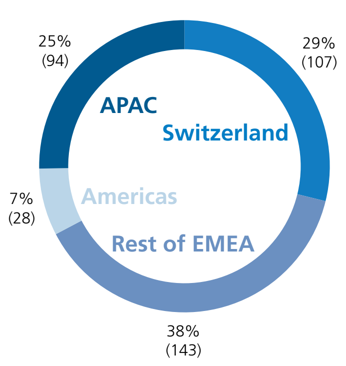
In 2012, we spent CHF 34.3 million on salaries and benefits worldwide. Details of employee compensation and benefits are provided on page 108 including information on salary, social taxes and stock option plans. u-blox is committed to being a fair and non-discriminatory employer with regards to its compensation policy.

Workplace health promotion

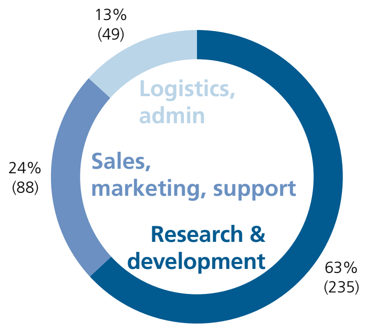
In June, u-blox initiated a "Bike to work" program at its Swiss headquarters. 27 employees in 7 teams signed up. During the month of June, participants agreed to bike to work every other day. This program was meant to promote health under the motto "Biking makes you fit and keeps you healthy", team spirit through "Biking together helps us work together", and sustainability, "Biking reduces CO_2, eases traffic, and saves money."

Performance indicators	2011	2012
Total headcount	235	379
Jobs created	25	35
Woman in overall workforce	13.7%	16.6%
Parttime employees	5.4%	8.2%

Employees per region (FTE based)



Employees per function (FTE based)



Gordon Aspin joined u-blox through acquisition. We talked to him about his new role at u-blox.

At u-blox, Gordon leads the company's 4G chip development activities based on Cognovo's specialty technology: Software Defined Modem. He has overall responsibility for the u-blox' 4G wireless development program, and spends much of his time travelling between the company's seven globally distributed wireless R&D sites. We asked Gordon about his role at u-blox, and how he has experienced life during and after the acquisition.

The acquisition of one company by another is a complex process. What has been your experience of the acqusition by u-blox?

"After experiencing acquisitions at large and small companies alike, and from both sides of the fence, my experience of the acquisition has been 99% positive. Unlike a much larger company where acquisition is delegated to teams of lawyers and administrators based on instructions from a remote headquarter, working with u-blox has been a very direct, personal and transparent process. It has been easy to gain access and establish dialogue with all levels of u-blox' R&D and management, many of whom are spread across engineering sites in seven countries. This has made the integration process relatively smooth, and above all, fast, as we have an aggressive schedule to meet.

"I am extremely excited to be involved in this bold undertaking."

What do you see as the main synergies between the two companies?

"I see the two companies as having very complementary capabilities. u-blox has extensive wireless expertise at the module-level in Italy and San Diego, GNSS chip design know-how in Thalwil, plus years of high-quality manufacturing experience. Cognovo, together with 4M Wireless, brings to u-blox specific wireless chip and software technology and expertise, particularly in the area of 4G. The total package gives us the ability within one company to go from the creation of our own wireless processor cores through to chips and modules. This is exciting as, at the end of the day, it means that we will be seeing our own 4G technology hitting the streets in real products."

Where does Cognovo's "Software Designed Modem" technology fit into the picture?

"Cognovo's Software Designed Modem (SDM) technology is critical to enable u-blox to respond quickly to the rapidly evolving wireless market. The separation of hardware and software enabled by SDM allows us to design advanced wireless chipsets with features which can be quickly created and validated in software instead of suffering through long, iterative semiconductor design and fabrication cycles. For u-blox' diverse markets, this flexibility represents a unique capability. Looking ahead to the future, SDM can also be applied to a broader class of applications in wireless than just cellular modems.

As u-blox' business develops, I'd like to see us evolve the technology for application in related areas including for example public safety systems, next generation WiFi, and GNSS. SDM is a very exciting technology, and by joining the u-blox team, we now have the expertise, freedom and resources to pursue the vision that we started at Cognovo four years ago. I am extremely excited to be involved in this bold undertaking."

Gordon is VP of Program Management for u-blox' wireless R&D activities, and joined the company as a result of the acquisition of Cognovo in June of 2012. With a PhD in Optoelectronics from Cambridge University and over 25 years in the wireless business, Gordon is one of the original founders of Cognovo, a spin-off from ARM Holdings in 2009. ARM is a Global, UK-headquartered semiconductor company with market leadership in processors for mobile phones.

Sustainability: Community

We think carefully about how to invest in society today to make sure there will be a business context where both we and society can thrive tomorrow and well into the future. We focus on three issues that lay the foundation for a better world and reflect the strengths of our people and organization: Education, health and environmental sustainability.

We engage with projects to ensure education for children and improvement of general health for the underprivileged.

1. Education
u-blox recognizes that supporting education today is critical not only to the success of our company but to all global communities tomorrow. Our commitment to education is still our highest philanthropic priority. Here you can read more about the progress our support has enabled:

The Sunshine School, Nepal

We launched a partnership with Sunshine School, a school in Nepal founded by a Swiss NGO of the same name. The school enables more children in a poverty-stricken area to afford school and gain access to education.

Our goal together with Sunshine School is to enable children to attend school through the 10th grade (earlier only up to the 9th grade was possible), and earn a diploma.

In 2012 a new school house was completed and a 10th grade established. The first class of children will complete their final exam and finish the 10th grade in March 2013.

Savannah Trust Education, Ghana

We launched a partnership with the Savanna Trust Education, a British NGO who supports communities in building schools. The schools are built through a self-help program and are constructed by the local community using local materials. The Trust works closely with the government of Ghana to fund the ongoing costs of teachers.

Our goal together with Savannah Trust was to build a new school in the Lawra District for approximately 400 children. Funded by u-blox, the Savannah Education Trust began building a school in Metoh village. The walls of the school are now complete and the building is ready for roofing. Next to the school a borehole is providing clean fresh water for the ongoing building work and for the use of the local villagers. The building work is planned to be completed during 2013 in time for the new school year in September.

Engineers shape our future and Electronics4you, Switzerland

In order to foster the next generation of engineers in Switzerland, we believe in actively supporting and encouraging young men and women to pursue technical professions.

To support this belief, u-blox provides funding to two Swiss organizations, the "Engineers shape our future" and "Electronics4you". These organizations provide educational programs and workshops designed to stimulate interest in technology and electronics in particular. The program inspires Swiss high school students to pursue technical studies through through hands-on training and demonstrations designed to spark curiosity and broaden the imagination.

2. Health
Another focus of our activities is to promote healthy communities, particularly for people living in areas with limited access to healthcare. In 2013, we look forward to further developing our health initiatives.

3 Sustainability: Environment

Product responsibility:

1. Minimizing our environmental footprint
u-blox is committed to ensuring that the company's products meet strict customer and industry requirements in terms of sustainability and conformance to environmental regulations. In order to achieve this objective, u-blox and its manufacturing partners comply with demanding industry standards as well as customer-specific environmental policies.

	GPS module	GPS chips	Wireless modules	
2006	●			Conversion of all products to lead free soldering
2007	●			RoHS WEEE Compliancy
2007		●		Green Compliancy chips
2008	●	●		REACH position paper (SVHC list)
2009	●	●	●	Sony Green Partner Certification
2010	●	●	●	Material declaration sheet and banned substance management
2010	●	●	●	Introduction of Cobalt Dichloride Free HIC
2011	●	●	●	GADSL Conformity (Automotive requirements)
2011	●	●	●	Position paper on Conflict Minerals

u-blox continuously monitors substances and materials used in the manufacturing of its final products in order to foster environmental sustainability. The EU's and China's Reduction of Hazardous Materials (RoHS) as well as the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) are among the regulations met by u-blox products. Further regulations used as guidelines for all u-blox products are compliancy with Halogen free, and the Perfluorooctanesulfonic /Perfluorooctanoic European Directives.

In addition, u-blox recognizes the International Material Data System (IMDS) initiative to report materials used in automotive products for recycling purposes and environmental sustainability, as well the End-of-Life Vehicle (ELV) regulations which limits the use of hazardous substances in vehicles.

Furthermore, u-blox is committed to complying with customer-specific initiatives such as Sony's Green partner program and the Bosch norm for prohibition and declaration of hazardous substances.

2. Green innovative projects
Each year, approximately 1% of Madagascar's forest is cut down, much of it for cooking purposes, and more than 90% of its original forest is already gone. To address this issue, u-blox launched a partnership with ADES, a Swiss NGO who produces solar cookers and energy-saving stoves in Madagascar. However, this way of cooking demands a substantial change in cooking habits. That is why the teaching of the population to use the solar cooker is an important part of the project.

Our goal together with ADES is to support promotion of the stoves, raise awareness and educate women to give up their traditional fire for cooking. u-blox particularly supports the training of female animators who in turn instruct the villagers on site, and so-called femmes solaire who carry on the animator's work locally. At the beginning of their three to four months stay in the villages, the animators host cooking demonstrations as a means of motivation to cook with solar energy and to sell solar cookers. This is followed by the training of groups of interested women.

4 Sustainability: Market place

Responsible supply chain
Our products are made of numerous subcomponents which are in turn composed of parts and raw materials sourced from many regions of the world. Since the inception of our CSR program, we have identified this complex flow of components and materials as a key area for investigation and improvement through close cooperation with our numerous manufacturing partners.

We have set our sights on developing a supplier's Code of Conduct that will insure that the entire production and sourcing chain for our products conform to our commitments to the environment, sustainability and social fairness and stability. Our plan is to have this Code of Conduct for responsible and ethical supply chain management formulated and signed during 2013.

Corporate Governance

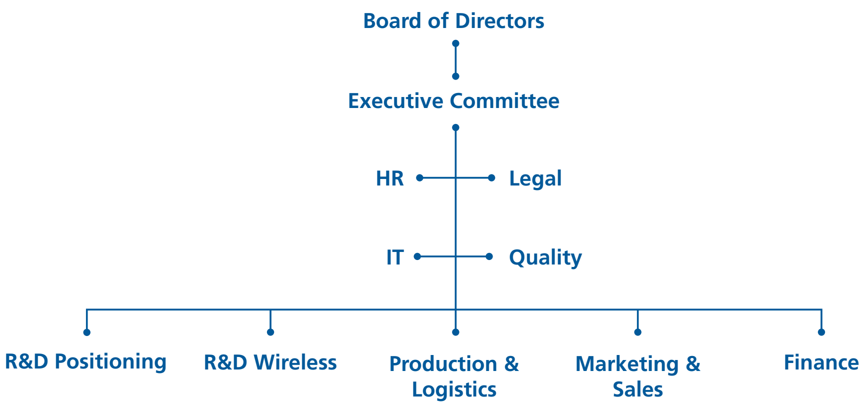
The report describes the management structure, organization and control within the u-blox group at December 31, 2012. The report fulfills the main requirements of the "Directive on Information relating to Corporate Governance" of the SIX Swiss Exchange.

Group structure

u-blox group
The registered domicile of u-blox Holding AG and u-blox AG is: Zürcherstrasse 68, 8800 Thalwil, Switzerland. u-blox AG was founded in 1997. u-blox Holding AG, the only shareholder of u-blox AG, was incorporated in September 2007 and listed on the SIX Swiss Exchange on October 26, 2007 (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, 2012 was CHF 247 million.

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.



Shareholders of u-blox

Significant shareholders
At December 31, 2012, u-blox had 4'054 registered shareholders. According to the disclosures of shareholders, the largest shareholders (> 3%) were:

• LB Swiss Investment AG, Zurich, Switzerland	6.39%
• Werner and Anne Dubach, Hergiswil, Switzerland	5.01%
• Swiss Reinsurance Company Ltd., Zurich, Switzerland	3.30%
• UBS Fund Management AG, Basel, Switzerland	3.17%
• Credit Suisse Funds AG, Zurich, Switzerland	3.05%

Publications concerning shareholdings:

- On April 13, 2012 Mr. Werner Dubach and Mrs. Anne Dubach, Switzerland announced that they held 5.01% of the voting rights as a group.*
- On August 29, 2012 Credit Suisse Funds AG, Zurich, Switzerland announced that it held 3.05% of the voting rights.
- On September 24, 2012, LB Swiss Investment AG, Zurich, Switzerland announced that it held 6.39% of the voting rights.
- On November 15, 2012, UBS Fund Management, Basel Switzerland announced that it held 3.17% of the voting rights.*

* The shareholder reduced or increased his shareholding progressively. For further detail see http://www.six-swiss-exchange.com/index.html under "Market Data – Significant Shareholders".

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

Capital structure

Share capital of u-blox

On December 31, 2012 the share capital of u-blox was CHF 5’674’528.80 fully paid in and divided into 6’305’032 registered shares of CHF 0.90 nominal value each.

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

Authorized share capital

The Board of Directors is authorized, at any time until October 16, 2013, to increase the share capital through the issuance of up to 1’248’674 fully paid-in registered shares with a nominal value of CHF 0.90 each in an aggregate amount not to exceed CHF 1’123’806.60. An increase in partial amounts is permitted. The Board determines the issue price, the date of issue of new shares and the type of payment.

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

Conditional share capital

As of December 31, 2012, the share capital of u-blox may be increased by a maximum aggregate amount of CHF 506’407.50 by issuing up to 562’675 fully paid-in registered shares with a nominal value of CHF 0.90 each through the exercise of options granted to directors and employees of the group and its subsidiaries on the basis of participation plans. The issue price for the new shares and the conditions of the stock option plan are defined by the Board of Directors. For further detail see section “Stock Option Plan” below. The subscription rights of the shareholders are excluded for such a capital increase.

Changes in share capital

Refer to page 136 (condensed consolidated statement of financial position) of this report for more information on changes in share capital over the last three years.

Bonus certificates, options and convertibles

u-blox has not issued bonus certificates, convertible or exchange-able bonds, warrants or other securities granting rights to u-blox shares, except options under the employee stock option plan. The total number of outstanding options issued to employees and members of the Board of Directors at December 31, 2012 was 478’024 (7.58% of the outstanding share capital).

Grant	Vesting date	Expiry date	Exercise price in CHF	Options outstanding at December 31, 2012
2008	May 30, 2011	May 30, 2014	46.00	68’951
2009	January 1, 2012	January 1, 2015	19.15	17’220
2010	January 1, 2013	January 1, 2016	25.50	105’787
2010	January 1, 2013	January 1, 2016	26.25*	6’890
2011	January 1, 2014	January 1, 2017	48.58	123’422
2011	January 1, 2014	January 1, 2017	50.30*	7’425
2012	January 1, 2015	January 1, 2018	39.91	140’752
2012	January 1, 2015	January 1, 2018	41.20*	7’577
Total				478’024

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

One option grants the right to purchase one share.

Shareholder rights

Each registered share entitles the holder to one vote at general meetings. Shareholders representing at least 10% of the share capital may request that an extraordinary general meeting of shareholders be convened. Shareholders representing shares with an aggregate nominal value of at least CHF 1’000’000 may request that an item be included in the agenda of a general meeting.

Such requests must be made in writing at least 45 days before the date of the general meeting, specify the item and contain the proposal on which the shareholder requests a vote. Shareholders have the right to receive dividends, appoint a proxy and other rights as are granted under the Swiss Code of Obligations.

Registration as shareholder

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

Shareholders recorded in the share register as voting shareholders, usually 7-12 days before the date of the general meeting, are admitted to the meeting and entitled to vote. The deadline for registration is defined by the Board of Directors and published on the company’s website under Investor Relations (www.u-blox.com).

No restriction on transfer of shares

No restrictions apply to the transfer of shares.

Board of Directors

Composition of the Board of Directors at December 31, 2012:

Name	Member since	Terms expires	Age	Position	Position Committee
Fritz Fahrni	2008	2014	70	Chairman	Member AC and NCC
Hans-Ulrich Müller	2007	2014	66	Vice-Chairman	Chairman AC
Gerhard Tröster	2007	2015	59	Member	Chairman NCC
Thomas Seiler	2007	2013	56	Member	
Jean-Pierre Wyss	2007	2013	43	Member	
Soo Boon Quek	2007	2015	62	Member	
Paul Van Iseghem	2011	2014	66	Member	

Election and term of office

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

Prof. Fritz Fahrni, Swiss

Function at u-blox

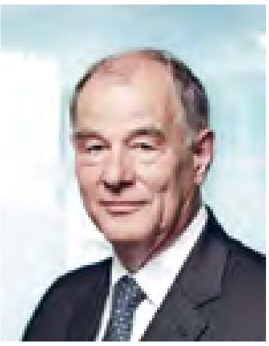
Prof. Fritz Fahrni was elected Chairman of the Board of Directors of u-blox Holding AG and u-blox AG in 2008. He is a member of the audit committee (until end of 2012) and of the nomination and compensation committee. He is a Non-Executive Director.

Professional background

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

Other positions or consultancy agreements

Prof. Fritz Fahrni is member of the Board of Ammann BauAusrüstung AG, Switzerland until end of 2012 and chairman of the board of Insys Industriesysteme AG, Switzerland. He also is a member of the Board of the University Hospital Balgrist, Switzerland and a member of the Industrial Board of CTI Start up, Switzerland. He is a member of the Swiss Science and Technology Council, Bern until end of 2012 and an individual member of the Swiss Academy of Technical Sciences.



Hans-Ulrich Müller, Swiss

Function at u-blox

Hans-Ulrich Müller has been appointed Vice-Chairman of the Board of Directors since incorporation of u-blox Holding AG in 2007. He acts as member of the Board of Directors of u-blox AG since 1998 and since 2006 as Vice-Chairman. He served as interim CEO of u-blox AG from 2001 to 2002. He chairs the audit committee. He is a Non-Executive Director.

Professional background

Hans-Ulrich Müller holds a degree in electronic engineering from the Institute of Technology in Burgdorf (CH) and an MBA diploma from the European University in Cham, Switzerland. He started his career at ESEC SA, Switzerland in 1977 as Electronics Manager. He held several functions within ESEC SA and was appointed member of the Board of ESEC Holding SA and COO from 1992 to 1997. Thereafter, he served as Chairman of the Board at Kistler Holding SA, Switzerland from 1998 to 2001. Hans-Ulrich Müller was Partner at Partners Group Switzerland from 2001 to 2012. He is Operating Partner since 2012.

Other positions or consultancy agreements

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

Prof. Gerhard Tröster, German and Swiss

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

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

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

Thomas Seiler, Swiss

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

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

Other positions or consultancy agreements
Thomas Seiler is a member of the Board of Artum AG, Switzerland.

Jean-Pierre Wyss, Swiss

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

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

Other positions or consultancy agreements
Jean-Pierre Wyss is a member of the board of Ardo Medical AG, Switzerland.

Soo Boon Quek,
Singaporean

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

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

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

Dr. Paul Van Iseghem,
Belgian

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

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

Other positions or consultancy agreements
None.

Internal Organization of the Board of Directors

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

The primary functions of the Board of Directors include:

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

Further detail is provided under the Rules of Procedure available under the Investor Relations / Corporate Governance section of the company website (www.u-blox.com).

The Board of Directors convened 9 times in 2012. The duration of each meeting was about 2 hours.

Role and functioning of the Board Committees
Each Committee member and its chairman are elected by the Board. For further detail see the Rules of Procedure available under the Investor Relations / Corporate Governance section of the company website (www.u-blox.com).

Audit Committee
The Audit Committee is composed of Hans-Ulrich Müller (chair) and of Fritz Fahrni. Paul Van Iseghem has replaced Fritz Fahrni as of January 1, 2013.

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

- The completeness, integrity and transparency of financial statements, their compliance with applicable accounting principles and proper reporting to the public.
- The functionality and effectiveness of external and internal control systems including risk management and compliance.
- The quality of audit services rendered by the external and internal auditors.

The Committee convened twice, once for the preparation of the annual report and once for the preparation of the half year report. The auditors, the CFO, the CEO, the Executive Vice President Production and Logistics (former CFO) and the head of accounting participated in the meetings. The general counsel participated in the second meeting. The duration of each meeting was about 1 hour.

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

- It prepares the personnel-related decisions to be adopted by the Board of Directors, such as personnel planning, appointment and removal of, as well as the structure of remuneration/compensation payables to members of the Executive Committee and of the Board of Directors.
- It drafts the employee stock ownership program.
- It proposes the allotment of options within the scope of the employee stock ownership program to the Board.

The Committee convened twice. The CEO, CFO, the Executive Vice President Production and Logistics (former CFO) and the general counsel participated in the meeting. The duration of each meeting was about 1 hour.

Delegation
The Board delegates the executive management of the company to the members of the Executive Committee, as further defined in the Rules of Procedure available under the Investor Relations / Corporate Governance section of the company website (www.u-blox.com).

Information and control systems of the Board towards management

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

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

Risk Management
A risk assessment plan for the group is prepared by the Executive Committee and presented to the Board on an ongoing basis. The risk assessment plan identifies the type of risks, the likelihood of the occurrence of the risk, as well as the damage that may be caused if the risk materializes.

At five Board meetings risks and a risk mitigation plan were presented by the Executive Committee. The plan enables the Board to evaluate the appropriateness of the risk management and to monitor the progress achieved in controlling or mitigating the risks.

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

Executive Committee

Thomas Seiler,
Swiss

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

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

Jean-Pierre Wyss,
Swiss

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

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

Daniel Ammann,
Swiss

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

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

Andreas Thiel,
German

Function at u-blox

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

Professional background

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

Roland Jud,
Swiss

Function at u-blox

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

Professional background

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

Management of the group

The members of the Executive Committee are:

Name	Age	Position
Thomas Seiler	56	CEO
Roland Jud	45	CFO
Jean-Pierre Wyss	43	EVP Production and Logistics
Daniel Ammann	43	EVP Positioning Products
Andreas Thiel	45	EVP Wireless Products

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

The primary functions of the Executive Committee include:

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

Management contracts

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

Compensation, shareholdings and loans

Non-executive members of the Board of Directors

A review of the compensation for Board members was performed end of 2011 by the Chairman of the Nomination and Compensation Committee. The compensation, excluding stock options, was benchmarked with compensation offered by 11 listed companies in Switzerland with comparable revenue, market capitalization or EBIT. The benchmarked companies are active in the semiconductor industry, communication service, software, electronics, medical solutions or production engineering industry. On the basis of the review, the Board decided that as of 2012, the Chairman will be paid an annual compensation of CHF 60’000, non-executive committee members CHF 45’000 and each other non-executive member CHF 30’000. The decision was taken by the Board within its discretion, without external advisors. The compensation was defined in 2011 for an unlimited period of time.

The Board members are also granted stock options according to the rules defined in the stock option plan (see below).

See note 7 on page 126 under the notes to the financial statements of u-blox Holding AG for detailed information on the compensation, options and benefits for each member of the Board of Directors.

Executive Committee

The compensation package of the Executive Committee is proposed by the Nomination and Compensation Committee and decided by the Board of Directors.

A review of the compensation of all Executive Committee members took place end of 2010. The total compensation including salary, bonus and stock options of the CEO and that of the other Executive Committee members were benchmarked with those offered by 6 listed companies with comparable market capitalization in Switzerland and one non-listed company in Switzerland. The benchmarked companies are active in the semiconductor industry or provide software, logistics or telecommunication solutions or energy. The Board decided, taking into account the growth of u-blox and based on a proposal made by the Nomination and Compensation Committee, to increase the compensations in order to reach the median compensation of the benchmarked industry in 2013 progressively by annually increasing as of 2011 and until 2013 (i) the base salary of the CEO and (ii) the bonus of the other Executive Committee members. The proposal of the NCC was based on an analysis made by the CEO. No external consultants or other Executive Committee members were involved in this process. The decision was made by the Board within its discretion. The total compensation was defined for the three year period from 2011 to 2013.

The compensation package for members of the Executive Committee consists of a base salary and a variable part (bonus). The bonus depends on i) the change of the revenue of the group compared to the previous year and ii) the EBIT in percent of revenue. The change of revenue has a minor influence on the bonus of the CEO (a 10% increase leads to about one percent bonus increase) while the EBIT margin has a significant influence on his bonus (e.g. 10% EBIT lead to a bonus of 65% of base salary). The EBIT margin is weighted about 5.5 times more than the change of revenue for the calculation of the bonus of all other members of the Executive Committee. The bonus does not depend on personal performance objectives. The CEO has a minimum bonus of 14% and a maximum bonus of 150% of his base salary. The bonus of all other members of the Executive Committee members has no minimum and is limited to 100% of the base salary.

For 2012, the bonus of the executive committee members amounted to 50.9%, respectively 83.5% for the CEO, of the base salary.

The bonus amount of the CEO has slightly reduced compared to 2011 because of the combined effect of the reduction of the EBIT margin and the previously agreed increase of the base salary (see details above).

The bonus amount of the other executive members has increased because of the significant increase of revenue compared to 2011 which out-weighted the EBIT margin reduction.

The Executive Committee members are furthermore granted stock options, according to the rules defined in the stock option plan (see below).

Each Executive Committee member is subject to a non-compete obligation during one year after termination of his employment, which can be triggered by the company. If the company decides to implement the obligation, the member will be paid 50% of the net income he received during the preceding year.

See note 7 under the notes to the financial statements of u-blox Holding AG for detailed information on the compensation, options and benefits for each member of the Executive Committee on page 126.

Stock option plan
The stock option plan offers Board members and the Executive Committee members (as well as other employees) an opportunity to participate in the share capital of u-blox in order to encourage their commitment.

Each option grants the owner the right to purchase one share at a certain price (exercise price). The options lapse on the day following the last day of employment of the Executive Committee member, respectively of the mandate of the Board member.

With respect to options with a grant date on or prior to December 31, 2012, the exercise price is the lower amount of a) the volume-weighted average share price on the SIX Swiss Exchange during the 30 trading days preceding the grant date and b) the closing share price at the SIX Swiss Exchange on the last trading day before the grant date.

With respect to options with a grant date as of January 1, 2013, the exercise price is calculated by deducting 33% from the lower price of a) the volume-weighted average share price on the SIX Swiss Exchange during the 30 trading days preceding the grant date and b) the closing share price at the SIX Swiss Exchange on the last trading day before the grant date.

The option can be exercised between the third year (vesting date) and the sixth year after the grant date and expires six years after the grant date. The Board of Directors defines, based on a proposal of the Nomination and Compensation Committee, whether options will be granted for the past year and, if yes, the functional ranks which will participate in the stock option plan and the number of options to be allotted to each functional rank and country.

The eligibility for participation in the plan as well as the number of options to be allotted to a functional rank was decided by the Board within its discretion, without external consultants. The number of options granted did not depend on personal performance objectives. The Board decided that the members of the Executive Committee each have the same functional rank and are each granted the same number of options pro rata temporis of their employment and that the members of the Board each have the same functional rank and are each granted the same number of options pro rata temporis of their membership.

Stock Option Allotment per Member

	Allotment
Non-executive Board Member (number of options)	499*
Executive Committee Member (number of options)	6'243*
Exercise price in CHF/option	25.50
Grant date	January 1, 2013
Vesting date	January 1, 2016
Expiry date	January 1, 2019

* Pro rata temporis of their employment, respectively membership.

Ownership of u-blox shares
The total number of u-blox shares owned by members of the Executive Committee and the Directors at December 31, 2012 (including holdings of "persons closely linked"*) is shown in the table below.

Non-executive members of the Board

	Number of shares
Fritz Fahrni	12'422
Hans-Ulrich Müller	51'090
Gerhard Tröster	35'760
Paul Van Iseghem	1'450
Soo Boon Quek	0

Executive Committee

	Number of shares
Thomas Seiler	104'552
Andreas Thiel	68'164
Jean-Pierre Wyss	67'914
Daniel Ammann	53'804
Roland Jud	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.

Share allotment in the year under review
No shares were allotted to the members of the Board or the Executive Committee in 2012.

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

No loans were granted by the group to the members of the Board or the Executive Committee or were outstanding at December 31, 2012.

Auditors

Duration of the mandate and term of office of the lead auditor
In 2012, 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. Thomas Studhalter, Partner, has been acting as the lead auditor.

Auditing fees
Total auditing fees charged by KPMG for mandatory audits of u-blox for the financial year 2012 amount to CHF 311’920 (excl. VAT).

Additional fees
Additional fees (excl. VAT) charged by KPMG during the financial year 2012 amounted to CHF 263’685 for tax advice and consulting.

Supervisory and control instruments
The External Auditor presents to the Audit Committee an overview of issues found during the audit of the annual financial statement, the half year financial statement, as well as the internal control system. The External Auditors were present at both Audit Committee meetings in 2012.

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

.

Information policy

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

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: roland.jud@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

Consolidated financial statements u-blox Holding AG

Consolidated statement of financial position

(in CHF 000s)	Note	At December 31, 2012	At December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	6	33’416	35’151
Marketable securities	7	27’175	45’981
Trade accounts receivables	8	22’127	16’877
Other receivables		4’307	2’456
Inventories	9	19’171	20’556
Prepaid expenses and accrued income		1’280	1’636
Total current assets		**107’476**	**122’657**
Non-current assets			
Property, plant and equipment	10	7’078	5’331
Goodwill	11	37’659	17’137
Other intangible assets	11	33’682	15’965
Financial assets		1’195	425
Deferred tax assets	23	4’808	2’068
Total non-current assets		**84’422**	**40’926**
Total assets		**191’898**	**163’583**
Liabilities and equity			
Current liabilities			
Trade accounts payables	12	8’290	6’120
Other payables		5’687	2’140
Current tax liabilities		1’326	1’584
Accrued expenses	13	11’565	9’325
Total current liabilities		**26’868**	**19’169**
Non-current liabilities			
Other payables		1’747	609
Borrowings	14	2’825	0
Provisions	15	1’941	1’190
Pension liability	16	5’670	3’958
Deferred tax liabilities	23	3’091	1’704
Total non-current liabilities		**15’274**	**7’461**
Total liabilities		**42’142**	**26’630**
Shareholders’ equity			
Share capital	17	5’675	5’619
Share premium	17	94’132	98’694
Retained earnings		49’949	32’640
Total equity, attributable to owners of the parent		**149’756**	**136’953**
Total liabilities and equity		**191’898**	**163’583**

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, 2012	For the year ended December 31, 2011
Revenue	5	**173'128**	**124'704**
Cost of sales		-91'949	-61'953
Gross profit		**81'179**	**62'751**
Distribution and marketing expenses		-17'807	-14'200
Research and development expenses	20	-32'678	-22'081
General and administrative expenses		-7'754	-5'526
Other income		112	256
Operating profit (EBIT)		**23'052**	**21'200**
Finance income	22	922	1'034
Finance costs	22	-2'436	-1'286
Profit before income tax (EBT)		**21'538**	**20'948**
Income tax expense	23	-4'335	-4'440
Net profit, attributable to owners of the parent		**17'203**	**16'508**
Basic earnings per share (in CHF)	18	2.74	2.64
Diluted earnings per share (in CHF)	18	2.72	2.59

Consolidated statement of comprehensive income

(in CHF 000s)	Note	For the year ended December 31, 2012	For the year ended December 31, 2011
Net profit		**17'203**	**16'508**
Other comprehensive income			
Currency translation differences		-454	-67
Actuarial losses on defined benefit obligation	16	-1'627	-1'121
Income tax on actuarial losses on defined benefit obligation	23	320	213
Other comprehensive income, net of taxes		**-1'761**	**-975**
Total comprehensive income, attributable to owners of the parent		**15'442**	**15'533**

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

Consolidated statement of changes in equity

(in CHF 000s)	Note	Share capital	Share premium	Cumulative translation differences	Other retained earn-ings	Retained earnings	Total equity, attributable to owners of the parent
Balance at January 1, 2011		**5'619**	**103'798**	-3'293	13'727	**10'434**	**119'851**
Voluntary accounting policy change		0	-5'104	0	5'104	5'104	0
Balance at January 1, 2011 after policy change		**5'619**	**98'694**	-3'293	18'831	**15'538**	**119'851**
Net profit		0	0	0	16'508	16'508	16'508
Other comprehensive income		0	0	-67	-1'121	-1'188	-1'188
Income tax on other comprehensive income		0	0	0	213	213	213
Total comprehensive income		*0*	*0*	*-67*	*15'600*	*15'533*	*15'533*
Employee share-based payments	19	0	0	0	1'569	1'569	1'569
Total transactions with owners of the parent		*0*	*0*	*0*	*1'569*	*1'569*	*1'569*
Balance at December 31, 2011		**5'619**	**98'694**	-3'360	36'000	**32'640**	**136'953**
Net profit		0	0	0	17'203	17'203	17'203
Other comprehensive income		0	0	-454	-1'627	-2'081	-2'081
Income tax on other comprehensive income		0	0	0	320	320	320
Total comprehensive income		*0*	*0*	*-454*	*15'896*	*15'442*	*15'442*
Share-based payments	19	0	0	0	1'867	1'867	1'867
Dividend out of share premium		0	-5'660	0	0	0	-5'660
Options exercised during the year, net of transaction costs	19	56	1'098	0	0	0	1'154
Total transactions with owners of the parent		*56*	*-4'562*	*0*	*1'867*	*1'867*	*-2'639*
Balance at December 31, 2012		**5'675**	**94'132**	-3'814	53'763	**49'949**	**149'756**

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

Approximately CHF 5.0 million of the share premium and retained earnings is not available for distribution due to legal restrictions.

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

Consolidated statement of cash flows

(in CHF 000s)	Note	For the year ended December 31, 2012	For the year ended December 31, 2011
Net profit		**17'203**	**16'508**
Adjustments for:			
Depreciation	10	2'967	2'941
Amortization	11	9'273	4'978
Share-based payment transactions	19	1'867	1'569
Increase of defined benefit obligation		90	42
Other non-cash transactions		507	-27
Decrease of allowance for doubtful receivables		-164	-246
Increase of allowance for obsolete inventories	9	23	39
Finance income	22	-922	-1'034
Finance costs	22	2'436	1'286
Income tax expense	23	4'335	4'440
Increase in trade and other receivables, prepaid expenses and accrued income		-3'809	-3'935
Decrease/(increase) in inventories		1'885	-4'812
(Decrease)/increase in trade and other payables and accrued expenses		1'644	-896
Increase in provisions		749	907
Income tax paid		-5'996	-3'163
Net cash generated from operating activities		**32'088**	**18'597**
Acquisition of property, plant and equipment	10	-4'329	-3'344
Acquisition of intangible assets	11	-9'823	-7'122
Disposal of intangible assets	11	40	0
Acquisition of marketable securities		-8'767	-933
Proceeds from sale of marketable securities		27'332	4'260
Acquisition of financial assets		-44	-41
Acquisition of subsidiaries, net of cash acquired	4	-22'003	-50
Interest received		789	1'013
Net cash used in investing activities		**-16'805**	**-6'217**
Proceeds from exercise of options		1'154	0
Dividends paid to owners of the company		-5'660	0
Repayments of borrowings	4	-11'089	-2'394
Interest paid		-23	-3
Net cash used in financing activities		**-15'618**	**-2'397**
Net (decrease)/increase in cash and cash equivalents		**-335**	**9'983**
Cash and cash equivalents at beginning of year		35'151	25'184
Exchange losses on cash and cash equivalents		-1'400	-16
Cash and cash equivalents at end of year	6	**33'416**	**35'151**

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.

With the initial public offering on October 25, 2007, u-blox opened itself to public investors. The shares of u-blox Holding AG are listed 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. In 2009, u-blox expanded its activities by acquisition into wireless products and services. In 2012, u-blox expanded further in the wireless and positioning products business through additional acquisitions (note 4). Hardware production is fully outsourced to external contractors.

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

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

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
With effect from January 1, 2012, u-blox initially applied the amendment to IFRS 7 - Disclosures: Transfers of Financial Assets and the amendment to IAS 12 – Deferred tax: Recovery of underlying assets, that both had no effect on the consolidated financial statements.

Due to its significance, goodwill of TCHF 37’659 (2011: TCHF 17’137) is separately disclosed from other intangible assets in the statement of financial position.

Since 2012, share-based payments are recorded in other retained earnings instead of share premium. In 2012 share-based payments amounted to TCHF 1’867 (2011: TCHF 1’569). Opening balances at January 1, 2011 of TCHF 5’104 were reclassed accordingly from share premium to other retained earnings.

New IFRSs issued but not yet effective in 2012
The following new and revised standards and interpretations, which are or may be applicable to u-blox, have been issued, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the group has not yet been systematically analyzed. The expected effects as disclosed below reflect a first assessment by group management.

Standard/Interpretation		Impact	Effective date	Planned application by u-blox
New Standards and Interpretations				
IFRS 9	Financial Instruments	3)	January 1, 2015	Reporting year 2015
IFRS 10	Consolidated Financial Statements	1)	January 1, 2013	Reporting year 2013
IFRS 11	Joint Agreements	1)	January 1, 2013	Reporting year 2013
IFRS 12	Disclosure of Interests in Other Entities	2)	January 1, 2013	Reporting year 2013
IFRS 13	Fair value Measurement	1)	January 1, 2013	Reporting year 2013
Revised Standards and Interpretations				
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	2)	January 1, 2013	Reporting year 2013
IAS 1	Presentation of Items of Other Comprehensive Income	2)	July 1, 2012	Reporting year 2013
IAS 19	Employee Benefits (amended 2011)	4)	January 1, 2013	Reporting year 2013
IAS 27	Separate Financial Statements (2011)	1)	January 1, 2013	Reporting year 2013
IAS 28	Investments in Associates and Joint Ventures (2011)	1)	January 1, 2013	Reporting year 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	1)	January 1, 2014	Reporting year 2014

1) No or no significant impacts are expected on the consolidated financial statements of u-blox.
2) Mainly additional disclosures are expected in the consolidated financial statements of u-blox.
3) The impact on the consolidated financial statements of u-blox can not yet be determined with sufficient reliability.
4) The amended version of IAS 19 will have an impact on total costs of defined benefit plans as the concept of incorporating expected return on plan assets will be replaced by a net interest concept where net interest cost that is recognized in the income statement will be based on the net defined benefit position calculated based on the discount rate used to discount the obligation. If the group had early adopted IAS 19 amended, equity would have increased by CHF 0.9 million at January 1, 2012 and CHF 1.4 million at December 31, 2012 and an additional expense of CHF 0.2 million would have been recorded in the 2012 income statement.

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, 2011 and 2012:

Company	Share capital (million)	Ownership interest Dec. 31, 2012	Ownership interest Dec. 31, 2011	Function
u-blox AG, CH-Thalwil	CHF 4.23	100%	100%	E
u-blox Europe Ltd., UK-Charing	GBP 0.06	100%	100%	I
u-blox Asia Pacific Ltd., HK-Hong-Kong	USD 0.10	100%	100%	M
u-blox America Inc., US-Reston	USD 0.10	100%	100%	S
u-blox Singapore Pte. Ltd., SG-Singapore	SGD 0.10	100%	100%	M
u-blox Japan K.K., JP-Tokyo	JPY 10.00	100%	100%	M
u-blox Italia S.p.A., IT-Sgonico	EUR 0.40	100%	100%	E
u-blox UK Ltd., UK-Reigate	GBP 0.00	100%	100%	D
u-blox San Diego Inc., US-San Diego	USD 0.00	100%	100%	D
u-blox Melbourn Ltd., UK-Melbourn	GBP 0.14	100%	-	D
u-blox Espoo Oy, FI-Espoo	EUR 0.05	100%	-	E
u-blox Luton Ltd., UK-Luton	GBP 0.00	100%	-	E
u-blox Lahore (Private) Ltd., PK-Lahore	PKR 14.11	100%	-	D

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

In 2012, the group acquired u-blox Melbourn Ltd. (former: Cognovo Ltd.), u-blox Espoo Oy (former: Fastrax Oy) , u-blox Luton Ltd. (former: 4M Wireless Ltd.) and its subsidiary u-blox Lahore (Private) Ltd. (former: 4M Wireless Private Ltd.), see note 4. u-blox San Diego Inc. (former: Fusion Wireless Inc.) was acquired in 2011 (see note 4). u-blox Europe Ltd. was inactive during the years 2011 and 2012. The company in Italy was renamed from Neonseven S.p.A. to u-blox Italia S.p.A. in 2011.

Subsidiaries are all entities that u-blox has the ability to control. Control refers to the power of the group to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

The group uses CHF as its presentation currency, which is the functional currency of the parent. Group entities prepare their individual financial statements using their functional currency, being the currency of the primary economic environment in which the entity operates.

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

When a foreign operation is disposed of, in part or in full, the related accumulated translation difference included in equity is transferred to profit or loss.

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

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

	December 31, 2012		December 31, 2011	
	Average rate	Closing rate	Average rate	Closing rate
EUR	1.21959	1.20716	1.25242	1.21655
USD	0.94805	0.91419	0.90100	0.93755
GBP	1.49773	1.47975	1.44405	1.45750
HKD	0.11794	0.11794	0.11599	0.12069
SGD	0.75448	0.74792	0.71552	0.72287
CNY	0.15004	0.14484	0.11388	0.14697
JPY	0.01968	0.01061	0.01122	0.01219
PKR	0.00999	0.00933	n/a	n/a

Segment information

In accordance with the management structure and the reporting made to the Board of Directors (the Group's Chief Operating Decision Maker), the reportable segments are the two operating Corporate Groups 'Positioning and Wireless products' and 'Wireless services'. Segment accounting is prepared up to the level of Operating Profit (EBIT) because this is the key figure used for management purposes. All operating assets and liabilities that are directly attributable or can be allocated on a reasonable basis are reported in the respective Corporate Groups. No distinction is made between the accounting policies of segment reporting and those of the consolidated financial statements. No operating segments were aggregated.

Cash and cash equivalents

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

Marketable Securities

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

Trade accounts receivables and other receivables

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

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

Inventories

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

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

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell. In 2012 and 2011, the group held no non-current assets classified as held for sale.

Property, plant and equipment

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

At the time of disposal, items of property, plant and equipment are eliminated from the statement of financial position. Any gains or losses on disposal are recognized in the income statement as a component of other income and expenses.

Goodwill

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (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 to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Other intangible assets

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

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

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

Capitalized development costs

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

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

Expenditures for research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed in profit or loss when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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

Impairment of property, plant and equipment and intangible assets

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

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

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

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

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

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

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

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

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

Leases
Lease agreements in which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. During the year ended December 31, 2012, the group did not enter into any finance lease agreement (2011: none).

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

Employee benefits
a) Pension obligations
The group maintains pension plans for employees located in Switzerland, the United Kingdom (UK), Italy, 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 group has no further payment obligations once the contributions have been paid. The plans in the UK, partly in Italy, the USA, Pakistan, China and Singapore qualify as defined contribution plans and employer contributions paid or due are recognized in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The plan in Switzerland is contracted with an insurance company and qualifies as defined benefit plan. The part of the Italian TFR (Trattamento di fine rapporto) which is not invested in an independent insurance company also qualifies as defined benefit plan.

The liability 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 plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually by independent 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.

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

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

b) Termination benefits
Termination benefits are payables when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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

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

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

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

Deferred tax assets on tax loss carry forwards and deductible temporary differences are recognized only to the extent that it is probable that future profits will be available to utilize the deferred tax asset.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

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

At the end of each reporting period, the group revises its estimates of the number of equity instruments that are expected to vest based on the service and non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Revenue recognition
Revenue for goods and services are measured at fair value of the consideration received or receivable, net of returns and allowances, sales taxes and rebates. Sales are recognized when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. For sales of services, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. The revenue for service licenses is considered at the time of the transfer of the rights and the level of the usage of the license. The portion of sale of licenses is not reflected separately as it is not significant compared to the total revenue.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade accounts receivables and other receivables, loans and borrowings, marketable securities, accrued income, accrued expenses and trade and other payables.

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

The fair values of the group's non-derivative financial assets and liabilities are equal to their carrying amounts, except for borrowings (refer to note 24).

Derivative financial instruments

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

The group did not enter into any derivative financial instrument transactions in 2012 (2011: none).

Share capital

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

3 Critical accounting judgments and estimates

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

Inventories
Management records a write-down for inventories which have become obsolete or are in excess of anticipated demand or net realizable value. A detailed review of inventories is performed each period that considers multiple factors including demand forecasts, market conditions, product life cycle status, product development plans and current sales levels. If future demand or market conditions for the products are less favourable than forecasted or if unforeseen technological changes negatively impact the utility of component inventory, management may be required to record additional write-downs which would negatively impact gross margins in the period when the write-downs are recorded. If actual market conditions are more favourable, the group may have higher gross margins when products incorporating inventory that was previously written down are sold. At December 31, 2012 inventories amounted to TCHF 19'171 (2011: TCHF 20'556) that include allowance for obsolete inventories of TCHF 504 (2011: TCHF 481), see note 9.

Capitalization of development costs
After the technical feasibility of products to be developed has been demonstrated, u-blox capitalizes the related development costs until such time as the product is commercialized. However, there can be no assurance that such products will complete the development phase or will be commercialized or that market conditions will not change in the future requiring a revision of management's assessment of such future cash flows which could lead to additional amortization or impairment charges. The group has capitalized development costs with a carrying amount of TCHF 12'001 (2011: TCHF 7'088), see note 11.

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

To control the risk of the recoverability of accounts receivables, an insurance policy covering the risk of customers' insolvency has been entered into. The gross amount of trade accounts receivables at December 31, 2012 amounted to TCHF 22'653 (2011: TCHF 17'570) and the allowance for doubtful receivables amounted to TCHF 526 (2011: TCHF 693), see note 8.

Impairment of non-current assets
In addition to the regular, periodic test applied to goodwill, non-current assets are reviewed whenever there are indications that, due to changed circumstances or events, their carrying amount may no longer be recoverable. If such a situation arises, the recoverable amount is determined on the basis of expected future cash inflows. It corresponds to either the discounted value of expected future net cash flows or the expected net selling price. If the recoverable amount is below the carrying amount a corresponding impairment loss is recognized in the income statement. The main assumptions on which these easurements are based include growth rates, margins and discount rates. The cash inflows actually generated can differ considerably from discounted projections. In addition, useful lives can become shorter or assets impaired if the purpose for which property, plant and equipment are used changes, or medium-term revenues are lower than expected. The carrying amounts and information regarding impairments of the items of property, plant and equipment and intangible assets affected are set out in notes 10 and 11.

Income taxes

At December 31, 2012, the liability for current income taxes is TCHF 1'326 (2011: TCHF 1'584), the liability for deferred income taxes is TCHF 3'091 (2011: TCHF 1'704), the asset for deferred income taxes is TCHF 4'808 (2011: TCHF 2'068) and not capitalized tax loss carry forwards amounted to TCHF 12'189 (2011: TCHF 1'923), as disclosed in note 23. Current tax liabilities are measured on the basis of interpretations of the tax regulations in place in the relevant countries. Management believes that these estimates are reasonable and that the recognized assets and liabilities taking into account income tax-related uncertainties are adequate. Various internal and external factors may have favourable or unfavourable effects on income tax assets and liabilities. The adequacy of the group's interpretation is assessed by the tax authorities in the course of the final assessments or tax audits, which can result in material changes to tax expense.

Furthermore, in order to determine whether tax loss carry forwards are recognized as an asset, the group critically assesses the probability that there will be future taxable profits against which to offset them. This assessment depends on a variety of influencing factors and developments. Changes in these factors may have a material effect on tax expense (see note 23).

Provisions

Certain participants in the wireless industry protect and pursue their intellectual property rights, which occasionally resulted in litigation. Relying on third-party technology that is integrated into some of the products implies the risk of disputes about the use of such technology. Based on estimates a provision of TCHF 1'941 (2011: TCHF 1'190) has been recorded to reflect such potential liabilities (see note 15).

Pension liability

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

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

The above described differences could materially impact the assets or liabilities recognized in the statement of financial position in future periods. At December 31, 2012, the net present value of the group's defined benefit obligation is TCHF 5'670 (2011: TCHF 3'958) (see note 16).

4 Changes in scope of consolidation

The following business combinations took place in 2012:

Cognovo Ltd.

At June 27, 2012 u-blox AG acquired 100% of the shares of Cognovo Ltd., a company specialized in "Software Defined Modem" (SDM) chip development technology.

Cognovo Ltd., a spin off from ARM Ltd. in 2009, employed 30 employees as of the acquisition date. The company is headquartered in Melbourn, England with an office in Leuven, Belgium. Cognovo's SDM platform enables the creation of flexible multi-mode devices capable of operating a dynamic mix of cellular modems and broadcast receivers. Cognovo extends u-blox' chip design capabilities to create differentiated products for strategic markets that require 4G communications combined with global positioning. In August 2012 the name of the company was changed to u-blox Melbourn Ltd.

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

(in CHF 000s)	Carrying amount of the acquired assets and liabilities	Fair value adjustments	Acquired assets and liabilities at fair value
Cash and cash equivalents	539		539
Other receivables	18		18
Prepaid expenses and accrued income	266		266
Property, plant and equipment	163		163
Intangible assets			
Software	2'159		2'159
Acquired technology		5'771	5'771
Deferred tax assets		1'925	1'925
Total assets	**3'145**	**7'696**	**10'841**
Other payables	-254		-254
Accrued expenses	-1'057		-1'057
Deferred tax liabilities		-1'154	-1'154
Shareholder loan	-11'089		-11'089
Net liabilities	**-9'255**	**6'542**	**-2'713**
Goodwill			6'925
Total consideration transferred			**4'212**
Paid in cash in 2012			4'212
Cash and cash equivalents acquired			-539
Acquisition of 100% of shares of subsidary, net of cash acquired			**3'673**
Repayment of shareholder loan with regard to acquisition of subsidiary (included in cash flow used in financing activities)			11'089
Net cash outflow			**14'762**

The goodwill represents intangible assets that do not qualify for a separate recognition as well as the assembled workforce of Cognovo. The goodwill is allocated to the Positioning and Wireless products segment and is not expected to be deductible for tax purposes.

The gross contractual amount of receivables is equal to the fair value. All receivables are expected to be collectible. The shareholder loan, which forms part of the acquired net assets, is not included in the consideration transferred as it was repaid after the acquisition.

The acquisition had no impact on revenues of the group and a negative impact of CHF 3.2 million on net profit of the group since the date of acquisition.

4M Wireless Ltd.
At October 3, 2012 u-blox AG acquired 100% of the shares of 4M Wireless Ltd., a company specialized in software stack technology for signal processing of the 4G (LTE) standard.

4M Wireless Ltd. was founded in 2006 and is headquartered in Luton, England with an operation in Lahore, Pakistan. The advanced protocol stack of 4M Wireless Ltd. brings u-blox leading edge know-how in the area of next-generation wireless technology that will operate over the 4G networks. The names of the companies were changed to u-blox Luton Ltd. and u-blox Lahore (Pvt) Ltd. during January and February 2013.

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

(in CHF 000s)	Carrying amount of the acquired assets and liabilities	Fair value adjustments	Acquired assets and liabilities at fair value
Cash and cash equivalents	1'133		1'133
Trade receivables	50		50
Other receivables	10		10
Prepaid expenses and accrued income	4		4
Property, plant and equipment	46		46
Intangible assets			
Acquired customer relationships		1'346	1'346
Acquired technology		3'229	3'229
Total assets	**1'243**	**4'575**	**5'818**
Trade payables	-69		-69
Other payables	-79		-79
Accrued expenses	-50		-50
Deferred tax liabilities		-915	-915
Net assets	**1'045**	**3'660**	**4'705**
Goodwill			4'306
Total consideration transferred			**9'011**
Settled by:			
Cash payment			7'963
Deferred payment (net debt adjustment) in cash			664
Contingent consideration in cash			384
Paid in cash in 2012			7'963
Cash and cash equivalents acquired			-1'133
Acquisition of subsidiary, net of cash acquired			**6'830**

The undiscounted contingent consideration is estimated to be in a range of CHF 0 to CHF 0.5 million in dependency of the licence revenue with the 4M Wireless Ltd software stack technology in 2013 and 2014.

The acquired receivables are measured at fair value which is equal to the contractual gross amounts. They are expected to be fully collectible.

The goodwill represents intangible assets that do not qualify for a separate recognition as well as the assembled workforce of 4M Wireless Ltd. The goodwill is fully allocated to the Positioning and Wireless products segment and is not expected to be deductible for tax purposes.

The acquisition had a positive impact on revenues of the group of CHF 0.3 million and a negative impact of CHF 0.1 million on net profit of the group since the date of acquisition.

Fastrax Oy

At October 29, 2012 u-blox AG acquired 100% of the shares of Fastrax Oy, a company specialized in a broad range of GNSS positioning and antenna modules.

Fastrax Oy established itself as a successful player in the global positioning markets worldwide and employed 21 employees as of the acquisition date. The company is headquartered in Espoo, Finland. Fastrax' products are an excellent complement to the existing portfolio of u-blox and will benefit from u-blox' economies of scale. The name was changed to u-blox Espoo, Oy during December 2012.

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

(in CHF 000s)	Carrying amount of the acquired assets and liabilities	Fair value adjustments	Acquired assets and liabilities at fair value
Cash and cash equivalents	523		523
Trade receivables	1'670		1'670
Other receivables	49		49
Inventories	519		519
Property, plant and equipment	216		216
Intangible assets			
License fees & software	38		38
Capitalized development costs	3'793		3'793
Acquired customer relationships		1'089	1'089
Financial assets	737		737
Total assets	**7'545**	**1'089**	**8'634**
Trade payables	-1'731		-1'731
Accrued expenses	-216		-216
Long-term loans	-3'342		-3'342
Deferred tax liabilities		-267	-267
Net assets	**2'256**	**822**	**3'078**
Goodwill			9'637
Total consideration transferred			**12'715**
Settled by:			
Cash payment			12'023
Deferred payment in cash			692
Paid in cash in 2012			12'023
Cash and cash equivalents acquired			-523
Acquisition of subsidiary, net of cash acquired			**11'500**

The fair value of the receivables and the loans is equal to the gross contractual amounts. All receivables and loans are expected to be collectible. The goodwill represents intangible assets that do not qualify for a separate recognition as well as the assembled workforce of Fastrax Oy. The goodwill is fully allocated to the Positioning and Wireless products segment and is not expected to be deductible for tax purposes.

The acquisition had a positive impact on revenues of the group of CHF 2.0 million and a negative impact of CHF 1.2 million on net profit of the group since the date of acquisition.

Had the three acquisitions taken place at January 1, 2012,the consolidated income statement would show pro-forma revenue of CHF 184.5 million and net profit of CHF 15.7 million.

Acquisition related costs for all three acquisitions of total CHF 0.2 million have been charged to general and administrative expenses in the consolidated income statement for the year ended December 31, 2012.

The following business combination took place in 2011:

Acquisition of Fusion Wireless, Inc.

On September 18, 2011 u-blox AG acquired Fusion Wireless, Inc., San Diego a provider of CDMA wireless modules for consumer and M2M applications. The purchase price for 100% of shares was CHF 1.2 million (including present value of contingent consideration of CHF 0.6 million), deducting the cash acquired of CHF 0.5 million the net purchase price paid was CHF 0.1 million. The undiscounted contingent consideration is estimated to be in a range of USD 0 to USD 1.3 million in dependency of the gross profit of CDMA products sold in the years 2012 until mid 2014.

The contingent consideration at December 31, 2012 remains unchanged from the prior year. Therefore no adjustment was recorded in 2012.

u-blox AG acquired net liabilities of CHF 1.0 million resulting in a goodwill of CHF 2.2 million which will not be tax deductible. The goodwill stands for the know-how of the employees and their knowledge of the CDMA business and CDMA market as well as the synergies u-blox will have with other products out of the u-blox family. It is allocated to the cash-generating unit “Positioning and Wireless products”.

With the business combination, u-blox acquired loans which were repaid after the acquisition, resulting in a cash usage of CHF 2.4 million.

CHF 0.4 million additional revenue was made in 2011 out of this acquisition and the impact on group net profit was CHF -0.1 million. If Fusion Wireless had been consolidated from January 1, 2011 onwards, group revenues would have been CHF 126.5 million and net profit would have been CHF 14.3 million.

5 Segment reporting

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

The following reportable segments were identified:

Positioning and Wireless products (former: GPS and Wireless products)
The group develops and distributes GPS/GNSS positioning receivers and, since early 2009, also wireless communication modules which are mainly used in automotive, industrial and consumer applications. Products are marketed and sold by the u-blox worldwide sales organization. The products are manufactured by third parties. The group coordinates the whole supply chain and manages the world-wide production and distribution of the products. With the acquisition of u-blox Espoo Oy and u-blox Melbourn Ltd. another two entities were added to this segment.

Wireless services
With the acquisitions of u-blox Italia S.p.A. and u-blox San Diego, Inc., u-blox offers also services in the wireless communication technology which forms a separate business segment as these products consist of delivery of reference designs and software. With the acquisition of u-blox Luton Ltd and u-blox Lahore (Pvt) Ltd. (former: 4M Wireless Ltd and 4M Wireless (Pvt) Ltd.) another two entities joined this operating segment. The customization for each delivery is prepared by the companies.

Segment information at December 31,

	Positioning and Wireless products		**Wireless services**		**Total segments**		**Non-allocated/ eliminations**		**Group**	
(in CHF 000s)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue third	171'093	122'973	2'035	1'731	173'128	124'704	0	0	173'128	124'704
Revenue intragroup	0	0	12'323	7'484	12'323	7'484	-12'323	-7'484	0	0
Total Revenue	**171'093**	**122'973**	**14'358**	**9'215**	**185'451**	**132'188**	**-12'323**	**-7'484**	**173'128**	**124'704**
EBITDA	32'673	27'424	2'919	2'009	35'582	29'433	-290	-314	35'292	29'119
Depreciation	-2'204	-2'330	-763	-611	-2'967	-2'941	0	0	-2'967	-2'941
Amortization	-7'716	-4'026	-1'557	-952	-9'273	4'978	0	0	-9'273	-4'978
EBIT	**22'743**	**21'068**	**599**	**446**	**23'342**	**21'514**	**-290**	**-314**	**23'052**	**21'200**
Finance income									922	1'034
Finance costs									-2'436	-1'286
EBT									**21'538**	**20'948**
Assets	105'439	74'417	20'484	6'981	125'923	81'398	65'975	82'185	191'898	163'583
Liabilities	29'940	22'264	4'962	3'009	34'902	25'273	7'240	1'357	42'142	26'630
Additions to non-current assets	11'700	11'480	2'452	2'149	14'152	13'629	0	0	14'152	13'629

Revenues are derived from:

(in CHF 000s)	For the year ended December 31, 2012	For the year ended December 31, 2011
Sale of goods	169’843	121’060
Services rendered	2’035	1’731
License fees	1’250	1’913
Total	**173’128**	**124’704**

Geographic information

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

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

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	in CHF 000s	**% share**	**in CHF 000s**	**% share**
EMEA	41’902	24.2	32’709	26.2
thereof: Switzerland	*381*	0.2	*675*	0.5
Germany	*13’558*	7.8	*11’331*	9.1
America	70’506	40.7	36’347	29.2
thereof: United States of America	*64’635*	*37.3*	*32’047*	*25.7*
Asia Pacific	60’720	35.1	55’648	44.6
thereof: China and Hong Kong	*33’265*	*19.2*	*33’562*	*26.9*
Total	**173’128**	**100.0**	**124’704**	**100.0**

Revenues of TCHF 20’795 (2011: TCHF 3’658) are derived from a single customer. These revenues are attributable to the US market.

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

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	in CHF 000s	**% share**	**in CHF 000s**	**% share**
EMEA	74’917	95.5	37’408	97.3
thereof: Switzerland	*22’091*	*28.2*	*33’992*	*88.4*
America	3’452	4.4	982	2.6
Asia Pacific	50	0.1	43	0.1
Total	**78’419**	**100.0**	**38’433**	**100.0**

6 Cash and cash equivalents

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Petty cash	11	10
Cash at banks	33’405	35’141
Total	**33’416**	**35’151**

Composition of cash and cash equivalents by currency (in CHF 000s)		
CHF	12’483	1’894
USD	11’337	12’740
EUR	7’868	19’282
GBP	966	658
SGD	27	17
CNY	109	110
KRW	50	38
TWD	24	21
JPY	419	389
PKR	133	2

7 Marketable securities

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

8 Trade accounts receivables

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Gross amount	22'653	17'570
Allowance for doubtful receivables	-526	-693
Total	**22'127**	**16'877**
Composition by currency (in CHF 000s)		
USD	18'972	13'482
EUR	2'551	3'109
JPY	437	286
GBP	167	0
Composition by regions (in CHF 000s)		
EMEA	5'130	4'967
Americas	11'416	7'106
Asia Pacific	5'581	4'804

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

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

	At December 31, 2012		At December 31, 2011	
(in CHF 000s)	Gross receivables	Net receivables	Gross receivables	Net receivables
Not yet due	17'608	17'608	12'471	12'471
1 - 30 days overdue	4'307	4'307	3'837	3'830
31 - 90 days overdue	172	156	558	498
91 - 180 days overdue	70	54	97	73
More than 180 days overdue	496	2	607	5
Total	**22'653**	**22'127**	**17'570**	**16'877**

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

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

(in CHF 000s)	2012	2011
Individually assessed value adjustments		
At January 1,	693	958
Decrease	-167	-265
Total value adjustments at December 31,	**526**	**693**

The individually assessed impairment allowance amounts to TCHF 526 (previous year: TCHF 693). It is assumed that a small part of the underlying receivables will eventually be paid.

For further information on credit management and trade accounts receivables see note 24.

9 Inventories

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Raw material (components)	3'190	2'975
Work in process	7'489	8'141
Finished products	8'996	9'921
Allowance for obsolete inventories	-504	-481
Total	**19'171**	**20'556**

Components and changes in finished products recognized as cost of sales amounted to CHF 87.6 million (2011: CHF 58.4 million). The allowance relates to inventories considered obsolete.

10 Property, plant and equipment

Cost (in CHF 000s)	Furniture, equipment and vehicles	IT infrastructure	Tools and test infrastructure	Total
Balance at January 1, 2011	**5'734**	**457**	**7'183**	**13'374**
Additions	1'996	279	1'069	3'344
Additions due to acquisitions	9	0	0	9
Derecognition	-81	-90	0	-171
Translation differences	-56	-6	0	-62
Balance at December 31, 2011	**7'602**	**640**	**8'252**	**16'494**
Additions	2'590	204	1'535	4'329
Additions due to acquisitions	389	20	16	425
Derecognition	-82	-29	0	-111
Translation differences	-56	-7	-2	-65
Balance at December 31, 2012	**10'443**	**828**	**9'801**	**21'072**

Accumulated depreciation (in CHF 000s)	Furniture, equipment and vehicles	IT infrastructure	Tools and test infrastructure	Total
Balance at January 1, 2011	**3'811**	**262**	**4'354**	**8'427**
Depreciation	1'346	158	1'437	2'941
Derecognition	-81	-90	0	-171
Translation differences	-33	-1	0	-34
Balance at December 31, 2011	**5'043**	**329**	**5'791**	**11'163**
Depreciation	1'581	169	1'217	2'967
Derecognition	-82	-29	0	-111
Translation differences	-22	-3	0	-25
Balance at December 31, 2012	**6'520**	**466**	**7'008**	**13'994**
Net carrying amount at December 31, 2011	**2'559**	**311**	**2'461**	**5'331**
Net carrying amount at December 31, 2012	**3'923**	**362**	**2'793**	**7'078**

The value of property, plant and equipment for the purposes of insurance against fire amounted to CHF 10.2 million at December 31, 2012 (CHF 8.0 million at December 31, 2011).

During the years ended December 31, 2011 and December 31, 2012 no impairment losses were recognized on tangible assets. The group did not have any capital commitments at December 31, 2012 (December 31, 2011: none).

11 Intangible assets

Cost (in CHF 000s)	**Good-will**	Intellectual property rights/ acquired technology	Soft-ware	Capital-ized devel-opment costs	Customer relation-ships/ other intangible assets	**Total other intan-gible assets**
Balance at January 1, 2011	**14'876**	**12'297**	**3'695**	**14'587**	**468**	**31'047**
Additions	0	1'938	1'191	3'977	16	7'122
Additions due to acquisitions	2'150	710	0	0	294	1'004
Derecognition	0	0	-1'304	-77	0	-1'381
Translation differences	111	16	-43	-10	0	-37
Balance at December 31, 2011	**17'137**	**14'961**	**3'539**	**18'477**	**778**	**37'755**
Additions	0	4'039	2'080	3'692	12	9'823
Additions due to acquisitions	20'868	8'975	2'192	3'826	2'432	17'425
Disposal	0	0	0	-40	0	-40
Translation differences	-346	-152	-41	-40	-40	-273
Balance at December 31, 2012	**37'659**	**27'823**	**7'770**	**25'915**	**3'182**	**64'690**

Accumulated amortization (in CHF 000s)	**Good-will**	Intellectual property rights/ acquired technology	Soft-ware	Capital-ized devel-opment costs	Customer relation-ships/ other intangible assets	**Total other intan-gible assets**
Balance at January 1, 2011	**0**	**5'534**	**2'784**	**9'777**	**141**	**18'236**
Amortization	0	1'943	1'220	1'695	120	4'978
Derecognition	0	0	-1'304	-77	0	-1'381
Translation differences	0	-5	-27	-6	-5	-43
Balance at December 31, 2011	**0**	**7'472**	**2'673**	**11'389**	**256**	**21'790**
Amortization	0	3'942	1'909	2'528	894	9'273
Derecognition	0	0	0	0	0	0
Translation differences	0	-16	-21	-3	-15	-55
Balance at December 31, 2012	**0**	**11'398**	**4'561**	**13'914**	**1'135**	**31'008**
Net carrying amount at December 31, 2011	**17'137**	**7'489**	**866**	**7'088**	**522**	**15'965**
Net carrying amount at December 31, 2012	**37'659**	**16'425**	**3'209**	**12'001**	**2'047**	**33'682**

During the years ended December 31, 2011 and December 31, 2012 no impairment losses were recognized on intangible assets. The group did not have any capital commitments at December 31, 2012 (December 31, 2011: none).

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

(in CHF 000s)	**2012**	**2011**
Cost of sales	110	102
Distribution and marketing expenses	687	137
Research and development expenses	6'746	4'582
General and administrative expenses	1'730	157
Total amortization	**9'273**	**4'978**

Goodwill

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

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Positioning and Wireless products	36'727	16'198
Wireless services	932	939
Total goodwill	**37'659**	**17'137**

Impairment

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

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

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

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

Following parameters have been used for the calculations:

	2012		2011	
	Discount rate	Growth rate (residual value)	Discount rate	Growth rate (residual value)
Positioning and Wireless products	9.82%	3%	10.15%	3%
Wireless services	9.71%	3%	10.05%	3%
Pre-tax discount rate for:				
Positioning and Wireless products	12.15%		12.56%	
Wireless services	13.40%		13.87%	

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

Sensitivity analysis for goodwill related to:

Positioning and Wireless products

For the year ended December 31, 2012
Amount in excess of the carrying amount of goodwill in CHF 000s depending on

	Growth rate (residual value)		
Discount rate	**0.0%**	**1.5%**	**3.0%**
7.82%	466'478	564'800	724'327
9.82%	349'331	403'784	**482'192**
11.82%	272'755	306'185	350'985

For the year ended December 31, 2011
Amount in excess of the carrying amount of goodwill in CHF 000s depending on

	Growth rate (residual value)		
Discount rate	**0.0%**	**1.5%**	**3.0%**
8.15%	265'522	317'279	399'179
10.15%	200'738	229'720	**270'861**
12.15%	158'110	175'961	199'663

Wireless services

For the year ended December 31, 2012
Amount in excess of the carrying amount of goodwill in CHF 000s depending on

	Growth rate (residual value)		
Discount rate	**0.0%**	**1.5%**	**3.0%**
7.71%	7'074	8'044	9'630
9.71%	5'765	6'291	**7'052**
11.71%	4'883	5'199	5'625

For the year ended December 31, 2011
Amount in excess of the carrying amount of goodwill in CHF 000s depending on

	Growth rate (residual value)		
Discount rate	**0.0%**	**1.5%**	**3.0%**
8.05%	3'370	4'016	5'045
10.05%	2'596	2'959	**3'478**
12.05%	2'086	2'312	2'612

12 Trade accounts payables

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Trade accounts payables	8’290	6’120
Total	**8’290**	**6’120**
Composition by currency (in CHF 000s)		
CHF	233	28
USD	6’129	5’642
EUR	1’928	450

13 Accrued expenses

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Personnel related	6’181	6’222
Other accruals	5’384	3’103
Total	**11’565**	**9’325**

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

14 Borrowings

With the acquisition of u-blox Espoo Oy in 2012 (see note 4), the group acquired non-secured loans payable to a publicly funded organisation that supports research and development projects. At December 31, 2012 the borrowings, which are denominated in EUR, amounted to TCHF 2’825 and bear interest of 1% annually. If discounted at a market interest rate of 4.65%, which applies to companies of the group in the EURO market, the fair value of the borrowing amounts to TCHF 2’550 at December 31, 2012.

15 Provisions

(in CHF 000s)	2012	2011
At January 1,	1’190	281
Additional provisions	1’338	909
Used during year	-587	0
At December 31,	**1’941**	**1’190**

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 a percentage of individual product revenues and is recorded at the time revenue is recognized. Should the actual royalties to be paid under license agreements signed in the future differ from the estimates, the royalty provision would have to be revised.

16 Pension liability

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

Defined benefit plans

For the Swiss pension plan, retirement benefits are dependent on the accumulated retirement capital which can either be drawn as a joint-life pension or as a lump sum payment. Other benefits provided by the Swiss pension plan include a disability pension, death benefits and related benefits for pension plan participants' children. The assets of the pension plan are held within a separate foundation and cannot revert to the employer.

For the Italian plan (Trattamento di fine rapporto), which is an unfunded plan, retirement benefits are dependent on the accumulated retirement capital at the time when the employment ends, whereby the employee may choose to have the yearly amount transferred into externally held defined benefit plans.

The following amounts have been recorded in the income statement:

(in CHF 000s)	2012	2011
Current service cost	962	803
Interest cost	374	338
Expected return on plan assets	-358	-305
Total cost of defined benefit plans	**978**	**836**
Actual return on plan assets	862	69

The following amounts are recognized in other comprehensive income:

(in CHF 000s)	2012	2011
Recognized actuarial losses at beginning of the year	**3'088**	**1'967**
Actuarial loss on the defined benefit obligation	2'131	885
Actuarial loss / (gain) on plan assets	-504	236
Net actuarial loss for the year	**1'627**	**1'121**
Cumulative amount of recognized actuarial losses at end of the year	**4'715**	**3'088**

Changes in the present value of the defined benefit obligation

(in CHF 000s)	2012	2011
Opening defined benefit obligation	14’119	11’510
Current service cost	962	803
Interest cost	374	338
Plan participants’ contributions	593	524
Actuarial loss	2’131	885
Benefit payments net of transfer-in amounts	929	86
Benefit paid by employer	-6	-14
Exchange rate differences	-2	-13
Closing defined benefit obligation	**19’100**	**14’119**

Changes in the fair value of plan assets

(in CHF 000s)	2012	2011
Opening fair value of plan assets	10’161	8’701
Expected return on plan assets	358	305
Actuarial gain/(loss) on plan assets	504	-236
Contributions by employer	885	781
Plan participants’ contributions	593	524
Benefit payments net of transfer-in amounts	929	86
Closing fair value of plan assets	**13’430**	**10’161**

The expected contributions of the group for defined benefit plans for the financial year 2013 amount to TCHF 960.

Amount recognized in the statement of financial position

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Present value of defined benefit obligation	19’100	14’119
Fair value of plan assets	13’430	-10’161
Underfunding (net liability)	**5’670**	**3’958**

Changes in the net liability recognized in the statement of financial position

(in CHF 000s)	2012	2011
Net liability at January 1,	3’958	2’809
Cost of defined benefit plans	978	836
Contributions by employer	-885	-781
Benefits paid by employer	-6	-14
Net change in actuarial losses	1’627	1’121
Exchange rate differences	-2	-13
Net liability at December 31,	**5’670**	**3’958**
thereof: funded	5’188	3’546
unfunded	482	412

Principal actuarial assumptions

(Swiss plan only)

Calculation of defined benefit obligations	At December 31, 2012	At December 31, 2011
Discount rate	1.94%	2.57%
Future salary increases	2.44%	2.43%
Future pension indexations	0.24%	0.24%

Calculation of expense	2012	2011
Discount rate	2.57%	2.93%
Expected return on plan assets	3.15%	3.25%

Asset classes and expected return

(Swiss plan only)

	At December 31, 2012		At December 31, 2011	
	Share of total assets	Expected return	Share of total assets	Expected return
Equities	15.76%	5.75%	11.02%	6.25%
Bonds	60.15%	1.75%	65.35%	2.25%
Real estate	16.61%	4.50%	14.29%	4.50%
Qualified insurance policies	2.07%	1.90%	2.90%	2.50%
Others	5.41%	3.83%	6.44%	4.33%

Development of defined benefit obligations and plan assets

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

(in CHF 000s) **At December 31,**	2012	2011	2010	2009	2008
Present value of defined benefit obligation	19’100	14’119	11’510	10’299	7’798
Fair value of plan assets	13’430	-10’161	-8’701	-7’975	-6’072
Underfunding	**5’670**	**3’958**	**2’809**	**2’324**	**1’726**
Experience loss/(gain) on plan liabilities	546	446	-26	657	191
Experience loss/(gain) on plan assets	-504	236	96	-696	765

Defined contribution plans

In 2012, group contributions to defined contribution plans were TCHF 559 (2011: TCHF 481).

17 Share capital and share premium

(in CHF 000s, unless otherwise stated)	Number of shares	Ordinary shares	Share premium	Total
At January 1, 2011	6’243’370	5’619	98’694	104’313
At December 31, 2011	**6’243’370**	**5’619**	**98’694**	**104’313**
Dividends paid-out			-5’660	-5’660
Options exercised during the year	61’662	56	1’098	1’154
At December 31, 2012	**6’305’032**	**5’675**	**94’132**	**99’807**

Ordinary share capital

The company’s ordinary share capital at December 31, 2012 consists of 6’305’032 registered shares with a nominal value of CHF 0.90 each.

Dividends per share of CHF 0.90 were paid out in 2012. Transaction costs related to the options exercised in 2012 amounting to TCHF 26 have been netted off with the deemed proceeds and recorded in share premium.

Authorized share capital

At the shareholders meeting of u-blox Holding AG held on April 27, 2011, the shareholders resolved that the Board of Directors shall be authorized, at any time until October 16, 2013, to increase the share capital through the issuance of up to 1’248’674 fully paid-in registered shares with a nominal value of CHF 0.90 each. On December 31, 2012 and 2011 respectively, the authorized share capital amounted to CHF 1’123’807 (1’248’674 shares of CHF 0.90 each).

Conditional share capital

At the extraordinary shareholders’ meeting held on October 16, 2007 of u-blox Holding AG, the shareholders’ resolved that the Board of Directors shall be authorized to increase the share capital by a maximum aggregate amount of CHF 561’903 by issuing no more than 624’337 fully paid-in registered shares with a nominal value of CHF 0.90 each. The conditional share capital is used for the exercise of option rights that are and will be granted to the members of the Board of Directors and to the employees of the company and its subsidiaries according to any employee share option plans (ESOP) as approved by the Board of Directors.

In 2012, 61’662 options were exercised out of the conditional share capital (2011: none). The conditional share capital amount available decreased accordingly to CHF 506’408 (562’675 shares with a nominal value of CHF 0.90).

18 Earnings per share

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

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

	For the year ended December 31, 2012	For the year ended December 31, 2011
Net profit (in CHF 000s)	**17'203**	**16'508**
Weighted average number of outstanding shares (basic)	**6'284'347**	**6'243'370**
Effect of share options on issue	38'134	126'185
Weighted average number of outstanding shares (diluted)	**6'322'481**	**6'369'555**
Basic earnings per share (in CHF)	**2.74**	**2.64**
Diluted earnings per share (in CHF)	**2.72**	**2.59**

At December 31, 2012 the group had 478'024 outstanding options (December 31, 2011: 397'951 outstanding options) granted to employees (see note 19). The potential ordinary shares arising from outstanding stock options granted in 2008 and 2011 were "out of the money" at December 31, 2012. As such, they would have had an anti-dilutive effect and were therefore excluded from the calculation of diluted earnings per share. Therefore the options granted in 2009, 2010 and 2012 were considered for the calculation of the diluted earnings per share in 2012.

19 Employee compensation and benefits

Personnel expenses

Personnel expenses included in operating expenses consist of the following:

(in CHF 000s)	For the year ended December 31, 2012	For the year ended December 31, 2011
Salaries	25'947	19'569
Share-based payments	1'867	1'569
Social taxes	3'546	2'289
Employee benefits related cost	1'537	1'317
Other personnel related expenses	1'369	955
Total personnel expenses	**34'266**	**25'699**
Average number of employees (FTE*)	259.5	215.2

* (FTE = Full Time Equivalent)

Employee stock option plan

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

In 2012, 146'477 options were granted to certain members of the Board of Directors, Executive Committee members and employees at an exercise price of CHF 39.91 and 8'341 employee stock options at an exercise price of CHF 41.20.

In 2012, 61'662 options were exercised to buy one share with a nominal value of CHF 0.90 at a share price of CHF 19.15 per option. Share transaction cost of TCHF 26 were deducted from the proceeds. Net proceeds were recorded in share capital TCHF 56 and share premium TCHF 1'098.

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

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Weighted average exercise price in CHF	Number of options	Weighted average exercise price in CHF	Number of options
Opening balance	**35.64**	**397'951**	**28.94**	**277'299**
Granted	39.98	154'818	48.68	139'025
Exercised	19.15	-61'662	0.00	0
Forfeited	39.15	-13'083	33.16	-18'373
Ending balance	**39.08**	**478'024**	**35.64**	**397'951**
Thereof vested	40.63	86'171	46.00	69'475

The following table summarizes the employee stock options outstanding at December 31, 2012 and December 31, 2011 respectively:

Expiry date	Exercise Price CHF	Options outstanding at December 31, 2012	Options outstanding at December 31, 2011
2014	46.00	68'951	69'475
2015	19.15	17'220	79'264
2016	25.50	105'787	107'860
2016	26.25	6'890	7'272
2017	48.58	123'422	126'114
2017	50.30	7'425	7'966
2018	39.91	140'752	0
2018	41.20	7'577	0
Total		**478'024**	**397'951**

The weighted average fair value of options granted during 2012 was CHF 13.02 (2011: CHF 18.79). The fair value of stock options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended December 31, 2012 and 2011 respectively:

	2012	2011
Dividend yield	2.16%	0.00%
Expected volatility	47.70%	48.00%
Risk-free interest rate	0.47%	1.25%
Expected life of option	4.50 years	4.50 years
Expected exit rate during vesting	3.00%	3.00%
Weighted average share price	CHF 39.98	CHF 48.68
Weighted average remaining expected life at December 31,	2.13 years	3.50 years
Weighted average remaining contractual life at December 31,	3.63 years	5.00 years

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

The expense for employee services received is recognized over the vesting period. The expense from the employee stock option plan recognized in 2012 was TCHF 1'815 (2011: TCHF 1'569).

Additional options were granted at the beginning of 2013 (see note 30).

Other share-based compensation

A payment in u-blox Holding AG shares will become due upon fulfillment of performance goals over the next two years following the date of acquisition of a subsidiary. The share-based compensation is measured at the listed share price of one u-blox Holding AG share as of the acquisition date (CHF 41), less discounted dividend yield for the two years vesting period and multiplied by the amount of shares (15'822) that are to be paid should the performance goals be met. For the year ended December 2012, a share-based compensation expense of TCHF 52 (2011: TCHF 0) was recorded in the income statement.

20 Research and development

(in CHF 000s)	2012	2011
Research and development expenditures	24’094	15’773
Depreciation and amortization	8’584	6’308
Total research and development expenses	**32’678**	**22’081**

21 Operating expenses by nature

(in CHF 000s)	Note	2012	2011
Material costs	9	87’636	58’404
Personnel expenses	19	34’266	25’699
Depreciation	10	2’967	2’941
Amortization	11	9’273	4’978
Travel - and representation expenses		2’696	2’064
Administration expenses		4’080	3’296
Marketing expenses		1’526	1’036
Rent expenses		1’772	1’360
Other expenses		5’972	3’982
Other income		-112	-256
Total		**150’076**	**103’504**

22 Finance income/finance costs

(in CHF 000s)	2012	2011
Interest income on bank deposits	810	994
Gains on financial instruments at fair value held for trading	112	40
Finance income	**922**	**1’034**
Losses on financial instruments at fair value held for trading	-353	-612
Interest expenses	-23	-6
Foreign exchange result (net)	-1’784	-668
Other finance costs	-276	0
Finance costs	**-2’436**	**-1’286**
Total, net	**-1’514**	**-252**

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

23 Income tax expense

Income taxes can be analyzed as follows:

(in CHF 000s)	At December 31, 2012	At December 31, 2011
Current income taxes	5’731	4’545
Deferred income taxes	-1’396	-105
Total income tax expense	**4’335**	**4’440**

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:

		2012		**2011**
	in %	in CHF 000s	in %	in CHF 000s
Profit before income tax		**21’538**		**20’948**
Income tax rate of u-blox AG, Thalwil	19.2		19.2	
Expected income tax expense		4’135		4’022
Effect of different tax rates		370		303
Effect of non-tax-deductible expenses		512		391
Tax effect of tax-exempt income		-386		-216
Prior year adjustments		10		-103
R&D tax credits		-156		-162
Previously recognized tax loss carry forwards not used		-71		0
Tax loss carry forwards not recognised in current year		180		0
Withholding taxes (non recoverable)		-197		214
Other		-62		-9
Effective income tax expense		**4’335**		**4’440**

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, 2012		At December 31, 2011		
(in CHF 000s)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Change 2012
Investments in subsidiaries	0	121	0	318	197
Other assets	887	2'406	813	583	-1'749
Other liabilities	1'167	564	887	803	519
Tax loss carry forwards	2'754	0	368	0	2'386
Deferred tax assets/ liabilities [1]	**4'808**	**3'091**	**2'068**	**1'704**	**1'353**

[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.

The increase in tax loss carry forward is mainly due to the acquisition of u-blox Melbourn Ltd., where losses of TCHF 2'695 were capitalized.

(in CHF 000s)	2012	2011
Deferred income taxes recognized in the income statement	1'396	105
Addition due to acquisition	-412	-395
Deferred income taxes recognized in other comprehensive income	320	213
Translation differences	49	-9
Total changes compared to previous year	**1'353**	**-86**

On temporary differences from investments in subsidiaries of TCHF 1'720 (2011: TCHF 1'720), no deferred tax liability was recorded.

Tax loss carry forwards

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

	Gross value of tax loss carry forwards		Potential tax benefits	
(in CHF 000s)	2012	2011	2012	2011
Expiry dates				
To be carried forward unlimited	9'347	1'571	2'754	368
Total tax loss carry forwards capitalized	**9'347**	**1'571**	**2'754**	**368**
Expiry dates				
2013	2'279		558	
2014	823		202	
2015	22		5	
2016	183		45	
2017 - 2028	291		71	
To be carried forward unlimited	8'591	1'923	1'809	401
Total tax loss carry forwards not capitalized	**12'189**	**1'923**	**2'690**	**401**
Total tax loss carry forwards [1]	**21'536**	**3'494**	**5'444**	**769**

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

24 Financial risk management

The following table shows the carrying amount of all financial instruments per category. They correspond, approximately, to the fair values in accordance with IFRS, with the exception of borrowings (note 14).

(in CHF 000s)	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash and cash equivalents	**33'416**	**35'131**
Trade accounts receivables	22'127	16'877
Other receivables	4'307	2'456
Accrued income	465	825
Financial assets	1'195	425
Loans and receivables	**28'094**	**20'583**
Marketable securities	27'175	45'981
Financial assets at fair value through profit or loss	**27'175**	**45'981**
Trade accounts payables	8'290	6'120
Other payables – other	6'227	2'062
Accrued expenses	11'565	9'325
Borrowings	2'825	0
Liabilities at amortized costs	**28'907**	**17'507**
Other payables – contingent consideration	969	609
Liabilities at fair value through profit or loss	**969**	**609**

The carrying amount of the marketable securities recognized at their fair value is determined on the basis of the bonds prices at the balance sheet date.

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

Fair value hierarchy

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

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

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

Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

For the year ended December 31, 2012

(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	27'175	27'175	0	0
Total assets	**27'175**	**27'175**	**0**	**0**
Other payables – contingent consideration	969	0	0	969
Total liabilities	**969**	**0**	**0**	**969**

For the year ended December 31, 2011

(in CHF 000s)	Total	Level 1	Level 2	Level 3
Marketable securities	45'981	45'981	0	0
Total	**45'981**	**45'981**	**0**	**0**
Other payables – contingent consideration	609	0	0	609
Total liabilities	**609**	**0**	**0**	**609**

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)	2012	2011
Balance at January 1,	609	0
Arising from business combinations	384	609
Losses recognized in profit or loss	-24	0
Balance at December 31,	**969**	**609**

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

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

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

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

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

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

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

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

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

Cash and cash equivalents and marketable securities

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

Guarantees

The group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2012 no guarantees were outstanding (December 31, 2011: none).

The maximum credit risk on financial instruments corresponds to the carrying amounts of the individual financial assets. u-blox has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts. Details of the due dates of receivables are shown in note 8.

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

(in CHF 000s)	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash and cash equivalents	33'416	35'151
Marketable securities	27'175	45'981
Trade accounts receivables	22'127	16'877
Other receivables	4'307	2'456
Accrued income	465	825
Other financial assets	1'195	425
Total	**88'685**	**101'715**

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 3 million overdraft facility that would be – in case of a draw down – secured by a pledge of the trade accounts receivables. Interest would be payable at the rate of 3% p.a. plus commission of 0.25% per quarter. The bank may adjust the interest rate in line with the market interest rates. Securities are nominated up to CHF 3.1 million.

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

The following are the contractual maturities of financial liabilities:

For the year ended December 31, 2012 (in CHF 000s)	**Carrying amounts**	**Contractual cash flows**	**up to 6 months**	**6-12 months**	**1 - 5 years**
Trade accounts payables	8'290	8'290	8'290	0	0
Other payables – other	6'227	6'227	5'061	0	1'166
Other payables – contingent consideration	969	1'127	0	0	1'127
Accrued expenses	11'565	11'565	11'565	0	0
Borrowings	2'825	2'890	0	0	2'890
Total	**29'876**	**30'099**	**24'916**	**0**	**5'183**

For the year ended December 31, 2011 (in CHF 000s)	**Carrying amounts**	**Contractual cash flows**	**up to 6 months**	**6-12 months**	**1 - 5 years**
Trade accounts payables	6'120	6'120	6'120	0	0
Other payables – other	2'062	2'062	2'062	0	0
Other payables – contingent consideration	609	609	0	0	609
Accrued expenses	9'325	9'325	9'325	0	0
Total	**18'116**	**18'116**	**17'507**	**0**	**609**

c) Market risk

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

c1) Interest rate risk

Interest rate risk arises from movements in interest rates which could have adverse effects on the group's net income or financial position. The group places its cash and cash equivalents primarily in marketable securities. With the acquisition of u-blox Espoo Oy, the group acquired a fixed interest rate research and development loan payables to a Finnish Funding Agency. Based on the terms, there is no risk in changes of interest rate or value of the loan. Interest rate risk exposure exists for the invested assets as the fair value of the bonds depend on the actual interest rates. The risk is limited by investing in bonds of a maximum remaining duration of 4 years. Revenue and operating cash flows are substantially independent of changes in market interest rates. The cash position is used for general corporate purposes and to fund the planned growth. Management considers that the group is not exposed to any significant risks arising from changes in market interest rates and therefore no hedging instruments are utilized.

An increase of the Swiss Franc interest rate of 0.25% would decrease the value of the marketable securities by 0.33% resulting in a negative impact of TCHF 91 on the profit before income tax.

c2) Currency risk

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

The table below shows the significant currency risks arising from financial instruments in a foreign currency from the perspective of the group entity which holds these financial instruments:

	For the year ended December 31, 2012		For the year ended December 31, 2011	
(in CHF 000s)	**USD**	**EUR**	**USD**	**EUR**
Cash and cash equivalents	9’202	5’676	10’936	18’902
Trade accounts receivables	7’838	2’436	6’215	2’950
Receivables from subsidiaries	14’748	967	7’509	458
Other receivables	271	2’567	78	1’186
Accrued income	0	0	86	369
Trade accounts payables	-6’824	-351	-5’643	-90
Other payables – other	-862	-1’471	-117	-239
Other payables – contingent consideration	-969	0	-609	0
Payables to subsidiaries	-5’604	-2’937	-1’958	-2’070
Accrued expenses	-1’150	-500	-806	-610
Total currency exposure	**16’650**	**6’387**	**15’691**	**20’856**

A 10% change in exchange rates at December 31, 2012 would have increased or decreased net profit by the amounts listed below. The assumption underlying this analysis is that all other variables, in particular interest rates, remain unchanged. Substantially larger effects on the income statement can be caused by exchange rate changes related to business transactions during the year, which do not lie within the scope of IFRS 7.

Sensitivity analysis	2012	2011	2012	2011
	USD/CHF	**USD/CHF**	**EUR/CHF**	**EUR/CHF**
Change +/-	10%	10%	10%	10%
(in CHF 000s)				
Positive impact on income statement	+ 1’345	+1’268	+516	+1’685
Negative impact on income statement	- 1’345	-1’268	-516	-1’685

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

In 2012 the group did not enter into any derivative financial instruments contracts (2011: none).

25 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the number of shareholders, as well as the return on capital, which the group defines as net profit divided by total shareholders' equity. Return on capital was 11.5% in 2012 (2011: 12.1%).

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements. The Board plans to invest future profits, if any, into the long-term growth of the business but also, based on the sound cash situation, wants to let the shareholders participate in the business result by dividend payments or by repaying part of the share premium.

26 Operating leases

Future minimal rental payments under equipment and facility leases at December 31, 2012 are as follows:

Operating leases due (in CHF 000s)	**At December 31, 2012**	**At December 31, 2011**
Within 1 year	1'743	1'459
Within 2 years	1'493	1'437
Within 3 years	1'330	1'148
Within 4 years	1'097	1'149
Thereafter	2'415	2'498
Total	**8'078**	**7'691**

This position mainly consists of office space rented.

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

At December 31, 2012 and 2011 there were no guarantees in favour of third parties. The group is not exposed to any significant other contingent liabilities. There is no known threatened or pending litigation against any group companies.

28 Related parties

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

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

(in CHF 000s)	For the year ended December 31, 2012	For the year ended December 31, 2011
Salaries	2'275	1'718
Share-based payments	488	494
Social taxes	223	144
Employee benefit costs	136	123
Total compensation	**3'122**	**2'479**

There were no other significant transactions with related parties during the years ended December 31, 2012 and 2011.

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

29 Risk management

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

Financial risk management is described in more detail in note 24. The organization, principles, and reporting of risk management are described in Corporate Governance under the subtitle 'risk management'.

30 Post balance sheet events

The Board of Directors authorized these consolidated financial statements for issuance on March 13, 2013.

In January 2013 u-blox granted 107'270 employee stock options at an exercise price of CHF 25.50 and 10'780 employee stock options at an exercise price of CHF 39.15 under a new stock option plan to members of the Board of Directors, Executive Committee members and certain employees.

There have been no other events between December 31, 2012 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, 2012.

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

u-blox Holding AG, Thalwil

As statutory auditor, we have audited the consolidated financial statements of u-blox Holding AG, which are presented on page 73 to 119 and comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes for the year ended December 31, 2012.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

KPMG AG

Thomas Studhalter	Sandro Mascarucci
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Lucerne, March 13, 2013

Financial statements u-blox Holding AG

Statement of financial position

(in CHF)	Note	At December 31, 2012	At December 31, 2011
Assets			
Current assets			
Cash at bank		10'535'817	13'998'618
Marketable Securities		27'175'113	36'721'250
Other receivables		160'133	169'637
Prepaid expenses and accrued income - third parties		290'682	475'786
- group companies		474'708	393'678
Total current assets		**38'636'453**	**51'758'969**
Non-current assets			
Loans to group companies		61'300'000	43'900'000
Investment in group company	2	14'697'917	14'697'917
Capitalized IPO costs		0	556'000
Total non-current assets		**75'997'917**	**59'153'917**
Total assets		**114'634'370**	**110'912'886**
Liabilities and shareholders' equity			
Liabilities			
Other payables - third parties		39'736	45'136
- group companies		267'826	253'460
Accrued expenses		246'400	217'000
Total liabilities		**553'962**	**515'596**
Shareholders' equity			
Share capital	3	5'674'529	5'619'033
Legal reserve - general reserves		5'297'816	10'147
- reserves from capital contributions		79'633'387	87'993'787
Available earnings		23'474'676	16'774'323
Total shareholders' equity		**114'080'408**	**110'397'290**
Total liabilities and shareholders' equity		**114'634'370**	**110'912'886**

Income statement

(in CHF)	For the year ended December 31, 2012	For the year ended December 31, 2011
Income		
Dividend income	6’000’000	6’000’000
Interest and securities income	2’431’174	2’341’816
Service fee income	977	5’397
Total income	**8’432’151**	**8’347’213**
Expenses		
General and administrative expenses	-615’848	-554’541
Amortization of capitalized IPO costs	-556’000	-667’200
Securities expenses	-451’002	-612’194
Foreign exchange losses	-23’917	-94’585
Total expenses	**-1’646’767**	**-1’928’520**
Profit before income tax (EBT)	**6’785’384**	**6’418’693**
Income tax expense	-85’031	-56’303
Net profit for the year	**6’700’353**	**6’362’390**
Available earnings at beginning of the year	**16’774’323**	**10’411’933**
Available earnings at end of the year	**23’474’676**	**16’774’323**

Notes to the financial statements

1 Introduction

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

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

2 Investment in group company

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

3 Share capital

The share capital consists of 6'305'032 (2011: 6'243'370) registered shares with a nominal value of CHF 0.90 each.

4 Authorized share capital

	At December 31, 2012	At December 31, 2011
1'248'674 registered shares with a nominal value of CHF 0.90 each	CHF 1'123'806.60	CHF 1'123'806.60

At the ordinary shareholders meeting held on April 27, 2011, the shareholders resolved that the Board of Directors shall be authorized, at any time until October 16, 2013, to increase the share capital through the issuance of up to 1'248'674 fully paid-in registered shares with a nominal value of CHF 0.90 each.

5 Conditional share capital

	At December 31, 2012	At December 31, 2011
562'675 registered shares with a nominal value of CHF 0.90 each	CHF 506'407.50	CHF 561'903.30

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

In 2012, 61'662 options were exercised, which reduced the conditional share capital at December 31, 2012 to 562'675 shares with a nominal value of CHF 0.90. At December 31, 2012 there were 478'024 options (at December 31, 2011: 397'951 options) on u-blox Holding AG shares outstanding.

6 Significant shareholders

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

	December 31, 2012	December 31, 2011
LB Swiss Investment AG, Zurich, Switzerland	6.39%	5.09%
Werner Dubach, Hergiswil, Switzerland	5.01%	3.05%
Swiss Reinsurance Company Ltd., Zurich, Switzerland	3.30%	3.30%
UBS Fund Management AG, Basel, Switzerland	3.17%	0%
Credit Suisse Funds AG, Zurich, Switzerland	3.05%	0%

7 Compensation and shareholdings

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

Compensation paid to the members of the Board of Directors

For the year ended December 31, 2012	Compensation 1)	Share-based compensation 2)		Pension and social insurance funds 1)	Total compensation 2012 3)
	CHF 000s	Number of options	CHF 000s	CHF 000s	CHF 000s
Fritz Fahrni Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	60	*624*	8	4	72
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	45	*624*	8	2	55
Gerhard Tröster Chairman of the nomination and compensation committee	45	*624*	8	3	56
Soo Boon Quek Member of the Board of Directors	30	*624*	8	0	38
Paul Van Iseghem Member of the Board of Directors	30	*426*	6	1	37
Thomas Seiler Member of the Board of Directors, executive member	4)	4)	4)	4)	4)
Jean-Pierre Wyss Member of the Board of Directors, executive member	4)	4)	4)	4)	4)
Total	**210**	***2'922***	**38**	**10**	**258**

For the year ended December 31, 2011	Compensation 1)	Share-based compensation 2)		Pension and social insurance funds 1)	Total compensation 2011 3)
	CHF 000s	Number of options	CHF 000s	CHF 000s	CHF 000s
Fritz Fahrni Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	40	*624*	12	1	53
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	30	*624*	12	0	42
Gerhard Tröster Chairman of the nomination and compensation committee	30	*624*	12	2	44
Soo Boon Quek Member of the Board of Directors	20	*624*	12	0	32
Paul Van Iseghem Member of the Board of Directors	13	*0*	0	1	14
Thomas Seiler Member of the Board of Directors, executive member	4)	4)	4)	4)	4)
Jean-Pierre Wyss Member of the Board of Directors, executive member	4)	4)	4)	4)	4)
Total	**133**	***2'496***	**48**	**4**	**185**

1) Accruals based.
2) The share-based compensation consists of grant of options under the employee stock option plan in 2012 (2011: stock option plan 2011). The options underly a vesting period of 3 years, the validity is 6 years from grant date. The strike price of an option is CHF 39.91 (2011: CHF 48.58) to purchase one share. The compensation is calculated at a fair value price of CHF 13.05 (2011: CHF 18.84) at grant date.
3) Does not include reimbursement for travel and other necessary business expenses incurred in the performance of the services as these are not considered to be part of the compensation.
4) Compensated as member of the Executive Committee.

Compensation paid to the members of the Executive Committee

For the year ended December 31, 2012	Salary	Bonus [1]	Share-based compensation [2]		Pension and social insurance funds [1]	Other benefits [3]	Total compen-sation 2012
	CHF 000s	CHF 000s	Number of options	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	326	273	*7'804*	102	101	9	811
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	243	124	*7'804*	102	63	0	532
Andreas Thiel Executive Vice President (R&D Wireless Products)	243	124	*7'804*	102	70	0	539
Daniel Ammann Executive Vice President (R&D Positioning Products)	243	124	*7'804*	102	64	0	533
Roland Jud CFO	236	120	*3'189*	42	51	0	449
Total	**1'291**	**765**	***34'405***	**450**	**349**	**9**	**2'864**

For the year ended December 31, 2011	Salary	Bonus [1]	Share-based compensation [2]		Pension and social insurance funds [1]	Other benefits [3]	Total compen-sation 2011
	CHF 000s	CHF 000s	Number of options	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	298	280	*7'804*	147	83	8	816
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	240	109	*7'804*	147	54	0	550
Andreas Thiel Executive Vice President (R&D Hardware)	240	109	*7'804*	147	54	0	550
Daniel Ammann Executive Vice President (R&D Software)	240	109	*7'804*	147	53	0	549
Roland Jud (joined August 1, 2011) CFO	98	44	*0*	0	18	0	160
Total	**1'116**	**651**	***31'216***	**588**	**262**	**8**	**2'625**

1) Accruals based. The bonus is based on a combination of EBIT ratios and the increase of the turnover of the group.
2) The share-based compensation consists of grant of options under the employee stock option plan in 2012 (2011: stock option plan 2011). The options underly a vesting period of 3 years, the validity is 6 years from grant date. The strike price of an option is CHF 39.91 (2011: CHF 48.58) to purchase one share. The compensation is calculated at a fair value price of CHF 13.05 (2010: CHF 18.84) at grant date.
3) Other benefits include expenses for a company car plan. It does not include reimbursement for travel and other necessary business expenses incurred in the performance of the services as these are not considered to be part of the compensation.

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

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

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

In 2012, u-blox Holding AG did not make any severance payments or other payments to members of the Board of Directors or Executive Committee who left the company in the period under review or earlier.

Shareholdings of Non-Executive members of the Board of Directors

	Number of u-blox Holding AG shares at December 31, 2012	Number of u-blox Holding AG shares at December 31, 2011
Fritz Fahrni Chairman of the Board of Directors Member of the audit committee Member of the nomination and compensation committee	12’422	11’000
Hans-Ulrich Müller Vice Chairman of the Board of Directors Chairman of the audit committee	51’090	50’000
Gerhard Tröster Chairman of the nomination and compensation committee	35’760	35’760
Soo Boon Quek Member of the Board of Directors	0	0
Paul Van Iseghem (joined April 27, 2011) Member of the Board of Directors	1’450	850
Total Non-Executive members of the Board of Directors	**100’722**	**97’610**

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

	Number of u-blox Holding AG shares at December 31, 2012	Number of u-blox Holding AG shares at December 31, 2011
Thomas Seiler Member of the Board of Directors CEO Head of Marketing and Sales	104’552	96’748
Jean-Pierre Wyss Member of the Board of Directors Executive Vice President (Production/Logistics)	67’914	60’110
Andreas Thiel Executive Vice President (R&D Wireless Products)	68’164	62’860
Daniel Ammann Executive Vice President (R&D Positioning Products)	53’804	56’000
Roland Jud (joined August 1, 2011) CFO	0	0
Total Executive Committee (incl. Executive members of the Board of Directors)	**294’434**	**275’718**

The Executive Committee and Board of Directors hold 138’463 option rights on u-blox Holding AG shares at December 31, 2012 (December 31, 2011: 134’022 option rights).

8 Risk management

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

Financial risk management is described in more detail in note 24 to the Group’s consolidated financial statements. The organization, principles and reporting of risk management are described in Corporate Governance under the subtitle ‘Risk management’.

9 Events after the balance sheet date

In January 2013, the subsidiaries of u-blox Holding AG granted 118’050 employee stock options on shares of u-blox Holding AG with a three year vesting period to members of the Board of Directors, Executive Committee members and certain employees.

There have been no other events between December 31, 2012 and March 13, 2013 that would lead to an adjustment of the carrying amounts of assets and liabilities presented at December 31, 2012 or would otherwise have to be disclosed.

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

The Board of Directors proposes to the Annual General Meeting the following appropriation of available earnings and the use of reserves from capital contributions at December 31, 2012

(in CHF)	2012	2011
Net profit for the year	6’700’353	6’362’390
Brought forward from previous year	16’774’323	10’411’933
Available earnings before appropriation	**23’474’676**	**16’774’323**
Release of reserves from capital contributions	6’305’032	5’619’033
Total available earnings before appropriation	**29’779’708**	**22’393’356**
Dividend payment out of reserves from capital contributions, CHF 1.00 per share on 6’305’032 shares[1)]	-6’305’032	-5’619’033
To be carried forward	**23’474’676**	**16’774’323**

[1)] Depending on the number of shares issued at April 25, 2013.

The Board of Directors is proposing to the General Meeting, to be held at April 24, 2013, to carry forward the available earnings 2012 of CHF 23’474’676 and to pay out a dividend of CHF 1.00 per share exempt from Swiss withholding tax out of the reserves from capital contributions. The last trading day with entitlement to receive the dividend is April 25, 2013. The shares will be traded ex-dividend as of April 26, 2013. The dividend will be payables as of May 2, 2013.

Thalwil, March 13, 2013

For the Board of Directors
The Chairman
Fritz Fahrni

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

u-blox Holding AG, Thalwil

As statutory auditor, we have audited the accompanying financial statements of u-blox Holding AG, which are presented on page 123 to 132 and comprise the statement of financial position, income statement and notes for the year ended December 31, 2012.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2012 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

Thomas Studhalter
Licensed Audit Expert
Auditor in Charge

Sandro Mascarucci
Licensed Audit Expert

Lucerne, March 13, 2013

Three year overview

Condensed consolidated income statement

	For the year ended December 31,		
(in CHF 000s)	**2012**	**2011**	**2010**
Revenue	**173’128**	**124’704**	**112’781**
% growth	38.8%	10.6%	53.4%
Cost of sales	-91’949	-61’953	-53’921
Gross profit	**81’179**	**62’751**	**58’860**
% gross profit margin	46.9%	50.3%	52.2%
Operating expenses	-58’239	-41’807	-41’159
Other income	112	256	1’370
Operating profit (EBIT)	**23’052**	**21’200**	**19’071**
% EBIT margin	13.3%	17.0%	16.9%
Finance income	922	1’034	942
Finance costs	-2’436	-1’286	-3’546
Profit before income tax (EBT)	**21’538**	**20’948**	**16’467**
% EBT margin	12.4%	16.8%	14.6%
Income tax expense	-4’335	-4’440	-3’551
Net profit, attributable to owners of the parent	**17’203**	**16’508**	**12’916**
% net profit margin	9.9%	13.2%	11.5%
Depreciation and amortization	12’240	7’919	8’612
EBITDA[1]	**35’292**	**29’119**	**27’683**
% EBITDA margin	20.4%	23.4%	24.5%

[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.

Condensed consolidated statement of financial position

(in CHF 000s)	At December 31, 2012	At December 31, 2011	At December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	33’416	35’151	25’184
Marketable securities	27’175	45’981	49’890
Trade accounts receivables	22’127	16’877	12’160
Inventories	19’171	20’556	15’545
Other current assets	5’587	4’092	4’318
Total current assets	**107’476**	**122’657**	**107’097**
Non-current assets			
Property, plant and equipment	7’078	5’331	4’947
Goodwill	37’659	17’137	14’876
Other intangible assets	33’682	15’965	12’811
Financial assets	1’195	425	352
Deferred tax assets	4’808	2’068	2’217
Total non-current assets	**84’422**	**40’926**	**35’203**
Total assets	**191’898**	**163’583**	**142’300**
Liabilities and equity			
Current liabilities	26’868	19’169	17’592
Non-current liabilities	15’274	7’461	4’857
Total liabilities	**42’142**	**26’630**	**22’449**
Shareholders’ equity			
Share capital	5’675	5’619	5’619
Share premium	94’132	98’694	98’694
Retained earnings	49’949	32’640	15’538
Total equity, attributable to owners of the parent	**149’756**	**136’953**	**119’851**
Total liabilities and equity	**191’898**	**163’583**	**142’300**

Condensed consolidated statement of cash flows

	For the year ended December 31,		
(in CHF 000s)	**2012**	**2011**	**2010**
Net cash generated from operating activities	32’088	18’597	20’671
Net cash used in investing activities	-16’805	-6’217	-13’589
Net cash used in financing activities	-15’618	-2’397	-4
Net increase/(decrease) in cash and cash equivalents	**-335**	**9’983**	**7’078**
Cash and cash equivalents at beginning of year	35’151	25’184	20’153
Exchange losses on cash and cash equivalents	-1’400	-16	-2’047
Cash and cash equivalents at end of year	**33’416**	**35’151**	**25’184**

Glossary

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

3G
These are the third generation family of technologies for mobile wireless networking consisting of EDGE, HSPA, UMTS, and CDMA2000. They are designed to eventually supersede 2G services. 3G networks enable network operators to offer users a wider range of more advanced services while achieving greater network capacity through improved spectral efficiency.

4G
is the fourth generation of mobile phone mobile communications standards. For cellular communications, 4G generally designates the LTE standard.

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

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

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

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

BeiDou
Chinese-based satellite navigation system. Currently available in China, global coverage with 35 satellites is planned for completion in 2020.

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

CellLocate
A trademarked feature of u-blox' wireless modules. The feature allows the capture of all visible mobile basestation parameters. This allows a host processor to detect if an object has moved (in which case the basestation parameters will have changed), or associate parameters corresponding to a unique location, and map them to GPS coordinates which can be stored. This allows future devices to derive a GPS location based solely on mobile basestation parameter readings.

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

eCall
GPS based vehicle emergency call system which will be soon be deployed in the EU.

ERA-GLONASS
GLONASS based vehicle emergency call system which will soon be deployed in Russia.

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

GLONASS
GLObal NAvigation Satellite System, is a satellite navigation system operated by the Russian government. It complements and provides an alternative to GPS.

GNSS
Global Navigation Satellite System: umbrella term for a satellite navigation system with global coverage.

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

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

GSM (Global System for Mobile communications)
A second generation (2G) mobile telephony system that is used worldwide. GSM uses a variation of time division multiple access (TDMA) and is the most widely used of the four digital wireless telephony technologies (TDMA, GSM, CDMA and LTE).

HSPA, HSDPA, HSUPA
High Speed Packet Access (HSPA) is a collection of two mobile telephony protocols, High Speed Downlink Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA) that extend and improve the performance of existing wireless communication services such as UMTS. This service belongs to 3G technology.

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

LTE, (**L**ong-**T**erm **E**volution) is the 4th generation (4G) standard for wireless communication of high-speed data for mobile phones and data terminals. It is the succesor of GSM (2G) UMTS (3G) network technologies, and increases data capacity and speed using an upgraded radio interface together with core network improvements. Unlike 2G and 3G standards, LTE transmits all traffic, including voice communication, over Internet Protocol.

M2M communications
"Machine-to-Machine" communications is a technology that allows machines to exchange information directly with each other with minimal or no human intervention. Communication is typically implemented over a wireless mobile communications network.

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

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

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

QZSS
Three-satellite Satellite Based Augmentation System used for improving GPS performance in Japan and Southeast Asia.

TDMA
Time Division Multiple Access is a technique utilized in electronic communications (e.g. GSM) whereby a single frequency channel is shared among several users by dividing the channel into multiple time slots. Each user sends or receives only during his allocated time slot. This allows multiple end-users to share the same transmission medium (e.g. radio frequency channel) while using only a part of the total channel capacity.

Telematics
The integrated use of telecommunications and informatics used in the control and monitoring of remote objects.

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

Information for investors

Share price performance
The share price fell by approximately 5% during this year going from CHF 41.20 to CHF 39.15.

At December 31, 2012, u-blox had over 4’000 shareholders. Information on our major shareholders can be found in the Corporate Governance section of this report, page 60.

Dividend
In light of the positive future business outlook and the good cash situation of the company, the Board of Directors has proposed a dividend for 2012 of CHF 1.00 per share, equivalent to a total dividend payment of approximately CHF 6.3 million. The proposed dividend will be put to shareholders for approval at the Annual General Meeting of the company which will be held at 4 PM, April 24, 2013.

Share information (at December 31, 2012)

Stock Exchange	SIX Swiss Exchange
Swiss Security Number / ISIN	3336167 / CH0033361673
Ticker	UBXN
Nominal value	CHF 0.90
Shares issued	6’305’032
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 investor day, and keeps its shareholders regularly informed about its business through press releases.

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

April 17, 2013:
Closing of share register for Annual General Meeting

April 24, 2013:
Annual General Meeting

April 26, 2013:
Proposed ex-dividend trading day

May 2, 2013:
Proposed dividend payout date

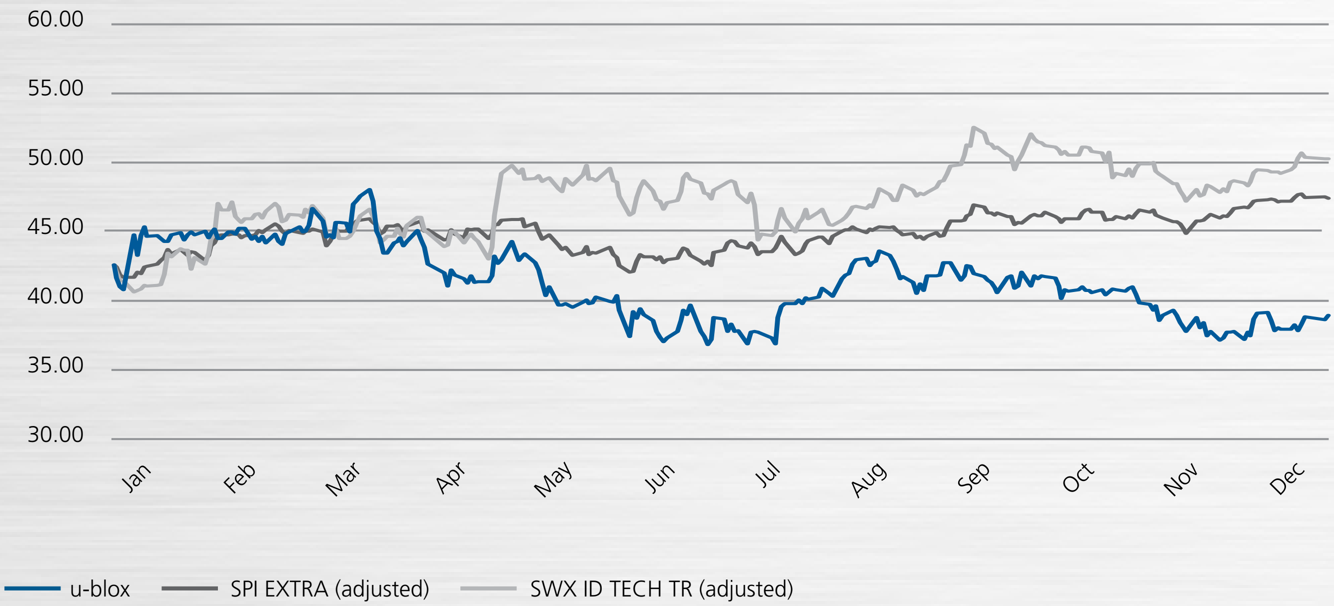
September 5, 2013:
Publication of half-year results 2013

Share price (in CHF)	**2010**	**2011**	**2012**
Highest	55.80	52.65	48.30
Lowest	25.05	24.15	37.00
Closing at December 31,	50.30	41.20	39.15
Market capitalization at December 31, (Mio CHF)	**314**	**257**	**247**

Key Figures	**2010**	**2011**	**2012**
Registered shares with a nominal value of CHF 0.90	6’243’370	6’243’370	6’305’032
Nominal share capital (in TCHF)	5’619	5’619	5’675
Basic earnings per share (in CHF)	2.07	2.64	2.74

Total shares issued

6'305'032



Share price u-blox (CHF per share)
January 1 – December 31, 2012

Market capitalization end 2012 Mio CHF

247

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

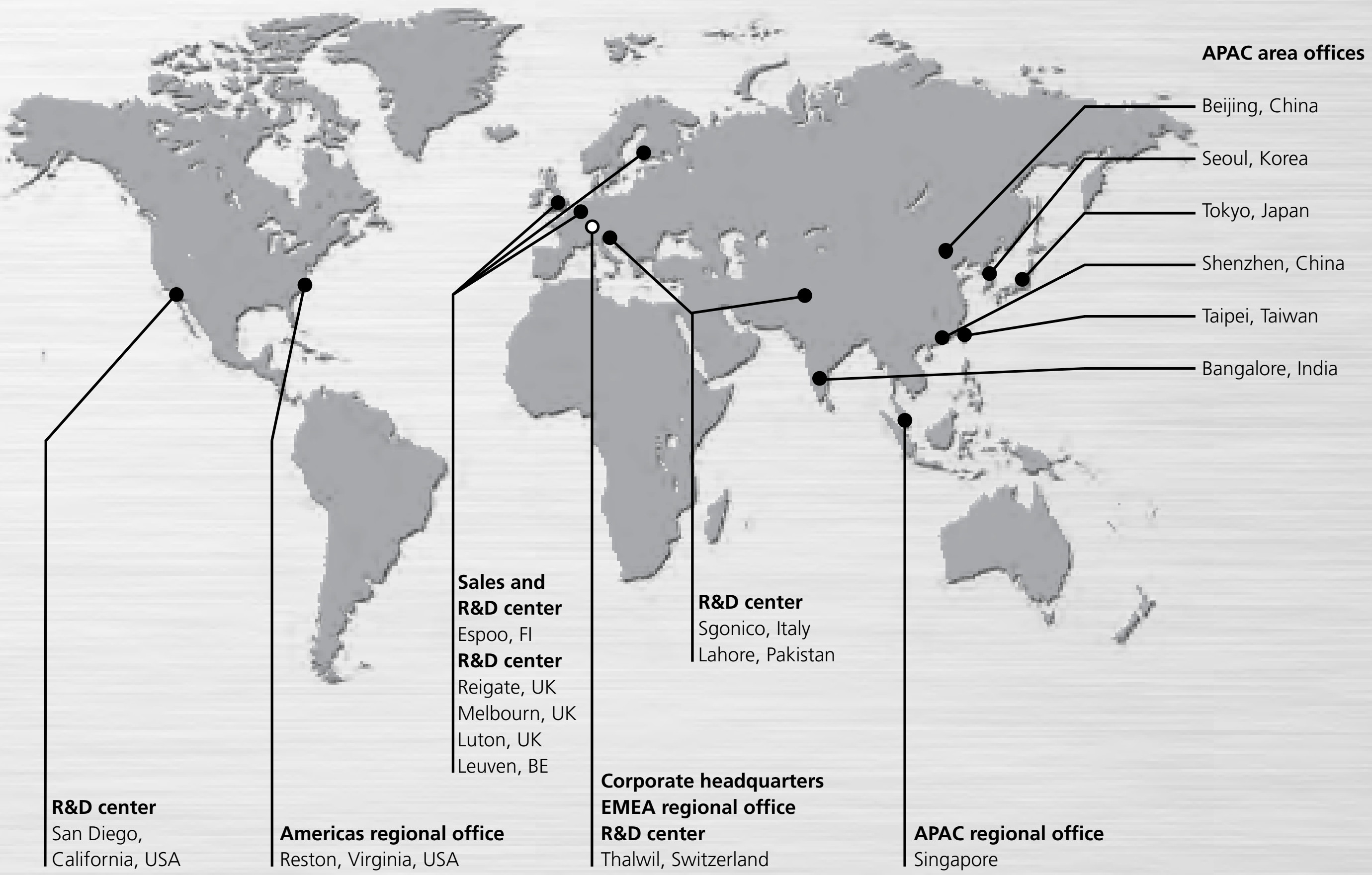
Roland Jud
Chief Financial Officer
E-mail: roland.jud@u-blox.com

Website

www.u-blox.com

Daniel Ammann, Executive Vice President (R&D Positioning Products)
Andreas Thiel, Executive Vice President (R&D Wireless Products)
Thomas Seiler, CEO
Jean-Pierre Wyss, Executive Vice President (Head of Production and Logistics)
Roland Jud, CFO

Worldwide presence



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

Imprint
Publisher / Copyright: March 2013 u-blox Holding AG, Thalwil, Switzerland.

Printed on recycled paper.

u-blox Holding AG
Zürcherstrasse 68
8800 Thalwil
Switzerland
Phone +41 44 722 74 44
Fax +41 44 722 74 47
www.u-blox.com