Fabless business model

Working with leading semiconductor fabrication and module assembly companies 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 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 and to ensure our customers get their products to market fast.

Comprehensive product lines and IP

Our success depends on our ability to deliver continuous innovation to our customers. We therefore direct our research and development efforts to the development of ever smaller, higher performance products. We have also amassed an extensive intellectual property portfolio.

Focus on quality

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.
### Introduction

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### Business review 2014

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### Information for investors

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Financial highlights

Key figures (CHF in million)

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<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>270.0</td>
<td>219.8</td>
<td>173.1</td>
</tr>
<tr>
<td>Growth rate over previous year</td>
<td>22.9%</td>
<td>27.0%</td>
<td>38.8%</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>39.1</td>
<td>30.1</td>
<td>22.9</td>
</tr>
<tr>
<td>Margin on revenue</td>
<td>14.5%</td>
<td>13.7%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Growth rate over previous year</td>
<td>30.0%</td>
<td>30.9%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Net profit, attributable to owners of the parent</td>
<td>34.4</td>
<td>24.6</td>
<td>17.1</td>
</tr>
<tr>
<td>Margin on revenue</td>
<td>12.7%</td>
<td>11.2%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Growth rate over previous year</td>
<td>39.6%</td>
<td>44.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>53.7</td>
<td>38.5</td>
<td>32.1</td>
</tr>
<tr>
<td>Margin on revenue</td>
<td>19.9%</td>
<td>17.5%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Growth rate over previous year</td>
<td>39.5%</td>
<td>19.9%</td>
<td>72.5%</td>
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Gross profit as % of revenue

45.4%

Equity ratio

70.5%
Revenues by geography

CHF in million

APAC | Americas | EMEA
Based on customer’s location

<table>
<thead>
<tr>
<th>Year</th>
<th>APAC</th>
<th>Americas</th>
<th>EMEA</th>
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<tr>
<td>2010</td>
<td>27%</td>
<td>29%</td>
<td>41%</td>
</tr>
<tr>
<td>2011</td>
<td>26%</td>
<td>25%</td>
<td>41%</td>
</tr>
<tr>
<td>2012</td>
<td>24%</td>
<td>29%</td>
<td>41%</td>
</tr>
<tr>
<td>2013</td>
<td>25%</td>
<td>25%</td>
<td>46%</td>
</tr>
<tr>
<td>2014</td>
<td>27%</td>
<td>25%</td>
<td>48%</td>
</tr>
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u-blox revenue split per market

Estimate

Automotive
Consumer
Industrial

Total equity and equity ratio

CHF in million % of total assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>87.5%</td>
<td>120</td>
</tr>
<tr>
<td>2011</td>
<td>84.2%</td>
<td>138</td>
</tr>
<tr>
<td>2012</td>
<td>78.7%</td>
<td>151</td>
</tr>
<tr>
<td>2013</td>
<td>79.7%</td>
<td>180</td>
</tr>
<tr>
<td>2014</td>
<td>70.5%</td>
<td>213</td>
</tr>
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Employee breakdown

75% of employees based outside Switzerland (spread over 17 countries)

Logistics, admin 11% (69)
Sales, marketing, support 19% (117)
Research & development 70% (428)

Total: 614

(end of 2014, FTE based)
Solid revenue growth in all regions

Sales in 2014 were buoyant, as we continued to expand our business in all applications, resulting in consolidated Group revenue growth of 23% compared with 2013 and expansion of EBIT by 30%.

Acquisitions: connectBlue and Antcor

Two strategic acquisitions opened the door to the market for short range, Bluetooth/Wi-Fi-based radio communications and rounded out our portfolio of embedded products for wireless communications and global positioning. Adding short range products gives u-blox a portfolio of solutions that meet the whole range of customer requirements.

Strong expansion in APAC and the Americas

The APAC region’s dynamic economies bolstered growth, enabling us to acquire new accounts and further consolidate market share. Growth also continued strongly in the Americas: We recorded an encouraging rise in market share, and interest in our new products and technologies was keen, providing a solid foundation for future operations. In Europe, strong growth was achieved by the expansion of the product range and continued good progress in the automotive sector.

Strategic new products

In 2014, u-blox introduced 11 innovative products for wireless communications and global positioning. These included the industry’s fastest 4G/LTE module, the company’s first combined Wi-Fi/Bluetooth module plus several new products addressing regional requirements for cellular communications. The company’s latest positioning platform, u-blox M8, was also implemented in a series of new products that support concurrent use of all GNSS satellite systems. We also added modules with an integrated antenna, the smallest GNSS module on the market and the world’s first positioning module with integrated motion and elevation sensors for indoor/outdoor vehicle tracking.
Industry awards
u-blox received two industry accolades in 2014: the first, part of the M2M magazine “Global Top 100” Award, was for overall excellence in machine-to-machine connectivity (the fourth consecutive year u-blox been selected for the award); the second “product-of-the-year” honor, presented by M2M Evolution magazine, was for SARA-U2, the “world’s smallest 3G module.”

Supply-chain excellence
We significantly boosted capacity and automation levels at all our manufacturing partners, providing our worldwide customers with improved service, shorter delivery times and an overall increase in value-added.

Certifications and industry participation
Verizon and AT&T, two of America’s largest telecom operators, confirmed certification of u-blox’ 4G cellular modules. u-blox also joined the global Wi-Fi Alliance, a consortium of companies working together to promote the adoption of Wi-Fi technology in the automotive, industrial and consumer markets.

Organization
The number of employees (FTEs) working for the u-blox Group increased from 447 to 614. As a result of strategic acquisitions, we added R&D facilities in Sweden and Greece.

Second analysts’ day
The second analysts’ day in November attracted 50 participants. A presentation gave them an insight into u-blox’ vision and mission, while a trip to the laboratory provided them with an insight into the behind-the-scenes action at the company. With our three technology categories, we demonstrated future trends, strategy and growth opportunities.
Dear Shareholders,

We are pleased to report another year of all-round growth at u-blox. We consolidated our strong positions in our target markets and recorded robust increases in revenues, EBIT, customers and overall market share. We also made a number of important strategic acquisitions adding a third product category: short range radio technology. A 43% rise in share value during the year underscored market confidence in our company.

We propose a dividend payout of CHF 1.60 per share and will put the motion to shareholders for approval at the Annual General Meeting in Thalwil, Switzerland, on April 28, 2015.

Sales and profit continue to rise

In 2014, worldwide sales growth showed a 23% rise over 2013, and progress was achieved in all regions.

In the Americas, growth continued as in the year before and achieved a 19% business expansion. The improved macro-economic climate created greater demand for our customers’ products and hence for our own. We recorded an encouraging rise in market share and increased volumes with new customers. Interest in our new products and technologies was keen and provides a solid foundation for future operations.

In Europe, the Middle East and Africa (EMEA), results were strong despite economic progress remaining hesitant in some countries and impacting our own operations. Nevertheless, we expanded our business in countries with healthy export markets and reported strong growth in automotive and industrial applications, leading to revenue growth of 20%. There was also a surge in new business opportunities.

Growth in the Asia-Pacific (APAC) region reflected its vibrant economic climate and laid the foundations for further consolidation of our market share. We increased sales with existing customers and acquired several important new accounts, both factors that led to significant manufacturing ramp-ups for specific products. Our ongoing innovation and the delivery of new products continued to attract customers. Revenues grew strongly in all application areas, and the overall increase stood at 27%.

Our product and service business segments both generated positive EBIT in 2014. Consolidated revenues increased by CHF 50 million to CHF 270 million while EBIT rose from CHF 30 million to CHF 39 million, a 30% increase over 2013. Net profit grew by 40% to CHF 34 million, the equivalent of a 13% net profit margin.

Strategic course confirmed

In 2014, as in previous years, our expansion, acquisition, manufacturing and product strategies were geared to achieving our target of achieving half-billion-dollar annual revenues in the foreseeable future. We took a major step towards that goal by establishing the third pillar in our product offering: short range radio connectivity. Two acquisitions made during the year have given u-blox the technologies, expertise and products to maintain our market lead and further widen our technology base. These were:

- connectBlue, an established provider of industrial-grade short range radio modules that support Bluetooth and Wi-Fi platforms and enable connectivity over the last few hundred meters between equipment and the Internet.
- Antcor, a developer of advanced Wi-Fi core technology that will enable rugged short range connectivity and communications tailored to demanding environments.

We have successfully integrated all employees in the companies acquired, significantly increasing our workforce and giving us two new R&D centers. Thanks to the acquisitions, we are now able to supply a product range that covers the entire connectivity spectrum for our customers worldwide.

During the year under review, u-blox also introduced a new product-grade concept – Automotive, Professional and Standard. The concept facilitates the matching of modules or chips with customers’ designs and gears our product range even more closely to customer needs.
**Product highlights**
We launched a raft of new products in 2014, all designed to incorporate state-of-the-art advances in technology, to meet our customers wide-ranging and ever-changing needs and to keep us at the forefront of the industry. In the positioning sector they included our eighth generation of MAX, NEO and LEA GNSS modules, a 3D Automotive Dead Reckoning, a GNSS antenna module that supports all satellite types and GNSS precision-timing modules as well as the world's smallest standalone positioning module. On the cellular front, we rolled out the fastest 4G module (TOBY-L2) available and a new line of ultra-compact LTE cards (MPCI-L2). Finally, in the short range sector, which completes the connectivity line-up, we introduced a rugged Wi-Fi and Bluetooth module for demanding industrial, automotive, medical and security applications. This strengthens our position in the next big market to come: the Internet of Things (IoT).

**Platform for future growth**
The Internet of Things will provide interconnectivity across the board and is poised to become the biggest growth area of the near future. The years ahead will see the connection of dozens of billions of devices to the worldwide web. From satellite-based positioning, through cellular communications and on to short range Wi-Fi and Bluetooth radio technologies, we supply the building blocks that make the Internet of Things possible and are ideally positioned to profit from the steep growth inevitable in this sector.

**Challenges and risks**
Risk is an inherent factor in any business or operation, and many of our customers face ongoing uncertainty. As entrepreneurs, we can take active steps in areas that are under our control to decrease the impact of risk from global, regional or national financial crises. First, we ensure that the quality of our products is second to none and that they meet our customers’ needs. Second, we look for a natural hedge against currency exchange movements, with production cost and operational cost matching our income currencies. And third, we have a wide and ever-increasing customer base, with no single customer out of a total of 5'000 accounting for more than 7% of our sales.

**Board and management**
There were no changes in the Board of Directors or Executive Management during the year under review.

**Outlook**
The growing demand for internet connectivity and the billions of devices that make it a reality have generated a wealth of products and services that serve every sector of the global economy, from fleet management and asset tracking through navigation and payment solutions, to consumer devices such as toys, watches and locators. And this is just the beginning.

u-blox produces and markets a comprehensive range of devices that make high-speed connectivity and access to virtually unlimited cloud computing a reality. With a growing portfolio of embedded chips and modules, we are perfectly positioned to garner the financial and market benefits of the Internet of Things that really matter. And with an ever-increasing customer base, we have laid the foundations for ongoing success. For 2015, we anticipate EBIT of between CHF 48 million and CHF 53 million, based on revenues of between CHF 335 million and CHF 345 million. These expectations exclude unforeseen economic adversity and foresee budgeted exchange rates (USD/CHF: 0.974; EUR/CHF: 1.065).

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 2014. 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 2015.

Fritz Fahrni  
Chairman of the Board of Directors

Thomas Seiler  
CEO

Roland Jud  
CFO
Sehr geehrte Aktionärinnen und Aktionäre,


Anhaltendes Umsatz- und Gewinnwachstum


In der EMEA-Region (Europa, Naher Osten und Afrika) fielen die Ergebnisse zwar erfreulich aus. Die wirtschaftliche Entwicklung verlief in einigen Ländern weiterhin schleppend und belastete unsere Geschäftstätigkeit. Dennoch konnten wir unser Geschäft in Ländern mit gesunden Exportmärkten ausbauen und legten bei Fahrzeug- und Industrieanwendungen kräftig zu, was zu einem Umsatzzanstieg von 20% führte. Darüber hinaus eröffnete sich eine Fülle neuer Geschäftsmöglichkeiten.


Unser Produkt- und Service-Geschäft hat 2014 einen positiven EBIT eingebracht. Der Konzernumsatz stieg um CHF 50 Million auf CHF 270 Millionen. Der EBIT erhöhte sich von CHF 30 Millionen auf CHF 39 Millionen, ein Anstieg von 30% im Vergleich zum Vorjahr. Der Reingewinn stieg um 40% auf CHF 34 Millionen, was einer Gewinnmarge von 13% entspricht.

Strategischer Kurs bestätigt


- Antcor, ein Entwickler von ausgereifter Wi-Fi-Kerntechnologie, die eine robuste Kurzstrecken-Konnektivität und Kommunikationslösungen speziell für anspruchsvolle Umgebungsbedingungen ermöglicht.

Alle Mitarbeiter der erworbenen Unternehmen wurden erfolgreich integriert. Dadurch hat sich die Zahl der Mitarbeiter deutlich erhöht, und wir verfügen über zwei neue F&E-Zentren. Mit diesen Akquisitionen sind wir in der Lage, eine Produktpalette anzubieten, die das gesamte Konnektivitätsspektrum unserer Kunden weltweit abdeckt.

Im Berichtsjahr hat u-blox auch ein neues Produktklassifizierungs-konzept mit den Kategorien „Automotive“, „Professional“ und „Standard“ eingeführt. Das Konzept erleichtert die Zuordnung der Module oder Chips zu den Kundendesigns und stimmt unser Produktangebot noch genauer auf die Kundenanforderungen ab.
**Produkthighlights**


**Plattform für zukünftiges Wachstum**

Das Internet of Things ermöglicht die Vernetzung von Maschinen und Geräten und dürfte sich in naher Zukunft zum grössten Wachstumsmarkt entwickeln. In den kommenden Jahren werden Milliarden von Geräten an das Internet angebunden werden. Von der satellitenbasierten Positionierung über die Mobilfunkkommunikation bis hin zu Wi-Fi- und Bluetooth-Funktionsmodulen für den Kurzstreckenbereich liefern wir die Bausteine, die das Internet of Things erst möglich machen. Damit sind wir ideal aufgestellt, um von dem steilen Wachstum, das in diesem Sektor unweigerlich kommen wird, zu profitieren.

**Herausforderungen und Risiken**

Jede Geschäftstätigkeit ist mit Risiken verbunden, und viele unserer Kunden sind mit anhaltender Unsicherheit konfrontiert. Wir können als Unternehmen jedoch aktive Massnahmen ergreifen, um die Auswirkung von Risiken aus globalen, regionalen oder nationalen Finanzkrisen zu verringern.

Erstens stellen wir sicher, dass unserer Produkte eine erstklassige Qualität aufweisen und die Anforderungen unserer Kunden erfüllen. Zweitens verfügen wir über eine natürliche Absicherung gegen Fremdwährungsschwankungen, weil die Produktions- und Betriebskosten in denselben Währungen anfallen, in denen wir unsere Erlöse erzielen. Drittens haben wir eine breite, weiter wachsende Kundenbasis, wobei kein einziger unserer insgesamt 5’000 Kunden einen Umsatzanteil von mehr als 7% hat.

**Verwaltungsrat und Geschäftsleitung**

Die Zusammensetzung des Verwaltungsrats und der Geschäftsleitung hat sich 2014 nicht verändert.

**Ausblick**


Wir freuen uns auf eine Fortsetzung unseres Erfolgs in einem spannenden Jahr 2015.

Fritz Fahrni  Thomas Seiler  Roland Jud
Chairman of the Board of Directors  CEO  CFO
u-blox wireless communication and positioning technologies boost hospital and healthcare efficiency by enabling doctors, nurses and first-aid personnel to work faster and smarter.

Hospitals face a growing demand for better, faster handling of information. To enable them to treat and transport patients in the field and to gather and process vast amounts of critical data, they are making increasing use of wireless connectivity: global positioning combined with short range (Wi-Fi, Bluetooth) and long range (cellular) technologies that transmit vital data from patients to healthcare professionals at the hospital.
AMBULANCES

Ambulances today are high-tech, mobile hospitals. When someone is injured, paramedics must be on the scene quickly to administer emergency care. Integrated GNSS tracking systems determine the exact location of emergency vehicles in the field and minimize response time. En route to the hospital, wireless communications advise doctors of the precise time of arrival and the patient’s condition.
IMPROVING THE EFFICIENCY OF HOSPITAL STAFF

Short range radio technology provides the mobile connectivity that enables hospital staff to read analytics data from instruments and access patient data from a tablet or other device anywhere in the hospital: this increases the speed and significantly improves the quality of data input and retrieval.
MANAGING MEDICAL AND SURGICAL INVENTORIES
Volatile drugs and blood supplies require continuous monitoring. Knowing the location, levels and expiration dates of medical stocks in the hospital, emergency vehicles, external treatment centers and blood banks is crucial. Ongoing monitoring and logging of storage temperature is also critical to the viability of blood supplies. Here, long range cellular and short range communication technologies are indispensable.
MOBILE HEALTH MONITORING

Wireless communication technology provides connectivity for medical equipment and eliminates cabling that can interfere with treatment in time-critical situations. Thanks to wireless vital-sign monitoring, patients with multiple sensors attached to the body can be wheeled swiftly from ambulance to emergency room or operating room. Handover of heartbeat, blood pressure, respiratory and body temperature data from one monitoring station to the next is simple and seamless.
INFUSION PUMPS
Intravenous infusion pumps are smart devices that deliver a precise, controlled mix of nutrients and medication to patients 24 hours a day. When a medication bag needs replacement, the nurse uses a Bluetooth-enabled barcode scanner to record details of the patient, room and bag. The information is relayed via Wi-Fi to a central monitoring system, which verifies that the right fluids and medication are administered to the right patient in the right room.
REMOTE MONITORING OF SLEEP APNEA

About 10% of all adults suffer from sleep apnea, which causes individuals to stop breathing for extended periods while asleep. It is more common in older people and linked to a higher risk of heart disease, stroke and diabetes. The first step in treatment is to determine if the condition exists and its severity. Portable monitors with cellular connectivity permit simple transmission of data from monitors at home and enable hospitals or caregivers to optimize treatment as appropriate.
Providing Safety and Security for the Elderly

People are living longer and want to remain in their own homes for as long as possible. Wearable medical and location monitoring devices with a fall-alert and panic button use short range and cellular communication combined with global and indoor positioning capability. In an emergency, the remote support center immediately can contact the person by embedded hands-free voice capabilities and organize appropriate assistance.
Business review
2014
Financial highlights

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

- Consolidated revenue of u-blox was CHF 270.0 million in 2014, a growth of 22.9% as compared to 2013.
- Gross profit improved from CHF 101.2 million to CHF 122.7 million, with a continued strong gross profit margin of 45.4% in 2014.
- Operating profit (EBIT) increased from CHF 30.1 million to CHF 39.1 million, a growth of 30.0% as compared to 2013.
- EBITDA margin of 21.7%, EBIT margin of 14.5%.
- Net profit increased by 39.6% from CHF 24.6 million to CHF 34.4 million, representing a 12.7% net profit margin for 2014.
- Strong net cash generated from operating activities was CHF 53.7 million, representing 19.9% of revenue.
- Healthy balance sheet with a high equity ratio of 70.5%.
- The payout of a dividend of CHF 1.60 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, For the year ended December 31, % revenue % revenue
Revenue 270’045 100.0% 219’813 100.0%
Cost of sales -147’323 -54.6% -118’654 -54.0%
Gross profit 122’722 45.4% 101’159 46.0%
Distribution and marketing expenses -24’525 -9.1% -21’217 -9.7%
Research and development expenses -49’859 -18.5% -38’941 -17.7%
General and administrative expenses -10’131 -3.8% -11’034 -5.0%
Other income 868 0.3% 83 0.0%
Operating profit (EBIT) 39’075 14.5% 30’050 13.7%
Finance income 4’546 1.7% 1’013 0.5%
Finance costs -658 -0.2% -2’193 -1.0%
Profit before income tax (EBT) 42’963 15.9% 28’870 13.1%
Income tax expense -8’566 -3.2% -4’227 -1.9%
Net profit, attributable to owners of the parent 34’397 12.7% 24’643 11.2%
Operating profit (EBIT) 39’075 14.5% 30’050 13.7%
Depreciation and amortization 19’529 7.2% 16’138 7.3%
EBITDA1) 58’604 21.7% 46’188 21.0%

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.

Revenue breakdown
u-blox operates in two segments:

- Positioning and Wireless products
  u-blox develops and sells chips and modules for positioning and wireless connectivity that are used in automotive, industrial and consumer applications. Revenue was CHF 269.8 million for 2014 as compared to CHF 218.9 million in 2013.

- Wireless services
  u-blox also offers Wireless communication technology services in terms of reference designs and software. In 2014, revenue for Wireless services was CHF 24.1 million compared to CHF 18.9 million in 2013 (including intra-group revenue).

In 2014, Asia-Pacific generated 47.9%, EMEA 24.8% and Americas 27.3% of total revenue. u-blox was able to grow revenues in all areas. Revenue for Asia Pacific grew by 26.7% to CHF 129.5 million, EMEA grew by 19.9% to CHF 67.1 million and America increased its revenue by 19.1% to CHF 73.5 million.

In 2014, the company made about 80% of its total revenue from 69 customers. u-blox' largest customer accounted for less than 7% of revenue. u-blox served over 5’000 customers and achieved global expansion into new regions and markets.

Increased gross profit
Gross profit increased by 21.3% to CHF 122.7 million in 2014 from CHF 101.2 million in 2013. Gross profit margin was 45.4% for 2014, slightly declining from 46.0% in 2013 because of the changes in product mix.

Distribution and marketing activities
Distribution and marketing expenses increased in 2014 due to the expansion of the business. In 2014, distribution and marketing activities were CHF 24.5 million as compared to CHF 21.2 million in the previous year. As a percentage of revenue, distribution and marketing expenses were 9.1% in 2014 compared to 9.7% in 2013.

Research and product development
R&D expenses in 2014 were CHF 49.9 million as compared to CHF 38.9 million in 2013. As a percentage of revenue, R&D expenses in 2014 were 18.5% as compared to 17.7% in 2013. The percentage increase is due to the investments into short range radio technology and the ongoing strategic investments into 4G/LTE technology.

With the acquisition of Malmö-based connectBlue AB and Athens-based Antcor S.A., u-blox opened the door to the market for short range, Bluetooth/Wi-Fi based radio communications. Adding short range products enables u-blox to meet the whole range of customer requirements.
**Share based payment**
The share based payment expenses recognized in 2014 were CHF 3.3 million as compared to CHF 2.2 million in 2013.

**Growth of operating profit (EBIT)**
EBIT was CHF 39.1 million in 2014 as compared to CHF 30.1 million in the previous year. The growth rate from 2013 to 2014 was 30.0%. EBIT margin was 14.5% and EBITDA margin was 21.7% in 2014.

**Finance income and costs**
Finance income was CHF 4.5 million, mainly due to positive foreign exchange results from operations. Finance costs were CHF 0.7 million.

**Positive net cash generated from operating activities**
In 2014, u-blox generated cash from operating activities in the amount of CHF 53.7 million as compared to CHF 38.5 million in 2013. Inventory level has increased due to the expansion of the business and due to higher revenue.

**Main investing activities**
Investments in capitalized development costs were CHF 20.7 million as compared to CHF 14.9 million in 2013. CHF 7.0 million was invested in furniture, equipment, tools and test infrastructure for the further expansion of capacity along with approximately CHF 6.0 million in software intellectual property rights and acquired technology.

**Financing activities**
u-blox made a dividend payment of CHF 8.5 million and received proceeds from the issuance of ordinary shares connected with the employee share option plan of CHF 5.6 million. In connection with the acquisitions in short range radio, u-blox took a short-term bank loan for cash optimization of CHF 20.0 million.

**Strong financial position**
u-blox has a very strong balance sheet with an equity ratio of 70.5%. Cash and cash equivalents and marketable securities amounted to CHF 59.4 million at December 31, 2014, compared to CHF 60.6 million at December 31, 2013.

With the acquisitions, goodwill increased from CHF 37.8 million in 2013 to CHF 57.9 million or 19.2% of total assets in 2014.

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 an increased dividend of CHF 1.60 per share is suggested, which represents a payout ratio of 30.6% of consolidated net profit, attributable to owners of the parent.
### Condensed consolidated statement of cash flows

<table>
<thead>
<tr>
<th>(in CHF 000s)</th>
<th>For the year ended December 31, 2014</th>
<th>For the year ended December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td>53'686</td>
<td>38'483</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>-65'400</td>
<td>-33'638</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) financing activities</strong></td>
<td>14'991</td>
<td>-4'784</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>3'277</td>
<td>61</td>
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<tr>
<td><strong>Cash and cash equivalents at beginning of the year</strong></td>
<td>33'163</td>
<td>33'416</td>
</tr>
<tr>
<td><strong>Exchange gains/(losses) on cash and cash equivalents</strong></td>
<td>1'222</td>
<td>-314</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>37'662</td>
<td>33'163</td>
</tr>
</tbody>
</table>

### Condensed consolidated statement of financial position

<table>
<thead>
<tr>
<th>(in CHF 000s)</th>
<th>At December 31, 2014</th>
<th>At December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>37'662</td>
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<tr>
<td>Marketable securities</td>
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<tr>
<td>Trade accounts receivables</td>
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<tr>
<td>Other current assets</td>
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<tr>
<td><strong>Total current assets</strong></td>
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<td>122'351</td>
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<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>14'836</td>
<td>13'764</td>
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<tr>
<td>Goodwill</td>
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<tr>
<td>Other intangible assets</td>
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<td>44'570</td>
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<tr>
<td>Financial assets</td>
<td>584</td>
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<tr>
<td>Deferred tax assets</td>
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<td>6'777</td>
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<tr>
<td><strong>Total non-current assets</strong></td>
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<td>104'158</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>301'747</td>
<td>226'509</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
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<td></td>
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<tr>
<td>Current liabilities</td>
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<td>Non-current liabilities</td>
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<td><strong>Total liabilities</strong></td>
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<tr>
<td>Shareholders’ equity</td>
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<tr>
<td>Share capital</td>
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<tr>
<td>Share premium</td>
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<tr>
<td>Retained earnings</td>
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</tr>
<tr>
<td><strong>Total equity, attributable to owners of the parent</strong></td>
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<td>180'436</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>301'747</td>
<td>226'509</td>
</tr>
</tbody>
</table>
Strategy

During 2014 we pushed forward with the strategic initiatives we have outlined in previous annual reports. It was a year of significant milestones in both wireless communications and positioning technologies. In addition, we saw market expansion of existing product lines plus acquisitions and strategic partnerships. We also further advanced operational excellence. The result was yet another successful year of innovation, groundbreaking products, market leadership and solid financial growth.

Technology and innovation

Goals
- Launch new products to expand and secure our strong position as a key supplier for customers with embedded mobility, M2M and IoT requirements.
- Expand our product offering in short range wireless communications based on Bluetooth and Wi-Fi technologies.
- Enhance our position in the fast growing markets for embedded high-speed 4G/LTE wireless connectivity.
- Extend our highly successful line of GNSS precision timing products with new industry-leading performance.
- Defend our leading technological position with new patents.

Achievements 2014
- Established a short range radio product line.
- Launched 11 new products: 3 cellular, 7 positioning, 1 short range.
- Integrated the u-blox M8 satellite positioning platform across our popular module form factors.
- Introduced u-blox’ first multimode LTE modems: the TOBY-L2 series, the world’s fastest 4G modules.
- Added two new module products, the NEO and LEA-MB, for precision timing applications used by mobile operators and for key cellular infrastructure applications.
- Obtained 33 patents for innovation in wireless communications and global positioning.

Outlook 2015
- Expand 3G and 4G module portfolios with new variants addressing specific market regions and connectivity requirements.
- Further develop our market-leading position in first-mount vehicle navigation systems based on new 3D Automotive Dead Reckoning technology.
- Introduce new GNSS antenna modules based on the u-blox M8 and incorporating an integrated antenna.
- Continue to develop products for the growing markets based on the Internet of Things and more connectivity solutions in the short range radio domain.

Market position

Goals
- Win and retain customers, particularly in the Internet of Things, thereby maintaining our leading position.
- Continued expansion of our strong foothold in automotive electronics.
- Extend our share of the rapidly growing wireless M2M market.
- Expand our sales presence into new regions and target markets worldwide.
- Become an even stronger local partner to customers around the globe.

Achievements 2014
- Achieved significant market penetration with our leading 3G modules.
- Expanded the sales force in all regions and focused on key application areas.
- Increased the number of customers to 5’000 and won several new large accounts.
- Introduced Product Grades that separate our offer into three levels of appropriate quality.

Outlook 2015
- Take advantage of our expanded sales force and focus on specific market sectors to accelerate sales in vertical markets.
- Build upon our leadership in global automotive markets by improving our navigation technology and automotive quality products.
- Build market momentum with our LTE products.
- Expand relationships with customers to allow them to deliver added value in their products.
- Continue the growth trend in all regions through the cross selling between all product categories.
- Continually upgrade our product roadmap.
**Strategic partnerships and acquisition opportunities**

**Goals**
- Collaborate with world-class chip suppliers to design market-leading modules.
- Establish partnerships with cellular operators, infrastructure vendors and cloud services providers who operate in our ecosystem.
- Promote u-blox products through joint reference designs and marketing.
- Evaluate additional acquisition opportunities enabling us to address new markets.

**Achievements 2014**
- Acquisition of connectBlue gave u-blox an immediate significant share in key markets for short range communication modules.
- Acquisition of Antcor delivered the IP for short range communication solutions.
- Partnership with Epson to jointly promote our 3D Automotive Dead Reckoning solution.
- Sprint, a major US carrier, selected u-blox as CDMA module provider.
- Collaboration with Telenor Connexion results in a “network friendly mode” feature for u-blox cellular modules.
- Joined the ARM Holdings mbed™ partner ecosystem to allow our customers to take advantage of the mbed IoT Device Platform and through it accelerate the development of IoT products and services.

**Outlook 2015**
- Investigate new and complementary technologies that will allow us to maximize growth in both the positioning and wireless sectors.
- Establish additional partnerships to give customers even easier access to our technologies.
- Empower customers with improved design tools to speed time to market for attractive products.
- Review new acquisition opportunities through which we can open up additional market segments.

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**Operational excellence**

**Goals**
- Maintain our market-leading design excellence and manufacturing quality, doing so with improved processes and adherence to the stringent industry quality standards.
- Implement operational excellence initiatives to decrease time to market.
- Develop even more attractive online purchasing capabilities.
- Reach out to entrepreneurial startups in the “maker” community.
- Tightly integrate our recent acquisitions in short range radio into the overall product line.

**Achievements 2014**
- Production capacities solidly expanded with our partners to address increased sales volumes.
- Strengthened collaboration with contract manufacturers.
- Expanded our workforce by 171 new employees.
- Added one complete new product center for short range radio products.
- Selected as one of Connected World magazine’s “top-100” most innovative providers of M2M devices for the fourth year in a row.

**Outlook 2015**
- Optimize internal structures and processing capabilities.
- Increase internal resources to support business growth.
- Promote further innovation in all three technology categories.
- Set and meet targets for higher operational efficiency.
- Boost marketing capacity and expand marketing and sales tools.
Strategy: What is this thing, the Internet of Things (IoT)?

Now that mobile phones have connected nearly all the people in the world, the industry is moving on to connect everything else. This is why we hear the term Internet of Things so much. But why now? The answer is cost.

The cost of transmitting data has reduced by 40x over the last 10 years; the cost of computing has reduced by 60x over the same period; and cost of the sensors that capture the information has halved.

These fast changes in the cost of capturing, processing and transmitting data mean that new business models are feasible. The promise of the Internet of Things comes from putting together large quantities of data from disparate sources to reveal new and valuable information. Just imagine if the weather forecasters knew whether the windshield wipers in every car were on or not. They would have weather monitoring at a level of detail otherwise unavailable.

Business models are changing and new opportunities arise
In many markets, product companies see IoT as driving a change in their business model. Instead of simply selling a device, be it a photocopier, car or jet engine, by communicating with their product these companies can offer their customers a service: pay-per-copy or pay-to-drive insurance, or thrust per hour. The commercial benefits are a long-term income stream and a stronger relationship with the customer.

Most of us will recognize the application of the IoT in our personal lives. People talk about a fridge that can remind you that the eggs have reached their sell-by date. While this is useful, it is less useful and less valuable than being able to service your fridge just before it fails, rather than just after. While the obvious applications are easy for all to see, there are more applications in the industrial world, hidden from view.

Why u-blox is best positioned to help customers build the Internet of Things applications
For u-blox, IoT in the industrial world is a vast opportunity. We are very clear about our priorities. We are focusing on

THE INTERNET OF THINGS THAT REALLY MATTER

What do we mean by this? Our products offer the quality, reliability and robustness that professional, industrial and automotive companies need for business critical application – things that really matter.

Interestingly this is also where the real value, both financial and societal, of the IoT lies.

Our three product lines – positioning, cellular and short range radio – provide a complete portfolio of technologies to deliver What, Where and When: our customers can move their data (What), from devices at known locations (Where), knowing exactly the time (When) the data was captured. u-blox products move data from the cars, trucks, point-of-sale terminals, medical equipment, sensors, etc., into the wireless Internet so customers can gather and analyze their data.

Creating powerful business value
Much of the value in IoT comes from so-called big data analytics: aggregating and analyzing large quantities of data in new ways to reveal subtle trends and insights. u-blox components can ship and stamp the data with location and time; our partners and customers provide the other parts of the IoT for analyzing and using the information.

The inherent value of the data in industrial, automotive and infrastructure applications is much greater than in consumer applications; u-blox robust, reliable, industry-quality devices are designed for these more valuable and complex applications and markets.

Here at u-blox we look forward to helping our customers and their customers access this value over the forthcoming decades.
u-blox’ wireless technologies deliver the WHAT, WHERE and WHEN for millions of connected devices.
With three core technologies – cellular, short range radio and positioning – u-blox addresses virtually any location and wireless application. In 2014 we introduced three quality grades to make our products attractive to every sector of the industry. Our products are now being widely adopted as the enabling technology for business-critical applications in “The Internet of Things that Really Matter.” Equally, they enable the fast growing applications of wearable electronics.

**Product launches in 2014**

**Modules**
We have continued to expand our range of modules in 2014. In Positioning we have achieved new levels of performance, and we have integrated sensors and antennas; in Cellular we support new frequencies and multi-standard applications; and in Short range we have introduced modules that combine Wi-Fi and Bluetooth. Here are some of the highlights:

**CELLULAR**

**TOBY-L2**
The world's fastest 4G/LTE modules with 3G plus 2G network fallback, a key feature for applications roaming across different operators with their varying frequency allocations.

**LISA-C210**
This CDMA module possesses excellent building penetration characteristics and wide-area coverage required for smart metering and smart grid applications.

**SHORT RANGE**

**ODIN-W160**
Our first combined Bluetooth/Wi-Fi module designed for robust Internet of Things applications such as networked medical devices and industrial sensors.

**LONG RANGE**

**NEO-M8T and LEA-M8T**
These precision timing modules generate a precise reference clock with <20 ns accuracy. That clock is derived from multi-GNSS systems including GPS, GLONASS and Beidou. The devices differ in their antenna management (LEA internal, NEO external).

**POSITIONING**

**EVA-M8M**
A new industry benchmark as the world’s smallest standalone multi-GNSS module, able to generate a position without relying on a host microprocessor.

**CAM-M8Q**
Our second positioning module with an integrated antenna, able to concurrently track all available GNSS satellite systems.
Chipsets
In 2014, we broke ground with two new GNSS receiver chips:

- UBX-M8030-Kx-DR: a new multi-GNSS satellite receiver chip that can accurately determine a vehicle's position and change in altitude when combined with movement and direction sensor data. Called “3D automotive dead reckoning,” this capability gives u-blox positioning products the ability to calculate a position even without satellite visibility in a tunnel or parking garage.

- UBX-M8030-Kx-FT: capable of simultaneously decoding multi-GNSS signals (GPS, QZSS, GLONASS and BeiDou); provides time and frequency synchronization for cost-sensitive network equipment including small cellular base stations.

Product outlook
Cellular: In 2015 u-blox will deliver new versions of its 2G, 3G and 4G modules to better address vertical markets and regional requirements. We will broaden our TOBY-L2 series of LTE multi-mode modules for new markets and regions. Significant effort will be made to expand our product range to include low-cost 2G modules, region-specific 3G modules and high-performance 4G modules. We also expect to develop modules targeted at low data rate cellular applications such as metering.

Short range radio: After a year of building the u-blox organization through two acquisitions in 2014, the focus in 2015 will be on accelerating product development. While we continue to support and promote the acquired products, we will also focus on the development of small and high-performance short range radio modules for professional and automotive use. They will be optimized to work with our cellular products, for example in very small wireless routers and gateways.

Positioning: To give our extensive installed base instant access to new and improved features, u-blox will use 2015 to expand its line of popular MAX, NEO and LEA modules based on the M8 platform. 3D navigation capability for our chips will benefit not only in-car navigation systems and fleet management but also automotive telematics applications such as anti-theft systems, UBI (usage-based insurance) and road pricing. Upgrades to our existing GNSS antenna modules will make it easier for customers to incorporate satellite positioning in their products.

Quality and Product Grades
u-blox has long enjoyed a reputation for top-quality products, all of which are tested in-house according to our zero-defect policy. We also recognize that each of our customers must balance the level of quality and the price/performance ratio based on the markets they serve, which range from extremely price sensitive to those where quality is paramount. As a result, in 2014 we introduced product grading with products optimized for our three primary market sectors:

- **Standard Grade:** For consumer product applications where environmental conditions such as temperature, EMC and mechanical stresses are within light to moderate levels. This category is ideally suited to higher volume, price-sensitive applications such as recreational devices, mobile computing, cameras, displays, routers and test equipment. This category of products is characterized by an excellent price to performance ratio and the industry renowned u-blox quality.

- **Professional Grade:** For use in industrial and professional applications where operating temperature range and mechanical durability are important for high reliability over the entire product service life. This product category is suited for applications like industrial equipment, safety and alarm systems, broadcast, and telecom equipment, asset tracking, fleet management, etc. These products are very robust electrically as well as mechanically. They are qualified according to JEDEC / ISO 16750 to ensure best-in-class quality.

- **Automotive Grade:** For equipment in harsh environmental conditions, especially automotive applications, where the device is subjected to high levels of EMI, bump, shock and vibration plus extremes of temperature. These products are designed for use in automotive, transportation and other mission critical applications and meet industry standard automotive specifications and are qualified strictly according to ISO 16750 / AEC-Q100. u-blox' automotive products feature excellent immunity to severe mechanical and electrical stress. They are characterized by the lowest possible field failure rate, have the long-term product availability to support the automotive industry's product life cycles and come with automotive quality processes (PPAP, 8D, Failure Analysis).

Wireless services
For selected customers, u-blox continues to provide design support in wireless applications and customized features. Our software team develops protocol-stack and test solutions primarily for 4G mobile devices based on state-of-the-art LTE standards. The code running on a baseband chip (commonly known as the protocol stack) is mandatory to meet 4G industry standards.
Innovation

u-blox is innovating across all our short range radio, cellular and positioning products. To support this activity, we make sizable investments in the underlying technologies in hardware topologies, signal processing, algorithms, software and hardware design. The result: advanced chipsets and modules ideally suited to customers’ demanding industrial and automotive applications.

In-house chip know-how and module expertise
Our chip design and patents allow us to react quickly to changes in the markets we serve, which are typically in a competitive environment. In the past year there has been a consolidation among chip suppliers in our markets. Most of those who remain are focusing on high-volume consumer applications. In contrast, u-blox has made the decision to target markets whose requirements are far more stringent. Unlike many of our competitors who wrap a package around someone else’s technology, we believe that it is essential to have full control of the technology behind our products. Chips integrate the entirety of our know-how and form the essence of our value for the customer.

By managing all our chipset and software technology, we can address the requirements demanded by our customers perfectly. We offer unmatched performance for their applications. We can continually change product functions to meet new customer needs. We can create product differentiation through performance and features. Finally, u-blox can guarantee the long-term availability of our products, which is a key design factor for industrial and automotive products that have long service lives.

Synergies lead to particularly attractive products
The broad range of u-blox technologies under our control gives rise to a further benefit: maximizing synergies among our short range radio, cellular and positioning products. A growing number of systems (such as vehicle navigation, telematics, road pricing, fleet management, emergency services, etc.) depend on reliable, uninterrupted positioning and navigation. But what happens when satellite reception is not possible such as in an urban canyon or parking garage? Here we offer two innovative solutions based on our hybrid positioning systems that leverage satellite positioning with cellular positioning and local sensors – making us a trailblazer in indoor positioning technology. Our CellLocate services augment GNSS receiver data with mobile network cell attributes to provide a level of redundancy that can benefit numerous applications. The synergies and power of innovation produced excellent results. For example, our 3-dimensional dead reckoning technology blends satellite navigation data with individual wheel speed, gyroscope and accelerometer information. Unmatched in the market, this technology delivers accurate positioning regardless of changes in a vehicle’s speed, heading or vertical displacement, even when satellite signals are partially or completely blocked. This is especially important when quick navigation decisions must be made immediately upon exiting tunnels or parking garages.

The concept of synergies is now expanding beyond our roots in navigation. By combining our three technologies, we are producing assemblies that make it easier than ever to create complete solutions such as reliable mobile Internet hot spots in passenger cars or in buses and trains. Another example where our cellular and short range radio technologies provide synergistic benefits comes from the Internet of Things, where “end points” communicate with local systems using short range radio, and then these use cellular systems to pass the information to the cloud, where massive amounts of data can be aggregated and processed. This strategy enhances our position as a supplier of core technology.

Top products demand top talent
To support these innovative efforts, this past year u-blox increased its staff of R&D engineers (FTE based) around the world by 48.0% to 428, partially due to the addition of new R&D centers in Malmö, Athens and Patras. We now operate 13 R&D centers in the USA, Europe and Pakistan. During 2014 outlays for R&D amounted to 18.5% of revenues. With an eye to the future, we continue to recruit R&D talents for our locations in 10 different countries.
Markets

u-blox sales grew by 23% compared to the previous year. This growth resulted from a combination of strong performance in our established markets and newly emerging applications for our products such as insurance telematics, healthcare and precision timing for base stations.

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**Industrial applications**

A global trend is the increasing use of connectivity in a wide range of industrial monitoring and control applications. This is being encouraged by improved efficiency and lower costs over both the short and long term. Growth in the industrial sector in 2014 was driven by:

- Connected healthcare, enabling patients to be monitored remotely and more extensively than if they were within a clinical environment.
- Connected point-of-sale (POS) devices that continue to proliferate as more retailers adopt chip-based and contactless payment.
- Factory automation because reliable and robust wireless sensor networks can be deployed even more cost effectively.
- Commercial vehicle tracking continues to be a large and growing market for GNSS receivers and cellular modems. Indeed, tracking is increasingly becoming a standard feature of fleet management.

Other areas showing marked increases in volume are:

- The build-out of LTE network infrastructure is leading to significant growth of GNSS precision timing systems for base station synchronization.
- The number of unmanned aerial vehicles (UAVs) in use is growing rapidly.

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**Automotive applications**

Sales continued to rise for in-car navigation as this becomes a standard feature in many cars. A combined offering of a GNSS receiver and dead reckoning is now the baseline system ensuring that navigation is continuous even in tunnels and parking garages.

Elsewhere in the automotive market we observed that there is a positive adoption of usage-based insurance (UBI) enabled by cost-effective telematics. These systems generally require positioning and cellular connectivity. Emergency call and connected infotainment provide further opportunities for growth. The latter area is a promising market for both cellular and short range radio modules which download media such as video and distribute it throughout a car.

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**Consumer applications**

With more people adopting healthy lifestyles and quantifying their activities and personal performance, we have seen the increased use of our components in products for sports and recreation. Running watches and bicycle computers are specific examples of products we enable. In 2014, GNSS and short range communication devices continued to benefit from this trend.

Consumers are purchasing driving recorders and radar detectors, often containing video capture. These showed notable growth, particularly in Asia.
Customers

In 2014, u-blox experienced growth in the number of customers in all our major geographical markets: the Americas, Asia-Pacific and EMEA. Sales to 69 customers in 27 countries in five continents accounted for 80% of total revenues. Further demonstrating our broad base and high business diversification, our largest single customer was responsible for less than 7% of total revenues.

Enabling a global technological revolution
New products and services are penetrating every aspect of our lives – whether professional or personal, whether at home, on the road, in the office or in factories. Many of them use location information or they need to communicate either with other devices (M2M) or with the cloud (IoT). The companies developing these groundbreaking devices and services are our customers. For instance, two-thirds of all cars with built-in navigation systems use electronics from u-blox.

Many innovative young companies, especially SMEs, have limited R&D teams and resources. They conceive products that create instant market demand, and they are experts in their own market segments – but they lack the know-how to embed location and communications technology in their products. So they come to u-blox. At the other extreme, even design teams at larger corporations benefit from working with our application engineers so they can get their products to market even faster, which is a key to success in a fast-paced world.

This is where u-blox excels. We reduce the barriers to adding positioning and communications functions to new products. We support our customers from conceptual design through to working prototypes. We provide blueprint designs to give them a head start. We package our products so they are easy to use and gain approvals. Customers benefit from our many years of experience in a wide range of consumer and industrial sectors. With direct presence in 16 countries and a multinational team of highly qualified sales and support engineers, our customer support is unmatched.

Commitment to quality
Even with the best support, a prerequisite for mutual success is products that meet the quality requirements of our broad customer base. u-blox’ global quality program covers all aspects of our organization. This includes R&D, module and IC manufacturing, testing, supply chain and timely delivery. The program spans a multi-continent manufacturing chain that includes semiconductor fabrication and assembly in Asia, module assembly in Europe and Asia along with independent stock points in America, Europe and Asia. Further, we adhere to the industry’s strictest standards, and u-blox has been a preferred vendor to the global automotive market for many years. To achieve this distinction, all our manufacturing sites are ISO/TS 16949 automotive certified, and our automotive ICs are qualified according to AEC-Q100. Further, our production processes respond to the industry’s quality requirements.

During the past year, we have seen increased penetration in high-value markets in all the segments we are active in.
AUTOMOTIVE: This application area led our growth with a double-digit increase for in-car navigation as this becomes a standard feature in more vehicles. A new area with very strong potential consists of insurance telematics in applications such as usage-based insurance (UBI) and theft-protection systems.

CONSUMER: Here we have experienced satisfying growth in sports and recreational devices. Consumer video devices for recording the view from the front of a car, together with GNSS derived velocity and position, were popular in the Asia region during 2014. These devices are expected to expand into the US and Europe.

INDUSTRIAL: Fleet management continues to be our most important industrial market, but u-blox is also experiencing quite strong growth in timing devices for LTE base stations. We are also starting to see gratifying gains in asset tracking devices and Point of Sale (POS) terminals.
Telematics is changing the automotive sector in ways and at a pace nobody could have predicted, and this all around the world. It goes far beyond the navigation that has become a standard upgrade feature in today’s cars. For instance, in-vehicle positioning systems using highly accurate GNSS devices combined with wireless connectivity can record locations, speeds and acceleration for applications in usage-based insurance (UBI) where policy holders pay based on the distance they drive or their driving habits. The same technology can also be used to address the growing problem of how to recover stolen vehicles. Recognizing a recurring stream of revenues in collaboration with insurance companies, many automotive component suppliers such as Cobra now embed telematics functionality in their connected car devices. The telematics insurance market currently represents more than 5 million drivers and new trials are being conducted around the world. In fact, safety and security applications are leading the use of telematics, partly because in many regions they are being driven by regulations such as the eCall program in the EU. The top three triggers for adopting telematics in this industry are process and productivity improvements, the need for competitive advantage and the opportunity for innovation. Telematics is now well established in high-end vehicles, and it could soon see such high demand that consumers demand it as a standard feature in virtually every car.

Cobra Telematics develops telematics infrastructure and services for the automotive industry and the insurance business. Since 2006, almost every major vehicle manufacturer has chosen Cobra as its partner for tracking systems based on GSM and GNSS technologies. Vehicle-centric services ranging from UBI, emergency and breakdown calls, accident reconstruction and theft management are enabled with Cobra telematics platforms. Just one example is the Porsche Car Connect, the connected car service solution offering an enhanced experience to Porsche customers. Porsche Car Connect is a connected service solution fitted during manufacture. The device combined with Vodafone connectivity, the Porsche Car Connect application and Cobra’s global service center network provides drivers with a variety of features in three key service areas: Porsche Vehicle Tracking System, Remote Services and e-Mobility, specifically designed for the remote management of hybrid vehicles.

Porsche Vehicle Tracking Services (PVTS) for example triggers a silent theft alarm in response to predefined events. This alarm is monitored by a 24-hour security operations center that then contacts the owner, locates the vehicle and works to recover the vehicle in cooperation with local authorities. Additional PVTS services include remote vehicle access, airbag deployment notification and telematics breakdown calls.

The reliability of the gathered data is a clear requirement, and it depends on the quality of integration of the unit in the vehicle. This is where Cobra’s core expertise lies. The company relies heavily on the ability of its highly skilled engineers to follow the global telematics technology evolution and integrate the latest developments. It also relies on long-term partnerships with vehicle manufacturers and component suppliers such as u-blox. Cobra places high importance on component features such as fast time to first fix (TTFF), high accuracy and low power consumption. Just as important, if not more so, is the fact that u-blox has many years of experience in this field and has earned a reputation for automotive quality and support.

Commenting on the use of u-blox technology in its systems, Stefano Trivellato, Cobra’s Operation Excellence Director, says, “We deal with auto manufacturers who promise their customers exceptional quality. Auto buyers expect only the absolute best in their telematics systems. Thus it is only natural that we would seek component suppliers with equally high performance and quality, and in the case of our location systems, this is u-blox.”
Vehicle-centric services ranging from usage-based insurance (UBI), emergency and breakdown calls, accident reconstruction and theft management are enabled with Cobra telematics platforms.

Cobra places high importance on component features such as fast time to first fix (TTFF), high accuracy and low power consumption. Just as important, if not more so, is the fact that u-blox has many years of experience in this field and has earned a reputation for automotive quality and support.
Our brand and its values

Our values provide a framework for profitable, sustainable growth and act as a guideline for all our employees. Our corporate values are an integral part of our brand and u-blox’ strategy.

**Our values**
At times of rapid growth, company values assume greater importance as the fundamental principles of interacting and doing business. At u-blox, we have made five core values the focus of all we do:

**Customer focus**
All our activities must bring value to and earn the trust of our customers.

**Ongoing innovation**
Innovation is the lifeblood of our company. We continuously innovate to improve our products and services, either by ourselves or through partners and acquisitions.

**All-round dependability**
From initial contact and design-in through to prototypes and production, our customers can depend on us for technical support and reliable product delivery every step of the way.

**Unmatched product reliability**
Only by conforming to the industry's quality standards and reliability expectations can we maintain the trust we have built with our customers.

**Corporate citizenship**
We listen to others, work together to achieve shared goals, treat each other with respect and dignity as well as maintain high ethical standards.

**Global brand recognition**
u-blox pursues a single brand strategy through which we aim to strengthen our market position and set ourselves apart from the competition. Our consistent image fosters brand recognition worldwide. Our brand is our promise to our customers that we will provide them with innovative, high-quality, versatile solutions tailored to their needs.

In 2014, we continued to expand our brand awareness by stepping up our presence at international trade shows. At the Electronica trade show in Munich last November u-blox presented innovative products, and met a record number of existing and potential customers and discussed new customers’ needs.

We adapt our messages to our global audience routinely and translate our website, press announcements, advertisements and marketing collateral into other languages with a view to strongly transmitting our messages and key value propositions to customers in Asia, EMEA and the Americas.

**Brand protection**
The u-blox brand is protected internationally by copyrights and trademarks. We take all necessary steps to stop any abuse of our brand and our designs. We develop our brand’s presence continuously with richer content, simple but strong visuals and by placing our brand in an increasing number of communication channels.
Experience the unmatched size, performance, and quality of u-blox cellular modules with layout compatible across GSM, UMTS and LTE technologies.

- Drop-in compatible with u-blox GSM modules
- Layout compatible with u-blox CDMA & LTE modules
- Cost-effective 3G-only variants

www.u-blox.com
Risk management

Assessing and controlling risk is fundamental for sustainable business success. u-blox has sound risk-mitigation and loss-prevention strategies in place.

<table>
<thead>
<tr>
<th>RISKS</th>
<th>RISK MITIGATION</th>
</tr>
</thead>
</table>
| Markets and customers | • Customer diversification: No single customer accounts for more than 7% of u-blox’ turnover.  
  • Continual expansion of the customer base.  
  • Continuous monitoring and assessment of market developments and needs.  
  • Expansion with a third technology category (Short range radio). |
| Competition | • Review and reprogram R&D activities every 6 months.  
  • Foster a high level of innovation.  
  • Maintain high technical support capabilities globally.  
  • Product range well structured to provide customers with solutions tailored to their needs. |
| IP | • Maintain a high level of trade secrecy.  
  • Protect our current business and IP from being copied or used by others by appropriate use of patents, copyrights and trade secrets on a global basis.  
  • Accelerate the innovation rate.  
  • Manage third party licenses. |
| Product quality | • Continual expansion of the quality management system.  
  • Thorough testing and qualification at our own laboratory facilities.  
  • Maintain high technical support level globally. |
| Innovation | • Continual stream of new products launched yearly with targeted features to several markets.  
  • Invested CHF 49.9 million, or 18.5% of revenues in R&D in 2014.  
  • Expand range in key technologies, acquired Short range radio know-how. |
## RISKS

### Personnel
Skilled and dedicated employees are essential for the success of our growth-oriented corporate strategy. The loss of these individuals could disrupt the company's operations.

- Globally positioning the company as an attractive employer.
- Develop and increase management talent pipeline.
- Regular employee satisfaction survey.
- Maintain attractive employment conditions and compensation packages plus a stock option plan.
- Offer career path opportunities group wide.

### Suppliers
u-blox outsources its capital-intensive production to leading production suppliers around the world. Rising raw material prices, capacity constraints or business interruption could lead to a shortage of supply with negative consequences for our business.

- Lean supply base with few key suppliers.
- Long-term relationships with suppliers and close interaction to plan and manage capacity.
- Inventory buffers to respond to unplanned demand fluctuations.

### Compliance
Non-compliant or unethical behavior could lead to reputational damage, fines and liability claims.

- Active fostering of high ethical standards and membership in the UN Global Compact
- u-blox Code of Conduct.
- Anti-bribery policy.
- Speak-up culture, formal compliance process and sanctions.
- Sustainable supplier program containing regular risk assessments and inspections of production suppliers’ operations.

### Currency fluctuations
The majority of u-blox’ revenue, material costs and R&D expenses are in US dollar currency.

- Foster natural hedging by matching revenue currency amounts with expense currency amounts.

### Credit
Credit risks arising from financial institutions and from customers could have a negative impact on u-blox’ financial performance.

- Individual risk assessment of customers and definition of appropriate credit lines.
- Insurance for all customer credit lines.
- Frequent and thorough follow-up on late payments.

### Liquidity
Failure in liquidity management may have a negative effect on u-blox’ financial performance.

- Monitor our liquidity on a quarterly basis.
- No long-term debts.
- Cash flow program to optimize liquidity and cash flow management.
- Efficient use of available cash through cash pooling.
Corporate responsibility is at the heart of all we do. It shapes our policies, our mission and our actions and is essential to the success of our business.

**Our commitment to strict ethical principles and compliance**

Our commitment to ethical principles is integral to the way we do business, and we communicate it openly to employees and external stakeholders. u-blox is a signatory to the UN Global Compact and fully embraces the organization’s policies and principles. The UN Global Compact is a public/private strategic policy initiative for businesses committed to aligning operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.

We report yearly on progress made in implementing the ten principles. The Communication on Progress (COP) can be viewed at www.unglobalcompact.com.

**Group-wide Code of Conduct**

u-blox’ employees and business associates are from widely differing cultural backgrounds. It is, therefore, vital for us to have a set of common values. We drew up our Code of Conduct to ensure that all employees and other persons acting for or on behalf of u-blox clearly understand what we mean by correct behavior. u-blox’ Code of Conduct is a guideline for compliance with the principles of the UN Global Compact. Our work in this area is ongoing and has a dual objective: to ensure business ethics of the highest possible standard and to encourage our people to abide by the Code of Conduct. The Code and related information can be found on the corporate intranet in six languages.

**Anti-corruption**

u-blox takes a zero-tolerance attitude towards bribery and corruption. The Group operates in some countries where corruption is widespread, so the subject is of considerable relevance and importance. We have an anti-bribery policy that provides guidelines for compliance with rules and laws related to bribery and corruption. In 2014, u-blox was not involved in any investigations, legal disputes or incidents regarding corruption or human rights violations.

**Insider Trading**

u-blox has implemented a policy for all employees prohibiting the trade with u-blox shares in case of insider knowledge of facts which could have an impact on the share price if they were publicly known. Under the policy, employees are prohibited from trading with u-blox shares in case of insider know-how.

**Funding of political organizations**

u-blox does not fund or subsidize political parties.

**Confidentiality and data protection**

u-blox ensures that the personal data of its employees is treated confidentially. u-blox complies with all applicable data protection laws.

**Being at the cutting edge of creativity and innovation**

Being at the cutting edge of creativity and innovation calls for talented people: attracting and retaining them is key to our ongoing success.

At the end of 2014, u-blox had a total of 625 employees, 25.8% of them at our headquarters in Switzerland. The remaining 74.2% worked in 13 R&D centers and 11 sales and marketing offices around the globe. In the course 2014, we added 167 FTEs to our workforce. This growth was the result of organic growth in all regions and two acquisitions. As our market activities increased, the number of FTEs in Sales, Marketing and Support rose from 101 to 117. The number of employees in Research and Development grew from 289 to 428, while those in Logistics and Administration grew from 57 to 69 FTEs.

**Our employees**

u-blox fosters a culture that encourages employees to develop their professional and leadership skills and improve their career prospects. Management staff receive special leadership training. As we acquire more companies abroad, virtual global teams take charge of an increasing number of projects. In annual appraisals, we discuss and agree upon career objectives with the employee and define individual objectives. Whenever possible, u-blox fills vacant management posts and key positions with in-house specialists.

**An attractive employer**

u-blox aims to attract and retain talented personnel and offers its employees attractive conditions. In 2014, we spent CHF 48.0 million on salaries and social benefits (compared with CHF 37.7 million the previous year). Details of employee compensation and benefits, including information on salaries, social welfare and stock option plans, can be found on page 53 of financial report.

**Employees per region (end of 2014, FTE based)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAC</td>
<td>22% (135)</td>
</tr>
<tr>
<td>Americas</td>
<td>8% (48)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>25% (154)</td>
</tr>
<tr>
<td>Rest of EMEA</td>
<td>45% (277)</td>
</tr>
</tbody>
</table>
u-blox is a fair and non-discriminatory employer and ensures that employees enjoy equal opportunities and equal treatment. Women accounted for 14.6% of the workforce at the end of 2014 (previous year 15.2%). There are no women in the management team, and the Board of Directors comprises one woman and six men. The relatively low proportion of women in the workforce is due to the large number of engineering positions within the company, for which recruitment potential among women is very limited.

Employee satisfaction is assessed in the course of annual performance review meetings. Performance and compensation are linked to both Group and individual goals. Every other year we conduct a detailed employee satisfaction survey. The 2014 survey gave our people the opportunity to voice an anonymous opinion about the working environment, and 76% of them participated. Employee commitment is very high level: 86% expressed the attitude “to give my best.”

Compensation and promotion are based on clearly defined individual and corporate goals. Regular assessment of individual performance is well established throughout the company. Staff turnover in 2014 was just 8.9% (previous year 8.6%), reflecting a stable workforce. u-blox has a solid reputation as an attractive company to work for, and in 2014 it was voted one of Switzerland’s top 100 employers.

Work-life balance and employees’ well-being
u-blox believes that striking a balance between employees’ life and work is key to their long-term well-being and motivation. We strive to offer our employees a working environment that helps them to be more productive. We actively encourage balance by offering flexible working hours and work/pay/vacation programs together with a sabbatical after five years’ tenure with the company. We offer interactive, real-time internal communications that are accessible to employees worldwide. We regularly update our global workforce on the state of the company.

<table>
<thead>
<tr>
<th>Performance indicators</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total headcount (end of the year)</td>
<td>454</td>
<td>625</td>
</tr>
<tr>
<td>Jobs created</td>
<td>78</td>
<td>80</td>
</tr>
<tr>
<td>Women in overall workforce</td>
<td>15.2%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Part-time employees</td>
<td>7.3%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Fluctuation</td>
<td>8.6%</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Employees per function (end of 2014, FTE based)

An essential component of our corporate social responsibility is to provide active support to communities in which we are both directly and indirectly involved. Our involvement mobilizes our financial, human and technological resources to push ahead with change and make communities stronger. Education and health are two of the main areas in which we are actively involved, and in 2014 we took a leading role in two new projects.

**Bringing electricity to a hospital in DR Congo**
Lack of electricity is one of the major problems facing hospitals and health centers, both urban and rural, throughout the Democratic Republic of the Congo. Lukula is a poor township some 90 kilometers from the sea. GRAFA, a Swiss NGO, has set up a hospital to offer affordable medical services to all, including the poorest people in the community. The hospital accepts any patient, regardless of financial situation, religion or tribe.

Conditions in the hospital are dire. Without a reliable power source, it is unable to store blood or medicines under suitable conditions, sterilize equipment or even guarantee continuous light during surgical operations. The most obvious and practical answer to the central problem is for the hospital to have its own transformer. u-blox pledged its support to the electricity project two years ago and works closely with Energy Assistance, a Belgian organization that actively promotes humanitarian energy projects worldwide.

Despite the problems facing the Lukula project – such as shipment delay of the transformer – we remain fully committed to the goal. Equipping the hospital with a reliable power source will permit improved handling of blood and medical supplies, sterilized equipment and more effective treatment and operations. These improvements should, in turn, have a direct and noticeable effect on the community, such as increased life expectancy.

Hospital in Congo
The Internet of Things facilitates home treatment for critically ill patients
As populations live longer, their susceptibility to life-threatening and terminal diseases increases and puts an ever-greater strain on finite healthcare and hospital services. One way of easing the pressure is to use technology and remote monitoring to allow severely ill patients to remain at home. ItAChi (IT support for advanced cancer care in the home) is a Swedish research program examining the feasibility of such an approach. u-blox technologies are ideal for this purpose. We therefore welcome the opportunity to participate in a professional project that makes use of our products – between a patient monitor and a home hub, for example – in the Internet of Things.

Disaster relief donation
In September 2014, torrential rainfall in Pakistan caused severe flooding that killed hundreds of people. u-blox made a financial contribution to help flood victims. The money collected was invested in tents, shelter and other urgently needed equipment.

Supply chain safety
u-blox founded its Sustainable Supplier Program in 2012. Its aim is to ensure that working conditions in the supply chain are safe, that workers are treated with respect and that manufacturing processes have as little impact on the environment as possible. The Program is based on the EICC (Electronic Industry Citizenship Coalition) Code of Conduct, which covers labor and human rights, workers’ health and safety, environmental impact, ethics and management systems. In 2014, u-blox completed an assessment of its supplier base. We will audit suppliers who do not fulfill all social requirements in 2015 and, if necessary, draw up plans for improvement.

Product responsibility
u-blox has a long record of compliance with demanding environmental standards. As a fabless semiconductor company, we require the same exacting sustainability standards from our suppliers. We liaise closely with them to monitor and manage the potentially harmful substances and materials used at all stages of the manufacturing cycle. We do everything in our power to avoid conflict minerals from any source and work with key production partners to identify the origin of the metals in our products. All smelters in our supply chain are clearly identified. Our suppliers have an obligation to ensure that the cassiterite, columbite-tantalite, gold and wolframite in their products are conflict-free. We took steps to ensure that our key manufacturing partners comply fully with legal, industrial and customer-specific environmental requirements. Such close collaboration requires a suitable database and management solution for environmental data collection, storage, reporting and compliance checks. u-blox works with key contract manufacturers and suppliers to put new measures in place that will enable more effective and efficient control over our environmental and sustainability objectives.

CO₂
u-blox’ products are indirectly contributing to the reduction of CO₂ emissions worldwide. Our products can lead to a reduction in travel- and transportation-related CO₂ emissions, for example u-blox solutions help to optimize the routing of trucks and enhance driver behavior for low emissions; in vending they can avoid unnecessary travel to refill machines; in utility meters they avoid visits to read the meter; in navigation they help find the shortest route to the destination, etc. u-blox’ direct impact on CO₂ emissions is low since u-blox outsources the manufacturing of its products to third parties. Our manufacturing partners all run individual programs for the reduction of CO₂ emissions. Furthermore u-blox has implemented measures to help reduce travel-related CO₂ emissions of its employees: at our headquarters, u-blox covers the cost of public transportation from home to office, encouraging employees to not use a car. Furthermore, a video-conferencing system is undergoing trials for major u-blox offices worldwide to reduce travel and so reduce the CO₂-footprint of employees.

Supply chain safety: Our commitment to addressing the challenges in our supply chain is founded on five pillars.
Catching up with Thomas Christen, Senior Director Program Management with u-blox in Thalwil, Switzerland

Thomas Christen is a “man of the first hour.” An electronics graduate who moved into software development, he joined u-blox at the Thalwil headquarters in 2002 when the company was five years old and had just over 30 employees. Over the past 13 years, he’s seen a lot of change and witnessed the company’s growth from a small operation driven by the dynamism of an imaginative group of founders to a global company that specialized in GPS products, followed by cellular and, most recently, short range products.

Thomas, tell us how you came to u-blox
I’d been working in Singapore for two years leading a multi-ethnic software development team for a semiconductor company that sold its products all over Asia. My hands-on experience of training staff in the Asia-Pacific region was certainly an advantage when I applied for the job with u-blox, but I think I was pretty well qualified for the job, too (smiles modestly). I joined the company as a second-level support engineer, which meant I was coaching field application engineers and sales people in Asia.

How did you move from that job to your present position?
By 2008, we’d reached a pretty critical situation. We were growing fast but project handling was an haphazard affair and we made no distinction between hardware and software, and that led to coordination problems. The Executive Committee decided we needed professional project management and asked me to take on the responsibility for setting it up. So I soon found myself in charge of R&D projects in Thalwil and later in Reigate, GB and Espoo, FIN.

What exactly does your job entail?
I’m responsible for around 50 to 60 projects at any one time. I have to decide which work package is realized when and ensure that everything’s on track and in accordance with short- and long-term objectives. We carry out a twice-yearly assessment of our projects to make sure they’re in line with market developments and look into new products, new features and new technologies.

What was the biggest challenge you’ve faced? And is there any achievement you’re particularly proud of?
Taking on the job of program management was the toughest thing I’ve done. I’m proud of the fact that I made it clear some of management’s aims would call for a different type of approach. Over the past six years we’ve seen a major transformation, and without some of the decisions taken back then, the company wouldn’t be in the position it is today.

What do you like about working for u-blox?
Being part of a company that changes from one year to the next means we can never stand still or get bored. And it calls for constant adaptation all the way from the top down. Essentially, u-blox is a democratic, socially aware company. If you have a concern or a suggestion, you can always be sure someone will have an open door and an open mind. Working here is a dynamic and exciting experience all round.

And what’s the most inspiring project you’re involved in at the moment?
Our innovative ideas and new customer requirements. To achieve this, we’re working on a brand-new generation of positioning chips, which poses an enormous technological challenge. And it’s also hard to predict how the processes will work for new and emerging markets or what sort of expectations those markets have.

And what can you tell us about life outside u-blox?
I’m a happily married family man with four children aged five to nine, and I spend as much of my leisure time as possible with them. I live about an hour from headquarters in a small village. I love its simplicity and the peace and silence: it’s the perfect balance to my life at work. And I recharge my batteries by either cycling, inline skating or skiing.
Share price performance
The share price increased by approximately 43% during this year going from CHF 96.15 to CHF 137.40.

At December 31, 2014, u-blox had 3'756 shareholders. Information on our major shareholders can be found in the Corporate Governance section of the Financial Report.

Dividend
In light of the positive future business outlook and the good cash situation of the company, the Board of Directors has proposed a dividend for 2014 of CHF 1.60 per share, equivalent to a total dividend payment of approximately CHF 10.6 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 28, 2015.

Share information (at December 31, 2014)
Stock Exchange       SIX Swiss Exchange
Swiss Security Number / ISIN 3336167 / CH0033361673
Ticker               UBXN
Nominal value        CHF 0.90
Shares issued        6'588'681
Reuters              UBXN S
Bloomberg            UBXN SW

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

The annual report is published in March and presented at the 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 September.

Share price (in CHF) 2012 2013 2014
Highest              48.30 98.00 143.00
Lowest               37.00 39.90 99.25
Closing at December 31, 39.15 96.15 137.40
Market capitalization at December 31, (Mio CHF) 247 621 905

Key Figures
Registered shares with a nominal value of CHF 0.90 6'305'032 6'455'496 6'588'681
Nominal share capital (in TCHF) 5'675 5'810 5'930
Basic earnings per share (in CHF) 2.74 3.86 5.27

Market capitalization end 2014, Mio CHF

Basic earnings per share (in CHF)

5.27
Investor contact

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