ADB Group H1 2011 results

Zurich, 4 August 2011

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Andrew Rybicki, Chairman and CEO
Alessandro Brenna, CFO
Tina Nyfors, SVP IR/Group Communication

H1 2011 in brief

First half of 2011 at a glance: the life after acqusition

- **Business transformation progressing:**
  - Integration on-going acording to plan
  - Company re-organized: simplifed and flattened
- **Market trends:**
  - Set-top box markets in Europe weaker than anticipated;
  - Broadband business steady; strongly fragmented market
  - Service business growing rapidly
- **Scalable cost base and effective cost control help maintaining profitability during the transition**
- **Increased market demand for end-to-end solutions**
- **Hard work on the US cable market bearing fruit - Charter and Time Warner now customers in the digital TV commercial segment**
- **Group returning cash to shareholders through dividends**

Key figures of the first-half 2011

US$ million except EPS	**1H 2011**	**1H 2010**
Revenue	**171.6**	**141.0**
Gross Profit	**50.1**	**49.0**
	29.2%	*34.7%*
EBIT*	**0.9**	**3.7**
	0.5%	*2.6%*
Net profit after tax	**(4.5)**	**2.5**
	(2.6)%	*1.8%*
EPS (basic)	**$(0.84)**	**$0.50**
Net cash position	**4.2**	**44.4**

* before reorganisation and acquisition expenses

Business review

Andrew Rybicki, Group CEO

2011 – changing ADB

- **Active re-organization and streamlining underway**
  - Broadband business integration
  - Business structure change: four business divisions + supporting functions
- **Customer base broadened: Top Ten generates 70% of revenue**
- **Rapid development of the broad range service business: classical after-sale, reverse logistics and engineering**
- **Diversification of the product mix**
  - Interactive User Interface
  - Home networking systems
  - Complete mini head-end and large head-end software
  - Full solution for commercial cable segment in US
  - Remote gateways management software
- **Reduced exposure to volatile markets (retail)**

ADB Group new organization

- **Re-defined in 2010 after PBS acquisition – being implemented in 2011**
- **ADB Holdings SA**
  - Listed on Swiss Exchange. Located in Chambesy (GE)
  - Functions: Group Management, Finance, HR & Admin, IR & Communications
- **Central Functions:**
  - Operations and Quality
  - Advanced R&D (s/w, h/w and Systems)
  - Group Strategy & Marketing
- **Four Business Divisions:**
  - **Broadcast**: Satellite and European Cable
  - **Broadband**: IPTV and Broadband Communications
  - **Emerging Business**: US Cable and AP-India
  - **Services**: Customer Care, Reverse Logistics, SDA and IT

Simple, clear and streamlined

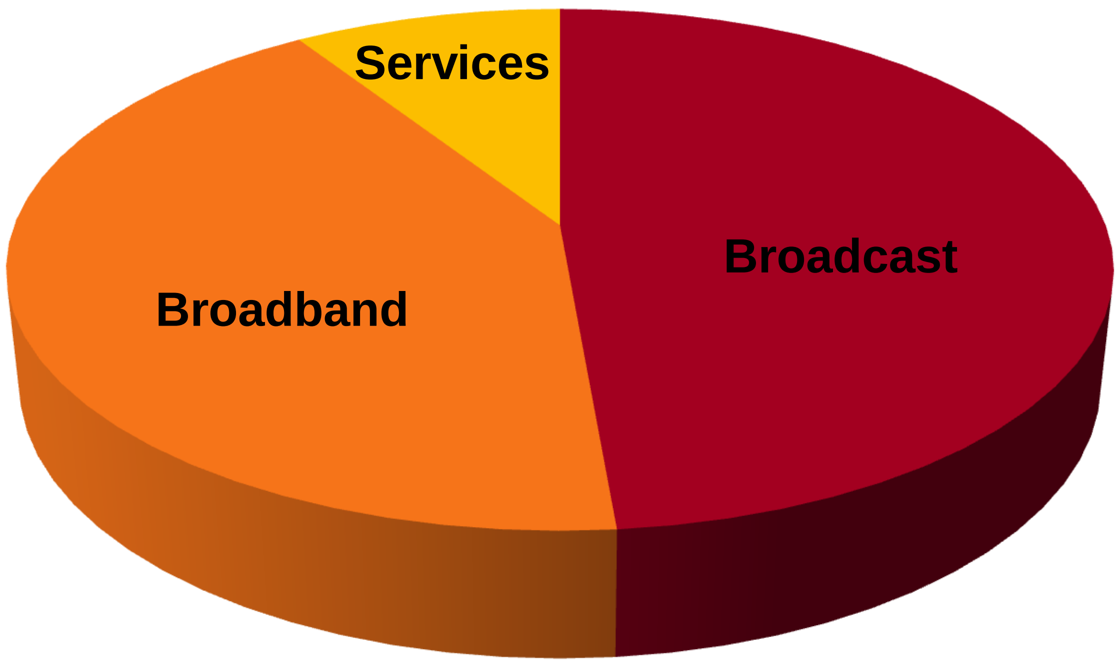
Broadband Division – profile

- Designs and sells **solutions for the multimedia connected home**
- Former PBS (IP broadband gateways, IPTV STBs and software lines) + former ADB's DTT and IPTV BUs
- Geographical presence:
  - main customers in EMEA, US, LATAM, CSI
  - locations: HQ in Milan, R&D in Milan , ZG, Ukraine; commercial offices in San Paolo, Buenos Aires, Denver
- Customer segments: 85% **Telco operators**; 15% others (distributors and retail)
- Key products:
  - xDSL, FTTH, FMC and SMB gateways
  - IPTV and DTT STBs
  - Remote Management system , embedded software stack and professional services

The broadband business contributed strongly in H1

H1 Group Revenue Share

Indicative split



Broadcast Division - profile

- Focused on providing advanced products together with associated services addressing up-coming convergence of broadcast TV and internet content.
- Customers are **cable & satellite pay TV operators**
- Main territory of activity: EMEA region
- Key products and services
  - Advanced Hybrid-HDTV Cable and Satellite STBs
  - ADB CarboTM HD user interface,
  - ADB systems: PushVOD, recommendations, e-billing, e-messaging, e-diagnostics, remote scheduling
  - Home-Networking / Multi-room solution deployed in ITI, sold to Telenor,
  - Support for OTT services, i.e. YouTube, VOD, AOD, Internet radio, news portals, picture sharing portals

Emerging Business Division – Profile

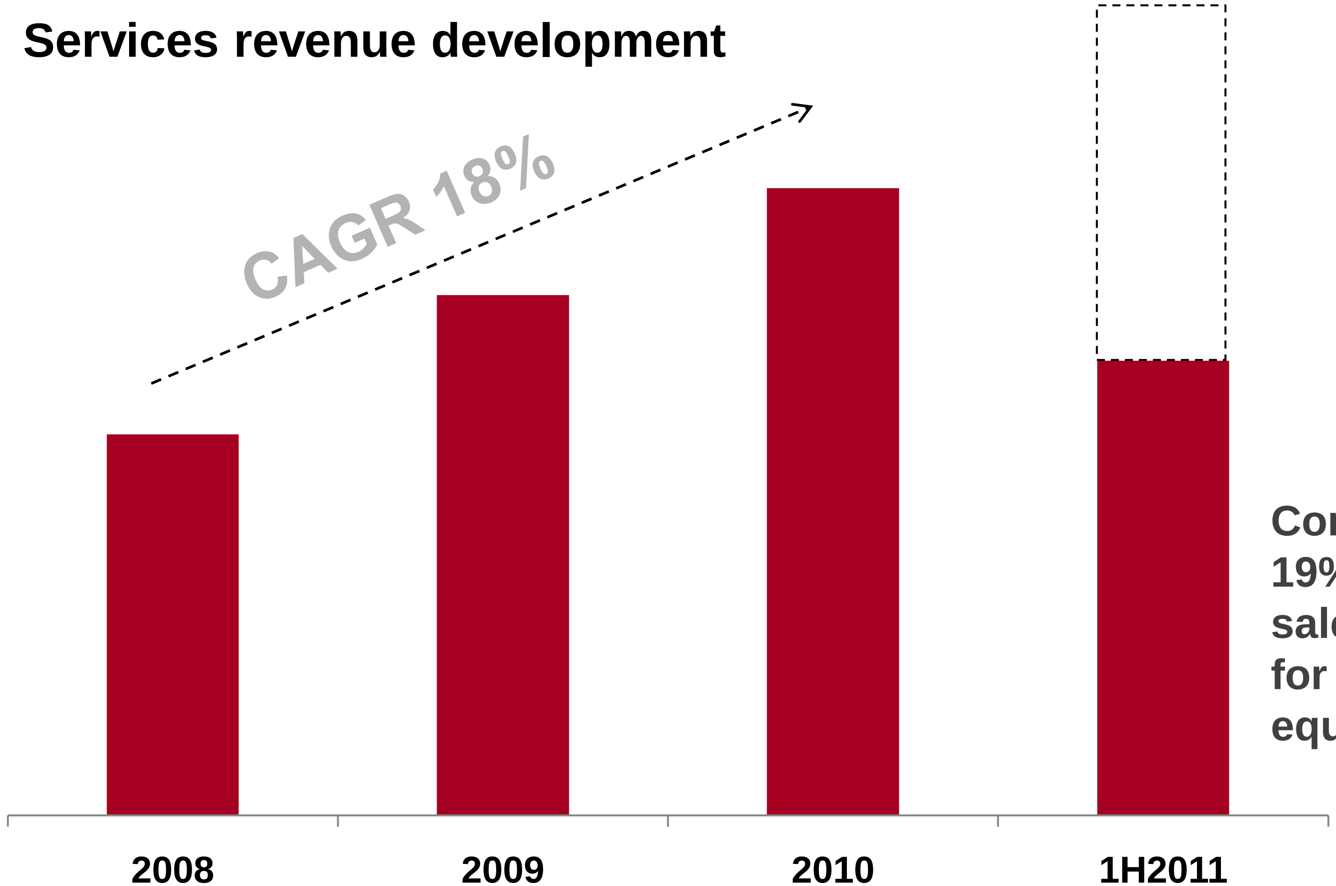
- **Designs and sells solutions for ADB Group emerging business opportunities**:
  - US and India Cable TV – STB and Systems
  - Asia-Pacific: mostly Systems and Software
- **Huge growth markets that ADB has not yet penetrated**
- **Offices and design centers in USA, Taipei, & Mumbai**

- **Momentum established:**
  - US Cable wins at Time Warner Cable and Charter Communications
    - 2^{nd} and 4th largest US MSOs (16m+ subscribers)
    - Unique head-end and client system design, including set-back box design for commercial markets
  - India: 2 cable customers: DDC and CCI
  - Indonesia: First Media: end-to-end system and software for STB

Services Division – Profile

- **Evolved from highly successful Customer Care Business unit**
- **Operates through subcontrators (Licensed ServiceCenters) and own repair facility in Poland**
- **Highly profitable: sales margin in the range of 60%**
- **Current activities include a complete range of after sale services:**
  - Test, repair and refurbishment
  - Logistics, kitting, disposal
- **Services under development:**
  - Back Office services and Reverse Logistics
  - Management of software maintenace and upgrades
- **Goals:**
  - Customer-operator network management
  - New business model of STB ownership and operation

Services business has developed well last three years



Contributes 19% of the sales margin for Digital TV equipment

Core Services
What's involved


Logistics


Storage


Screening and Diagnosis


Repairs


Software Download


Refurbishment


Packing


Analysis and Reports


Trainings


Investigation


Customisations and Reworks


Recycling and Environment Projection


Spare Parts Sales and Management

ADB After-Sales Support Services “B to B” Portfolio of Services

Technical Support & Software

- Enhanced Technical Support
- Software Upgrades
- Software Updates
- Software Security Upgrades
- Customer network upgrade support
- Full Solution Support

Hardware Maintenance

- STB Repair
- STB Refurbishment
- Expedited Services
- Pre-paid support (2 types)
- Spare Parts Management & Supply
- Screening tools
- Full reverse logistics operation

Asset Management & Reporting

- Standard service reporting
- Customized service reporting

Standard Warranty Support

Standard hardware & software warranty, & standard technical support

A wide range of services to maximize the value of your investment

Global Presence

We operate in all ADB's markets and segments

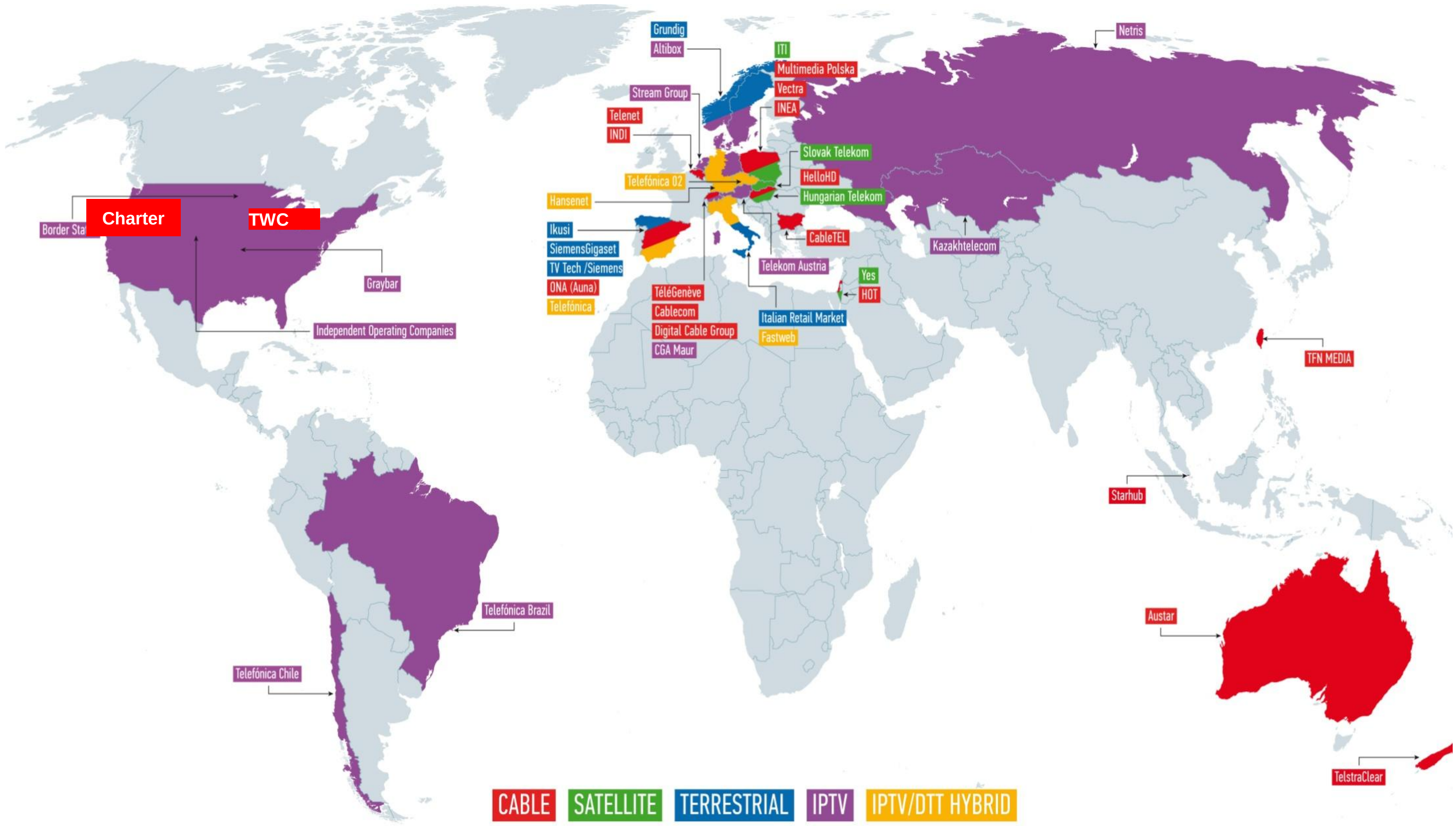
Customers and Markets – before and after acquisition

H1 2011 Top 10 Customer list, in alphabetical order

Canal Digital	Satellite, Norway
Eurocom	Satellite, Israel
Fastweb	Gateways, Italy
ITI Neovision	Satellite, Poland
Swisscom	Gateways, Switzerland
Telecom Italia	Gateways/IPTV, Italy
Telefonica	Gateways/IPTV, Spain
Telekom Austria	Gateways/IPTV, Austria
Telenet	Cable, Belgium
Vectra	Cable, Poland

70% of Group revenue

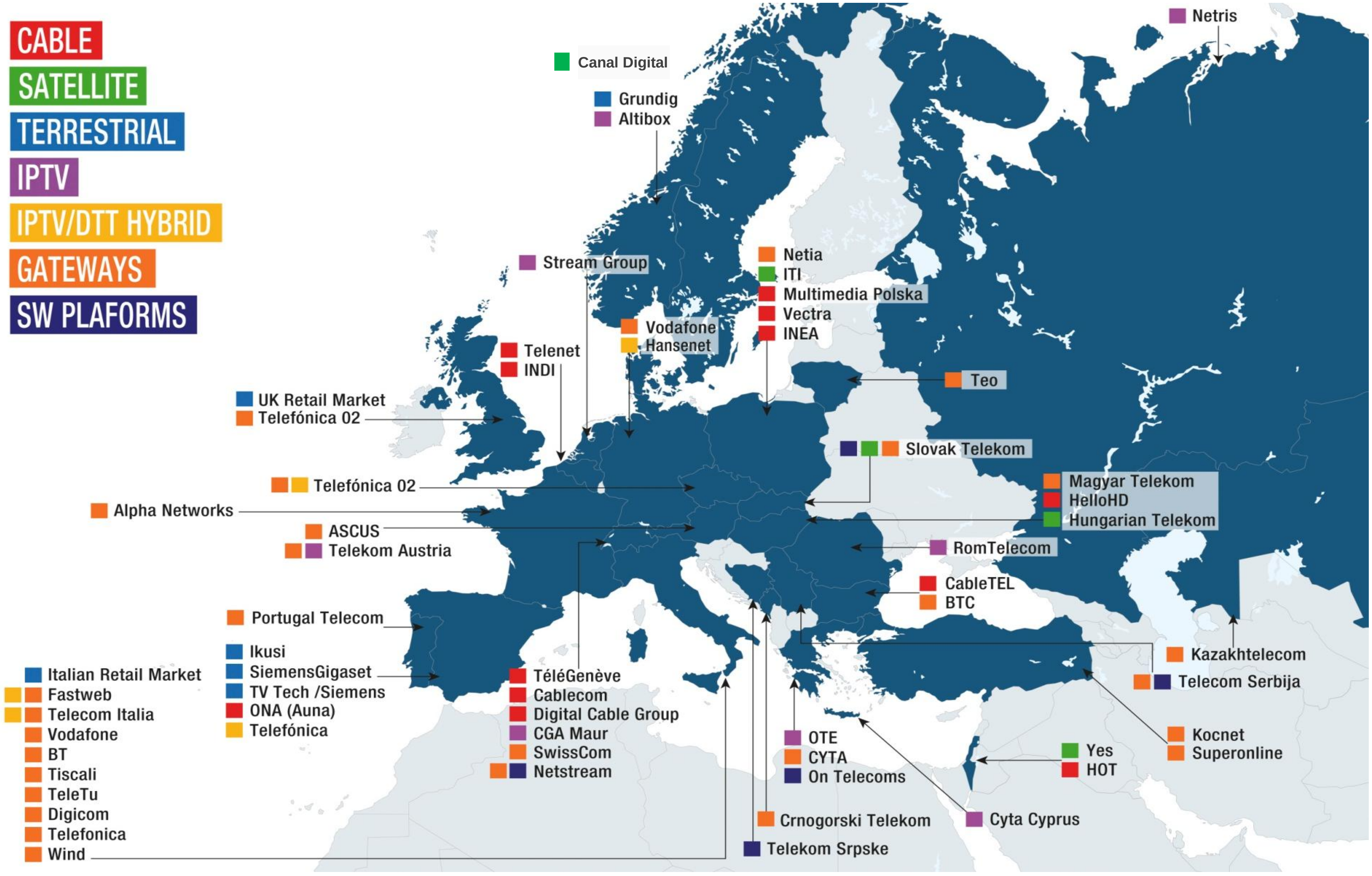
Global Customer Network (before acquisition)



ADB's Global Customer Network (after acquisition)

ADB's European customers – before acquisition

ADB's European customers – after acquisition



Financial review

Alessandro Brenna, Group CFO

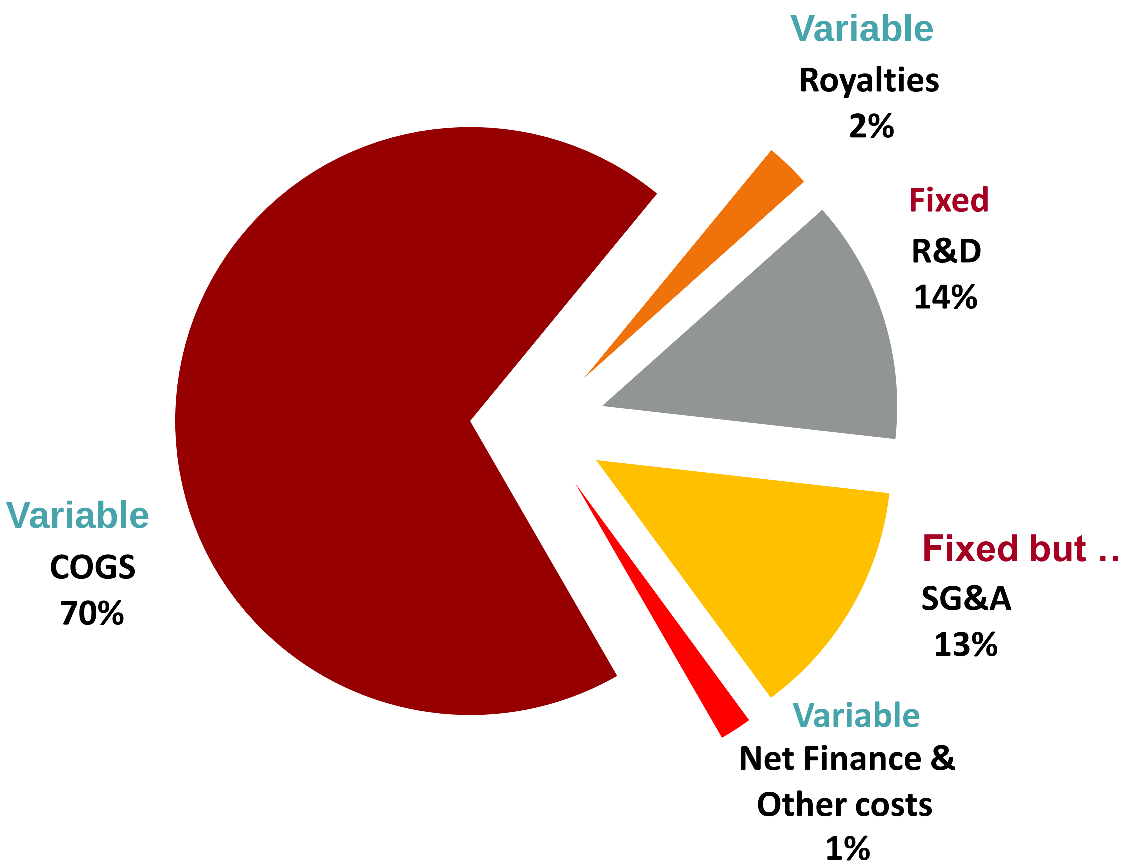
Profit and loss statement

US$ million, excluding EPS	H1 2011	H2 2010	H1 2010
Revenue	**171.6**	**215.5**	**141.1**
Gross profit	**50.1**	**65.7**	**49.0**
Gross margin%	*29.2%*	*30.5%*	*34.7%*
R&D	(27.8)	(28.4)	(20.5)
SG&A	(23.0)	(22.1)	(21.5)
Other	1.6	(1.2)	(3.3)
EBIT	**0.9**	**14.0**	**3.7**
EBIT%	*0.5%*	*6.5%*	*2.6%*
Acquisition and reorganisation	(3.2)	(0.5)	-
Financial costs, net*	(2.7)	(1.4)	(1.0)
Tax charges	0.5	(1.7)	(0.2)
Net profit	**(4.5)**	**10.4**	**2.5**
Profit %	*(2.6%)*	*4.8%*	*1.8%*
EPS (basic)	**$ (0.84)**	**$ 2.04**	**$ 0.50**

* includes expenses of 1.3M$ and 0.8M$ in H1 2011 and H2 2010, respectively, due to forex revaluation of put option liability accounted as per IAS32 – the put option was issued in Nov 2010 to the seller of the acquired business within the equity portion of the consideration paid

Scalable cost basis

Breakdown of H1 2011 expenses
(excluding taxes, acquisition and reorganisation expenses)
100% = US$ 173.4 million



Total variable > 73%
Total fixed < 27%

Variable elements

Sales commissions
Discretionary expenses

Key balance sheet items

US$ million	H1 2011	H2 2010	H1 2010
Cash	49.7	84.5	57.4
Treasury investments and time deposits	15.3	14.5	17.6
Trade receivables	62.2	92.8	46.4
Inventories	62.4	50.4	39.9
Other current assets	20.3	28.1	15.2
Total current assets	**209.9**	**270.3**	**176.5**
LT trade receivables	-	-	1.4
Current bank liabilities	45.9	64.5	26.8
Trade and other payables	111.8	144.4	85.8
Accrued expenses	22.0	34.5	18.1
Total current liabilities	**212.5**	**263.0**	**150.8**
Long-term bank liabilities	14.9	2.9	3.8
Equity	**61.5**	**68.7**	**61.3**
Current assets – Current liabilities	**(2.6)**	**7.3**	**25.7**
Net cash position	**4.2**	**31.6**	**44.4**

Key cash flow items

US$ million	H1 2011	H2 2010	H1 2010
Net profit for the period	(4.5)	10.4	2.5
Adjustments, net	16.2	14.1	12.7
Working capital changes	(16.7)	4.0	(16.4)
Interest and taxes paid	(2.0)	(2.3)	(4.6)
Net cash flow from operations	**(7.0)**	**26.2**	**(5.8)**
Purchase of treasury investments + time deposits	(0.6)	3.1	16.6
Net investment in operations (other items)*	(20.2)	(23.5)	(10.3)
Net cash flow used in investing	**(20.8)**	**(20.4)**	**6.3**
Net share purchase + dividend payment	**-**	**(13.9)**	**(7.4)**
Increase (decrease) in bank loans	(6.6)	35.3	(0.4)
Net cash flow used in financing	**(6.6)**	**21.4**	**(7.8)**
Translation adjustment on foreign currency	(0.4)	(0.1)	(0.7)
Net (decrease) increase in cash	**(34.8)**	**27.1**	**(8.0)**
Ending cash and treasuries	**65.0**	**99.0**	**75.0**

* includes payments for the acquisition of business

ADB Group is well positioned

We targeted	*… and we obtained*
Profitability	~ **Operative break-even**
Cash flow generation	√ **Extend payment terms** vs. x **WIC growth and losses**
Healthy balance sheet	√
Scalable cost structure	√ √ **Proven once more**
Limited exposure to bank financing	√ **Acquisition debt repaid or long term**

A long term perspective

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	2011 E	***TOTAL***	*2012*
+ IPO proceeds	(57.4)							***(57.4)***	
+ Share purchase*		*6.4*	*2.6*	*12.4*	*22.3*	*7.3*	5.0	***56.0***	…
+ Dividend**						*14.0*	6.4	***20.4***	…
= Cash "distributed"	(57.4)	*6.4*	*2.6*	*12.4*	*22.3*	*21.3*	11.4	***19.0***	…
								DELTA	
Equity	18 (beg of year)						… (end of year)	**+ …**	…
Sales	250						…	**+ …**	…
Net cash position	5 (beg of year)						… (end of year)	**+ …**	…

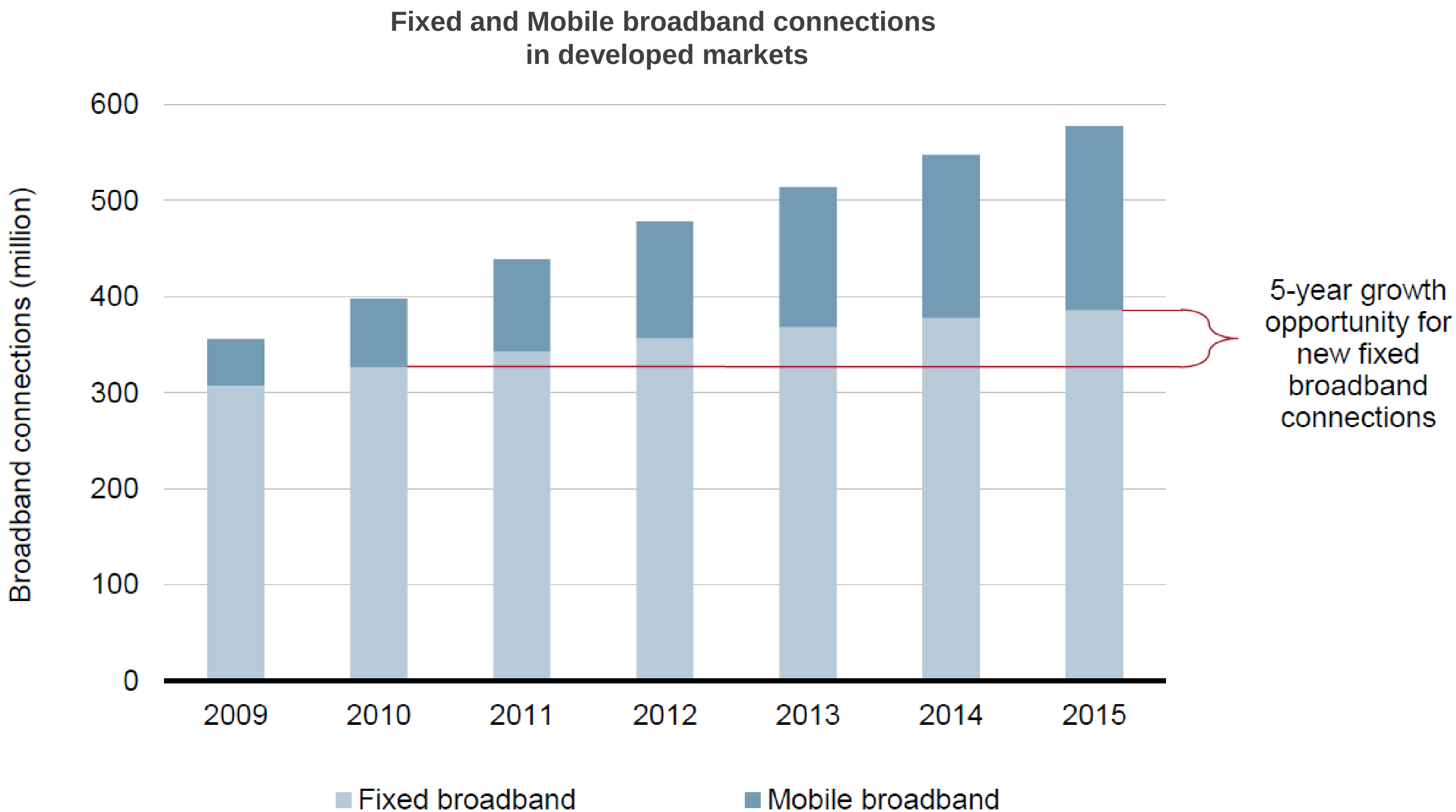
* *2011 E: purchase of 133,334 shares from Pirelli & C. on 2 August 2011*

** *2011 E: dividend distributed on 29 July 2011*

Industry overview, market trends and strategy

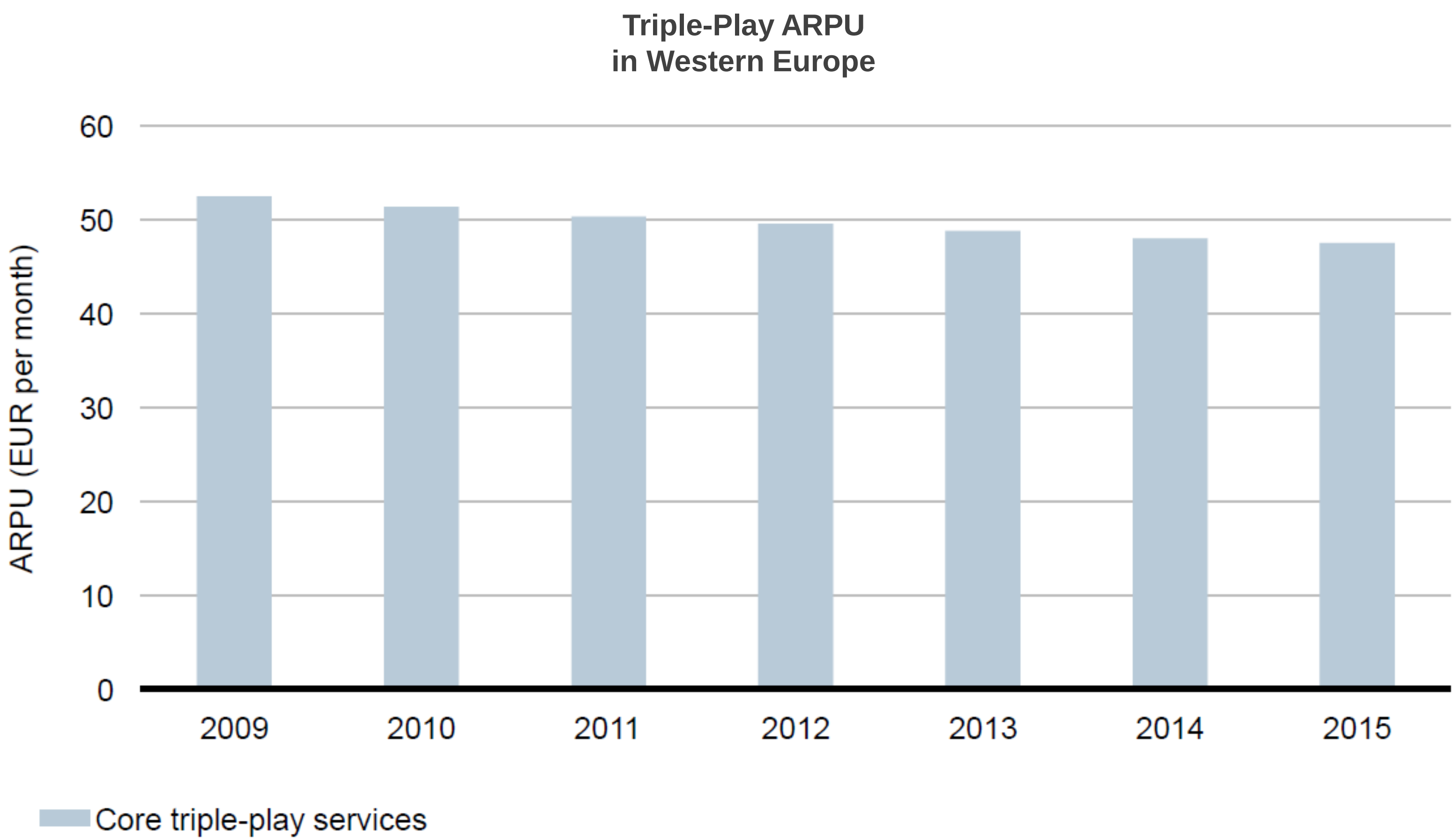
Andrew Rybicki, Group CEO

Growth in Broadband markets



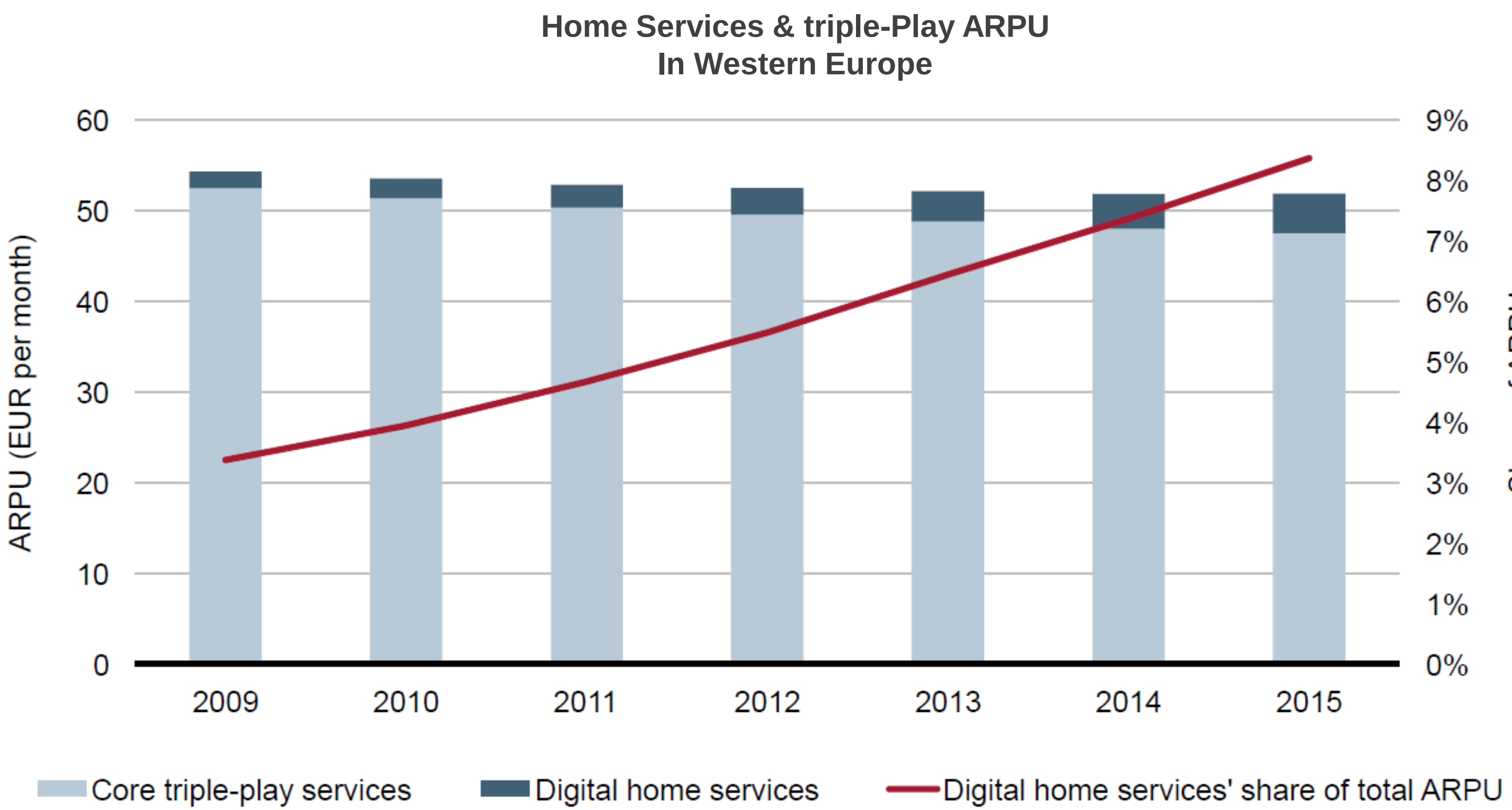
Source: Analysys Mason, 2011

Triple-play revenue per user is expected to erode…



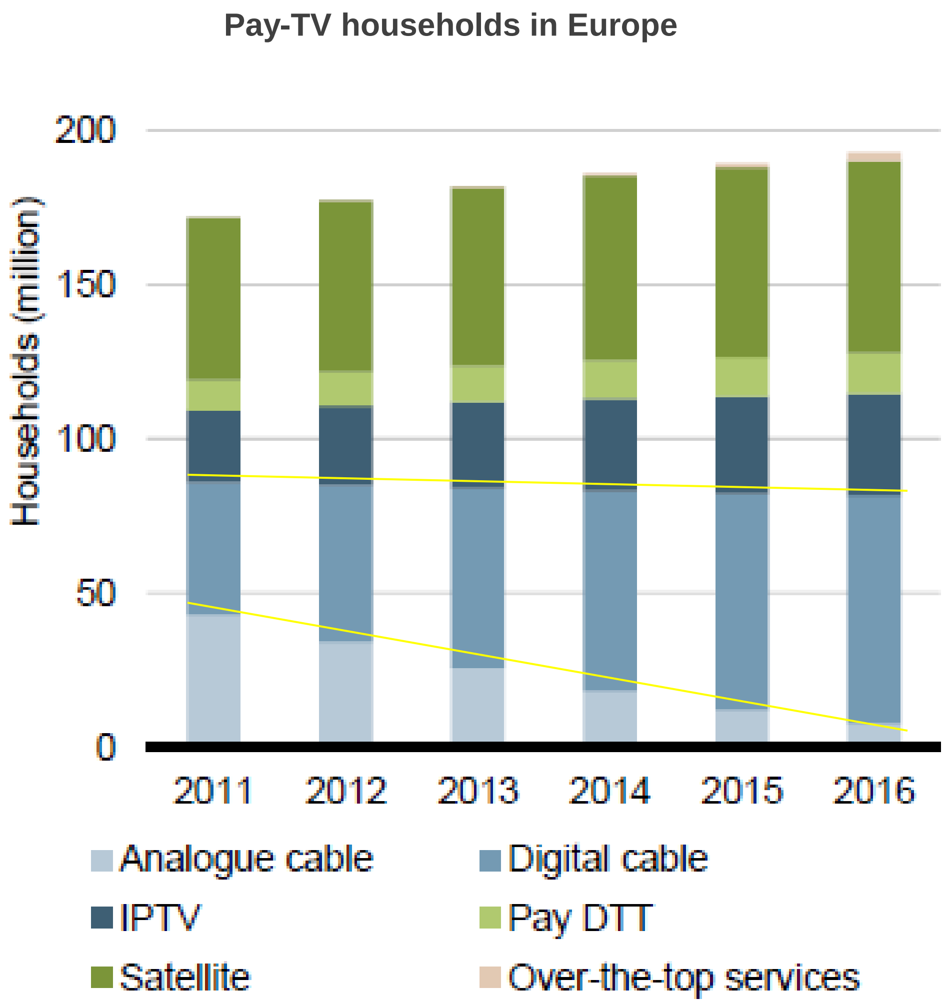
Source: Analysys Mason, 2011

… but a strong Connected Home services strategy can offset the decline and reduce churn



Source: Analysys Mason, 2011

Pay-TV continues to grow



Source: Analysys Mason, 2011

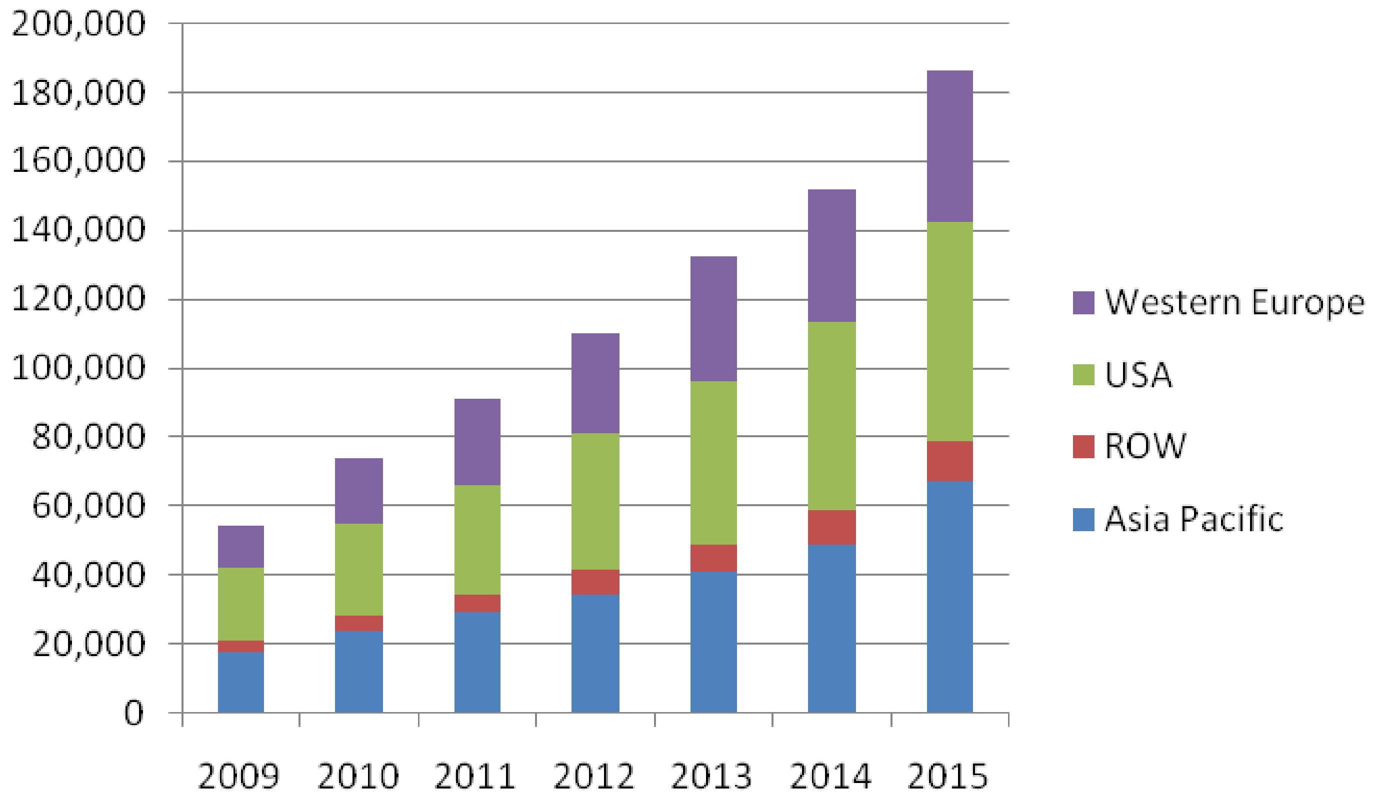
What future for the set-top box in a world of connected TVs?

"The clear message from respondents was that it will continue to prosper. A whopping 78% claimed to believe that viewing online video via the operator set-top box will be a mainstream activity within two years".

"[This] predication […] is based on solid ground. Operators are adding more and more online and catch-up services to their offerings. They already have the customer relationship and it is arguably a smaller step-change in behavior for viewers to view OTT content via their operator set-top box than via a connected TV or games console"

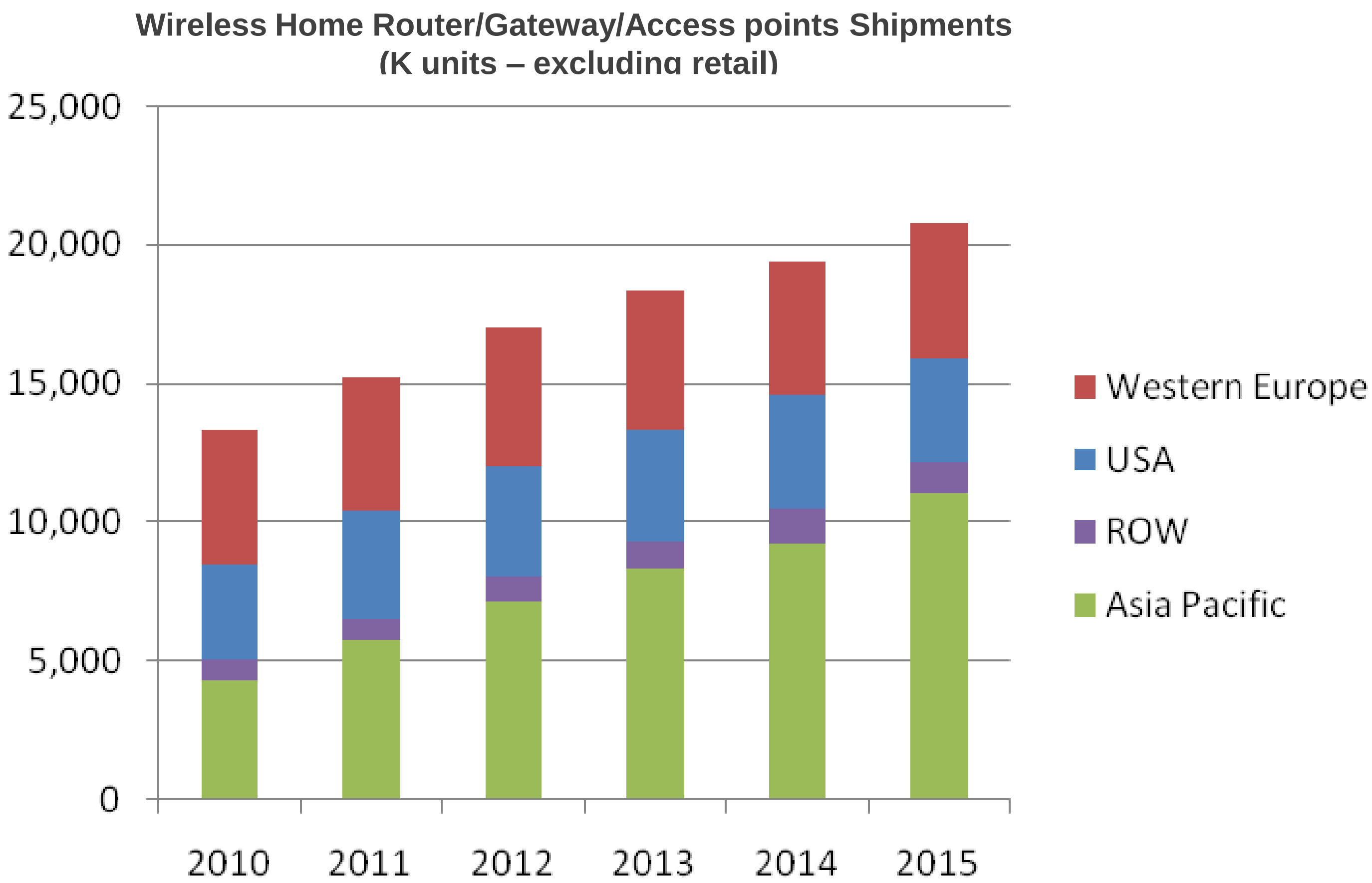
Source: Informa, Connected TV Survey 2011

Multimedia Home Networks: growing fast



Source: IDC , 2011 Worldwide Home Networking Forecast

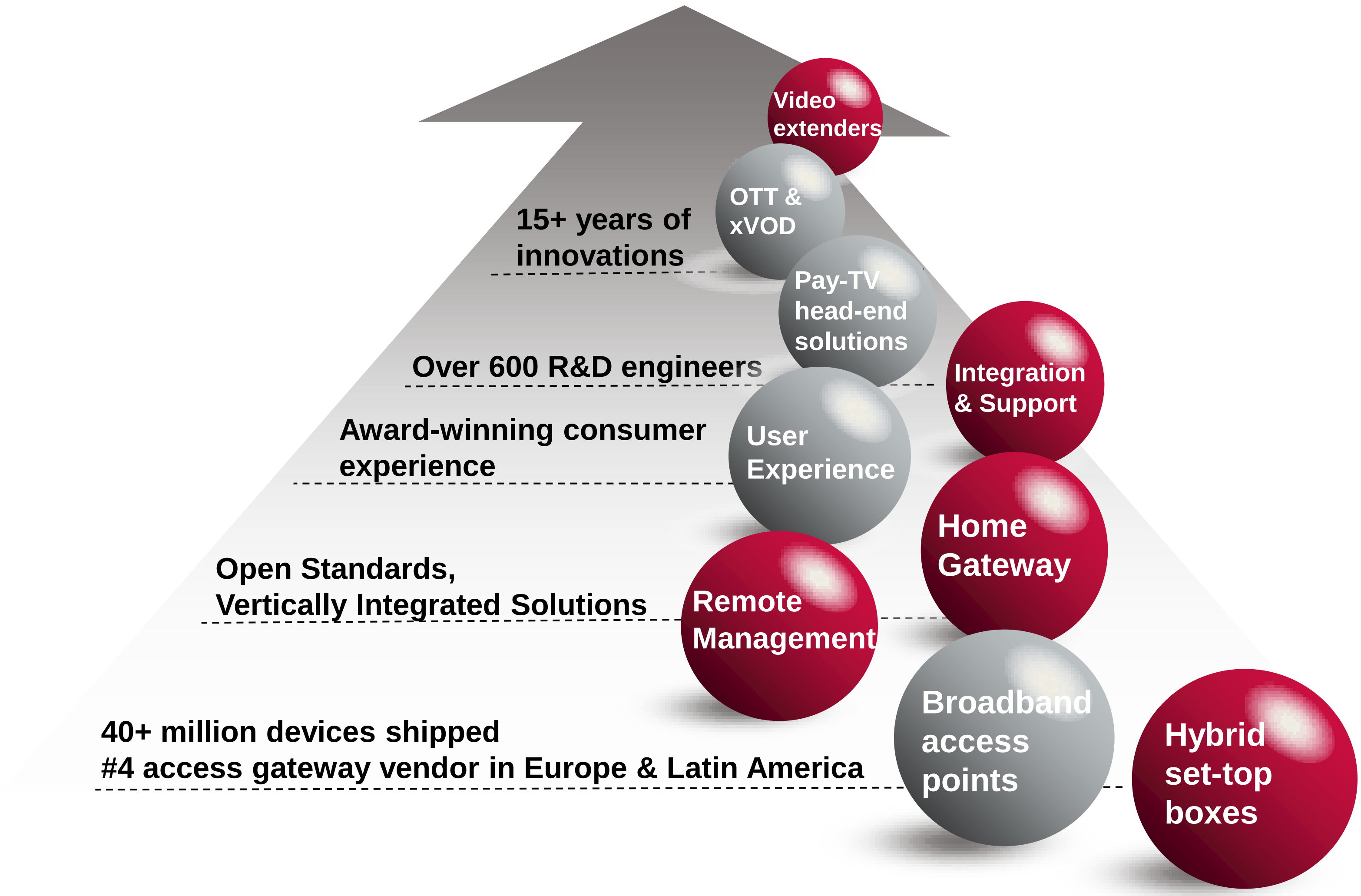
Mobile Broadband gateway market



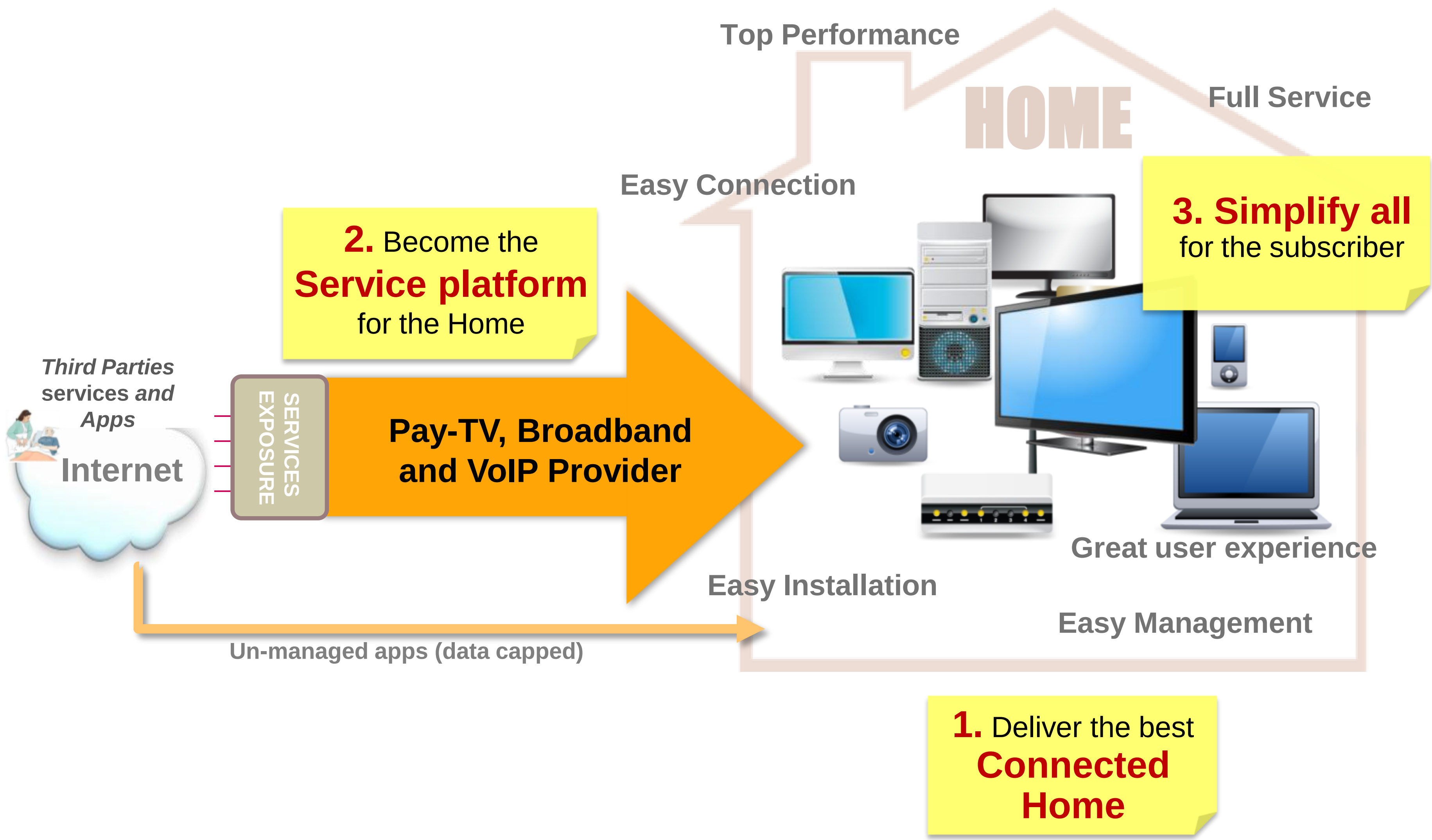
Source: IDC , 2011 Worldwide Home Networking Forecast

So where do we go from here?

ADB Group strategy: Strength in broadband and TV/multimedia convergence



We will put a « devices filled-up home » in order, and offer the Operator a complete Triple-play (and pay) Service Platform:



We have all what is needed to make it happen:

Top Performance
- High speed Gateways
- Hybrid DVRs
- Smart beam forming

Great user experience
- Multi-room DVR
- Carbo™ User Experience
- Media sharing
- PushVOD
- 3G Femtocells

Easy Connection
- Power line adapters
- Wireless video bridges

Easy Installation
- Self-installing kit: IPTV set-top + broadband gateway

Easy Management
- TR-069 Remote Management
- On-screen invoicing
- Apps management portal

Full Service
- Technical support
- Life software upgrades
- Screening, Repair, Refurbishment
- Asset tracking

So we will offer a Fully Connected Home Solution, and…

Consumer home

content via broadband

content via broadcast

Operators (IPTV, cable, satellite)

New ADB Group solutions

… we will move from Device and Software Maker to Pay-TV cum Broadband Communication Services Enabler

End-to-End

Service generation

- Scalable head-end
- Service Delivery software
- VOD, pVOD
- Channel Lineup Management System
- EPG Generator
- Set-top messaging system
- Applications management
- PMP TR-069 Remote Management Platform
- Integration & Consulting

Service transmission

- Cable
- Satellite
- Terrestri
- Telcos

Service consumption

In a nutshell, our Key Message today is:

- **There is a lot of value in the ADB Group**
- **Several elements of it still need to be unearthed and turned into marketable products**
- **The organization needs to be re-shaped and re-focused**
- **All that will take a lot of effort to change our mind-set…**
  - and it will take some time.
- **But it is definitely worth it, as, putting it simply:**
  - the market value of “devices” keeps declining, while
  - the market value of professional services keeps growing
- **Therefore, the growth of Services is the key, followed by**
  - Outsourcing of the hardware products line (ODM)
  - Further improving the software, and
  - Rapidly developing our system integration capability
- **Finally: margins and sustainability come first, the top line follows**

Outlook

Outlook for full year 2011 remains as anticipated

- Integration of the broadband business
- Developing new business areas:
  - Cross-selling opportunities
  - Software and services
  - New product lines
- Developing the new organization
- Cost optimization
  - Technical platforms
  - Staff cuts
  - Review of product lines
- Macroeconomic environment:
  - Still shaky recovery in many geographical areas
  - Competitive pricing environment
  - Uncertain forex environment

Guidance for 2011

- Revenue growth:
  - **Around 15%**
- EBIT% (prior to acquisition and reorganisation costs):
  - **Positive**
- ***Note:***
  - *The Group will continue incurring integration and reorganisation cost in the second half of 2011. The total annual amount of these are expected to be in the range of US$ 5-6 million for the entire year 2011.*

Thank you