

ADB GROUP



Annual Report 2009



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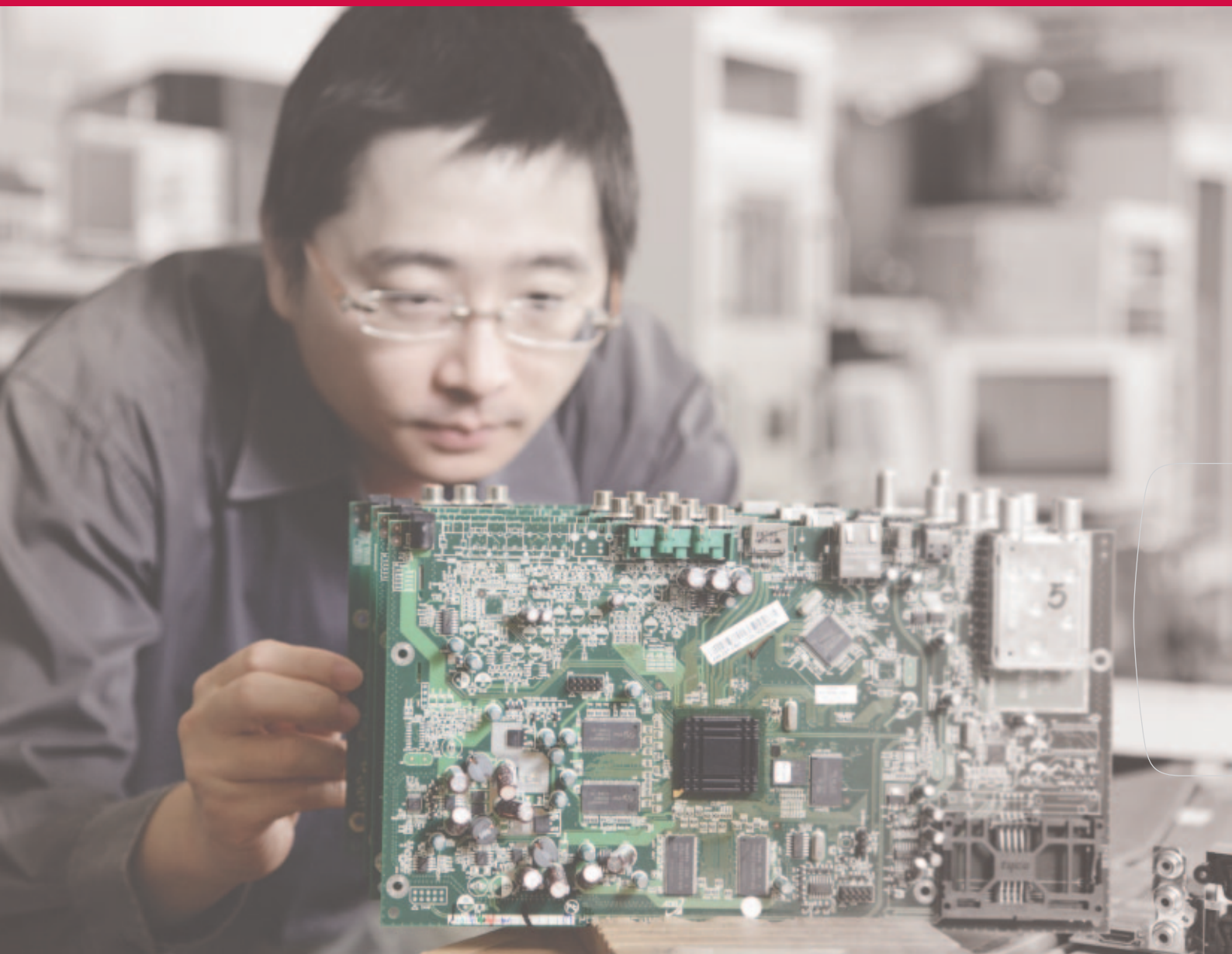
Annual Report 2009

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ADB

Who we are, and what we do



ADB Group designs, develops, manufactures and integrates advanced technology products and systems for pay-TV markets across the world. Our customers are cable, satellite, terrestrial and IPTV operators, as well as specialized retailers on four continents. We are proud to be one of the few companies able to provide products and services to all types of pay-TV business, and we consider this to be an important asset.

We integrate our technology seamlessly into broadcast and telecommunication networks – our aim is to make our customers, the pay-TV operators, proud of offering their subscribers the experience and conveniences which would make them “stick” to their providers forever. Our portfolio includes advanced user interface software products, a wide range of our own pay-TV set-top boxes and complete software solutions for the TV operators. As we outsource the hardware manufacturing, our core

competencies are in software design, system architecture and integration, advanced methods of production and quality control, and overall customer relationships.



We are known as one of the leaders in the most advanced TV technology, and especially in offering access to more than one broadcasting platform through “hybrid” devices. This way we bring more content to pay-TV subscribers, which enhances significantly their loyalty to their pay-TV providers. We build and deliver to the operators many

revenue-generating and cost-saving solutions such as various types of content on demand, electronic billing, and content recommendation software. We help our customers in keeping their subscribers highly satisfied by offering them such conveniences as creating slideshows on TV screen with all the holiday photos stored on the favorite social network sites or game consoles, enjoying high definition slow-motion replays during a football game, or pausing a TV show and continue watching it at will, and in another room, if so desired. In short, we offer pay-TV operators tools that allow their subscribers to master their home TV displays as they like it.

Today, we employ over 700 people and are present on four continents. You may be one of the millions of people using our technology. And you may not even know it – we give all the credit to our customers – the pay-TV operators. That’s part of our success.

To our shareholders

Ladies and gentlemen,

It is my pleasure and privilege to present to you the results of ADB Group for the year 2009. The year will remain in the memories of many as a year of great uncertainty – the economies worldwide plunging in a recession cycle which pushed many industries into negative territory. Luckily, the pay-TV industry has once again proven itself resilient. It does not mean that it remained unscathed. Smaller or narrowly focused players suffered, thereby accelerating the industry consolidation trend. So it's probably fair to say that the year required strong navigation skills, tight grip on the wheel and a clear view of where we need to go.

Against this backdrop, our operational results for 2009 are simply very good. We recorded a year-on-year growth of 6%, which is historically slower than we are used to, but in the context must be recognized as a significant achievement. Our cost management efforts bore fruit, allowing us to deliver a very healthy 7.3% operational EBIT – a 43% improvement over last year. Finally, our financial standing has never been as strong as today – our gross cash position at the year-end exceeded US\$ 100 million. Given that we simultaneously distributed US\$ 22 million through share buy-back programs, I believe that our shareholders should be satisfied with our value creation capabilities. I want to thank all of our staff, for their dedication, commitment and responsiveness. Such results are only possible with a great team spirit and efficient teamwork.

During this year we also concentrated our efforts on areas, to which the industry historically has not paid sufficient attention. We have focused on deceptively simple concepts – on “things” that make the TV viewing experience easier and more enjoyable. For example, our products now switch channels arguably faster than anyone's in the industry, and our PVRs replay the content smoothly at any speed. These are small things that matter. I want to congratulate our engineering teams for achieving such results in a relatively short period of time.

Quality remains the hallmark of everything we do. We continue emphasizing the importance of quality not only in our products and services, but in all areas of operation, no matter how small. This is a key element in our strategy, and we are strongly committed to it. Without quality, there is no excellence.

This year we opened two new markets and welcomed seven new customers to our ADB family. Selecting new customers is an art, as there needs to be a fit between what we can bring to our customers, and also what they bring to us. We will continue with this approach, as it is important to balance growth opportunities with the Group's overall strategy.

During the course of the year, we also further streamlined our organization and operations by distributing Osmosys' products, know-how and resources within our Group. This move has been well received by our customers, who welcome the simplicity that allows us to offer more products and services under the same. It also further emphasizes our strategic focus on integrated solutions.

In summary, 2009 was very successful from the operating results perspective. But we must also look forward: the new initiatives for 2010 include true implementation of the home networking solutions, as well as introduction of new technologies, such as 3D TV. These are areas where we are strong.

The outlook for 2010 is encouraging, although it will present yet another challenge – the one of a fairly rapid recovery. The economies worldwide appear to be returning to their normal *modus operandi*, even though the process is clearly uneven. We see new markets opening up, and especially the emerging economies are developing now quite rapidly. This provides new growth opportunities, but may also require new ways of acting. At the same time, our suppliers are also experiencing a significant uptake in their business – a situation that must be managed closely and carefully.

So whilst I am satisfied with 2009, I am challenging our company to do even more. The winds are favorable, but we must continue navigating with care, to avoid the rocks under sometimes deceptively smooth surface. But we have our charts, have checked the weather, and know where we want to head next. We hoist the sails, set our course and head for new horizons.

Yours sincerely,



Andrew Rybicki
Chairman and CEO

The year at a glance

Revenue grew
5.6% to
US\$ 381 million

US\$ 47 million
cash generated

US\$ 22 million
returned to
shareholders

Adjusted EBIT
grew 43% to
US\$ 28 million

Two new markets
opened, seven new
customers won

A record amount
of awards won

GLANCE 2009 2009 was a good year for ADB Group. While moderate revenue growth reflected the recessionary macroeconomic environment, stringent cost optimization throughout the entire organization resulted in significantly **increased profitability and cash flow generation**.

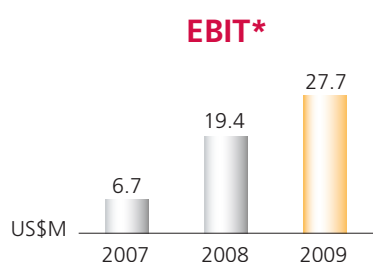
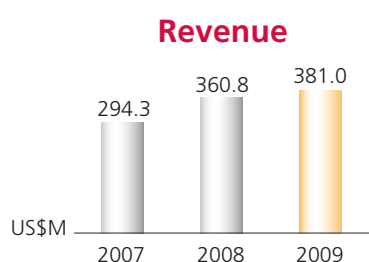
GLANCE 2009 The year was particularly **strong for the cable business segment**. The main driver was expansion of the existing customer businesses, which benefited from the prevailing trend of in-home entertainment growth. Our **terrestrial digital TV business** was helped by the **increased demand** on the Italian market towards the latter part of the year. The **satellite business also grew strongly**, to 29% of the total Group's revenue, up from 13% in 2008. IPTV segment took a nose dive falling to 19%, clearly reflecting telecommunication operators' difficulties. Overall, the Group's presence in all four segments of pay-TV business clearly paid off, allowing us to deliver 6% YoY revenue growth.

GLANCE 2009 High Definition TV products accounted for 79% of product sales revenue. Personal Video Recorders (both high and standard definition) increased to 58% of the same. The sales of our **hybrid products** represented 75% of the product sales, and thus **confirmed our leadership** in this area. As a total, the **high-end products constituted 85% of our overall product sales**. These developments confirm the trend towards high-end consumer digital TV equipment in the markets where we operate.

GLANCE 2009 We won **seven new customers in 2009**. Amongst these, four represented entry to new markets: Taiwan cable and Spanish retail. We were also among the first to introduce a new satellite pay-TV retail product in Italy, with a great success. On the northern side of the Alps, in Austria, Telekom Austria started deploying advanced connected home functionalities, using ADB's set-top

boxes and network software. These include DivX® video support and home networking features. The service is the first of its kind in Europe.

GLANCE 2009 We received during the year a number of **awards and recognitions** in the fields of technology development, innovation, consumer experience and corporate development. Most notable amongst these are awards from IMS Research for the “TV Innovator of the Year 2009” and “Best STB Technology”; EEBC Telecom & Broadcasting “The most innovative solution” award, and the second place in the Swiss Equity Award competition.



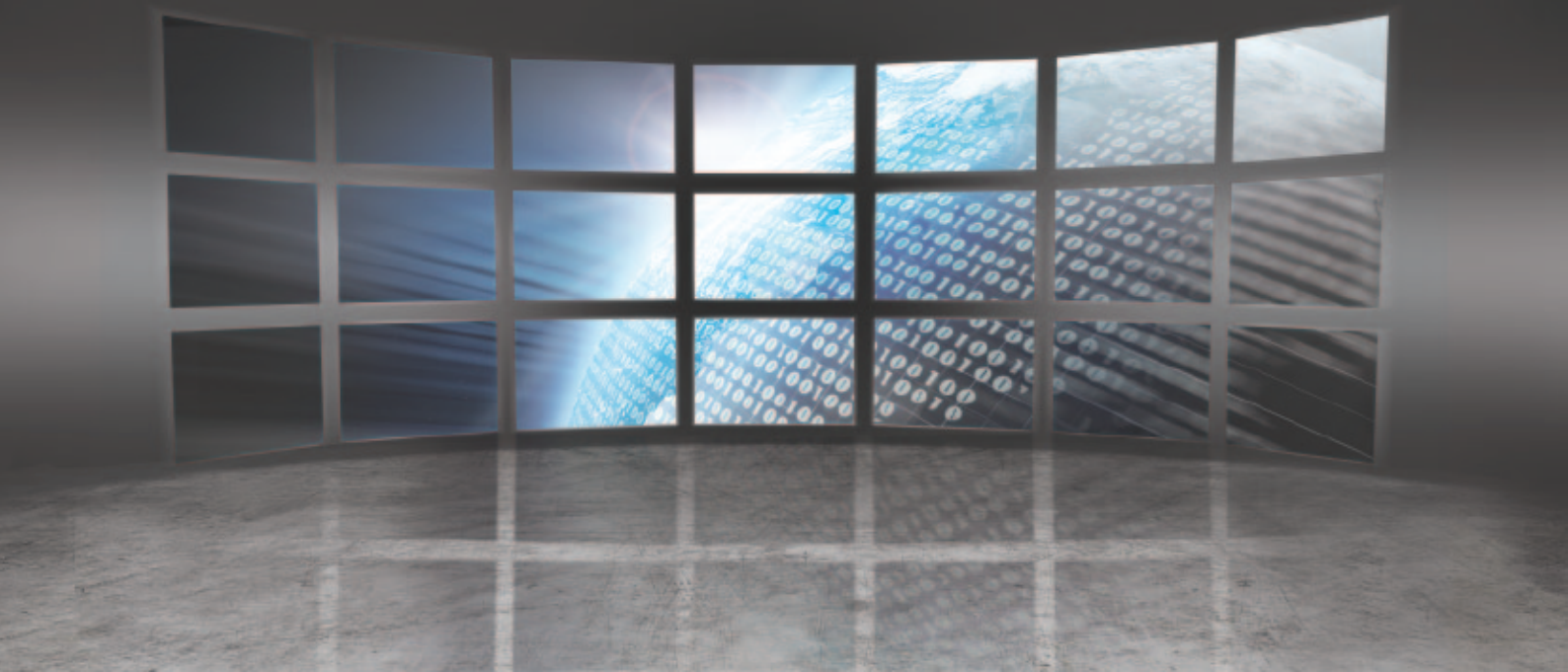
GLANCE 2009 Year 2009 saw also several successes of our **advanced software engineering**. Two most notable were related to **Carbo™ and Set-Back Box Interoperability Test**. Carbo is a next generation, high definition user interface product. On top of its very fast response time and high level of intuitiveness, it embeds such advanced features as access to social networking and internet video sites, e.g. “over-the-top TV”. It was deployed by one of our top-ten customers in October 2009. In November 2009, our software engineering skills resulted in a demonstration of **full interoperability** of our set-back box with the two most deployed systems **in the US cable industry**.

GLANCE 2009 In 2009, we **expanded and diversified our manufacturing and component supplier base**. We have also ramped up two hardware design ODMs, allowing us to increase our design capabilities while maintaining our fixed cost base. All this was achieved in parallel with increased efforts on quality, which we see as a strong differentiator.

* Adjusted

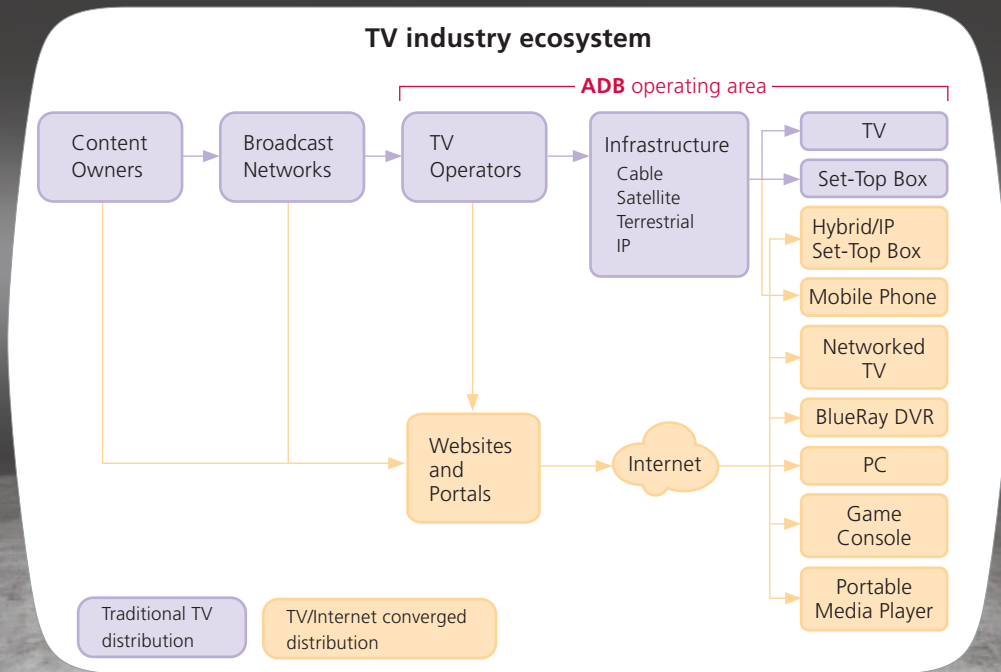
Adjusted EBIT before the impact of impairment charges, from the continuing operations. Additional information on impairment charges and on discontinued operations can be found in Notes 8 and 10 of the Consolidated Financial Statements

The industry we compete in



With the convergence of Internet and TV content, pay-TV operators compete for the consumer's attention against other home entertainment options, such as gaming consoles, PCs, and media players which increasingly offer video services. Hence the quality of the consumer experience and the variety of media choices that the pay-TV operator deliver – which are largely enabled by the set-top box capability – are fundamental in keeping consumers' eyeballs and wallets on TV entertainment services. These new media services that help build consumer loyalty can't always be monetized, which puts further pressure on the operator to minimize its operating costs.

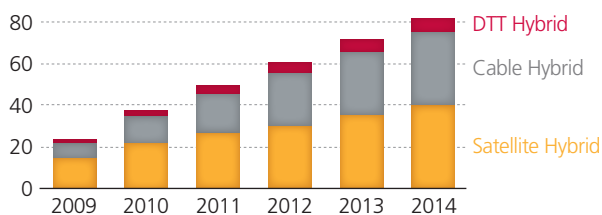
The evolution of the pay-TV industry plays to ADB's software strengths. Blending broadcast and internet content on the TV screen requires complex "hybrid" set-top devices. Moreover, the actual performance of a set-top box, and hence the quality that the home user will experience, depends heavily on how well its software is tuned to an operator's specific infrastructure. The set-top box is not a "decoder" anymore, but a very advanced TV entertainment center with heavy software content.



The industry demand is increasingly in the area of advanced solutions and integrated services. This stands for a reason. Advanced solutions allow pay-TV operators to offer services that have the capability of increasing the average revenue per user. Integrated services allow the pay-TV operators to concentrate on their main business and to be effective in it, instead of using their time for compiling technology-related parts of their business. This is a particular area where ADB brings tangible advantages to its customers – by offering a vertically integrated, open standards based complete solution.

Hybrid set-top box shipments

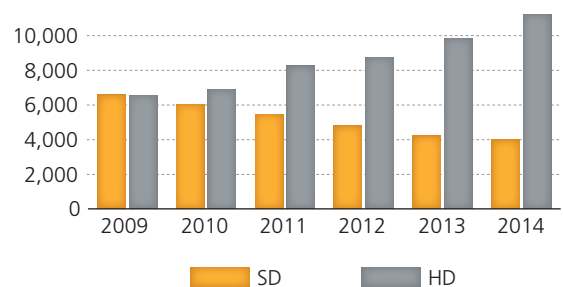
Million of units, worldwide



Adapted from IMS Research 2009

High Definition set-top box growth

Sales, US\$ million, worldwide

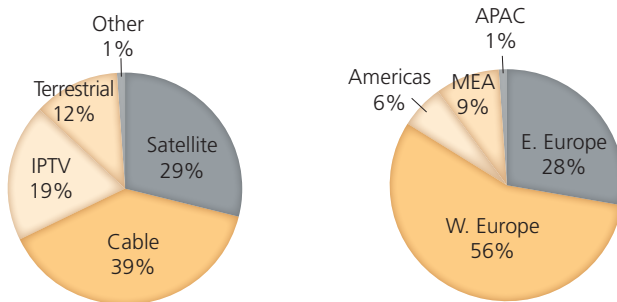


Adapted from IMS Research 2009

Our customers

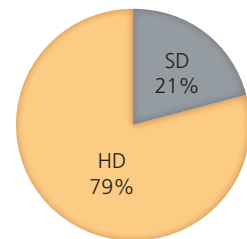
We sell to operators and distributors in the pay-TV market. We are especially strong in Europe, where we generated 93% of our 2009 revenues. Our customer base is well balanced across all TV distribution technologies.

2009 revenue



MEA: Middle East and Africa

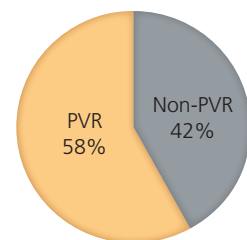
HD revenue share



Top 10 customers

Customers in alphabetical order	Region	Field
Border States Industries	Americas	IPTV
Eurocom	EMEA	Satellite
Graybar Electric Company	Americas	IPTV
HOT	EMEA	Cable
ITI Neovision	E. Europe	Satellite
Multimedia Polska	E. Europe	Cable
Telefonica	W. Europe	IPTV
Telenet	W. Europe	Cable
T-Kabel	E. Europe	Satellite
ZAP	W. Europe	Terrestrial

PVR revenue share



Many of our customers share the same profile of high innovation, being first to market, with above average revenue growth and profitability. For example, in 2009 we helped one of our customers be the first to market in Europe with DivX-certified home networking set-top boxes.

Retail pay-TV offers are growing in Europe. Building on our success in Italy, where our products are renowned for their best picture quality and ease of use, in 2009 we delivered our first 150,000 devices into the Spanish retail market. We believe that the market trends, well proven by the success stories of our operator customers (e.g. highlighting the importance of the hybrid devices), will also occur in the retail environment. At the end of the day, a consumer always wants best entertainment and ever-richer content.

Customers' success stories

What was delivered	Benefit to customer
Retail satellite solution enabling Italian consumers to enjoy digital terrestrial channels also via satellite	Expanding brand recognition; increased sales
Fashionable and fast user interface. Subscribers so positive that they promoted this in YouTube	Viral, free-of-charge marketing
On-TV-screen invoice system, which eliminated printing and mailing of paper invoices	Significant, immediate cost savings

Our Customers

Our strategy

We strive for sustainable growth and value creation by providing independence, differentiation and superior service to our customers worldwide, as a trusted, flexible and innovative digital pay-TV solutions expert.

Our product strategy involves three important elements:

1. Aligning our strategy and products development roadmaps with converging TV and internet content
2. Focusing our software innovations on delivering superior consumer experience
3. Building our solution portfolio to ensure long-term sustainability of the pay-TV offer: cost-effectiveness for the pay-TV provider and minimal impact on the environment.

Therefore, we base the technical implementation of our strategy on open standards and vertical integration.

Convergence

Any content on the TV

- Open-standard based: DLNA®, MHP™, MoCA®, ...
- Wide Area Convergence
- Local Area Convergence



Consumer experience

Make TV 2.0 simple and enjoyable for consumers

- Fast zapping, fast booting
- SmoothView™ mode
- Intuitive navigation
- Set-back box design
- Carbo™: native HD user interface



Sustainability

Economic and environmental

- Add-on functions via USB stick
- Minimized integration costs
- Efficient packaging
- Low Power mode



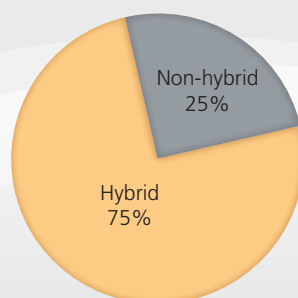
Quality is a key ingredient of a superior consumer experience and economic sustainability. In 2009, we obtained the ISO9001 quality certification, which complements and significantly adds to our manufacturing partners' certifications. We also further strengthened our quality credentials by introducing controlled project management methodologies and an extensive test cycle for hardware reliability. Prior to being deployed, a typical product will have run through seven types of various reliability tests.

Driving TV / internet content convergence

The TV industry's #1 topic in 2009 was the convergence of TV and Internet content, along with the extensive entertainment choices and associated business models it implies.

At ADB, we identified this opportunity four years ago, as a sweet spot for us, given the advanced software expertise that Broadcast/IPTV "hybrid" devices require. Executing our hybrid strategy has enabled us to achieve #5 market position in this segment worldwide (by the volume of hybrid units sold. Source: IMS Research March 09).

Hybrid revenue share



Solutions for local-area convergence



Delivering convergence means providing solutions for local-area networks, such as accessing the family computer to display holiday photos on the TV, and for wide-area networks, such as accessing internet from the TV.

Solutions for wide-area convergence



Open standards – Vertical implementation

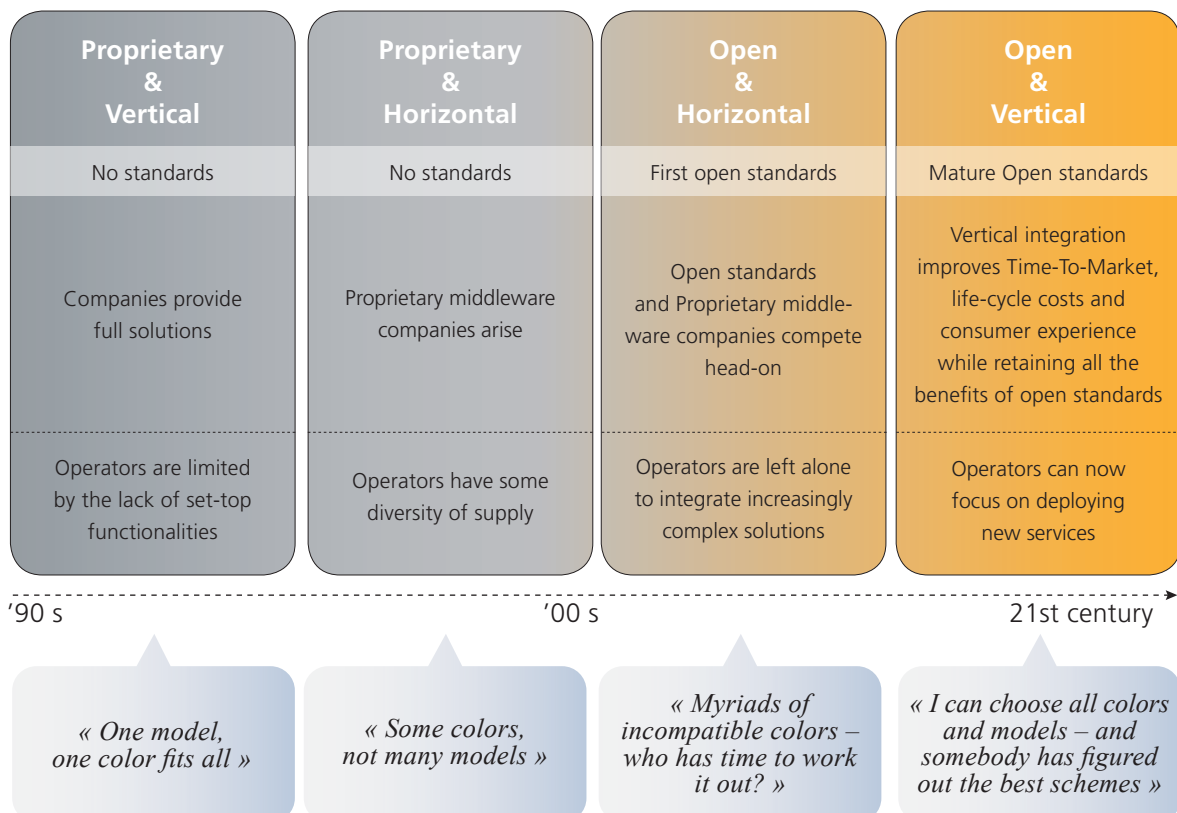
The set-top box industry has evolved over time from simple, proprietary technology to open standard solutions, which support the development of a variety of new entertainment applications. During the last years, operators were burdened with the task of integrating a large number of complex elements to create their pay-TV solutions – a costly and

complicated proposition that was seriously distracting them from their core business. ADB is leading the industry to evolve towards vertically integrated products based on open-standards, which we believe is the right next step, and from which all pay-TV players will benefit:

- Open standards are required to ensure future choice and sustained innovation, setting the operator free from proprietary solutions
- The fine-tuning of all hardware and software components of the entire pay-TV system is what makes the box deliver the best TV viewing experience
- Shielding the operator from the set-top solution complexity speeds up delivery of new services, at significantly lower overall cost.

In 2009 we gave the industry concrete evidences of our leading position by being the first to demonstrate seamless implementation of the tru2way™ standard for the US Cable industry.

Industry evolution





Consumer experience – Driver for differentiation

Consumers have today more choices than ever before of what, where, how and when to watch – mostly thanks to multi-room digital video recorders, video-on-demand, personal multimedia content, mobile TV and Internet TV.

As a consumer usually obtains a set-top box as part of a pay-TV service, such a “box” becomes an important component responsible for shaping the subscribers’ perception of their operator’s service quality.

With digital TV devices sometimes criticized for being too slow and complicated, our latest developments bring to the digital world what made analog TV a success over the past 60 years: a simple, fast, enjoyable entertainment experience. Combined with our innovative features, this makes our offer particularly attractive.



Carbo screen shots

2009 Innovations

- We introduced **SmoothView**, a unique feature letting consumers play their recorded highdefinitioncontent – forward or back – at greater speed, with smooth motion and true audio pitch perfectly preserved. The same holds true when creating own slow-motion replays. Note: there is no audio playback when moving backwards, of course.
- We launched **Carbo**, an intuitive, fast, smooth user interface in high definition. Tens of thousands consumers already enjoy it.
- The superior responsiveness of our set-top boxes was recognized by operators and journalists at the IBC tradeshow.
- We further developed our **3D** capabilities, which started bearing fruit in early 2010.



Our products and services

ADB offers:

- Set-top devices
- Integrated software products for set-tops
- User interfaces
- Other applications
- Middleware
- Custom software engineering
- System integration services
- Customer support and after-sale services



ADB 5720CX
High Definition Cable
Receiver and DVR



ADB 3810TW
High Definition Hybrid
IPTV-Terrestrial Receiver



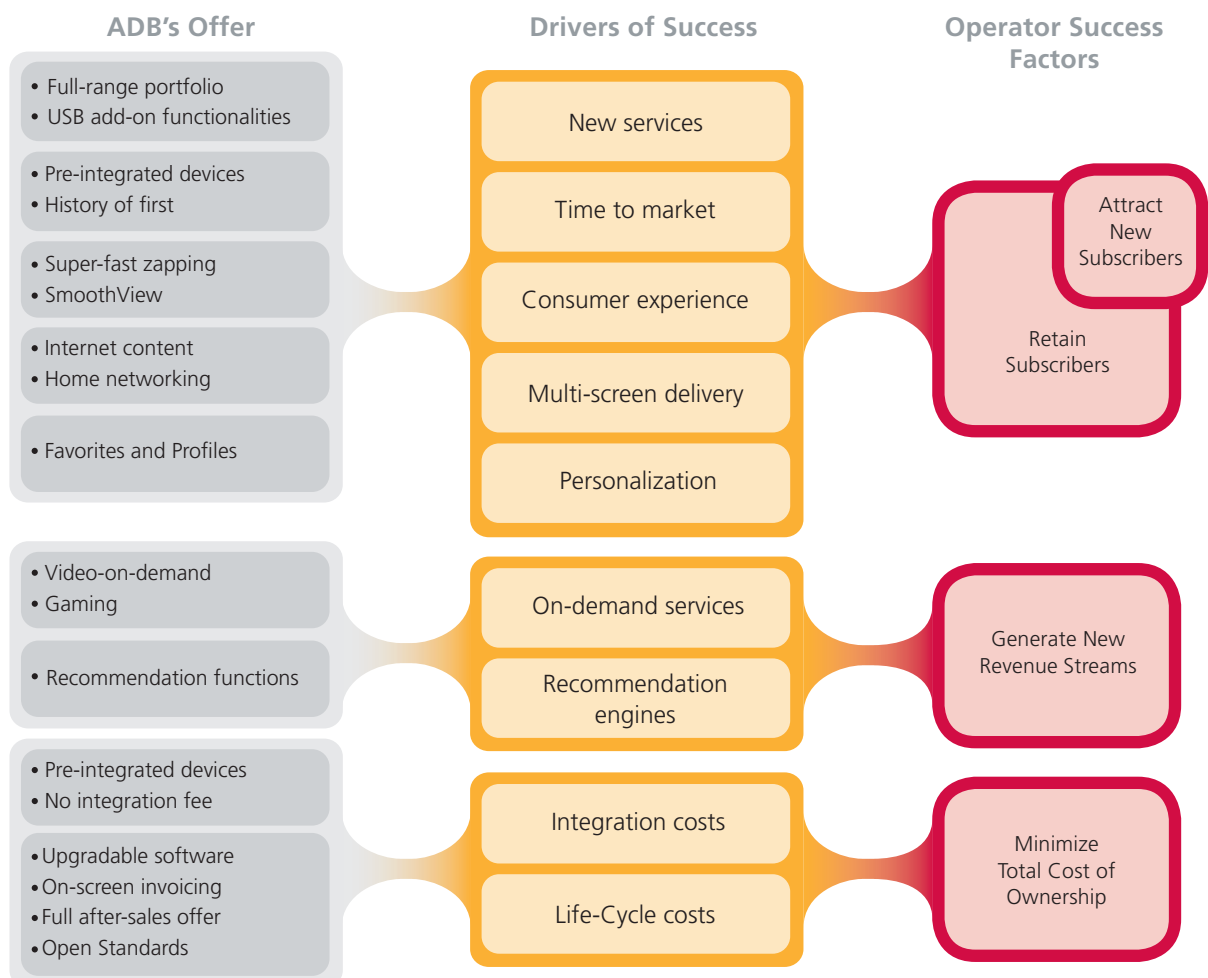
iCAN 1110SH
Digital Satellite Receiver
for retail markets

We support operators through the entire life of their pay-TV solution, from consulting on technical feasibility of new services, to maintaining and refurbishing devices. To-date we have successfully deployed more than 15 million set-top boxes across the world, for all television transmission platforms.

We are experts in system integration, incorporating our own implementation of MHP as well as and other the industry's leading middleware, conditional access and hardware technologies, and fine-tuning all to the operator's specific infrastructure.

We apply the same principle to the products and services we provide to our retail customers.

How ADB contributes to the operator's success



2009 Hall of fame



Our design knowledge and engineering skills are focused on creating products that meet the highest industry expectations in terms of performance, reliability and lifetime costs. Our 2009 achievements were recognized through multiple industry awards. In particular, ADB was crowned 2009 TV Innovator of the Year, at IMS Research' TV Innovation awards.

Some of our 2009 innovations contributed significantly to the economic sustainability of pay-TV offers. For example, we created a USB dongle, enabling satellite operators to turn their existing set-top installed base into hybrid satellite/terrestrial devices, at a fraction of the cost. We launched Pause TV functionality on a USB key – introducing consumers to the benefits of digital video recording without a heavy upfront investment.



IMS TV Innovation Award 2009
WINNER 'TV Innovator of the Year'
WINNER 'Best STB Technology'
ADB Set-back box



Satkarak Award
WINNER 'Best PVR'



Swiss Equity Award
WINNER Silver Medal

ADB 2009 Awards



EEBC Telecom & Broadcasting 2009
WINNER 'The most innovative product/solution'
ADB Home Networking



Border States Electric
WINNER 'Supplier of the Year'



Passive
standby
mode

78%
less
energy
consumed



Sustainability – Environment



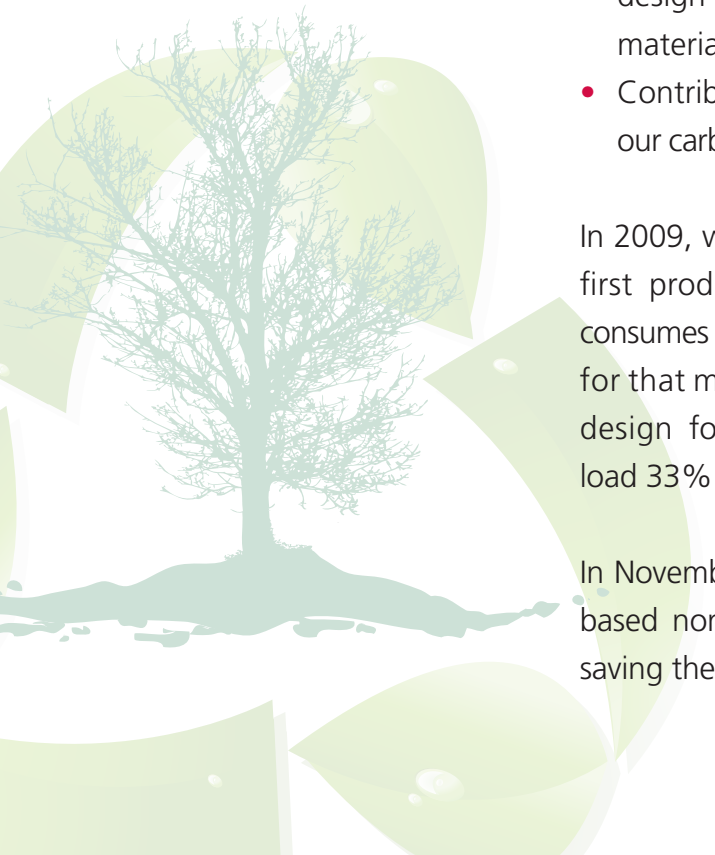
Analysts predict that by the end of 2010 there will be over two billion TVs, and one billion personal computers in use around the world. As electronic devices gain popularity, they account for a growing portion of household energy consumption. As a provider of such devices, minimizing our impact on the environment is fundamental and becomes one of our key responsibilities.

Our environmental approach is three-fold:

- Meeting or exceeding environmental directives and practices, such as the European Union Code of Conduct, and ISO 14001 certified manufacturing
- Saving natural resources through innovations – in smart design and use of right technologies, from production materials to lower energy consumption
- Contributing to environmental programs to compensate our carbon footprint and promote sustainable development.

In 2009, we met our targets for energy use, introducing our first product with a unique passive standby mode that consumes 78% less than the European Union's current target for that mode. Furthermore, we minimized our packaging design for our 3000-series products, which enables us to load 33% more boxes into one shipping container.

In November, we established co-operation with Switzerland-based non-profit organization Aquaverde, to contribute to saving the delicate ecosystem of Amazon rain forest.





Our people

We strive to hire the best talents worldwide and keep them at the top of their field. Our 729 team members come from 21 countries, 63% have Master's and PhD degrees. The majority of them work in research and development. We also continuously build a pool of future talent. Each year, we run software engineering contests, which attract over 3000 participants from Poland, Ukraine, Taiwan and the United States. This allows us to pick the best.



Our company takes pride in maintaining its entrepreneurial spirit. We believe it's important to take care of our people, to develop and make them grow. We have a result-oriented company culture, where we challenge people but also reward them for achievements. Our local offices routinely run a series of social events, where people can meet outside of the office and get to know each other better.



Our headquarters are located in Geneva, Switzerland. The majority of research and product development functions are located in Poland, Ukraine and the US, while the industrial engineering group resides in Taiwan.

In 2009, we strengthened the marketing, quality, and user experience teams to drive innovation, operational excellence and customer focus. We also reinforced our capabilities to master the entire pay-TV software stack, by merging Osmosys software teams into ADB and Vidiom.



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