

Financial Statements  
2009



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## Corporate governance

ADVANCED DIGITAL BROADCAST HOLDINGS SA

# GROUP STRUCTURE AND SHAREHOLDERS

## Group Structure

### Operational Group Structure

ADB-Advanced Digital Broadcast Ltd. was founded in 1995 as a digital TV software company and subsequently expanded into the design, manufacturing and development of digital TV equipment and integrated digital TV systems. Since its inception, it has developed a worldwide presence, with offices in Australia, Hong Kong, Italy, Poland, Taiwan, Spain, Switzerland, United Kingdom, Ukraine and the United States of America. Its product offering has grown to encompass a broad range of hardware and software solutions for broadcasters and operators of pay-TV services over cable, satellite, terrestrial and IPTV digital TV networks. Its focus has consistently remained on advanced, complex, state-of-the art hardware and software systems for the digital TV industry. Over the years, it has become a group of companies ("ADB Group" or the "Group"), whose growth has been financed by capital provided by the founders and by cash generated from operations. The Group did not rely upon external sources of equity prior to the Initial Public Offering ("IPO") of the shares of its holding company in April 2005.

Advanced Digital Broadcast Holdings SA ("ADB Holdings" or the "Company") was incorporated in July 2004 in Geneva, Switzerland, and is the holding company of the Group since 1 January 2005, pursuant to its merger with ADB-Advanced Digital Broadcast Ltd.

#### **ADB Holdings registered office and worldwide headquarters:**

Avenue de Tournay 7  
1292 Pregny-Chambésy  
Geneva  
Switzerland

ADB Holdings' shares were listed on the SIX Swiss Exchange on 29 April 2005 under the symbol ADBN, ISIN CH0021194664. At 31 December 2009, the total market capitalisation was approximately CHF 319 million and approximately 49% of ADB Holdings shares were considered to be "free float".

ADB Holdings manages the Group and its holdings and performs all Group general management, treasury and financing, budgeting, control and strategic duties. The Group's affiliates operate under management and control of ADB Holdings.

In 2009 the Group operated two operating segments on a worldwide scale:

- Digital TV Products and Services: design, marketing, sale and after sale support of equipment, software and services for operators of digital television and broadband data communication networks, relying on external contract manufacturers for the production of equipment. This segment operates essentially under the Group's ADB, i-CAN and Osmosys brands, representing the large majority of the Group's revenue in 2009
- Vidiom: design, development, marketing, sale and after sale support of integrated hardware and software systems for operators of digital television networks. This segment operates essentially under the Group's Vidiom Systems brand.

The Digital TV Products and Services operating segment is supported by three main functional organisations:

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#### Note regarding this corporate governance report

This report details the principles governing the management and control mechanisms of the ADB Group, as required in order to comply with the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange. Unless otherwise mentioned, it has been prepared to reflect the situation at 31 December 2009

- research and development: activities are performed in Poland, US, Ukraine and Taiwan under the supervision of the Chief Technology Officer
- operations: manufacturing and logistics activities are conducted in Geneva and Taiwan, under the supervision of the Chief Operating Officer. Manufacturing is fully subcontracted; during 2009, the Group utilised the services of three Electronic Manufacturing Services (EMS) suppliers located in Thailand, China and Czech Republic
- regions and subsidiaries: sales, marketing and all administrative activities in the main regions and subsidiaries are under the supervision of Regional Presidents and of the affiliates' Managing Directors.

Additional information on the Group's operating segments is provided in Note 31 of the Consolidated Financial Statements.

## The Group and its Affiliates

ADB Holdings owns, directly or indirectly, 100% of all the ADB Group companies. Note 1 of the Consolidated Financial Statements provides details

of each Group company. Except for ADB Holdings, no company of the Group is publicly listed on a stock exchange.

## Significant Shareholders

Pursuant to the Swiss Federal Act on Stock Exchanges and Security Trading (SESTA) and to the SIX Swiss Exchange Listing Rules and Directives, whosoever, directly, indirectly or in concert with third parties, acquires or sells shares, for its own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below or exceeds the following threshold percentages of the voting rights, whether or not such rights may be exercised, shall be obliged to notify the Company and the SIX Swiss Exchange:

Percentage of the share capital	Number of shares
3%	185,716
5%	309,527
10%	619,054
15%	928,581
20%	1,238,108
25%	1,547,635
33 <sup>1</sup> / <sub>3</sub> %	2,063,514
50%	3,095,271
66 <sup>2</sup> / <sub>3</sub> %	4,127,028

To the knowledge of the Board of Directors of ADB Holdings, three groups of shareholders own directly and indirectly more than 3% of the Company's shares:

- the group composed of Mr. Andrew N. Rybicki and members of his family, who own 2,095,889 shares, or 33.9% of the total outstanding shares. The other members of Mr. Rybicki's family in this group are: Maria Rybicki, Katherine Rybicki-Justo, Sofia Justo, none of whom individually holds 2% or more of the total outstanding shares and all of them collectively holding not more than 5% of the total outstanding shares. There is no shareholder agreement in place between the members of this shareholder group
- the Company which owns 1,041,167 of its own shares, or 16.8% of the total outstanding shares
- Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich, which owns 205,500 shares, or 3.3% of the total outstanding shares.

## Cross-Shareholdings

There are no cross-shareholdings in place within the Group.

# CAPITAL STRUCTURE

## Capital

The Company has one class of ordinary shares, which carry no right to fixed income. The share capital of ADB Holdings amounts to CHF 1,547,635 and is composed of 6,190,542 fully paid-in registered shares with a par value of CHF 0.25 each.

During 2009, the Company purchased shares under two programmes. The first programme started in September 2008 with the objective of acquiring 330,000 shares before the end of March 2009: having acquired 22,077 shares since the beginning of 2009 at the average purchase price of CHF 27.38 per share, the programme was completed on 30 January 2009. At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to start a new share purchase programme for up to 10% of the outstanding share capital, and that the shares acquired under this programme shall be cancelled by way of reduction of the share capital, after final approval by the General Meeting of Shareholders. The programme started in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010: the number of shares purchased under this programme at 31 December 2009 was 449,158 and

the average purchase price was CHF 51.09 per share. At 31 December 2009 the total value of shares held in treasury amounted to CHF 260,291.75, consisting of 1,041,167 shares with a nominal value of CHF 0.25 each.

Additional information on the share capital is provided in Note 20 of the Consolidated Financial Statements and Note 7 of the Statutory Financial Statements of the Company.

At 31 December 2009, the share capital of the Company is as follows:

Total outstanding shares	6,190,542
of which	
■ Shares held in treasury	1,041,167
■ Shares in circulation	5,149,375
of which	
■ Free-float	3,053,486
Authorised capital shares	2,000,000
Conditional capital shares	1,024,523

## Authorised Capital

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to replace the Authorised Capital which expired on 22 June 2009 with a new Authorised Capital of CHF 500,000 that can be used by the Company's Board of Directors to increase the Company share capital by a maximum of 2,000,000 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 26 June 2011.

Beneficiaries can be new or current shareholders of ADB Holdings. Statutory pre-emptive rights to which existing shareholders of ADB Holdings are entitled under Swiss law can be excluded by the Board of Directors if a capital increase is effected for the purpose of acquisition of enterprises or part of it, acquisition of participations in enterprises,

strategic investments of the Group or financing and refinancing of such transactions.

The Board of Directors can increase the share capital of ADB Holdings by any amount of the authorised capital at its discretion. The Board of Directors sets the date of issuance, the price of issuance, the manner in which the shares shall be paid-up, the conditions of the exercise of the pre-emptive rights and the time from which rights to dividend apply. To this effect, the Board of Directors can issue shares through underwriting by a bank or a consortium. Any share for which the pre-emptive right has not been exercised shall be available to the Board of Directors which shall be entitled to use it in the interests of the Company.

## Conditional Capital

The conditional capital amounts to CHF 256,131 consisting of 1,024,523 shares with a nominal value of CHF 0.25 each and is structured as follows:

- Pursuant to the Article 5a of the Company's Articles of Association, ADB Holdings' share capital may be increased by up to CHF 106,131 consisting of 424,523 shares with a nominal value of CHF 0.25 each through the issuance of fully paid-in shares, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of ADB Holdings or affiliated companies. Existing shareholders' preferential subscription rights are excluded. The Board of Directors shall establish employee participation schemes (employee stock option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the option rights shall be set by the Board of Directors. Issuance at a price below the market price is authorised. Details on the Company's equity compensation plans are available in the sections "Convertible Bonds and Warrants/Options" and "Content and Method of Determining the Compensation and the Share-Ownership Programmes" of this Corporate Governance report and in Note 30 of the Consolidated Financial Statements
- At the Annual General Meeting of Shareholders held on 22 June 2007, it was resolved to adopt a new Article 5c in the Company's Articles of Association, allowing ADB Holdings' share capital to be increased by up to CHF 150,000 consisting of 600,000 shares with a nominal value of CHF 0.25 each for the issuance of conversion or option rights. Option and conversion

rights allowing the subscription of shares shall be granted to the creditors holding convertible or option bonds or similar debt instruments, which shall be issued by the Company or by one of its controlled companies, in one or several steps. The pre-emptive subscription rights of shareholders may be excluded in favour of the creditors holders of convertible or option rights by a decision of the Board of Directors for valid reasons as follows: if the convertible or option bonds are to be placed in priority on the foreign market, or if the proceeds from the issuance contribute to the financing or refinancing of the acquisition of enterprises, or parts thereof, or of participations in enterprises, to the financing of strategic investments of the Group, or to the financing of the repurchase of convertible or option bonds that have been issued before by the Company or its subsidiaries. The Board of Directors sets the terms and conditions of the conversion and option rights. From the moment of their issuance by the exercise of conversion or option rights, as well as upon each subsequent transfer, the new shares are subject to the restrictions set forth in the relevant provisions of the Articles of Association. In the event that the convertible or option bonds are not offered in priority to the shareholders, they shall be placed publicly at market conditions, the term to exercise conversion rights may not exceed ten years and seven years for option rights, in each case from the date of the bond issue and the conversion or option price for the new shares must be at least equivalent to the market conditions as of the time of the bond issuance.

The conditional capital does not bear a time limit.

## Changes in Capital over the Last Three Financial Years

Note 7 of the Statutory Financial Statements provides details on the historical changes in capital of the Company.

## Shares and Participation Certificates

Each of the registered shares carries one vote at shareholders' meetings, which may be exercised only after a shareholder has been registered in the Group's share register as a shareholder with voting rights. The Company cannot exercise the voting rights of the shares held in treasury.

All shares carry dividend rights. In 2009 ADB Group did not declare payable nor paid any dividend.

As registered shares, the shares are in collective custody with a depository institution (SIX SAG AG, Olten) in book-entry form only, without any rights for shareholders to request printed share certificates.

All of the issued share capital is fully paid-in.

## Profit Sharing Certificates

ADB Holdings has not issued any non-voting equity security such as participation certificates or profit sharing certificates.

## Limitations on Transferability and Nominees Registration

ADB Holdings' shares are registered shares, the transfer of which is effected by use of a share registration form and by a corresponding entry in the books of a bank or a depository institution following an assignment in writing by the selling shareholder and notification to ADB Holdings of such assignment.

There are no transfer restrictions with regard to the shares. The Board of Directors will update the share register after receiving the respective request of a shareholder to be entered as a shareholder into ADB Holdings' share register. A purchaser of shares will be recorded in ADB Holdings' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and gives a declaration that it has acquired the shares in its own name and for its own account. Failing such registration, a shareholder may not vote at or participate in a shareholders' meeting but still be entitled to receive dividends and other rights with financial value such as pre-emption rights.

Nominees and fiduciary holders' registration in the shareholders register is permitted, but such registration is done without voting rights. In addition, registration for any shareholder is limited to 5% of the voting rights as explained in the section "Voting Rights and Representation Restrictions" of this Corporate Governance Report.

No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of ADB Holdings' shares or the possession, circulation or distribution of any material relating to the shares in any jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and no offering material or advertisements in connection with the shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

## Convertible Bonds and Warrants/Options

580,000 stock options with a strike price of CHF 30.47 each and 15,000 stock options with a strike price of CHF 33.22 each were granted respectively on 21 February 2008 and on 18 May 2009 to employees of the Group and to members of the Board of Directors. The stock options granted vest over three years from the date of grant, in the proportion of one-third at each twelve-month anniversary of the grant date: vesting is subject only to the continued employment of the beneficiary within ADB Group. Vesting can be accelerated in case of a change of control of the Group. The stock options expire four years from the date of grant. Shares required upon exercise of these options shall come from the Company's treasury shares or conditional capital. Each share option converts into one share of the Company. No amounts are paid or payable to the Company by the

recipient upon receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Additional information on these stock options can be found in the section "Share-Ownership Programmes" of this Corporate Governance report and in Note 30 of the Consolidated Financial Statements.

Except for the above, ADB Holdings has not issued any convertible bonds or other derivative equity instruments at 31 December 2009.

## Changes since 31 December 2009

The Company's share purchase programme, which commenced in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010, was completed on 18 February 2010. The total number of shares purchased under this programme was 619,054 and the average purchase price was CHF 51.14 per share. In addition,

the group composed of Mr. Andrew N. Rybicki and members of his family sold 20,000 shares. As at 18 February 2010 the Company owns 1,201,517 of its own shares, or 19.4% of the total outstanding shares, and the free-float is 2,913,136 shares, or approximately 47% of the total outstanding shares.

# BOARD OF DIRECTORS

## Members of the Board of Directors of the Company

Name	Year of Appointment	Year of Birth	Nationality	Executive/ Non-Executive	Position
Andrew N. Rybicki	2004	1948	Poland	Executive	Chairman of the Board of Directors, CEO & President of the Group
Jean-Christophe Hocké	2004	1969	Switzerland	Non-executive	Member of the Board of Directors
Philippe Geyres	2008	1952	France	Non-executive	Member of the Board of Directors
Thomas Steinmann	2004	1961	Switzerland	Non-executive	Member of the Board of Directors



**Andrew N. Rybicki** is Chairman of the Board of Directors, Chief Executive Officer and President of the Group. He founded the Group in 1995. Prior to that, Mr. Rybicki held several technical, business and marketing positions at Nokia Corp. and Salora OY between 1974 and 1978, Blonder-Tongue Laboratories Inc. between 1979 and 1988, and was an engineering director at General Instruments Corp. between 1988 and 1990. From 1990 to 1996, Mr. Rybicki served as Marketing Director for STMicroelectronics' Asia Pacific region where he initiated and led the effort of business and product development of the world's first highly integrated, complete chipset for digital TV set-top boxes. He earned a MSc in Electronics Engineering from Technical University of Poznan, Poland in 1973.



**Jean-Christophe Hocké** is a member of the Board of Directors since 2004. Since January 2004 Mr. Hocké is a partner of the Geneva based law firm Python & Peter where he has been working since 1994. In 1993 and 1994, he worked as a legal trainee with GOLENBOCK, EISEMANN, ASSOR, BELL & Partners, New York. Mr. Hocké holds a law degree from the University of Geneva (1993).

Jean-Christophe Hocké has, from time to time, provided legal advice to ADB Group, the terms and conditions of which were at arm's-length. Mr Hocké has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.



**Philippe Geyres** is a member of the Board of Directors since 2008. He was also member of the Board of Directors in 2005. Mr. Geyres began his professional career in 1973 with IBM at Corbeil-Essonnes, near Paris, before joining the Schlumberger Group in 1980, working first in its oil services and then at Fairchild Semiconductors. He worked for STMicroelectronics or predecessor companies from 1983 to 2006. In 1983, Philippe Geyres was appointed Director of Thomson Semiconducteurs' bipolar integrated circuits division. Following the merger in June 1987 of Thomson Semiconducteurs and SGS Microelettronica, he was nominated Corporate Vice President, Strategic Planning, at SGS-Thomson, the predecessor company to STMicroelectronics. In January 2005, Philippe Geyres was assigned responsibility for the newly created "home, personal, communication groups (HPC)" and became Executive Vice President following the formation of STMicroelectronics' Corporate Executive Committee. In January 2007, he was appointed CEO of Oberthur Card Systems, a French smart card company publicly listed on Euronext (Paris). Since 2009, he consults for the electronics and smart card industries. Philippe Geyres graduated as an engineer from the Ecole Polytechnique of Paris in 1973.

Mr Geyres has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.



**Thomas Steinmann** is a member of the Board of Directors since 2004. Mr. Steinmann has been a partner with the Geneva based law firm Python & Peter since 1995, where he previously worked as an associate from 1990 to 1994. In 1990 and 1991 he worked as an associate with Gibson, Dunn & Crutcher, New York. He holds bachelor's degrees in law and in political science from the University of Lausanne (1983) and a doctorate in law from the University of Lausanne (1991). Since 1995, Mr. Steinmann has been a Professor in legal and tax aspects of international transactions at the Business School of the University of Lausanne (HEC). He is the author or co-author of numerous publications.

Thomas Steinmann has, from time to time, provided legal advice to ADB Group, the terms and conditions of which were at arm's-length. Mr Steinmann has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.



## Other Activities and Vested Interests

	Outside ADB Group	Inside ADB Group
Andrew N. Rybicki	<p>Sole shareholder and CEO of</p> <ul style="list-style-type: none"> <li>- Alliance Technology Ltd.</li> <li>- Broadcast Software Systems International Ltd.</li> <li>- East Bridge Management Ltd.</li> <li>- OnLine TV Mall Ltd.</li> </ul> <p>33.8% shareholder and member of the Board of Directors of Waxess Inc.</p> <p>Member of the Board of Directors of TVN SA (majority owner of a customer of the Group)</p>	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> <li>■ Advanced Digital Broadcast Spain S.L.U.</li> <li>■ Advanced Digital Broadcast (UK) Ltd.</li> <li>■ Advanced Digital Broadcast Ltd.</li> <li>■ Advanced Digital Broadcast Hong Kong Ltd.</li> <li>■ Advanced Digital Broadcast Italia S.r.l.</li> <li>■ Advanced Digital Broadcast Inc.</li> <li>■ Vidiom Systems Inc.</li> <li>■ SIMPLE S.r.l.</li> </ul>
Jean-Christophe Hocké	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> <li>- Byron Investments Services SA</li> <li>- Cycladic Capital Management Ltd.</li> <li>- Even Capital SA</li> <li>- Finartis Capital SA</li> <li>- Peer Management SA</li> </ul>	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> <li>■ Advanced Digital Broadcast SA</li> <li>■ ADB Services SA</li> <li>■ Vidiom SA</li> </ul>
Philippe Geyres	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> <li>- Arteris Inc.</li> <li>- Trident Microsystems Inc.</li> </ul>	None
Thomas Steinmann	None	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> <li>■ Advanced Digital Broadcast SA</li> <li>■ ADB Services SA</li> </ul>

Other than the above, the members of the Board of Directors do not hold other offices or carry out other principal activities which are of importance to the Group.

## Elections and Terms of Office

According to the Articles of Association of the Company, the Board of Directors consists of at least three members who are elected individually for a term of one year, their mandate expiring at the Annual General Meeting of Shareholders following the end of such one year term. Members may be re-elected. ADB Holdings' Board of Directors currently consists of four members.

According to the Company's Organisational Regulations, a member of the Board of Directors, Group Management, Audit Committee or Nomination and Compensation Committee shall resign with effect from the end of the business year during which he celebrated his 70th birthday.

	First election to the Board of Directors	Last election	Expiry date
Andrew N. Rybicki	20 July 2004	26 June 2009	Next Annual General Meeting of Shareholders
Jean-Christophe Hocké	20 July 2004	26 June 2009	Next Annual General Meeting of Shareholders
Philippe Geyres	29 March 2005	26 June 2009	Next Annual General Meeting of Shareholders
Thomas Steinmann	20 July 2004	26 June 2009	Next Annual General Meeting of Shareholders

## Internal Organisational Structure

### Allocation of Tasks Within the Board of Directors

The Board of Directors' non-transferable and inalienable duties according to Swiss law include the ultimate strategic management and the supervision of ADB Group. The Board of Directors appoints the Group Management.

The Board of Directors is comprised as a minimum of the Chairman and at least two other Directors. The Board of Directors may pass resolutions on all matters that are not reserved for the shareholders' meeting by law or by the Articles of Association. According to the Articles of Association, the adoption of resolutions by the Board of Directors requires the absolute majority of the votes made. In case of a split vote, the chairman has the casting vote. To validly pass a resolution, the majority of the members of the Board of Directors is required to be present. No quorum is required for a resolution implementing capital increases and the amendments of the Articles of Association in connection with these capital increases pursuant to art. 651a, 652g and 653g of the Swiss Code of Obligations. Moreover, the Board of Directors may delegate the management and representation of ADB Group, either in whole or in part to one or several of its members (delegates) or to third parties in accordance with the Organisational Regulations. The Board of Directors entrusts the running of day-to-day business matters to the Group Management under the chairmanship of the CEO, who is responsible for the operative management of the Group and for all affairs, which do not lie within the responsibility of the Board of Directors by law, statute, and Organisational Regulations.

The Board of Directors meets at least once a quarter. At the invitation of the Chairman, the members of Group Management and/or other employees and third parties may attend the meetings of the Board of Directors to report information. The Committees report on their activities and consequent results to the Board of Directors. They prepare information for the Board of Directors in their respective areas but do not have any decision-making authority with the exception of the Audit Committee for imminent threats or danger, or unless such authority has been conferred on them specifically. In all such cases, they decide together with the Chairman of the Board of Directors. The overall responsibility of the Board of Directors is not affected by the existence of the Committees.

The Chairman has the power to sign individually on behalf of ADB Holdings. All other members of the Board of Directors have the power to represent ADB Holdings by signing jointly with the Chairman, with the exception of members of the Board of Directors that are domiciled in Switzerland and are non-executive who have the power to represent ADB Holdings by signing jointly by two.

At 31 December 2009, the allocation of functions within the Board of Directors is as follows:

- Chairman: Mr. Andrew N. Rybicki
- Secretary of the Board: Mr. Thomas Steinmann.

## Members List, Tasks and Area of Responsibility for Each Committee of the Board of Directors

### Audit Committee

In accordance with its Organisational Regulations, the Board of Directors has formed an Audit Committee to support its work. The Audit Committee consists of at least two members of the Board of Directors, which are non-executive. The Chairman is appointed by the Board of Directors. The term of office is one year. The Audit Committee meets at least once per year and provides an annual report on its activities to the Board of Directors. It may invite to its meetings any person whom it deems necessary to hear, within the scope of its competence.

The Audit Committee is currently composed of Thomas Steinmann and Philippe Geyres.

The main task of the Audit Committee is to review the Company's annual and other accounts and issue recommendations to the Board of Directors regarding the acceptance thereof. The Group's external auditor also reports at least once a year to the Audit Committee regarding audits and thereafter the Audit Committee suggests improvements of the auditing process if this should prove necessary.

### Nomination and Compensation Committee

In accordance with its Organisational Regulations, the Board of Directors has formed a Nomination and Compensation Committee ("NCC") to support its work. The NCC consists of at least two members of the Board of Directors, of which at least one is non-executive. The Chairman is appointed by the Board of Directors. The term of office is one year. The NCC meets at least once per year and provides an annual report on its activities to the Board of Directors.

The NCC is currently composed of Andrew N. Rybicki and Jean-Christophe Hocké. The main tasks of the NCC are:

- preparing the resolutions to be brought before the shareholders' meeting with regard to electing and dismissing members of the Board of Directors
- preparing the personnel decisions to be made by the Board of Directors, such as human resources planning, proposals for the nomination and dismissal of the CEO of the Company
- proposing modifications to the compensation

The Audit Committee is also responsible for evaluating the independent auditor as well as the internal control, risk management and compliance systems on behalf of the Board of Directors.

The Audit Committee does not have any decision making authority with the exception of imminent threats or danger, or unless such authority has been conferred on it specifically. In such case, it decides together with the Chairman of the Board of Directors. The overall responsibility of the Board of Directors is not limited by the Audit Committee.

In 2009, the Audit Committee met five times and the independent auditor participated at three of these meetings. The meetings last typically two to four hours.

At 31 December 2009, the allocation of functions within the Audit Committee is as follows:

- Chairman: Mr. Thomas Steinmann.

structure for the Board of Directors and CEO of the Company

- periodically reviewing the measures taken to retain and promote top management
- administering employee share compensations' plans.

In addition, the NCC has been assigned by the Board of Directors the duties of Related Parties Transactions Committee. The main tasks under such duties are assessing all transactions entered into by the Group with related parties. This includes evaluating their appropriateness and ensuring that such transactions are at arm's-length.

The NCC does not have any decision making authority.

In 2009, the NCC met once and the meeting lasted two hours.

At 31 December 2009, the allocation of functions within the NCC is as follows:

- Chairman: Mr. Andrew N. Rybicki.

## Work Methods of the Board of Directors and its Committees

In 2009, the Board of Directors and its Committees met or resolved as follows:

- Board of Directors: eight times (five times in person, three times by e-mail)
- Audit Committee: five times
- Nomination and Compensation Committee: once.

The average attendance at the Board of Directors meetings and Committee meetings, either in person, by telephone or by e-mail, was more than 96%. The meetings last typically one to seven hours, depending on the complexity of the agenda. The subjects covered at the Board of Directors meetings and Committee meetings included among others:

- Board of Directors: delegation of powers to management, company reorganisations, review of financial statements and approval, evaluation of various risks, amendment of the bylaws, strategic initiatives and compensation matters
- Audit Committee: review of the financial accounts, review of the directives to and reports of the independent auditor, Internal Control System and risk management policies and actions, as well as management of the relationship with the independent auditor.

## Definition of Areas of Responsibility

The Board of Directors decides on all Group activities for which it is responsible under Swiss law (especially art. 716a of the Swiss Code of Obligations on non-transferable and inalienable duties of the Board of Directors), the Articles of Association, and the Organisational Regulations. The Board of Directors has sole authority for the following:

- to carry out the overall management of the Company and establish the necessary instructions
- to establish the organisation of the Company
- to establish the accounting and financial control principles as well as the financial plan to the extent that it is necessary for the management of the Company

- Nomination and Compensation Committee: compensation policies, human resources policies, related-parties transactions assessment.

At each meeting, the Board of Directors or the Committee requires the Group Management to present on specific topics.

The CEO, Deputy CEO, CFO and EVP Corporate Development were requested to participate at every meeting of the Board of Directors and report on applicable activities on behalf of the Group Management. The CFO was requested to participate at every meeting of the Audit Committee. The CAO was requested to participate at every meeting of the Nomination and Compensation Committee.

In 2009, the independent auditor was requested to participate at three meetings of the Audit Committee.

The minutes of each meeting, which typically also contain the list of presence, agenda and duration, are prepared by the secretary, approved by all members of the Board of Directors or of the Committee as applicable, signed by the Chairman of the meeting and the secretary, and filed in the Company's archives.

- to appoint and remove the persons charged with the management and representation
- to carry out the supervision of the persons responsible for the group management, notably in order to ensure that they observe the law, the Articles of Association, the Organisational Regulations, the Group's Internal Control System and the given instructions
- to establish the annual report, prepare the shareholders' meetings and execute their decisions
- to inform the judge in case of over-indebtedness.

In addition, the Board of Directors has decided not to delegate, and therefore has exclusive power to adopt resolutions on the following matters:

- to examine, if required, the professional qualifications of the specially qualified auditor
- to hire and dismiss the Chief Executive Officer and to fix his full compensation
- to keep the shareholders' register
- to approve the Company's three year business plan as well as the annual financial plan and budget
- to decide on any single financial commitment of the Company in excess of US\$ 1 million other than those contemplated in the business plan and/or budget, except the Group Management's decision to invest the IPO proceeds in a secure financial instrument offered by an internationally recognised financial institution and convert the currency in which the proceeds are held
- to create, acquire, sell or dissolve subsidiary companies or divisions of the Company
- to sign credit or loan agreements on behalf of the Company whether as lender or as borrower, in excess of US\$ 1 million, or to enter into off-balance sheet agreements for a notional value in excess of US\$ 1 million other than those contemplated in the business plan and/or budget
- to enter into guarantee or security agreements of any kind for an amount in excess of Euro 50 million
- to enter into continuing contracts exceeding a period of five years
- to enter into any contract of an amount exceeding US\$ 50 million
- to make individual investments in excess of US\$ 1 million other than those contemplated in the business plan and/or budget, except the Group Management's decision to invest the IPO proceeds in a secure financial instrument offered by an internationally recognised financial institution and convert the currency in which the proceeds are held
- to appoint the CEO of the Company, the Audit Committee, and the NCC
- to initiate and settle judicial and administrative proceedings and disputes exceeding US\$ 4 million.

The Chairman has the power to sign individually for the Company. All other members of the Board of Directors have the power to represent the Company by signing jointly with the Chairman, with the exception of the members of the Board of Directors that are domiciled in Switzerland and are non-executive who have the power to represent ADB Holdings by signing jointly in two.

The Board of Directors has delegated the operational management to the Group Management.

## Information and Control Instruments vis-à-vis the Group Management

The Board of Directors monitors and controls Group Management and the Group's operations through the following instruments:

- the Board of Directors adopts the Company's Organisational Regulations, which in particular govern the organisation, deliberations, powers and duties of the Group Management
- the Board of Directors adopts the Group's Internal Control System
- the Board of Directors has delegated internal audit to the Group Management under the supervision of the Audit Committee
- regular meetings of the Board of Directors and its Committees, where the Group Management reports about the evolution of business of the Group, financials, risk management system, Management Information Systems, as well as other business matters
- the CEO, Deputy CEO, CFO and EVP Corporate Development are generally requested to participate at every meeting of the Board of Directors to report on applicable activities on behalf of the Group Management. The CFO is generally requested to participate at every meeting of the Audit Committee. The CAO is generally requested to participate at every meeting of

the Nomination and Compensation Committee

- pursuant to the Company's Organisational Regulations, each member of the Group Management reports immediately any extraordinary event and any change within the Company to the Chairman and CEO
- pursuant to the Company's Organisation Regulations, the Board of Directors reviews and approves, amongst other things, changes in ADB Group's structure and organisation, as well as significant transactions, including acquisitions, major commercial contracts and major investments
- the Group Management is not empowered to delegate the powers that have been delegated to it by the Board of Directors
- the periodical monitoring and assessment by the Board of Directors and the Group Management of various risk factors bearing on ADB Group and its business. The Audit Committee and the Board of Directors can request specific audit assessments at their discretion, for example to evaluate specific risk factors
- additional management instruments for the monitoring of management processes include annual budgeting and semi-annual forecasts. Regular reports are presented to the Board of Directors and the Audit Committee on topics such as deviation from budget and forecast, legal issues and risk management
- the documentation and implementation by Group Management of policies regarding Group control which comply with the Group's Internal Control System, the Organisational Regulations of ADB Holdings and with regulations of all Group's subsidiaries. Such policies are made available to the Board of Directors and its Committees by Group Management at any time, upon request. The Board of Directors or the Audit Committee can at any time request an internal audit on the Group's compliance to its policies
- the Board of Directors, or other governing bodies as applicable, of all subsidiaries of the Group generally include one or more members of the Group Management or of the Company's Board of Directors

- the Company's finance department provides the Group Management with a monthly report that includes the consolidated balance sheet and income statement of the whole Group and the income statements of the Group's operating segments and main subsidiaries. This report is reviewed by the Group Management who makes decisions and issues directives to the managers responsible of each company and organisation within the Group. The Audit Committee receives a copy of the report from the Company's finance department.

Pursuant to the Company's Organisation Regulations, each member of the Board of Directors may request information about all matters of the Company. During the meetings, each member of the Board of Directors may request information from the other members of the Board of Directors, as well as from the Group Management. Outside of the meetings, each member of the Board of Directors may request from the Group Management information concerning the course of the business and, with the authorisation of the Chairman, about specific matters. To the extent necessary for the performance of his duties, each member of the Board of Directors may request from the Chairman to have access to specific accounting books and files. If the Chairman rejects a request for information, whether for a hearing or for an inspection, the Board of Directors shall vote on the matter at the next meeting. The member who has made the request shall have the right to vote.

The Management Information System ("MIS") of the Company is based on commercially available software systems from reputable firms and encompasses data for the entire Group. The MIS records all appropriate balance sheet and income statement items (including all income and expenses). The MIS is available to the Group Management at any time, but not directly accessible to the Board of Directors and its Committees. However reports can be issued to the Board of Directors and its Committees upon request. In addition, the Group Management operates a web-based set of business tools tracking sales plan, shipments, and customer purchase orders. The data generated by these tools are available to the Group Management at any time, while specific reports can be generated and issued to the Board of Directors and its Committees upon request.

For several years, the Company has addressed risk management through a number of specific procedures and policies that apply Group-wide to the different operational or corporate domains and through ad-hoc identification and assessment of specific business risks. The Company gathered these procedures and policies in the ADB Group Policy Manual.

The ADB Group has also adopted and deployed an Internal Control System. By establishing the ADB Group's Internal Control System, the Board of Directors aimed to (i) create a management tool to support the ADB Group and its management in achieving its objectives in terms of procedures, information, and protection of the ADB Group's assets and (ii) comply with the provisions of Swiss law that entered into force on 1 January 2008 and in particular with articles 728a and 728b of the Swiss Code of Obligations.

The main risk factors identified by the Board of Directors as bearing on the Group's business are mapped according to the following categories:

#### ■ Information and Consolidated Reporting

#### ■ Engaging the Group, Protecting its Assets, Compliance

#### ■ Industry Risks

- Changes of technology in the industry
- Future developments of the world digital TV market
- Competitive market situation
- Industry consolidation
- Commoditisation of basic products
- Changes in governmental regulation
- Macroeconomic, social and political changes

#### ■ Risks Related to the Group's Business

##### Technology

- Innovation
- Changes in industry trends
- Protection of the Group's intellectual property rights
- Licensing third-party intellectual property

##### Sales and marketing

- Customer concentration
- Reliance on certain business partners
- Product portfolio evolution
- Unsuccessful strategy or execution

##### Operations

- Quality
- Availability and inventory
- Managing growth
- Supplier concentration
- Dependence on certain strategic suppliers

##### Finance and administration

- Currency exchange rate fluctuations
- Reliance on systems
- Intellectual property rights infringements
- Reliance on key personnel
- Changes of government policies, laws and regulations

#### ■ Information, Legal Entity Reporting, Social Security and Tax

#### ■ Engaging the Legal Entity, Protecting its Assets, Legal Entity Compliance.

The risk map classifies risks in terms of their frequency, impact and relevance to the Group activities and to the Group's financial performance.

In 2009 the Group addressed with specific emphasis the risks rated with high relevance by its Internal Control System, while maintaining strong focus on its established risk management policies for those areas rated with a lower relevance.

Group Management attention was in particular drawn to:

Risk	Actions
Intellectual Property	In 2009, the Group filed 11 patents and 1 trademark application and was granted 15 patents and 1 trademark registration. The Group's total portfolio of patents and trademark applications amounts to more than 300
Concentration of sales and customer default	Customers receivables were secured for the large majority by letter of credit, credit insurance or by certain pledges agreed with customers
Efficiency of operations	The Group strengthened the inventory and operations management processes. The Group introduced two new contract manufacturers and further optimised its working capital investments
Quality	The Group continued its program aimed at reinforcing its Total Quality Management processes and the organisation in charge of quality
Systems and tools	The Group made further important progresses in the projects aimed at increasing reliability and rapidity of its financial information system and at enhancing its Management Information System
Currency exchange rate fluctuations	In the very volatile environment of 2009, the Group paid particular attention to its processes aimed at controlling the risk and optimising the impact that currency fluctuations produce on its financial performance
Contractual engagements and powers	The Group continued its effort aimed at reinforcing the control over undertaking contractual engagements
Compliance with changes in regulations	The Group reinforced compliance and governance procedures and fostered their deployment

# GROUP MANAGEMENT

## Members of Group Management

Name	Year of Appointment	Year of Birth	Nationality	Position	Main duties
Andrew N. Rybicki	1995	1948	Poland	President & Chief Executive Officer (CEO)	Overall Group Management
François Pogodalla	2008	1969	France	Executive Vice President, Deputy Chief Executive Officer	General Management of the Digital TV Products and Services operating segment
Alessandro Brenna	2004	1965	Italy	Executive Vice President, Chief Financial Officer (CFO)	Group's Finance and Legal Affairs Management
Krzysztof Kolbuszewski	2006	1968	Poland	Executive Vice President, Chief Technology Officer (CTO)	Group's Technology and Intellectual Property Strategy
William G. Luehrs	2006	1944	US	Executive Vice President, Chief Administrative Officer (CAO)	Group's Human Resources, Information Technologies, Internal Communications
Tina Nyfors	2008	1966	Finland	Executive Vice President, Corporate Development	Group's M&A, Corporate Development, Investor Relations and Corporate Communication
Janusz C. Szajna	2008	1954	Poland	Executive Vice President, Eastern Europe	Group's Human Resources, Administration, Communication Activities in Eastern Europe
Belinda Wong	2006	1958	Portugal	Executive Vice President, Finance	Finance Management of the Digital TV Products and Services operating segment

**Andrew N. Rybicki**, President & Chief Executive Officer (CEO), see Members of the Board of Directors.



**François Pogodalla**, Executive Vice President, Deputy Chief Executive Officer, joined ADB Group in 2005 as Vice President, Corporate Development, in charge of the Group's M&A, Corporate Transactions, Investor Relations and Legal Affairs. Prior to this he was Director of Alliances and M&A within STMicroelectronics' Corporate Strategic Planning organisation, where he was in charge of M&A and other strategic transactions. During his career at STMicroelectronics, he occupied various other functions including engineering management (1994-1999) and business and strategic planning (2000-2005). He holds a masters degree in computer science from University of Grenoble, France (1991), a computer and electronics systems architecture engineering degree from ENSIMAG (1993), and an MBA from EM Lyon (2000).



**Alessandro Brenna**, Executive Vice President, Chief Financial Officer (CFO), joined ADB Group in 2004. He previously worked for Foster Wheeler Italiana from 1992 to 1993, McKinsey & Company from 1993 to 1996 and STMicroelectronics from 1996 to 2004. At STMicroelectronics his last position was Director, Financial Control of the Telecom Products Group, managing the financial aspects of an organisation with sales of US\$ 1.4 billion. Before that, Mr. Brenna worked as Director of Corporate Planning and Development and

as Director of Investor Relations for STMicroelectronics. He holds a master degree in industrial technologies engineering from Politecnico di Milano (1990), an MBA from INSEAD (1994) and he is a CFA Charterholder (2002).



**Krzysztof Kolbuszewski**, Executive Vice President, Chief Technology Officer (CTO), is a co-founder. Before this nomination in 2006, Mr. Kolbuszewski was responsible for the Group's technical teams in Poland, Taiwan, Ukraine and the US where he oversaw the design of various software and hardware solutions for digital TV equipment. His current tasks include definition of future technology directions, technology selection and supervision of technology utilisation, of intellectual property rights and of cooperation between all engineering teams of the Group. Mr. Kolbuszewski served at ADB Group as one of the first software programmers between 1995 and 1997, as Engineering Director from 1997 to 1998, as Vice-President of Research and Development from 1998 to 2002, initiating and supervising the developments of the Group's MHP solution. Mr. Kolbuszewski earned a MSc in Automatics and Metrology from the University of Zielona Gora, Poland, in 1991 and a MSc in Computer Sciences from the University of Bristol.



**William G. "Bill" Luehrs**, Executive Vice President, Chief Administrative Officer (CAO), joined ADB Group in 2002. From 2002 to 2005 he was Regional President, Americas Region and CEO of Advanced Digital Broadcast Inc. He was appointed Executive Vice President, Chief Administrative Officer (CAO) of the Group in 2006. Mr. Luehrs has been involved in the cable and telecommunications industries for over 18 years. Prior to joining ADB Group, he has held general management positions at Motorola's Broadband Communications Group, Zenith Electronics, and Scientific Atlanta. Mr. Luehrs also worked seventeen years with General Electric, where he held a number of general management and strategic marketing positions. He received a BSc in electronic engineering from Marquette University in 1967 and an MBA from Gannon University in 1976.



**Tina Nyfors**, Executive Vice President, Corporate Development, joined ADB Group in 2008. In 2001-2007 she worked as Senior Advisor and Senior Vice President with Fincoord Ltd., a financial and strategic advisory firm in Zurich, where she led M&A, capital market transactions and strategic projects for ITI Group, Poland's prominent media group. Prior to this, Ms. Nyfors established a CEE regional high-tech venture capital fund which she led as the Managing Director. Ms. Nyfors also worked as a banker at European Bank for Reconstruction and Development (EBRD) in London, and has a background in the telecommunication and IT industries in Finland, where she was business controller at Telia-Sonera and subsequently at Tieto-Enator plc. Ms. Nyfors holds a MSc in Economics from Helsinki School of Economics, and an MBA from IMD, Switzerland.



**Janusz C. Szajna**, Executive Vice President, Eastern Europe, is a co-founder. From 1991 to 1997 Mr. Szajna was a professor and department chair of computer engineering and electronics at the University of Zielona Gora, Poland. He led the Group's research & development centre in Zielona Gora until 2006. After that he was responsible of all human resources, administration and communication activities of the Group in Poland and in 2008 this responsibility was extended to the entire Eastern Europe. He has more than 30 years experience in engineering, science and general management. Mr. Szajna earned a MSc in electrical engineering at Zielona Gora University, in 1978, a PhD in electronics at Wroclaw University of Technology, Poland, in 1982 and an Associate Professor degree (habilitation) in computer science from the National Academy of Science in Kiev, Ukraine, in 2001. He is the author or co-author of numerous scientific publications.



**Belinda Wong**, Executive Vice President, Finance, joined ADB Group in 1998. From 1995 to 1998, she was commercial manager of the Taiwan branch office of the CSR Group, an Australian company active in the sugar and building materials business. She worked from 1992 to 1994 with Ross System PLC, a computer software company from the US. Prior to that, Ms. Wong worked from 1981 to 1992 with CTM, a subsidiary of Cable & Wireless PLC, where she held several managerial and financial positions, including the management of financial accounting. Ms. Wong received an MBA degree from University of East Asia in Macau in 1992.

## Other Activities and Vested Interests

	Outside ADB Group	Inside ADB Group
Andrew N. Rybicki	See Board of Directors	See Board of Directors
François Pogodalla	None	Member of the Board of Directors of <ul style="list-style-type: none"> <li>■ Advanced Digital Broadcast SA</li> <li>■ ADB Services SA</li> <li>■ Advanced Digital Broadcast Inc.</li> <li>■ Advanced Digital Broadcast Italia S.r.l.</li> <li>■ SIMPLE S.r.l.</li> <li>■ Vidiom SA</li> <li>■ Vidiom Systems Inc.</li> </ul> Chief Executive Officer of <ul style="list-style-type: none"> <li>■ Advanced Digital Broadcast SA</li> </ul>
Alessandro Brenna	Member of the investment committee of the investment fund Emertec 2	Member of the Board of Directors of <ul style="list-style-type: none"> <li>■ ADB Services SA</li> <li>■ SIMPLE S.r.l.</li> </ul>
Krzysztof Kolbuszewski	None	Member of the Management Board of Advanced Digital Broadcast Polska Sp. z.o.o.
William G. Luehrs	None	Member of the Board of Directors of Vidiom Systems Inc.
Tina Nyfors	None	Corporate Secretary of the Company's Board of Directors
Janusz C. Szajna	Associate Professor at Zielona Gora University	Member of the Management Board of Advanced Digital Broadcast Polska Sp. z.o.o.
Belinda Wong	None	Member of the Board of Directors of <ul style="list-style-type: none"> <li>■ Advanced Digital Broadcast Ltd.</li> <li>■ Advanced Digital Broadcast Hong Kong Ltd.</li> </ul>

Other than the above, the members of the Group Management do not hold other offices or carry out other principal activities which are of importance to the Group.

## Definition of Areas of Responsibility

The Group Management is responsible for:

- general management of the Group
- operational implementation of the Group's strategy
- allocation and use of resources in accordance with the budget
- operational management and control of the Group
- monitoring compliance of subsidiaries with the Group's Internal Control System, the Company's Organisational Regulations and with the Group's policies
- establishment of a management and corporate culture in line with the Group's objectives.

The Group Management is not empowered to delegate the powers that have been delegated to it by the Board of Directors.

The Board of Directors appoints the CEO of the Company who shall have the power to represent it. The Board of Directors shall only confer joint signature by two. Such power may or may not be entered in the commercial registers. The Board of Directors notifies in writing each key officer author-

ised to represent the Company and specifies in such notification the extent of such power. The power can, for instance, be limited to a certain financial amount. Any subsequent withdrawal or limitation of power shall be notified in writing to the key officer and shall take immediate effect upon receipt of such notification by the key officer. The Board of Directors shall maintain an updated list of the key officers authorised to represent the Company and the extent to which they can represent it.

## Management Contracts

The Group is not party to any management contract delegating Group Management tasks to companies or individuals external to the Group.

# COMPENSATION, SHAREHOLDINGS AND LOANS

## Content and Method of Determining the Compensation and the Share-Ownership Programmes

### Share-Ownership Programmes

Share-ownership and stock options programmes are established at the sole discretion of the Board of Directors.

At its meeting of 21 December 2007, the Board of Directors approved the creation of a stock option plan for the employees, directors and officers of the Group. The plan has the following main characteristics:

- instrument: options to purchase ADB Holdings' shares
- exercise price: closing market prices for the shares on the last trading day before the grant, plus a 10% premium until the share price reaches CHF 51
- vesting: one-third after twelve months, one-third after twenty-four months, one-third after thirty-six months; vesting is only conditional upon the beneficiary still being employed by the Group at the end of each vesting period
- duration of the option: four years
- duration of the plan: five years
- maximum number of shares allowed under the plan: 600,000

- change of control provision: possible acceleration of vesting in case the successor entity does not assume the plan obligation or substitute the plan with a plan that provides for equivalent benefits
- administration: by the Board of Directors, which has the power to amend the plan's characteristics at any time.

On 21 February 2008, 580,000 options were granted to employees, directors and officers of the Group with an exercise price of CHF 30.47 each.

On 18 May 2009, 15,000 options were granted to employees of the Group with an exercise price of CHF 33.22 each.

Each share option converts into one share of the Company. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Additional information on these share-ownership programmes can be found in Note 30 of the Consolidated Financial Statements.

### Members of the Board of Directors

The compensation and share-ownership programmes for the Board of Directors are proposed by the Group Management and the NCC and subsequently submitted to the Board of Directors for approval. No external consultant participates in the process of setting the compensation for the Board of Directors.

The compensation and share-ownership programmes for the members of the Board of Directors are made of:

1. Fixed annual fee for all Directors of the Company amounting to CHF 15,000 for Directors and to CHF 25,000 for the Chairman, adjusted pro rata for the number of months of service in a given year
2. Fixed presence fee amounting to CHF 2,000 for Board of Directors meetings participated in person and CHF 500 for meetings by telephone

3. Discretionary equity-based compensation: the Board of Directors may decide, from time to time, to grant discretionary free share grants or share option grants to Directors. The Board of Directors may award such free grants only in connection with another Group-wide distribution scheme approved by the Board of Directors. Availability is at the same conditions as the employee participation schemes, which shall, without limitation, be based on actual performance of the Group. Such equity-based compensation is not guaranteed to take place every year, and may vary in size
  4. Compensation for members of the Committees
    - a. Fixed annual fee of CHF 5,000
    - b. Fixed presence fee amounting to CHF 1,500 for Committee meetings participated in person and CHF 400 for meetings by telephone
  5. Project or mission related fees as expressly requested or approved by the Board of Directors and reimbursement of reasonable expenses actually incurred
  6. Directors and Officers insurance coverage.
- In 2009, no equity-based compensation was allocated to any member of the Board of Directors.
- In 2009, no special project or mission related fees were paid to members of the Board of Directors or members of the Committees. The compensation of the Board of Directors does not include benefits in kind, bonus or special post-employment benefits.

## Members of the Group Management

The compensation and share-ownership programmes of the Chief Executive Officer are determined by the Board of Directors, upon proposal by the NCC.

The compensation and share-ownership programmes for all other members of the Group Management are determined by the CEO, upon proposal by the CAO or the NCC. The share-ownership programmes shall be within the scope of the employee share-ownership programmes as decided and approved by the Board of Directors. No external consultant participates in the process of setting the compensation for Group Management.

The compensation of the members of Group Management includes:

1. Fixed cash salary
2. Performance-related annual cash bonus: the performance is measured against a set of measurable personal objectives defined at the beginning of each year with the CEO (or with the Board of Directors in the case of the CEO, upon suggestion of the NCC). The objectives may be quantitative or qualitative, related to achievements of financial targets or not. Cash-bonus represents a maximum of eight months of the fixed cash salary, and a minimum

of zero, with an average of four months for most members of the Group Management

3. Pension schemes as per standard and mandatory schemes that apply to all employees of the relevant legal entities
4. Business vehicle
5. Other benefits in kind for certain members of Group Management.

Benefits in kind have a fair value estimated as the amount of cash disbursements actually made to purchase such benefit from the market. No special post-employment benefit is granted to Group Management and thus included as part of the compensation.

## Compensation for Acting Members of Governing Bodies

Disclosure as required by Swiss law on the compensation, shareholdings and loans for members of the Board of Directors and of the Group

Management is presented in Notes 13 and 14 of the Statutory Financial Statements of the Company.

## Loans Granted to Members of the Governing Bodies

No loans to members of the Board of Directors were either granted in 2009 or outstanding at 31 December 2009.

In 2008, loans for a total aggregate amount of approximately CHF 0.3 million were granted to two members of the Group Management for the financing of immediate tax obligations incurred

with the grant of share options. These loans are to be repaid with the proceeds from the exercise of share options and bear interest at the prevailing market rate plus a spread of 1%. These loans were the only loans to members of the Group Management outstanding at 31 December 2009.

## Guarantees Granted by Members of the Governing Bodies to ADB Group

There are no guarantees granted by members of the governing bodies to ADB Group at 31 December 2009.

# SHAREHOLDERS' RIGHTS

## Voting Rights and Representation Restrictions

In shareholders' meetings, except as noted below, each shareholder has equal rights, including equal voting and financial rights. Each share is entitled to one vote.

Failing a proper registration of its shares in ADB Holdings' share register (see "Inscription in the Share Register" at end of this section), a shareholder may not vote at or participate in a shareholders' meeting but still be entitled to receive dividends and other rights with financial value such as pre-emption rights. Voting rights are also excluded for nominees and fiduciary holders of shares.

In Switzerland, resolutions generally require the approval of an absolute majority of the shares represented at a shareholders' meeting. A resolution passed at a shareholders' meeting with a super-majority of at least two-thirds of the shares and the absolute majority of the nominal capital represented at such meeting is required for: (i) changes in a company's purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an authorised or conditional increase in a company's share capital; (v) an increase in a company's share capital by way of capitalisation of reserves; (vi) the restriction or elimination of pre-emptive rights or (vii) a relocation of domicile. Pursuant to the Swiss Federal Merger Act, special quorum rules apply by law to a merger, demerger or conversion of a company. In addition, any article providing for a greater voting requirement than is prescribed by law or the existing Articles of Association must be adopted by such a super-majority.

A shareholders' meeting also has the power to vote by absolute majority on amendments to the Articles of Association, to elect the members of the Board of Directors and the independent auditor, to approve the annual report and the annual accounts, to set the annual dividend and to discharge the directors from liability for matters disclosed to the shareholders' meeting. A shareholders' meeting, by an absolute majority, also has the power to order an independent investigation into specific matters proposed to the shareholders' meeting.

Shareholders of ADB Holdings can be represented

by proxy at shareholders' meetings but solely by another shareholder. The Board of Directors is entitled to approve agreements with banks and professional asset managers to allow them to exercise the voting rights of shares deposited with them on behalf of the beneficial owners of the shares. At shareholders' meetings, votes are taken on a show of hands unless the shareholders' meeting resolves to have a ballot or such ballot is ordered by the Chairman of the shareholders' meeting. According to the Articles of Association, in case of a split vote, the Chairman has the casting vote.

At the Annual General Meeting of Shareholders held on 22 June 2007, it was resolved to limit the registration of shareholders with voting rights by amending Article 6a of the Company's Articles of Association.

As a result, no person, physical or legal, shall be registered as a shareholder with voting rights for the shares that such person holds, directly or indirectly, for more than five percent (5%) of the total number of shares registered in the share register. Corporations and partnerships which are acting in concert through capital or voting arrangements, common management or any other similar arrangement, as well as all physical or legal entities or partnerships which act in concert through a pool, a syndicate, or are in some other way acting in a coordinated manner for the purpose of circumventing the limitation on registration, shall be considered as a single entity for the purpose of this provision. This 5% limitation also applies to shares acquired or subscribed by the exercise of subscription, option or conversion rights attached to shares or other securities issued by the Company or by third parties.

The Board of Directors may approve exceptions to this rule by a majority of two thirds of its members, in the case of purchase of companies or participations by exchange of shares, in the case of merger, as well as in other special justified cases. The Board of Directors may cancel the registration of a purchaser as a shareholder with voting rights, with retroactive effect to the date of registration, if said registration resulted from false declarations of the purchaser. The Board of Directors shall define the responsibilities applicable to the maintenance of the share register,

as well as the conditions and powers applicable for considering persons as shareholders or usufructuaries with or without voting rights, as well as their registration in the share register.

Modification of any provisions of the Articles of Association regarding the limitation of registration and voting rights can only be adopted by a shareholders' meeting at a super-majority of two-thirds.

## Statutory Quorums

There is no provision in the Articles of Associations of ADB Holdings requiring a presence quorum for shareholders' meetings of the Company.

## Convocation of the General Meeting of Shareholders

Provisions in the Articles of Associations of ADB Holdings for the setting of rules for convocation of a shareholders' meeting are those set out in Swiss law.

Under Swiss law, a shareholders' meeting must be held within six months after the end of a company's preceding financial year. In the case of ADB Holdings, this means on or before June 30.

Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the Company's

independent auditor. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by holders of shares holding in aggregate at least 10% of the nominal share capital of the Company. A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce or by letter sent to each shareholder to the address registered in the shareholders register at least 20 days prior to such meeting.

## Agenda

The agenda is published in the convocation of the shareholders' meeting.

In particular, according to the Articles of Association, shareholders holding shares with a value of at least

10% of the nominal share capital of the Company or with a nominal value of CHF 150,000 have the right to request that a specific agenda item be discussed and voted upon at the next shareholders' meeting.

## Registration in the Share Register

Pursuant to the Articles of Association, ADB Holdings' shares are registered shares, not issued in certificated form but delivered in book-entry form only, into collective custody at SIX SAG AG, Olten. Shareholders do not have the right to ask for printing or delivery of share certificates.

The transfer of shares is effected by the use of a share registration form and by a corresponding entry in the books of a bank or a depositary institution (SIX SAG AG, Olten) following an assignment in writing by the selling shareholder and notification to the Company of such assignment.

The Board of Directors will update the share register after receiving the respective request of a shareholder to be entered as a shareholder into ADB Holdings' share register. A purchaser of shares is recorded in ADB Holdings' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and gives a declaration that it has acquired the shares in its own name and for its own account.

Nominees and fiduciary holders of shares are registered without voting rights.

# CHANGE OF CONTROL AND DEFENSE MEASURES

## Duty to Make an Offer

Pursuant to the applicable provisions of the Swiss Federal Act on Stock Exchanges and Security Trading (SESTA), if a person acquires shares of a Swiss listed company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33 <sup>1</sup>/<sub>3</sub>% of the voting rights (whether exercisable or not) of such company, that person must make a bid to acquire all of the listed shares of the company. A company's articles of incorporation may either eliminate this provision of the SESTA or may raise the relevant threshold to 49% ("opting-out" or "opting-up", respectively).

The Annual General Meeting of Shareholders held on 9 June 2006 voted in favour of the introduction of an "opting-up" clause in the Company's Articles of

Association, pursuant to which whosoever, directly, indirectly or acting in concert with third parties, acquires shares of the Company which, when added to the shares already owned by such person, exceed the threshold of 49% of the voting rights, whether exercisable or not, shall be obliged to make a bid to acquire all of the listed shares of the Company.

There is no obligation to make a bid under the foregoing rules if the voting rights in question are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law, or execution proceedings.

## Clauses on Change of Control

There are no change of control clauses included in agreements and schemes benefiting members of the Board of Directors and/or Group Management other than (i) those of the stock options programme described in the section "Share-Ownership Programmes" of this Corporate Governance report

and (ii) the employment contract of one member of Group Management which, in case of change of control, entitles the employee to a severance package for a longer period of time than the minimum law requirement.

# AUDITOR

## Duration of the Mandate and Term of Office of the Independent Auditor

Deloitte SA, Route de Pré-Bois 20, 1215 Geneva, has held the external audit mandate of ADB Holdings and ADB Group since the financial year ended 31 December 2005 and is elected as external

statutory and group auditor until the end of the 2009 financial year. Mr. Peter Quigley has been the lead engagement partner since the 2005 audit.

## Auditing Fees

Deloitte received a fee of CHF 0.6 million for statutory and consolidated audit of the 2009 financial statements of ADB Holdings and subsidiaries.

## Additional Fees

Deloitte received additional fees of CHF 0.1 million for other services; approximately CHF 77 thousand related to the review of the half year results for the Company and its subsidiaries, the rest being for other professional services, unrelated to the statutory audit activity.

## Informational Instruments Pertaining to the External Audit

The Audit Committee is responsible for setting the scope of audits, audit plans and relevant processes with the independent auditor and for discussing the results of the audits with them. On behalf of the Board of Directors, the Audit Committee also evaluates the independent auditor's performance, including assessment of their independence. Final decision on the engagement and on the proposed appointment at the Annual General Meeting of Shareholders is made by the Board of Directors.

In 2009 the Audit Committee conducted a performance review of the independent auditor which was discussed with the auditor in one meeting in person, with representatives of the Board of Directors.

The Audit Committee bases its recommendation for selection and assessment of the independent auditor's audit services principally on the following factors:

- name and reputation of the firm
- capability to offer a worldwide service

- independence
- availability and speed of response to requests of the Audit Committee, Board of Directors, and Group Management
- cost.

The Audit Committee bases its recommendation for selection and assessment of the independent auditor's non-audit services principally on the basis of:

- independence
- availability and speed of response to requests of the Group Management
- cost.

The Company does not specify frequency of rotation for the external auditor or for the lead engagement partner. By law, the lead engagement partner must rotate after a maximum of 7 years.

Representatives of the independent auditor are regularly invited to meetings of the Audit Committee. In 2009 the independent auditor, including the lead engagement partner, was requested to participate and report in person in three of the five meetings of

the Audit Committee and none of the five meetings in person of the Board of the Directors. The independent auditor presented its audit reports, audit of procedure reports, and Internal Control System and risk management reports.

## Internal Audit

The internal audit is under the responsibility of the Audit Committee, and executed principally by the CFO and, if applicable, other members of the Group Management. The internal audit works on a project by project basis, as requested and specified

by the Board of Directors. The CFO generally participates to all meetings of the Audit Committee and of the Board of Directors and reports on internal audit projects as requested.

# INFORMATION POLICY

ADB Group regularly informs investors of the developments pertaining to its business, its organisation, its financial results and all other applicable matters in compliance with the rules of the SIX Swiss Exchange, including the rules regarding Ad-Hoc Publicity and Financial Reporting.

Information is mainly released in the form of Press Releases issued in English language.

Financial information is published twice a year through an annual results release followed by the annual report (within four months from the end of the reporting fiscal year), and an interim financial report for the six months following the end of the previous fiscal year.

In addition, the Group regularly provides mid-period business updates on the developments of its business at about the mid-point of each half-fiscal year. Such updates are provided through a Press Release and a publicly announced telephone conference with members of the Group Management.

All parties interested in receiving ADB Group Press Releases can subscribe to the Company's mailing lists by sending a request to the Investor Relations department.

ADB Group's website contains all published information as well as the principal dates of the institutional calendar.

## **ADB Group web site**

[www.adbholdings.com](http://www.adbholdings.com)

## **Annual Reports, Interim Reports and Financials**

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-reportsAnnual>

## **Calendar**

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-calendar>

## **Presentation Material**

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-presentationsAGM>

## **Investor and Media Relations, General Information**

Tina Nyfors

Executive Vice President, Corporate Development

+41 22 592 8433

[t.nyfors@adbglobal.com](mailto:t.nyfors@adbglobal.com)

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## **Consolidated financial statements**

**ADVANCED DIGITAL BROADCAST HOLDINGS SA**

## ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

### CONSOLIDATED INCOME STATEMENTS

YEARS ENDED 31 DECEMBER 2009 AND 2008

(Expressed in United States Dollars)

	Notes	2009 \$	2008 \$
Revenue	3	381,005,778	360,816,542
Cost of sales	4	<u>(241,967,509)</u>	<u>(216,507,049)</u>
Gross profit		139,038,269	144,309,493
Research and development expenses	4	(60,758,207)	(67,404,993)
Selling, general and administrative expenses	4	(46,681,151)	(52,529,445)
Other income	5	329,551	433,693
Other expenses	5	(4,240,232)	(5,429,943)
Impairment charges	10	(8,180,625)	-
Finance income	6	2,311,978	4,868,573
Finance costs	6	<u>(3,806,975)</u>	<u>(6,231,115)</u>
Profit before tax		18,012,608	18,016,263
Income tax expense	7	<u>(2,761,968)</u>	<u>(3,098,098)</u>
Profit for the year from continuing operations		15,250,640	14,918,165
Loss for the year from discontinued operations	8	-	<u>(3,329,669)</u>
Profit for the year		<u>15,250,640</u>	<u>11,588,496</u>
Earnings per share	9		
From continuing and discontinued operations:			
Basic		<u>2.76</u>	<u>1.96</u>
Diluted		<u>2.71</u>	<u>1.96</u>
From continuing operations:			
Basic		<u>2.76</u>	<u>2.53</u>
Diluted		<u>2.71</u>	<u>2.52</u>

## ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED 31 DECEMBER 2009 AND 2008

(Expressed in United States Dollars)

	Notes	2009 \$	2008 \$
Net gain (loss) on available-for-sale investments	13, 21	673,381	(96,963)
(Charge) credit of deferred tax for net loss (gain) on available-for-sale investments	21	(49,894)	4,760
Actuarial (loss) gain directly recognised in equity	21, 24	(571,422)	317,710
Credit (charge) of deferred tax for direct recognition of actuarial loss (gain) in equity	7, 21	96,065	(129,881)
Movement in cash flow hedges	21, 25	1,897,114	(1,897,114)
(Charge) credit of deferred tax from movement in cash flow hedges	21	(221,393)	221,393
Translation adjustments	21	401,324	149,965
Net gain (loss) recognised directly in equity		2,225,175	(1,430,130)
Profit for the year		<u>15,250,640</u>	<u>11,588,496</u>
Total comprehensive income for the year		<u>17,475,815</u>	<u>10,158,366</u>

## ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

31 DECEMBER 2009 AND 2008

(Expressed in United States Dollars)

	Notes	2009 \$	2008 \$
<b>ASSETS</b>			
Non-current assets			
Goodwill	10	9,393,440	15,906,695
Intangible assets	11	18,595,435	18,562,158
Property and equipment	12	11,370,070	11,429,514
Deferred income tax assets	7	3,718,745	3,281,531
Long-term trade receivables	13	4,056,908	8,301,209
Other non-current assets		<u>1,223,478</u>	<u>1,110,577</u>
Total non-current assets		<u>48,358,076</u>	<u>58,591,684</u>
Current assets			
Inventories, net	14	19,722,746	26,006,638
Other current assets		5,557,166	6,400,377
Trade receivables, net	13	78,587,485	60,631,162
Available-for-sale investments	13	28,731,753	9,599,494
Time deposits	13	6,173,850	-
Cash and cash equivalents		<u>65,405,033</u>	<u>61,365,592</u>
Total current assets		<u>204,178,033</u>	<u>164,003,263</u>
Total assets		<u>252,536,109</u>	<u>222,594,947</u>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	20	1,326,181	1,326,181
Share premium		76,551,414	76,551,414
Share-based compensation reserve		4,373,022	3,342,232
Other reserves	21	(768,854)	(2,994,029)
Retained earnings		39,252,110	24,783,800
Treasury shares	20	<u>(42,759,071)</u>	<u>(21,404,311)</u>
Total equity		<u>77,974,802</u>	<u>81,605,287</u>

continued

	Notes	2009 \$	2008 \$
Non-current liabilities			
Long-term bank loans	15	6,041,849	9,529,943
Retirement benefit obligations	24	5,166,459	4,171,832
Deferred income tax liabilities	7	1,186,411	1,207,720
Long-term payables	19	72,332	78,251
Total non-current liabilities		<u>12,467,051</u>	<u>14,987,746</u>
Current liabilities			
Bank loans	15	21,198,243	14,031,639
Current portion of long-term bank loans	15	3,793,087	3,615,926
Trade and other payables	19	95,305,468	72,924,994
Accrued expenses	16	33,590,350	26,491,813
Provisions	17	3,140,133	3,477,870
Taxes payable		2,821,626	1,907,065
Other current liabilities	18	<u>2,245,349</u>	<u>3,552,607</u>
Total current liabilities		<u>162,094,256</u>	<u>126,001,914</u>
Total liabilities		<u>174,561,307</u>	<u>140,989,660</u>
Total equity and liabilities		<u>252,536,109</u>	<u>222,594,947</u>

## ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED 31 DECEMBER 2009 AND 2008

(Expressed in United States Dollars)

	Notes	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
From continuing operations:			
Profit for the year		15,250,640	14,918,165
Adjustments for:			
Income tax expense	7	2,761,968	3,098,098
Depreciation	8, 12	2,454,542	2,980,426
Amortisation	8, 11	18,217,561	17,985,155
Impairment charges	10	8,180,625	-
Finance costs	6	3,806,975	6,231,115
Finance income	6	(2,311,978)	(4,868,573)
Share-based payment expense	30	1,171,479	1,667,952
Provision for inventory	5	3,147,816	3,394,698
Others		59,817	279,972
Profit before working capital changes		52,739,445	45,687,008
Working capital changes:			
Trade and other receivables		(13,712,022)	45,119,707
Inventories		3,136,076	3,185,137
Trade and other payables		22,380,474	17,609,588
Accrued expenses		7,097,988	(19,822,356)
Provisions		(337,737)	1,553,870
Other current liabilities		(1,307,258)	(1,726,005)
Others		1,531,196	2,958,353
Cash generated by operating activities		71,528,162	94,565,302
Interest paid		(3,806,426)	(4,084,975)
Tax paid		(2,355,555)	(744,066)
Net cash provided by operating activities		65,366,181	89,736,261
Net cash used in operating activities from discontinued operations			
		-	(1,488,005)
Net cash provided by operating activities		65,366,181	88,248,256

continued

	Notes	2009 \$	2008 \$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
From continuing operations:			
Acquisitions of property and equipment	8, 12	(2,172,317)	(2,469,952)
Proceeds from sale of property and equipment		93,497	369,019
Payments for intangible assets	8, 11	(18,203,728)	(20,863,032)
Proceeds from sale of intangible assets		-	656,756
Purchase of available-for-sale investments and time deposits	13	(24,632,728)	(7,672,714)
Interest received		<u>2,158,122</u>	<u>2,761,595</u>
Net cash used in investing activities		(42,757,154)	(27,218,328)
Net cash provided by investing activities from discontinued operations		-	<u>139,901</u>
Net cash used in investing activities		<u>(42,757,154)</u>	<u>(27,078,427)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
From continuing operations:			
Increase (decrease) in bank loans		3,855,671	(15,356,094)
Share sale pursuant to exercise of stock options	20	744,158	-
Share purchase	20	<u>(23,021,937)</u>	<u>(12,429,174)</u>
Net cash used in financing activities		(18,422,108)	(27,785,268)
Net cash provided by financing activities from discontinued operations		-	-
Net cash used in financing activities		<u>(18,422,108)</u>	<u>(27,785,268)</u>
TRANSLATION ADJUSTMENT ON FOREIGN CURRENCY		<u>(147,478)</u>	<u>(804,018)</u>
NET INCREASE IN CASH		4,039,441	32,580,543
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>61,365,592</u>	<u>28,785,049</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>65,405,033</u>	<u>61,365,592</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Time deposits		17,648	26,415,356
Cash and bank balances		<u>65,387,385</u>	<u>34,950,236</u>
		<u>65,405,033</u>	<u>61,365,592</u>

## ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED 31 DECEMBER 2009 AND 2008

(Expressed in United States Dollars)

	Share Capital \$	Share Premium \$	Share- Based Compen- sation Reserve \$	Other Reserves \$	Retained Earnings \$	Treasury Shares \$	Total Equity \$
Balance at 1 January 2008	1,326,181	76,551,414	1,674,280	(1,563,899)	13,195,304	(8,975,137)	82,208,143
Profit for the year	-	-	-	-	11,588,496	-	11,588,496
Other comprehensive income	-	-	-	(1,430,130)	-	-	(1,430,130)
Total comprehensive income	-	-	-	(1,430,130)	11,588,496	-	10,158,366
Purchase of ordinary shares	-	-	-	-	-	(12,382,709)	(12,382,709)
Share purchase costs, net	-	-	-	-	-	(46,465)	(46,465)
Share-based payments (Note 30)	-	-	1,667,952	-	-	-	1,667,952
Balance at 31 December 2008	1,326,181	76,551,414	3,342,232	(2,994,029)	24,783,800	(21,404,311)	81,605,287
Profit for the year	-	-	-	-	15,250,640	-	15,250,640
Other comprehensive income	-	-	-	2,225,175	-	-	2,225,175
Total comprehensive income	-	-	-	2,225,175	15,250,640	-	17,475,815
Purchase of ordinary shares	-	-	-	-	-	(22,877,273)	(22,877,273)
Share purchase costs, net	-	-	-	-	-	(144,664)	(144,664)
Sale of treasury shares pursuant to exercise of stock options	-	-	-	-	-	744,158	744,158
Reclassification of losses on sale of treasury shares	-	-	-	-	(923,019)	923,019	-
Share-based payments (Note 30)	-	-	1,030,790	-	140,689	-	1,171,479
Balance at 31 December 2009	<u>1,326,181</u>	<u>76,551,414</u>	<u>4,373,022</u>	<u>(768,854)</u>	<u>39,252,110</u>	<u>(42,759,071)</u>	<u>77,974,802</u>

## ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### YEARS ENDED 31 DECEMBER 2009 AND 2008

(Expressed in United States Dollars unless otherwise stated)

#### 1. GENERAL INFORMATION

Advanced Digital Broadcast Holdings SA ("ADB") and its subsidiaries (together the "Group") are engaged in the development and sale of equipment, services and software for the digital television and broadband data communication industry worldwide, and rely on external contract manufacturers for the production of equipment.

Shares of ADB are publicly traded on the SIX Swiss Exchange, under the ticker ADBN. ADB's registered office and the Group's worldwide headquarters are at 7, avenue de Tournay, 1292 Pregny-Chambésy (Geneva), Switzerland.

At 31 December 2009, companies in which ADB has effective control are summarised as follows:

Entity	Country of Incorporation	Issued and Fully Paid Shares / Registered Capital	Percentage of Ownership	Principal Activities
Advanced Digital Broadcast (Australia) Pty Ltd. ("ADBA")	Australia	1 share of AU\$ 1 / AU\$ 1	100%	Marketing, sales and technical support
Advanced Digital Broadcast Italia S.r.l. ("ADBI")	Italy	EUR 50,000	100%	Marketing, sales and technical support
Advanced Digital Broadcast Polska Sp. z.o.o. ("ADBP")	Poland	16,000 shares of PLN 500 each / PLN 8,000,000	100%	Research and development, marketing, sales and technical support
Advanced Digital Broadcast Spain S.L.U. ("ADBS")	Spain	1,000 shares of EUR 3.00506 each / EUR 3,005.06	100%	Marketing, sales and technical support
Advanced Digital Broadcast SA ("ADBG")	Switzerland	100 shares of CHF 1,000 each / CHF 100,000	100%	Marketing, selling, sales and technical support, manufacturing and procurement control
Advanced Digital Broadcast Ltd. ("ADBT")	Taiwan, ROC	1,000,000 shares of NT\$ 10 each / NT\$ 10,000,000	100%	Marketing, sales and technical support, manufacturing control and procurement
Advanced Digital Broadcast (UK) Ltd. ("ADBUK")	UK	10 shares of GBP 1 each / GBP 10	100%	Marketing and sales support
Advanced Digital Broadcast Inc. ("ADBI")	US	1,500 shares, no par value	100%	Marketing, sales and technical support
ADB Services SA ("ADBSSA")	Switzerland	200,000 shares of CHF 1 each / CHF 200,000	100%	Selling and financial services

continued

Entity	Country of Incorporation	Issued and Fully Paid Shares / Registered Capital	Percentage of Ownership	Principal Activities
ADB Ukraine Ltd. ("ADBUKR")	Ukraine	1 share of UAH 600,000 / UAH 600,000	100%	Research and development
Advanced Digital Broadcast Hong Kong Ltd. ("ADBHK")	Hong Kong	1 share of HK\$ 1 / HK\$ 1	100%	Marketing and sales support
Vidiom Systems Polska Sp. z.o.o. (formerly Osmosys Technologies Sp. z.o.o. - "VSP")	Poland	400 shares of PLN 500 each / PLN 200,000	100%	Research and development
Vidiom SA (formerly Osmosys SA - "VSA")	Switzerland	10,000 shares of CHF 10 each / CHF 100,000	100%	Marketing and selling
Vidiom Systems Inc. ("VSU")	US	1,500 shares, no par value	100%	Research and development, sales and technical support, marketing and selling
SIMPLE S.r.l. ("SIMPLE")	Italy	EUR 100,000	100%	None (in liquidation)

ADBA, a technical support, marketing and sales support centre, was incorporated on 27 October 1998 in Australia with an initial share capital of AU\$ 1.

ADBIS, a technical support, marketing and sales support centre, was incorporated on 1 July 2004 in Italy with an initial share capital of EUR 50,000.

ADBP, a technical support, engineering, software research and development centre, was incorporated on 2 October 1995 in Poland, with an initial share capital of PLN 4,000, divided into 80 shares of PLN 50 per share. During 1998, ADBP increased its capital by PLN 7,996,000 through issuance of 159,920 new shares of PLN 50 each. In 2002, the par value of ADBP's stock was increased from PLN 50 to PLN 500, and the number of shares was reduced from 160,000 to 16,000. In 2008 ADBP activities expanded to include marketing and sales support for Eastern Europe.

ADBS, a technical support, marketing and sales support centre, was incorporated on 12 June 2000 in Spain, with an initial share capital of 500,000 pesetas then converted into EUR 3,005.06, divided into 1,000 shares of EUR 3.00506 per share.

ADBG, a marketing and selling centre, was incorporated in Switzerland on 8 May 2001 with an initial share capital of CHF 100,000, divided in 100 shares of CHF 1,000 per share. In 2006 and 2007 ADBG activities expanded to include sales and technical support, manufacturing and procurement control.

ADBT was incorporated on 30 December 2003 in Taipei, Taiwan, the Republic of China ("ROC") with registered capital of NT\$ 1,000,000 as a centre providing local sales support, procurement, manufacturing control and technical support services. On 19 August 2004, the registered capital of ADBT was increased to NT\$ 10,000,000.

ADBUK, a marketing and sales support centre, was incorporated in the United Kingdom on 22 November 2004, with an initial share capital of GBP 10, divided into 10 shares of GBP 1 per share.

ADBI, a technical support, marketing and sales support centre, was incorporated on 23 February 2000, a Delaware Corporation, with no initial share capital.

ADBSSA, a selling and financial services centre, was incorporated on 28 September 2006 in Switzerland, with an initial share capital of CHF 200,000, divided into 200,000 shares of CHF 1 per share.

ADBUKR, a research and development centre, was incorporated on 4 October 2005 in Ukraine, with an initial share capital of UAH 600,000.

ADBHK, a marketing and sales support centre, was incorporated on 13 August 2009 in Hong Kong, a Special Administrative Region of the People's Republic of China, with an initial capital of HK\$ 1.

VSP, a software research and development centre, was incorporated on 23 July 2003 in Poland, with an initial share capital of PLN 200,000, divided into 400 shares of PLN 500 per share. On 31 July 2009 the company changed its name to Vidiom Systems Polska Sp. z.o.o.

VSA, a marketing and selling centre, was incorporated in Switzerland on 23 July 2003, with an initial share capital of CHF 100,000, divided into 10,000 shares of CHF 10 per share. On 14 October 2009 the company changed its name to Vidiom SA.

Osmosys Inc., a marketing and sales support centre, was incorporated on 26 August 2004, a Delaware Corporation, with no initial share capital. On 1 February 2006 the company changed its name to Vidiom Systems Inc. following the acquisition of the business of Vidiom Systems Corporation by the Group. After the acquisition, the scope of activities of VSU has been enlarged to include selling, research and development and technical support.

SIMPLE, a digital TV content development, marketing and selling centre, was incorporated on 15 November 2005 in Italy, with an initial share capital of EUR 100,000. In 2008 SIMPLE ceased its activities and its liquidation process was started.

tele.DOM, a digital TV content and interactive systems development, marketing and sales support centre incorporated on 7 November 2005 in Poland, with an initial share capital of PLN 50,000, divided into 1,000 shares of PLN 50 per share, ceased its activities in year 2008 and was liquidated during 2009.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

All significant accounting policies of the Group in 2009 are the same as those applied in 2008, with the exception of the Group's adoption of the new IFRS effective for accounting periods beginning on 1 January 2009.

The Consolidated Financial Statements are presented in United States Dollars as this is the currency of the majority of the transactions of the Group. Foreign operations are consolidated in accordance with the policies set out below.

These Consolidated Financial Statements have been prepared on an accrual basis and the historical cost basis, modified as required for the revaluation of certain financial instruments.

## Adoption of new and revised International Financial Reporting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on or before 1 January 2009. The adoption of these new and revised Standards and Interpretations has not had a material impact on the Consolidated Financial Statements, except as described below.

From 1 January 2009, the Group has applied for the first time IFRS 8 (“Operating Segments”). IFRS 8 requires operating segments to be identified on the basis of internal Group reporting to the chief operating decision maker. As the Group’s business segment reporting of previous accounting periods was already presented on this basis, the adoption of this new IFRS has had no impact on the presentation of business segments. From 1 January 2009, the Group has applied for the first time the amendments to IAS 1 (“Presentation of Financial Statements”). The adoption of this amended IFRS has had an impact only on the presentation of the Consolidated Financial Statements, with no impact on the results of the Group. From 1 January 2009, the Group has applied for the first time the amendments to IFRS 7 (“Financial Instruments: Disclosure”) and additional disclosures are presented in the notes to the Consolidated Financial Statements accordingly.

At the date of authorisation of these Consolidated Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	Title	Effective for accounting periods beginning on or after
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3	Business Combinations – Revised version	1 July 2009
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IAS 24	Related Party Disclosures – Revised definition of related parties	1 January 2011
IAS 27	Consolidated and Separate Financial Statements – Amendments	1 July 2009
IAS 28	Investment in Associates – Amendments	1 July 2009
IAS 32	Financial Instruments: Presentation – Amendments	1 February 2010
IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items – Amendments	1 July 2009
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments	1 July 2011
IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Various	Improvements to IFRS 2009	

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the Consolidated Financial Statements of the Group.

### **Basis of Consolidation**

The Consolidated Financial Statements incorporate the financial statements of the Company and of the entities controlled by the Company (its subsidiaries) up to 31 December of each year. Control means that the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Business Combinations**

Acquisitions of subsidiaries or businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of all assets transferred, all liabilities incurred and assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value-added tax and other sales related taxes.

Sales of goods are generally recognised when goods are delivered and title has passed. Sales and related costs of software designed and supplied by third parties and/or by the Group are recognised upon the completion of the inspection and acceptance by customers. Revenue from services is recognised upon delivery of service.

The Group charges royalties to customers for the use of certain of its products. In addition, royalties are charged to customers for the transfer of the right to use certain third parties' intellectual property. Revenue from royalties is recognised based on customers' declarations.

### Cost of Sales

Cost of sales includes material costs, contract manufacturing costs, engineering hours devoted to and external services purchased for the production of the delivered services as well as freight and duties incurred for sales. Cost of sales includes the adjustments to carrying value of inventory performed on a continuous basis.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental expense under operating leases is charged to the Consolidated Income Statement on a straight-line basis over the term of the relevant lease.

### Foreign Currencies

Transactions in currencies other than the entities' functional currency are recorded at the rate of exchange prevailing on the dates of transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the Consolidated Income Statement for the period. Gains and losses from retranslation of trade receivables or trade payables are included in other income or other expense (Note 5) while gains and losses from retranslation of cash or debt are included in finance income or finance costs (Note 6).

From time to time the Group hedges the foreign exchange exposure of its non-United States Dollar revenue cash flows by entering into options or forward currency derivative contracts. The Group's accounting policies in respect of such derivative financial instruments are explained below in the section Financial Instruments, Derivative Financial Instruments and Hedge Accounting of this note.

On consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Translation differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the subsidiary is disposed of.

### Finance Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

## Retirement Benefit Costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due. Payments made to state-managed retirement schemes are dealt with as payments to defined contribution schemes, where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement scheme.

For defined benefit retirement schemes, the costs of providing benefits are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each end of year reporting date. In accordance with IAS 19, the Group recognises actuarial gains and losses in the period in which they occur directly in equity. The effects of this policy are presented in the Consolidated Statement of Comprehensive Income.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and deductions in future contributions to the plan.

## Taxation

Income tax expense includes all taxes based upon the taxable profits of the Group including tax adjustments from prior years. Taxes on income are recognised in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognised in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are neither taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated Balance Sheet and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

## Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets:

Buildings and leasehold improvements	10 to 50 years
Furniture and fixtures	2 to 5 years
Equipment	2 to 10 years

Equipment includes machinery, vehicles and general equipment. Land and construction in progress are carried at cost less any recognised impairment losses, and are not depreciated. Construction in progress is reclassified as building or equipment when the assets are ready for their intended use, at which time depreciation of the assets begins. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

## Goodwill

Goodwill, computed as explained above in the section Business Combinations of this note, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently, when there is an indication that the unit may require impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss of the disposal.

## Internally-Generated Intangible Assets - Software Development Costs

Expenditure on research activities is recognised as an expense in the Consolidated Income Statement of the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- the product is clearly defined and the development costs attributable to the product can be separately identified and measured reliably;
- the technical feasibility of the product can be demonstrated;
- the enterprise intends to produce and market or use the product;

- the existence of a market or, if to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- adequate resources exist, or their availability can be demonstrated, to complete the project and to market or use the product.

The extent of capitalisation is limited to that amount which, taken together with further related costs, will be recovered from the future economic benefits associated to the asset.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and any impairment losses. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, generally 12 to 24 months. The Group begins amortisation when the products are available for general release to customers or put to use. Such amortisation of software development costs is recorded as research and development expense in the Consolidated Income Statement. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### Other Intangible Assets

Other intangible assets primarily include rights to use land in Poland and purchased computer and product testing programs. The amortisation period for these intangibles is based on the estimated useful lives, generally 12 to 36 months, except the right to use of land in Poland, the useful life of which is 92 years.

### Impairment of Tangible and Intangible Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Goodwill is the only indefinite life intangible asset of the Group.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Goodwill is also impaired when the actual results and latest business plan of the concerned cash-generating unit, if known as at acquisition date, would have then generated a recoverable amount lower than the goodwill carrying amount.

Other than for goodwill, when an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant

asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Inventories are adjusted in value on a continuous basis and any related loss is immediately recognised in cost of sales. Devaluation of inventories caused by exceptional events is immediately recognised as a loss and is reported within cost of sales, selling general and administrative expenses or other expenses, as appropriate. Provisions for obsolescence of inventory are reported within other expenses.

The Group purchases key component raw materials, which are shipped to and paid by its contract manufacturers, which invoice the Group for the cost of manufacturing of finished goods, inclusive of the cost of key components and other raw materials used in production. Other raw materials are sourced directly by the contract manufacturers, under appropriate co-ordination from the Group.

Based on the substance of the contract manufacturing agreements, inventories of the Group include inventories "held by contract manufacturers" which constitute the key components raw materials held by contract manufacturers for the assembly of finished goods.

## Financial Instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

### *Derivative Financial Instruments and Hedge Accounting*

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Interest rate risk arises from bank loans (Note 25).

The Group uses derivative financial instruments (notably options or foreign currency forward contracts) to hedge the risks associated with foreign currency fluctuations impacting its cash flow from non-United States Dollar denominated revenues. These hedging relationships qualify for cash-flow hedge accounting under IAS 39.

Derivative financial instruments designated as hedging instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Gains and losses on derivative financial instruments utilised in hedging non-United States Dollar denominated revenue are included in revenue (Note 3).

The use of financial derivatives is governed by the Group's policies which provide written principles consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes (Note 25).

### *Available-for-sale Investments*

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement of the period.

### *Trade Receivables*

Trade receivables with payment terms within twelve months do not accrue interest, while trade receivables with payment terms greater than twelve months accrue interest at market rates.

Trade receivables are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

### *Financial Liabilities and Equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its obligations.

### *Bank Borrowings*

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the Consolidated Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

There were no direct issue costs incurred for the years ended 31 December 2009 and 2008.

### *Trade Payables*

Trade payables are not interest bearing and are principally due within twelve months. Trade payables are valued using the amortised cost method. Interest deductions are not included in the valuation of trade payables, as the amount is deemed immaterial.

## **Provisions**

The Group records provisions when it has an obligation, legal or constructive, to satisfy a claim or when it is probable that an outflow of Group resources will be required to satisfy the obligation, provided that a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a process of assessment of a number of variables, and relies on management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert

legal advice and actuarial assessments. Changes in estimates are reflected in the Consolidated Income Statement in the period in which the change occurs.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's future liabilities, and is assessed at each reporting date.

Provisions for royalties are based on contractual agreements with intellectual property owners.

### **Earnings per Share**

Basic earnings per share are calculated by dividing the Group's profit for the year by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit for the year is also adjusted to reflect the net after-tax impact of conversion, if any.

In 2009 and 2008 the share options granted to employees and members of the Board of Directors (Note 30) were the only instrument with dilutive effect on the Group's earnings per share (Note 9).

### **Freight and Related Expenses**

Freight and related expenses are recognised in cost of sales as incurred.

### **Warranty and Product Reworking Expenses**

Warranty and product reworking expenses are included in the selling, general and administrative expenses in the Consolidated Income Statement (Note 4). The Group provides for warranty costs when products are sold, based on management's best estimate of future warranty claims on products sold.

### **Equity Compensation Plans**

During 2009 and 2008 the Group has distributed share options to certain of its employees and members of the Board of Directors. In accordance with IFRS 2, the Group recognises as an expense in the Consolidated Income Statement all equity-settled share-based payments at their fair value at the date of grant (Note 30). All equity-settled share-based payments expenses are recognised against an equivalent increase of the "share-based compensation reserve", in equity.

### **Factoring of Trade Receivables**

The Group factors certain of its trade receivables, which meet the criteria for derecognition as defined in IAS 39. The Group derecognises its trade receivables when substantially all of the risks and rewards of ownership have transferred to the counterparty, which is generally when cash is received from the counterparty. In 2009 and 2008, the counterparties to these transactions were third party banks who, for a fee, accepted the risks and rewards of ownership for certain of the Group's trade receivables.

Factoring fees, interest and expenses for credit insurance related to the factoring of trade receivables are recognised as finance costs in the Consolidated Income Statement.

### **Critical Accounting Judgements in Applying the Group's Accounting Policies**

The preparation of the Consolidated Financial Statements and related disclosures in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in accounting for estimated impairment losses on goodwill and intangible assets, bad debt allowances on receivables, inventory allowances, depreciation, employee benefits, taxes, provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of any changes of estimates are immediately reflected in the Consolidated Income Statement.

In the process of applying the Group's accounting policies, which are described in this note, management has made certain judgements and estimates that could be considered significant to the Consolidated Financial Statements, which could impact the carrying amounts of assets and liabilities. Based on historical experience and other factors, management considers as relevant the following judgements and estimates:

#### *Impairment of Goodwill*

Management determines whether goodwill is impaired at least on an annual basis. To perform the impairment test, management must estimate the value in use of the cash-generating unit to which the goodwill is allocated and also compare the actual results and latest business plans to the initial business plan as at acquisition date. The estimation of the value in use requires management to assess the business plans of the cash-generating unit, to estimate the projections of the future cash flows and to determine the discount rate used to compute the present value of the future cash flows.

#### *Revenue Recognition, Warranty Provisions and Royalties Accruals*

Management has considered the criteria set out in IAS 18 for recognition of revenue from sale of goods and services. Accordingly, revenue is recognised when the Group has transferred to the buyer the significant risk and rewards of ownership of the goods and services. Following detailed quantification of (i) the Group's liability in respect to eventual rectification work, and of the agreed limitation on the customer's ability to require further work or replacement of the goods, and of (ii) the Group's liability in respect to licensing or infringements of third parties intellectual property rights, management is satisfied that the significant risk and rewards for the goods which have generated revenue have been transferred and that in the current year the recognition of revenue and recognition of the corresponding provisions for warranty costs and royalties payable to third parties intellectual property owners are appropriate.

#### *Classification of Investments*

Note 13 describes the Group's investment in certain financial assets classified as available-for-sale investments. In accordance with IAS 39, management is required to designate the classification of these assets into categories, which then dictates how to account for the initial and subsequent measurement of these assets. Management determined that its investment in non-derivative financial assets should be designated as available-for-sale as they are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Therefore, unrealised gains and losses on these investments are recorded directly in equity.

### *Derecognition of Financial Assets*

As described in this note, management has determined that certain of the Group's receivables meet the derecognition requirements of IAS 39. The result of this accounting treatment is that approximately \$25 million and \$42 million in trade receivables were derecognised in the Consolidated Balance Sheet at 31 December 2009 and 2008, respectively. As part of this judgement, management is required to assess if substantially all the risks and rewards of ownership were transferred to the counterparty. Management determined this to be the case as, in its assessment, one of the more significant risks that is entirely transferred to the counterparty is the credit risk associated with the trade receivables.

### **Key Sources of Estimation Uncertainty**

Key assumptions concerning future business and other key sources of estimation uncertainty, that, at the reporting date, have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

#### *Recoverability of Internally-Generated Intangible Assets*

During the year, management has regularly tested the recoverability of all its internally-generated intangible assets arising from the Group's capitalisation of software development costs. These assets are included in the Consolidated Balance Sheets at 31 December 2009 and 2008 for a net amount of approximately \$16.7 million and \$17.5 million, respectively. The capitalised projects meet customer demand and management estimates sufficient anticipated revenue and margin from these projects to support the carrying value. Increased competition and price pressure are also considered by management when assessing future revenue and anticipated margins on these products. Following this analysis, management is confident that the carrying amount of the assets should be recovered in full. The nature and value of these assets are regularly and closely monitored. Adjustments may be made in future periods if market evolutions indicate that such adjustments are appropriate.

#### *Recoverability of Tax Assets*

Management has carefully estimated the recoverability of all its tax assets recorded in the Consolidated Balance Sheet at 31 December 2009 and 2008 for a total aggregate amount of \$3.7 million and \$3.3 million, respectively. For each legal entity concerned, on the basis of the local tax regulations and of the most updated future business perspectives, management has concluded that the carrying amount of the assets at the reporting dates should be recovered in full. Adjustments may be made in future periods if developments of business for each legal entity indicate that such adjustments are appropriate.

#### *Employee Post-Employment Benefit Obligations*

The Group maintains defined benefit pension plans in accordance with local conditions and practices in the countries where it operates. The related obligations recognised in the Consolidated Balance Sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions are provided in Note 24.

### 3. REVENUE

An analysis of the Group's revenue from continuing operations for the years ended 31 December 2009 and 2008 is as follows:

Continuing operations	2009 \$	2008 \$
Sales of goods	359,439,696	331,126,056
Services and licensing income	22,097,802	22,458,012
(Loss) gains arising on foreign currency derivatives (Note 25)	<u>(531,720)</u>	<u>7,232,474</u>
	<u>381,005,778</u>	<u>360,816,542</u>

### 4. EXPENSES

Cost of sales for goods mainly comprises costs of components and, to a much lower extent, assembly fees, freight expenses and duties. Cost of sales for services and licensing mainly comprises the cost to the Group of the engineering hours devoted to develop the software products and services that are delivered to customers according to specifications which are either Group standards or agreed with customers.

An analysis of the expenses of the Group's continuing operations for the years ended 31 December 2009 and 2008 is as follows:

Continuing operations	2009 \$	2008 \$
Research and development expenses		
Incurred and expensed excluding amortisation	21,823,608	26,745,730
Amortisation of software development costs (Note 11)	17,335,319	17,130,229
Amortisation of right to use of land and computer programs (Note 11)	855,496	832,359
Royalty expenses (Note 28)	<u>20,743,784</u>	<u>22,696,675</u>
	<u>60,758,207</u>	<u>67,404,993</u>
Selling, general and administrative expenses		
Selling and marketing expenses	17,232,477	15,568,828
General and administrative expenses excluding amortisation	19,377,887	24,765,025
Amortisation of computer programs and other (Note 11)	26,746	22,567
Operations overheads and customer service	7,721,177	8,148,205
Warranty expenses	1,683,404	4,024,820
Other	<u>639,460</u>	<u>-</u>
	<u>46,681,151</u>	<u>52,529,445</u>

Depreciation of property and equipment of the continuing operations for an amount of \$2,454,542 and \$2,980,426 in 2009 and 2008, respectively, is included in the expense items above mentioned.

Staff costs of continuing operations of \$52,325,900 and \$63,358,873 in 2009 and 2008, respectively are included in the items mentioned above. The monthly average number of employees of continuing operations was 721 and 730 in 2009 and 2008, respectively.

Warranty expenses in each year include the yearly charge of provision for warranty disclosed in Note 17 and other in-warranty expenses incurred during the year.

Royalty costs are included in research and development expenses as they are related to the use of third parties' intellectual property by the Group's engineers for their research and development activities.

## 5. OTHER INCOME AND EXPENSES

Other income from continuing operations in 2009 and 2008 was \$329,551 and \$433,693, respectively.

Other expenses from continuing operations include:

Continuing operations	2009 \$	2008 \$
Provision for inventory	(3,147,816)	(3,394,698)
Net exchange loss on trade receivables and payables	(1,006,658)	(1,752,794)
Other	<u>(85,758)</u>	<u>(282,451)</u>
	<u>(4,240,232)</u>	<u>(5,429,943)</u>

## 6. FINANCE INCOME AND FINANCE COSTS

Finance income from continuing operations includes:

Continuing operations	2009 \$	2008 \$
Interest earned	2,311,978	2,594,094
Foreign exchange gain on cash	<u>-</u>	<u>2,274,479</u>
	<u>2,311,978</u>	<u>4,868,573</u>

Interest earned comprises interest earned on cash reserves, time deposits and available-for-sale investments held by the Company and interest earned on long-term trade receivables (Note 13).

Finance costs from continuing operations include:

Continuing operations	2009 \$	2008 \$
Interest on bank loans	2,257,264	4,895,883
Other financial expense	922,469	1,335,232
Foreign exchange loss on cash	627,242	-
	<u>3,806,975</u>	<u>6,231,115</u>

Other financial expense includes costs and commissions related to factoring of invoices and handling of letters of credit, as well as other bank charges.

## 7. TAXES

Expense (credit) for income tax of the continuing operations for 2009 and 2008 is as follows:

Continuing operations	2009 \$	2008 \$
Current tax		
Foreign tax	1,029,347	778,397
Domestic tax	2,320,247	1,703,499
Deferred tax		
Foreign tax	(387,051)	521,833
Domestic tax	<u>(200,575)</u>	<u>94,369</u>
	<u>2,761,968</u>	<u>3,098,098</u>

Taxation for jurisdictions where the Group operates is calculated at the tax rates prevailing in the respective jurisdictions. Profit before tax of the continuing operations consisted of the following:

Continuing operations	2009 \$	2008 \$
Switzerland	16,493,077	20,426,090
Other jurisdictions	<u>1,519,531</u>	<u>(2,409,827)</u>
Profit before tax	<u>18,012,608</u>	<u>18,016,263</u>

The differences between the provision for income taxes and income taxes computed at the respective statutory income tax rates are explained as follows:

Continuing operations	2009 \$	2008 \$
Tax at the local rates applicable to profits in the countries concerned	2,291,167	1,325,738
Tax effect of non-deductible and non-taxable items	124,000	465,444
Tax charge from (usage of) unrecognised tax losses	293,912	1,675,694
Final taxation of previous periods	(108,764)	(113,175)
Other	161,653	(255,603)
	<u>2,761,968</u>	<u>3,098,098</u>

In 2009, the effective tax rate for the continuing operations is 15.3% compared to 17.2% in 2008.

Components of deferred tax assets and liabilities recognised by the Group and movements during 2009 and 2008 are as follows:

	2009		2008	
	Assets \$	Liabilities \$	Assets \$	Liabilities \$
Inventory provisions not currently deductible	28,170	-	25,224	-
Retirement provisions not currently deductible	1,214,212	-	1,119,433	-
Net loss carryforwards	1,350,968	-	976,809	-
Difference between tax base and IFRS value of intangible assets	1,784	-	-	(104,537)
Accrued intercompany sales	-	(1,180,856)	-	(895,159)
Provision and accruals	1,180,487	-	917,514	-
Unrealised foreign exchange (gain) or loss	15,524	-	-	(175,059)
Cash flow hedges	-	-	221,393	-
Others	(72,400)	(5,555)	21,158	(32,965)
	<u>3,718,745</u>	<u>(1,186,411)</u>	<u>3,281,531</u>	<u>(1,207,720)</u>

	Inventory Provisions Not Currently Deductible \$	Retirement Provisions Not Currently Deductible \$	Net Loss Carry-forwards \$	Difference between Tax and IFRS Value of Intangible Assets \$	Others \$	Total \$
At 1 January 2008	2,957	1,145,027	1,815,715	(181,307)	(191,553)	2,590,839
(Charge) credit to equity	-	(129,881)	-	-	226,153	96,272
Credit (charge) to income	23,144	119,314	(839,091)	76,770	3,661	(616,202)
Exchange difference	(877)	(15,027)	185	-	18,621	2,902
At 31 December 2008	25,224	1,119,433	976,809	(104,537)	56,882	2,073,811
Credit (charge) to equity	-	96,065	-	-	(271,287)	(175,222)
Credit (charge) to income	2,154	(35,637)	378,063	105,735	137,311	587,626
Exchange difference	792	34,351	(3,904)	586	14,294	46,119
At 31 December 2009	<u>28,170</u>	<u>1,214,212</u>	<u>1,350,968</u>	<u>1,784</u>	<u>(62,800)</u>	<u>2,532,334</u>

The deferred tax assets credited to the Consolidated Income Statements for 2009 and 2008 include the amount of tax loss carryforwards estimated by management at the end of the year as recoverable because of the expected future profits for the concerned legal entities. Deferred tax assets for the legal entities which incurred losses in both 2008 and 2009 are expected to be realised pursuant to the reorganisation of activities of those legal entities. At 31 December 2009 and 2008, the Group had tax losses, available for offset against future profits, for a total aggregate amount of \$40.1 million and \$43.8 million respectively. Deferred tax assets have been recognised in respect of these losses for a total amount of \$1.4 million and \$1.0 million, respectively.

At 31 December 2009 and 2008, the useful life of unused tax losses, for which no deferred tax assets were recognised, is set out in the following table:

	2009 \$ million	2008 \$ million
Five years	7.6	-
Six years	1.5	13.7
Seven years	-	1.5
Seventeen years	1.6	-
Eighteen years	4.1	1.9
Nineteen years	4.1	4.1
Twenty years	1.1	4.3
Unlimited	<u>9.2</u>	<u>8.9</u>
Total unused tax losses	<u>29.2</u>	<u>34.4</u>

## 8. DISCONTINUED OPERATIONS

In January 2008, the Company's Board of Directors decided to discontinue all activities of the New Initiatives business segment. As a result of this decision, during 2008 all activities related to New Initiatives of tele.DOM and SIMPLE ceased, and the liquidation process of SIMPLE and tele.DOM was started. At 31 December 2008 this business segment was definitively abandoned.

Discontinued operations	2009 \$	2008 \$
Revenue	-	465,500
Cost of sales	-	(137,195)
Gross profit	-	328,305
Selling, general and administrative expenses	-	(3,588,182)
Other income	-	328
Other expenses	-	(62,722)
Finance income	-	1,276
Finance costs	-	(8,674)
Loss before tax	-	(3,329,669)
Income tax expense	-	-
Loss for the year	-	(3,329,669)
Loss per share		
Basic	-	(0.56)
Diluted	-	(0.56)
Acquisition of equipment	-	-
Payments for intangible assets	-	-
Capital expenditure	-	-
Depreciation	-	417,407
Amortisation of intangible assets	-	644,273

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2009 and 2008 is based on the following data:

<b>Earnings</b>	<b>2009</b> \$	<b>2008</b> \$
Continuing operations		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	15,250,640	14,918,165
Effect of dilutive potential ordinary shares from share options	-	-
Earnings for the purpose of diluted earnings per share	<u>15,250,640</u>	<u>14,918,165</u>
Continuing and discontinued operations		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	15,250,640	11,588,496
Effect of dilutive potential ordinary shares from share options	-	-
Earnings for the purpose of diluted earnings per share	<u>15,250,640</u>	<u>11,588,496</u>
<b>Number of shares</b>	<b>2009</b> \$	<b>2008</b> \$
Weighted average number of ordinary shares for the purpose of computing basic earnings per share (Note 20)	5,520,109	5,904,659
Effect of dilutive potential ordinary shares	<u>112,982</u>	<u>6,183</u>
Weighted average number of ordinary shares for the purpose of computing diluted earnings per share	<u>5,633,091</u>	<u>5,910,842</u>
<b>Earnings per share</b>	<b>2009</b> \$	<b>2008</b> \$
Continuing operations		
Basic earnings per share	<u>2.76</u>	<u>2.53</u>
Diluted earnings per share	<u>2.71</u>	<u>2.52</u>
Continuing and discontinued operations		
Basic earnings per share	<u>2.76</u>	<u>1.96</u>
Diluted earnings per share	<u>2.71</u>	<u>1.96</u>

## 10. GOODWILL AND IMPAIRMENT CHARGES

Impairment charges of 2009 amounting in aggregate to \$8,180,625 are non cash expenses which include \$6,513,255 for the impairment of goodwill and \$1,667,370 for the impairment of a receivable which arose after disposal of certain non-core activities of Vidiom Systems Inc.

Goodwill in years 2008 and 2009 evolved as follows:

	\$
COST	
At 1 January 2008	18,030,051
Additions	-
Retirement	<u>(2,123,356)</u>
At 31 December 2008	15,906,695
Additions	-
Retirement	<u>-</u>
At 31 December 2009	<u>15,906,695</u>
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2008	-
Charge for the year	-
Retirement	<u>-</u>
At 31 December 2008	-
Charge for the year	6,513,255
Retirement	<u>-</u>
At 31 December 2009	<u>6,513,255</u>
CARRYING AMOUNT	
At 31 December 2009	<u>9,393,440</u>
At 31 December 2008	<u>15,906,695</u>

In September 2008, the Group disposed of certain non-core activities and related assets and liabilities of Vidiom Systems Inc, together with the related contracts and employees. These activities were acquired by the Group in 2006 through a transaction that generated the entire goodwill recorded in the Consolidated Balance Sheet. As a result of this disposal, the Group decided to retire from goodwill the amount of \$2,123,356, corresponding to the net profit made on the disposal of these activities. In 2009 the Group decided to provide for the unpaid and overdue part of a receivable which arose pursuant to the above transaction, for a total charge of \$1,667,370.

At the end of 2009, a goodwill impairment review was conducted for the cash-generating unit addressing the American digital cable TV market, to which the goodwill was allocated. Cash flow projections used in this calculation were discounted at a pre-tax rate of 16%, reflecting the specific risks and uncertainties of the project. Cash flows for the first five years are based on financial plans, with following five years subject to conservative growth assumptions, in line with the expected growth of this market. The goodwill impairment review took into consideration current market conditions and other factors that have impacted the cash-generating unit during past years. In particular, the

introduction of tru2way (previously OCAP) in the American digital cable TV market is happening later than originally expected. While the Group considers that the potential for the future development of this market is unchanged compared to past years, it has taken into consideration these delays which have negatively impacted historical cash flows of the cash-generating unit. As a result of this analysis, the Group concluded that goodwill should be impaired by \$6,513,255.

The Group is committed to the future development of this market and during 2009 it has undertaken several actions to strengthen the position of this cash-generating unit, so that it can achieve its future growth targets and capture the important opportunity presented by this market.

## 11. INTANGIBLE ASSETS

	Software Development Costs \$	Right to Use of Land \$	Computer Programs and Other \$	Total \$
<b>COST</b>				
At 1 January 2008	23,655,759	477,990	1,861,658	25,995,407
Additions	19,677,679	-	1,185,353	20,863,032
Retirement	(20,891,914)	-	(1,602,821)	(22,494,735)
Exchange differences	-	(80,885)	(85,644)	(166,529)
At 31 December 2008	22,441,524	397,105	1,358,546	24,197,175
Additions	16,594,811	-	1,608,917	18,203,728
Retirement	(9,467,574)	-	(833,654)	(10,301,228)
Exchange differences	-	14,996	51,872	66,868
At 31 December 2009	29,568,761	412,101	2,185,681	32,166,543
<b>ACCUMULATED AMORTISATION</b>				
At 1 January 2008	8,089,941	34,528	844,099	8,968,568
Charge for the year	17,130,229	5,336	1,493,863	18,629,428
Retirement	(20,245,092)	-	(1,602,759)	(21,847,851)
Exchange differences	-	(6,683)	(108,445)	(115,128)
At 31 December 2008	4,975,078	33,181	626,758	5,635,017
Charge for the year	17,335,319	4,456	877,786	18,217,561
Retirement	(9,467,574)	-	(833,654)	(10,301,228)
Exchange differences	-	1,461	18,297	19,758
At 31 December 2009	12,842,823	39,098	689,187	13,571,108
<b>CARRYING AMOUNT</b>				
At 31 December 2009	16,725,938	373,003	1,496,494	18,595,435
At 31 December 2008	17,466,446	363,924	731,788	18,562,158

Retirement relates to development projects that either reach completion or are terminated during the year. Amortisation of computer programs is included in the line items "research and develop-

ment expenses” and “selling, general and administrative expenses” as set out in Notes 4 and 8. Amortisation of right to use of land is included in line item “selling, general and administrative expenses” as set out in Note 4.

## 12. PROPERTY AND EQUIPMENT

	Land and Buildings \$	Furniture and Fixtures \$	Equipment (incl. prepayments) \$	Construction in Progress \$	Total \$
<b>COST</b>					
At 1 January 2008	10,037,263	3,429,525	11,628,649	111,165	25,206,602
Additions	36,579	242,743	2,041,478	149,152	2,469,952
Retirement	-	(677,929)	(2,107,628)	(2,894)	(2,788,451)
Reclassification	246,117	(99,562)	110,571	(257,126)	-
Reclassified as other current assets	-	-	147,805	-	147,805
Exchange differences	<u>(773,368)</u>	<u>(146,158)</u>	<u>(1,229,868)</u>	<u>4,306</u>	<u>(2,145,088)</u>
At 31 December 2008	9,546,591	2,748,619	10,591,007	4,603	22,890,820
Additions	68,779	244,756	1,709,975	148,807	2,172,317
Retirement	-	(1,283,701)	(1,402,178)	-	(2,685,879)
Reclassification	-	16,890	16,086	(32,976)	-
Exchange differences	<u>301,645</u>	<u>(16,171)</u>	<u>503,953</u>	<u>19,870</u>	<u>809,297</u>
At 31 December 2009	<u>9,917,015</u>	<u>1,710,393</u>	<u>11,418,843</u>	<u>140,304</u>	<u>23,186,555</u>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2008	2,055,944	2,166,748	7,307,449	-	11,530,141
Charge for the year	433,327	548,353	2,416,153	-	3,397,833
Retirement	-	(527,434)	(1,417,984)	-	(1,945,418)
Reclassification	-	(77,288)	77,288	-	-
Exchange differences	<u>(382,072)</u>	<u>(108,490)</u>	<u>(1,030,688)</u>	<u>-</u>	<u>(1,521,250)</u>
At 31 December 2008	2,107,199	2,001,889	7,352,218	-	11,461,306
Charge for the year	203,558	345,004	1,905,980	-	2,454,542
Retirement	-	(1,246,926)	(1,295,503)	-	(2,542,429)
Reclassification	-	81	(81)	-	-
Exchange differences	<u>88,327</u>	<u>(5,517)</u>	<u>360,256</u>	<u>-</u>	<u>443,066</u>
At 31 December 2009	<u>2,399,084</u>	<u>1,094,531</u>	<u>8,322,870</u>	<u>-</u>	<u>11,816,485</u>
<b>CARRYING AMOUNT</b>					
At 31 December 2009	<u>7,517,931</u>	<u>615,862</u>	<u>3,095,973</u>	<u>140,304</u>	<u>11,370,070</u>
At 31 December 2008	<u>7,439,392</u>	<u>746,730</u>	<u>3,238,789</u>	<u>4,603</u>	<u>11,429,514</u>

Retirement relates to assets that either reach the end of their useful life or that are disposed of during the year.

At 31 December 2009 and 2008, the fire insurance coverage for the Group's property and equipment amounted to approximately \$13 million. Amounts pledged or secured in relation to bank loans are reported in Note 15.

Construction in progress at 31 December 2009 and 2008 principally relates to building improvements in process at ADBP.

### 13. OTHER FINANCIAL ASSETS

#### Long-Term Trade Receivables

In 2006, the Group entered into a strategic co-operation with a major customer. This strategic co-operation brought significant advantages to the Group and the Group agreed to extended payment terms to up to sixty months on the initial invoices issued to this customer. Since 2007, the payment terms granted to this customer have been aligned to average Group credit terms.

As a result of the above, certain invoices related to sales of 2006 still have extended payment terms. Trade receivables with extended payments are interest bearing at market inter-bank rate plus a spread. The amount of interest earned on these trade receivables that was recognised in the Consolidated Income Statements of 2009 and 2008 is approximately \$0.7 million and \$1.6 million, respectively. The current portion of these trade receivables with extended payment terms has been included in the line item "trade receivables, net" in the Consolidated Balance Sheets at 31 December 2009 and 2008 and amounts to \$5,056,480 and \$4,333,210, respectively. The long-term portion of these trade receivables has been recognised in the line item "long-term trade receivables" and amounts to \$4,051,955 and \$8,301,209, respectively, as reported in the Consolidated Balance Sheets at 31 December 2009 and 2008.

Long-term trade receivables are secured by certain pledges provided by the customer in favour of the Group. These pledges are to remain in place until final payment by the customer.

Management considers that the carrying amount of long-term trade receivables approximates their fair value.

#### Trade Receivables, Net

Trade receivables, net at 31 December 2009 and 2008 comprise amounts receivable for the sales of goods and services of \$78,587,485 and \$60,631,162, respectively.

In accordance with the Group policy, the credit terms provided on sales of goods are generally 30 to 90 days, with a few exceptions for 2009, where credit terms were extended to 180 days. In 2006, credit terms were exceptionally extended to 60 months (see above section on long-term trade receivables) for certain initial invoices to a major customer with whom the Group established a strategic cooperation. For all invoices issued to this customer after 2006, payment terms are in line with the Group average credit terms. No interest is earned on trade receivables with payment terms within twelve months, while trade receivables with payment terms greater than twelve months earn interest at market rates plus a spread.

At 31 December 2009 and 2008, the allowance for estimated irrecoverable amounts from the sales of goods and services was \$580,222 and \$575,830, respectively. This allowance has been determined by reference to past default experience.

Management considers that the carrying amount of trade receivables, net approximates their fair value.

### Available-for-Sale Investments

	Fair Value of Investments \$	Unrealised Gain (Loss) \$	Deferred Tax Assets on Unrealised (Loss) Gain \$	Impact on Other Reserves (Note 21) \$
Balance at 1 January 2008	2,023,743	60,800	(4,760)	56,040
Net investments in 2008	7,672,714	-	-	-
Change in value during 2008	<u>(96,963)</u>	<u>(96,963)</u>	<u>4,760</u>	<u>(92,203)</u>
Balance at 31 December 2008	9,599,494	(36,163)	-	(36,163)
Net investments in 2009	18,458,878	-	-	-
Change in value during 2009	<u>673,381</u>	<u>673,381</u>	<u>(49,894)</u>	<u>623,487</u>
Balance at 31 December 2009	<u>28,731,753</u>	<u>637,218</u>	<u>(49,894)</u>	<u>587,324</u>

The Group invests parts of its cash reserves in financial instruments with the aim of enhancing returns over a time horizon of twelve to forty-eight months. The typical investment is an instrument that, if held to maturity, would provide for a guaranteed or full capital repayment plus a minimum return. The fair market value of these instruments, at any time during their life, can result in unrealised gains or losses. The Group has the right to sell these instruments at any time prior to their expiration dates. The Group's investment advisers have provided ADB with credit facilities whereby ADB can borrow cash at market interest rates using the investment as collateral. None of these credit facilities was utilised at end of 2009 and 2008.

Unrealised gains or losses from available-for-sale investments are recorded in equity in accordance with IAS 39, as reported in the Consolidated Statements of Comprehensive Income and as disclosed in Note 21. The amount removed from equity on disposal and recognised in the Consolidated Income Statements for 2009 and 2008 was immaterial.

### Time Deposits

Time deposits are cash investments with a maturity exceeding three months but less than twelve months as at investment date.

### Cash and Cash Equivalents

Cash balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 14. INVENTORIES, NET

	2009 \$	2008 \$
Finished goods	4,902,370	5,520,399
Work-in-process	220,556	1,025,500
Raw materials	14,295,290	16,411,496
Held by contract manufacturers	<u>3,552,871</u>	<u>4,897,114</u>
Total gross inventories	22,971,087	27,854,509
Less inventory allowance	<u>(3,248,341)</u>	<u>(1,847,871)</u>
Total inventories	<u>19,722,746</u>	<u>26,006,638</u>

The Group purchases key component raw materials, which are shipped to and paid for by its contract manufacturers, which invoice the Group for the cost of manufacturing of finished goods, inclusive of the cost of key components and other raw materials used in production. Other raw materials are sourced directly by the contract manufacturers, under appropriate co-ordination from the Group.

Based on the substance of the contract manufacturing agreements, inventories of the Group include inventories "held by contract manufacturers" which constitute the key components raw materials held by contract manufacturers for the assembly of finished goods.

## 15. BANK LOANS

	2009		2008	
	Secured \$	Unsecured \$	Secured \$	Unsecured \$
Group borrowings are repayable as follows:				
On demand or within one year	21,371,683	3,619,647	14,159,636	3,487,929
In the second year	177,471	3,619,647	135,382	3,487,929
In the third to fifth years inclusive	557,549	-	455,634	3,487,929
After five years	<u>1,687,182</u>	<u>-</u>	<u>1,963,069</u>	<u>-</u>
Total Group borrowings	<u>23,793,885</u>	<u>7,239,294</u>	<u>16,713,721</u>	<u>10,463,787</u>
of which amount due for settlement within 12 months	21,371,683	3,619,647	14,159,636	3,487,929
of which amount due for settlement after 12 months	<u>2,422,202</u>	<u>3,619,647</u>	<u>2,554,085</u>	<u>6,975,858</u>

Bank loans at 31 December 2009 and 2008 amount to a total of \$31,033,179 and \$27,177,508, respectively, and represent short and long-term bank borrowings, with weighted average interest rates at 3.74% and 6.69% per annum and denominated in United States Dollars, Euro, Polish Zlotys and Taiwan Dollars. The majority of the borrowings is classified under current liabilities, as they are repayable on demand or within one year.

At 31 December 2009 and 2008, long-term bank borrowings of \$2.4 million and \$2.6 million, respectively are secured by land, building and equipment included in the Consolidated Balance Sheets for an aggregate value of approximately \$5.9 million and \$5.8 million, respectively. At 31 December

2009 and 2008, a large portion of the short-term bank borrowings is secured by letters of credit or credit insurance for a total amount of \$21.2 million and \$14.0 million, respectively.

In March 2008, the Group arranged the financing of the "long-term trade receivables" (Note 13) with a primary bank. An amount of cash of PLN 38.9 million (approximately \$17 million at the rate of exchange prevailing at the date of the facility drawdown) was received by the Group and the amount of the "long-term bank loans" and the "current portion of long-term bank loans" in the Consolidated Balance Sheet significantly increased accordingly. The repayment of this loan is to be made over 45 monthly instalments that match the schedule of monthly repayments by the customer of the long-term trade receivables. The credit line is unsecured and the loan value at 31 December 2009 and 2008 is \$7.2 million and \$10.5 million, respectively.

Management considers that the carrying amount of the Group's borrowings approximates their fair value as they are principally arranged at floating rates. Due to these arrangements the Group is principally exposed to cash flow interest rate risk (Note 25).

## 16. ACCRUED EXPENSES

	2009 \$	2008 \$
Accrued royalty expenses	13,576,009	11,011,271
Others	<u>20,014,341</u>	<u>15,480,542</u>
	<u>33,590,350</u>	<u>26,491,813</u>

## 17. PROVISIONS

Provisions for warranty	2009 \$	2008 \$
At 1 January	3,477,870	1,924,000
Charge for the year	1,683,404	3,477,870
Utilisation of provision	<u>(2,021,141)</u>	<u>(1,924,000)</u>
At 31 December	<u>3,140,133</u>	<u>3,477,870</u>

Provisions for warranty are made to cover the costs of fixing failures of delivered products during their warranty periods. Warranty periods are typically 24 months after delivery. The amount of these provisions is estimated based on past experience.

## 18. OTHER CURRENT LIABILITIES

	2009 \$	2008 \$
Foreign currency forward contracts (Notes 21 and 25)	-	1,897,114
Customer payments received in advance	880,902	777,887
VAT payable	1,175,352	612,238
Other	<u>189,095</u>	<u>265,368</u>
	<u>2,245,349</u>	<u>3,552,607</u>

## 19. OTHER FINANCIAL LIABILITIES

Trade and other payables at 31 December 2009 and 2008 for a total aggregate amount of \$95,305,468 and \$72,924,994, respectively, comprise principally amounts outstanding for payments of supplies (cost of sales) and operating costs. The credit period available from suppliers is generally 30 to 90 days.

Management considers that the carrying amount of trade and other payables approximates their fair value.

### Finance Lease Liabilities

The Group has entered into finance lease arrangements as lessee for certain laboratory, transportation and computer equipment. The average term of finance lease entered into is 3 years. None of the lease arrangements entered into permits a sublease.

Liabilities under these finance lease contracts are:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2009 \$	2008 \$	2009 \$	2008 \$
Within one year	110,347	168,015	100,496	150,779
In the second to fifth years inclusive	78,591	83,365	72,332	78,251
After the fifth year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	188,938	251,380	172,828	229,030
Finance expense	<u>(16,110)</u>	<u>(22,350)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	<u>172,828</u>	<u>229,030</u>	<u>172,828</u>	<u>229,030</u>
Amounts included in the Consolidated Balance Sheets				
Current liabilities – Trade and other payables			100,496	150,779
Non-current liabilities – Long-term payables			<u>72,332</u>	<u>78,251</u>
			<u>172,828</u>	<u>229,030</u>

The unguaranteed residual values of the assets leased under finance lease at 31 December 2009 are estimated to be nil. No contingent liability was recognised as an expense in the period. The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted for 2009 and 2008 is approximately 11% per annum and 9% per annum, respectively. These lease agreements provide for a repurchase option at end of the lease.

## 20. EQUITY AND SHARE CAPITAL

Share capital of the Company at 31 December 2009 consists of the following:

	Authorised Capital	Conditional Capital	Issued and fully paid
	Number of Shares	Number of Shares	Number of Shares
Balance at 1 January 2008	1,000,000	1,024,523	6,190,542
Issuance of shares in 2008	-	-	-
Balance carried forward at 31 December 2008	1,000,000	1,024,523	6,190,542
Expiry of Authorised Capital on 22 June 2009	(1,000,000)	-	-
Creation of new Authorised Capital on 26 June 2009	2,000,000	-	-
Issuance of shares in 2009	-	-	-
Balance carried forward at 31 December 2009	<u>2,000,000</u>	<u>1,024,523</u>	<u>6,190,542</u>
of which shares in circulation			5,149,375
of which own shares held in treasury			<u>1,041,167</u>

The Company has one class of ordinary shares, which carries no right to fixed income. The nominal value of each Company share is CHF 0.25.

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to replace the Authorised Capital which expired on 22 June 2009 with a new Authorised Capital that can be used by the Company's Board of Directors to increase the Company share capital by a maximum of 2,000,000 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 26 June 2011. Statutory pre-emptive rights of the existing shareholders of the Company can be excluded if the capital increase is used for:

- the acquisition of enterprises or part of it;
- the acquisition of participations in enterprises;
- strategic investments of the Group; or
- the financing and refinancing of such transactions.

In addition to the Authorised Capital, the Company share capital may also be increased by a maximum of 1,024,523 registered shares of CHF 0.25 each, fully paid-in (the "Conditional Capital"), in the following way:

- 424,523 registered shares of CHF 0.25 each, fully paid-in, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of the Company or of affiliated companies. Existing shareholders' preferential subscription rights are excluded. The Board of Directors must establish employee participation schemes (employee stock

option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the options are set by the Board of Directors. Issuance at price below market price is authorised;

- 600,000 registered shares of CHF 0.25 each, fully paid-in, for the issuance of conversion or option rights, as resolved at the Annual General Meeting of Shareholders held on 22 June 2007. Option and conversion rights allowing the subscription of shares must be granted to the creditors holding convertible or option bonds or similar debt instruments, which must be issued by the Company or by one of its controlled companies, in one or several steps. The pre-emptive subscription rights of shareholders may be excluded in favour of the creditors holders of convertible or option rights by a decision of the Board of Directors for valid reasons as follows: if the convertible or option bonds are to be placed in priority on the foreign market, or if the proceeds from the issuance contribute to the financing or refinancing of the acquisition of enterprises, or parts thereof, or of participations in enterprises, to the financing of strategic investments of the Group, or to the financing of the repurchase of convertible or option bonds that have been issued before by the Company or its subsidiaries. The Board of Directors sets the terms and conditions of the conversion and option rights. In the event that the convertible or option bonds are not offered in priority to the shareholders, they must be placed publicly at market conditions, the term to exercise conversion rights may not exceed ten years and seven years for option rights, in each case from the date of the bond issue and the conversion or option price for the new shares must be at least equivalent to the market conditions as of the time of the bond issuance.

The Conditional Capital does not bear a time limit.

On 21 February 2008 and on 18 May 2009, 580,000 and 15,000 stock options, respectively, were granted to employees of the Group and to members of the Board of Directors (Note 30).

### Share Repurchase Programmes and Shares Held in Treasury

During 2008, the Company purchased shares under two programmes. The first programme started in February 2008 with the objective of acquiring less than 2% of the total outstanding shares: the total number of shares purchased under this programme was 123,500 and the average purchase price was CHF 31.47 per share. The second programme started in September 2008 with the objective of acquiring 330,000 shares before the end of March 2009: the total number of shares purchased under this programme at 31 December 2008 was 307,923 and the average purchase price was CHF 31.73 per share. At the end of December 2008, the number of shares purchased under both programmes since 1 January 2008 was 431,423, the average purchase price was CHF 31.66 per share, the total cost of the shares purchased, translated at the prevailing exchange rates, was \$12,382,709 and the total expense incurred for bank commissions, stamp duties and stock exchange fees was \$46,465. Therefore the number of shares held in treasury by the Company increased from 164,089 shares at 1 January 2008 to 595,512 shares. The cost of shares held in treasury at 31 December 2008 was \$21,404,311.

Having acquired since the beginning of the year the remaining 22,077 at the average purchase price of CHF 27.38 per share, on 30 January 2009 the Company completed the programme started in September 2008. The total number of shares purchased under this programme was 330,000 and the average purchase price was CHF 31.44 per share. At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to start a new share purchase programme for up to 10% of the outstanding share capital, and that the shares acquired under this programme shall be cancelled by way of reduction of the share capital, after final approval by the General Meeting of Shareholders. The programme started in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010: the number of shares purchased under this programme at 31 December 2009 was 449,158 and the average purchase price was CHF 51.09 per share. This programme was completed in 2010 (Note 32).

At the end of December 2009, the number of shares purchased under both programmes since 1 January 2009 was 471,235, the average purchase price was CHF 49.98 per share, the total cost of the shares purchased, translated at the prevailing exchange rates, was \$22,877,273 and the total expense incurred for bank commissions, legal advisory fees, stamp duties and stock exchange fees was \$144,664.

Pursuant to the exercise of stock options granted in 2008, 25,580 shares were sold by the Company at the average price of CHF30.47 per share. The aggregate proceeds from the sale of these shares, translated at the prevailing exchange rates, were \$744,158. Therefore the number of shares held in treasury by the Company increased from 595,512 shares at 1 January 2009 to 1,041,167 shares. The cost of shares held in treasury at 31 December 2009 was \$42,759,071.

During the programmes no shares were sold by the Company other than the 25,580 shares sold pursuant to the exercise of stock options. The cost of the shares purchased and the expense of the programmes were deducted from equity in accordance with IAS 32.

### Weighted Average Number of Shares

On 1 January 2008 the total number of shares issued and in circulation was 6,026,453, with 164,089 shares issued and held in treasury by the Company. During 2008, no new shares were issued, while shares held in treasury increased to 595,512 by year end, as explained in the section share repurchase programmes and shares held in treasury of this note. As a result of the change of the number of shares held in treasury, the weighted average number of shares during 2008 was 5,904,659 shares.

On 1 January 2009 the total number of shares issued and in circulation was 5,595,030, with 595,512 shares issued and held in treasury by the Company. During 2009, shares held in treasury increased to 1,041,167 by year end, as explained in the section share repurchase programmes and shares held in treasury of this note. As a result of the change of the number of shares held in treasury, the weighted average number of shares during 2009 was 5,520,109 shares.

### Dividends

At 31 December 2009, the amount non-distributable of the legal and general reserves of the Group entities, included in retained earnings, is approximately \$1.6 million. In addition, the statutory reserves for treasury shares amounting to approximately \$42.8 million are also non-distributable.

During 2009 and 2008 no dividends were payable or paid by the Company to its shareholders.

## 21. OTHER RESERVES

	Unrealised Gain (Loss) on Available- for-Sale Investments \$	Actuarial (Loss) Gain Directly Recognised in Equity \$	Unrealised (Loss) Gain on Cash Flow Hedges \$	Translation Reserve \$	Total Other Reserves \$
At 1 January 2008	56,040	(1,739,994)	-	120,055	(1,563,899)
Net loss on available-for-sale investments (Note 13)	(96,963)	-	-	-	(96,963)
Credit of deferred tax for net loss on available-for-sale investments	4,760	-	-	-	4,760
Actuarial gain directly recognised in equity (Note 24)	-	317,710	-	-	317,710
Deferred tax for direct recognition of actuarial gain in equity	-	(129,881)	-	-	(129,881)
Movement in cash flow hedges (Note 25)	-	-	(1,897,114)	-	(1,897,114)
Credit of deferred tax from movement in cash flow hedges	-	-	221,393	-	221,393
Exchange differences	-	-	-	149,965	149,965
At 31 December 2008	(36,163)	(1,552,165)	(1,675,721)	270,020	(2,994,029)
Net gain on available-for-sale investments (Note 13)	673,381	-	-	-	673,381
Deferred tax for net gain on available-for- sale investments	(49,894)	-	-	-	(49,894)
Actuarial loss directly recognised in equity (Note 24)	-	(571,422)	-	-	(571,422)
Credit of deferred tax for direct recognition of actuarial loss in equity	-	96,065	-	-	96,065
Movement in cash flow hedges (Note 25)	-	-	1,897,114	-	1,897,114
Deferred tax from movement in cash flow hedges	-	-	(221,393)	-	(221,393)
Exchange differences	-	-	-	401,324	401,324
At 31 December 2009	<u>587,324</u>	<u>(2,027,522)</u>	-	<u>671,344</u>	<u>(768,854)</u>

The reserve for Unrealised Gain (Loss) on Available-for-Sale Investments includes gains and losses on available-for-sale investments, directly recognised in equity as per IAS 39. The reserve for Actuarial Gain (Loss) Directly Recognised in Equity includes actuarial gains and losses on defined benefit pension plans, directly recognised in equity as allowed by IAS 19. The reserve for Unrealised Gain

(Loss) on Cash Flow Hedges includes gains and losses due to changes of the intrinsic value of cash flow hedging relationships outstanding at the reporting date, directly recognised in equity as per IAS 39.

The translation reserve includes the exchange differences related to the consolidation of the financial statements of legal entities whose functional currency differs from the United States Dollar.

## 22. CONTINGENT LIABILITIES

In December 2004, Spanish Customs Authorities issued customs assessments to one of the customers of the Group, claiming that the products supplied by the Group to this customer during 2003 and 2004 did not meet the required specifications to be exempt from import duties that were not paid by this customer or by the Group. The Spanish Customs Authorities claimed approximately EUR 3 million in customs duties, VAT, and interest related to products shipments made during 2003 and 2004. In the event of a negative outcome concerning the claim, the customer requested indemnification from the Group for any and all amounts due to the Spanish Customs Authorities.

The claim from the Spanish Customs Authorities was definitively resolved by a final court judgment during the first-half of 2009. The resolution of this claim has generated no liability for the Group.

No contingent liability arose for the Group in 2009.

## 23. OPERATING LEASE ARRANGEMENTS

At 31 December 2009 and 2008, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 \$	2008 \$
Within one year	1,886,394	2,044,105
In the second to fifth years inclusive	<u>2,104,105</u>	<u>2,733,439</u>
	<u>3,990,499</u>	<u>4,777,544</u>

The main operating lease agreements of 2009 refer to the rental of office space for the Company and for certain of its subsidiaries. Operating lease payments recognised as expenses in the Consolidated Income Statements for 2009 and 2008 amounted to \$3,277,546 and \$3,718,715, respectively.

## 24. RETIREMENT BENEFIT SCHEMES

### Defined Contribution Schemes

The Group operates defined contribution retirement schemes for all qualifying employees and most of its subsidiaries. Assets of the schemes are held separately from those of the Group in funds under the control of trustees. If employees leave the schemes prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The majority of the employees of the Group's subsidiaries are members of state-managed retirement schemes operated by the respective governments. The subsidiaries are required to contribute specified portions of payroll costs to the retirement schemes to fund the benefits. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

The total cost charged to the Consolidated Income Statements of 2009 and 2008 was \$1,381,215 and \$1,411,396, respectively, and represents contributions paid or payable to these schemes by the Group at rates specified in the rules of the plans. At 31 December 2009 and 2008, contributions of \$213,978 and \$185,259, respectively, and due with respect to the current reporting period had not been paid over to the schemes.

### Defined Benefits Schemes

The Group operates defined benefits schemes for qualifying employees of certain subsidiaries. Under these schemes, employees are entitled to retirement benefits the value of which depends on factors such as years of services and average compensations before reaching the eligible retirement age. No other post-retirement benefit is provided. These schemes are funded schemes.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out on 31 December 2009 by Mercer (Taiwan) Ltd. and Mercer (Switzerland) SA. The present value of the defined benefit obligations, the related current service cost and past service cost was measured by using the Projected Unit Credit Method.

	Valuation at	
	2009	2008
Key assumptions:		
Discount rate	1.50-3.40%	2.00-3.30%
Expected return on scheme assets	1.50-3.40%	2.00-4.00%
Expected rate of salary increase	2.50%	2.50%

Amounts recognised in the Consolidated Income Statement with respect to these defined benefit schemes are:

	Years Ended	
	2009 \$	2008 \$
Current service cost	1,070,436	1,223,135
Interest cost	207,718	203,488
Expected return on scheme assets	(154,016)	(95,740)
	<u>1,124,138</u>	<u>1,330,883</u>

Charges for 2009 and 2008 of \$1,124,138 and \$1,330,883, respectively, have been included in the "selling, general and administrative expenses" of the same years.

The amounts included in the Consolidated Balance Sheet and arising from the Group's obligations with respect to its defined benefit retirement schemes are:

	2009 \$	2008 \$
Present value of defined benefit obligations	(11,637,475)	(8,046,860)
Fair value of scheme assets	<u>6,471,016</u>	<u>3,875,028</u>
Retirement benefit obligations	<u>(5,166,459)</u>	<u>(4,171,832)</u>

Changes in the present value of defined benefit obligations in 2009 and 2008 are:

	2009 \$	2008 \$
At 1 January	8,046,860	6,619,004
Service cost	1,070,436	1,223,135
Interest cost	207,718	203,488
Actuarial losses (gains)	571,005	(330,889)
Exchange difference	737,063	(269,510)
Plan members' contributions	374,178	1,571,232
Benefits paid	888,039	(708,793)
Premiums paid	<u>(257,824)</u>	<u>(260,807)</u>
At 31 December	<u>11,637,475</u>	<u>8,046,860</u>

Changes in the present value of the fair value of schemes assets in 2009 and 2008 are:

	2009 \$	2008 \$
At 1 January	3,875,028	2,578,107
Expected return on scheme assets	154,016	95,740
Actuarial losses	(417)	(13,179)
Exchange difference	566,251	(205,807)
Contributions from the sponsoring companies	871,745	818,535
Plan members' contributions	374,178	1,571,232
Benefits paid	888,039	(708,793)
Premiums paid	<u>(257,824)</u>	<u>(260,807)</u>
At 31 December	<u>6,471,016</u>	<u>3,875,028</u>

The analysis of the scheme assets and the expected rate of return at the reporting dates are:

	Expected Return		Fair Value of Assets	
	2009 \$	2008 \$	2009 \$	2008 \$
Pension deposits	1.50-3.40%	2.00-4.00%	6,471,016	3,875,028

The weighted-average asset allocation of the schemes asset at year end was:

	2009 %	2008 %
Equities	23.1	21.8
Bonds	47.1	45.4
Real estate	11.4	11.1
Other	18.4	21.7
At 31 December	100.0	100.0

Other assets include the assets of the pension plan of the Group subsidiary in Taiwan. These assets are deposited with the Bank of Taiwan, a state-owned bank, and decisions on their investment cannot be influenced by private companies. The overall expected rate of return is the weighted average of the expected returns of the various categories of plan assets held. Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for these assets in the next twelve months.

At 31 December 2009 and 2008, the actual return on plan assets was \$153,599 and \$82,561, respectively.

The history of defined benefit obligations, scheme assets and experience adjustments is as follows:

	2009 \$	2008 \$	2007 \$	2006 \$	2005 \$
Present value of defined benefit obligations	(11,637,475)	(8,046,860)	(6,619,004)	(5,966,114)	(3,547,061)
Fair value of scheme assets	6,471,016	3,875,028	2,578,107	1,866,987	310,079
Experience adjustments:					
Increase (decrease) of plan liabilities	571,005	(330,889)	(415,312)	203,701	2,366,231
Decrease (increase) of plan assets	417	13,179	(130,676)	4,113	2,053
Integration of Swiss pension schemes liabilities	-	-	-	275,669	-

The Group performed an actuarial valuation for the Swiss pension plans for the first time at end of 2006. In 2009, 2008, 2007, 2006 and 2005 actuarial losses or (gains) of approximately \$571,422, (\$317,710), (\$545,988), \$483,483 and \$2.56 million, respectively, were recognised directly in equity as allowed by IAS 19.

In 2010, the Group expects to make contributions to its defined benefit schemes for a total amount of approximately \$972,705.

## 25. FINANCIAL INSTRUMENTS

### Financial Risk Management

The Group is exposed to risks from movements in exchange rates and interest rates that affect the value of its assets and liabilities, and that generate gains and losses in the Consolidated Income Statement. The Group has no material exposure to market price risk as its financial assets with value related to market prices are available-for-sale investments, the majority of which have capital guaranteed or are to be fully repaid at maturity (Note 13). Financial risk management aims at limiting financial risks through appropriate design and execution of ongoing operational, treasury and finance activities. Selected derivative and non-derivative hedging instruments are also used for this purpose, depending on the risk assessment. The Group only hedges with derivatives the exchange rates risks that affect the Group's cash flow. Derivatives are exclusively used as hedging instruments, and not for trading or other speculative purposes. To reduce credit risk, hedging transactions are generally concluded only with leading financial institutions with top credit ratings.

The fundamentals of the Group's financial policies are established by management and overseen by the Board of Directors. The Group's finance function is responsible for implementing the policies and for ongoing risk management. Certain transactions require prior approval of the risk exposure by management.

### Categories of Financial Instruments

Financial Assets	2009 \$	2008 \$
Cash and cash equivalents	65,405,033	61,365,592
Time deposits	6,173,850	-
Loans and receivables		
Trade receivables, net	78,587,485	60,631,162
Long-term trade receivables	4,056,908	8,301,209
Other current assets	<u>3,589,818</u>	<u>5,107,698</u>
Total loans and trade receivables	86,234,211	74,040,069
Held to maturity	-	-
Fair value through profit and loss	-	-
Available-for-sale investments	<u>28,731,753</u>	<u>9,599,494</u>
Total financial assets	<u>186,544,847</u>	<u>145,005,155</u>

<b>Financial Liabilities</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Financial liabilities measured at amortised cost		
Bank loans	21,198,243	14,031,639
Current portion of long-term bank loan	3,793,087	3,615,926
Trade and other payables	95,305,468	72,924,994
Long-term bank loan	6,041,849	9,529,943
Long-term payables	72,332	78,251
Other current liabilities	<u>10,980,147</u>	<u>7,822,620</u>
Total financial liabilities measured at amortised cost	<u>137,391,126</u>	<u>108,003,373</u>
Financial liabilities measured at fair value through profit and loss	-	-
Derivative instruments in designated hedge accounting relationships (Note 21)	-	<u>1,897,114</u>
Total financial liabilities	<u>137,391,126</u>	<u>109,900,487</u>

#### Aging Analysis of Financial Assets Past Due But Not Impaired

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Not yet due	77,797,533	60,162,796
0 to 180 days	8,419,741	13,658,483
181 days and above	<u>16,937</u>	<u>218,790</u>
Loan and trade receivables, net	<u>86,234,211</u>	<u>74,040,069</u>

In 2009 a non-trade receivable amounting to \$1,667,370 was impaired as explained in Note 10.

#### Financial Assets – Allowance on Trade Receivables, net

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
At 1 January	575,830	719,813
Charge for the year	6,085	1,100,593
Utilisation of allowance	<u>(1,693)</u>	<u>(1,244,576)</u>
At 31 December	<u>580,222</u>	<u>575,830</u>

## Maturity Analysis of Remaining Contractual Liabilities

	2009 \$	2008 \$
Within one year	131,286,795	100,315,503
Second year	3,848,986	3,692,569
Third to fifth year	584,273	3,957,670
Sixth to tenth year	1,019,064	956,852
Eleventh to sixteenth year	<u>668,118</u>	<u>1,006,217</u>
Total contractual liabilities	<u>137,407,236</u>	<u>109,928,811</u>

## Fair Value Measurement

Available-for-sale investments are the only financial instruments measured at fair value after initial recognition. These investments fall within the Level 1 fair value measurement category as defined by IFRS 7. Level 1 fair value measurements are those derived from quoted prices in active markets.

## Financial Risk Management Objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks related to the operations of the Group through internal risk assessments which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative and non-derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the Audit Committee. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's finance function reports on main risks and their management to the Audit Committee, upon request.

## Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In 2009, there have been no changes to the Group's exposure to market risks or to the manner in which the Group manages and measures these risks.

## Foreign Currency Risk Management

The Group is exposed to the effects of fluctuation in exchange rates of foreign currencies. From 2005, the growing proportion of sales not denominated in United States Dollars has triggered the Group decision to hedge future cash flows related to foreign currency denominated revenue.

## Foreign Exchange Derivative Contracts

In 2009, the aggregate net loss on foreign exchange derivatives contracts recorded in the Consolidated Income Statement is \$531,720 and is recorded as “(loss) arising on foreign currency derivatives” within revenue (Note 3). In 2008, the total net gain on foreign exchange derivatives contracts recorded in the Consolidated Income Statement is \$7,069,821. The main gain is recorded as “gain arising on foreign currency derivatives” within revenue (Note 3) for a total net amount of \$7,232,474.

At 31 December 2009, there were no derivative financial instruments outstanding. At 31 December 2008, certain forward contracts selling Euro and buying United States Dollars at a fixed exchange rate and at specified future maturities of less than twelve months were outstanding.

The following table details the forward foreign currency contracts outstanding at the reporting date:

Cash flow hedges	Average exchange rate		Foreign Currency Notional Amount		Contract Value		Fair Value	
	2009 \$/Euro	2008 \$/Euro	2009 Euro000	2008 Euro000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Sell Euro								
Less than 3 months	-	1.291	-	16,000	-	20,651	-	(1,897)

## Foreign Currency Sensitivity Analysis

The functional and presentation currency of the Group is the United States Dollar. Financial instruments include cash and cash equivalents, time deposits, accounts receivable, trade payables, listed equity securities and borrowings. Listed equity securities are related to available-for-sale investments.

For the currency sensitivity analysis, proportional foreign exchange rate movements of -5% (depreciation) and of +5% (appreciation) of the functional currencies of certain affiliates against the United States Dollar were assumed. The main functional currencies of the Group affiliates other than the United States Dollar are Euro and Polish Zlotys. These assumptions are considered as reasonably possible based on historical movements, future expectations and economic forecasts and are consistent with the assumptions used by the Group’s finance function for budgeting and planning purposes.

If these movements were to occur for each significant transactional currency, the after tax impact on the Consolidated Income Statement at 31 December 2009 and 2008 is:

Currency	2009		2008	
	+5% appreciation Profit / (Loss) \$000	-5% depreciation Profit / (Loss) \$000	+5% appreciation Profit / (Loss) \$000	-5% depreciation Profit / (Loss) \$000
Euro	650	(650)	775	(775)
Polish Zloty	1,288	(1,288)	893	(893)

If the same movements were to occur for each significant transactional currency, the after tax impact on the Consolidated Statement of Comprehensive Income at 31 December 2009 and 2008 is:

Currency	2009		2008	
	+5% appreciation Gain/ (Loss) \$000	-5% depreciation Gain/ (Loss) \$000	+5% appreciation Gain/ (Loss) \$000	-5% depreciation Gain/ (Loss) \$000
Euro	-	-	(951)	951

## Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by monitoring at Group level the interest rate market. The Group has no hedging policy or activity related to interest rates.

## Interest Rate Sensitivity Analysis

For the interest rate sensitivity analysis, a parallel shift of +100bp/-100bp in the interest rates was assumed, with all other variables held constant.

If this movement was to occur, the after tax impact on the Consolidated Income Statement at 31 December 2009 and 2008 is indicated in the following table:

	2009		2008	
	+100 bp Profit/ (Loss) \$000	-100 bp Profit/ (Loss) \$000	+100 bp Profit/ (Loss) \$000	-100 bp Profit/ (Loss) \$000
Net increase (decrease) of profit after tax	109	(109)	183	(183)

## Other Price Risks

The Group is not exposed to equity price risks arising from equity investments. Equity investments of the Group are related to affiliates held for strategic rather than trading purposes. None of these subsidiaries is publicly listed on a stock exchange. The Group does not actively trade these investments.

Fluctuations of the price of shares held in treasury can generate gains or losses in the Company's Statutory Financial Statements prepared in accordance with Swiss law, with consequent impact on the Company's and Group's tax provisions.

## Credit Risk Management

The Group's principal financial assets are bank balances, cash and cash equivalents, time deposits, available-for-sale investments, trade receivables, and long-term trade receivables. The carrying values of these assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has limited credit risk exposure to its trade receivables as the majority of receivables are covered by either irrevocable letters of credit or credit insurance. Long-term trade receivables expose the Group to credit risk but accrue interest at market rates and are secured by certain pledges provided by the customer in favour of the Group. Amounts presented in the Consolidated Balance Sheet are net of an allowance for doubtful receivables, estimated by the Group's management based on experience and assessment of the current economic environment.

Credit risk on liquid funds and available-for-sale investments is limited. Counterparties are principally banks, institutions and corporations with high credit-ratings as assigned by international credit-rating agencies.

At the reporting date there are no significant concentrations of credit risk other than those described in the sections long-term trade receivables and trade receivables, net of Note 13. The carrying amount reflected above represents the Group's exposure to credit risk for such loans and receivables.

### Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has requested that the Group's management perform an appropriate liquidity risk assessment and control the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has sufficient operating capital to meet cash flow requirements of its current operation. Management estimates that the Group does not have significant exposure to liquidity risk. More details on the credit facilities for the Group are described in Note 15.

### Capital Management

The Group's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Management sets the amount of capital in proportion to risk. Management defines the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Board of Directors may from time to time decide to issue new shares or share based debt instruments or to sell assets.

Consistently with others in the industry, management monitors capital on the basis of the net debt over equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (as shown in the Consolidated Balance Sheet) less cash and cash equivalents, time deposits and less available-for-sale investments, which are cash investments in highly liquid instruments for the purpose of ensuring cash reserves to the Group. A negative net debt is referred to as a net cash position.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain the net debt over equity ratio below 1.00.

The net debt over equity ratio at 31 December 2009 and 2008 is indicated in the following table:

	2009 \$ million	2008 \$ million
Bank loans	21.2	14.1
Current portion of long-term bank loan	3.8	3.6
Long-term bank loan	<u>6.0</u>	<u>9.5</u>
<b>Total loans</b>	<b>31.0</b>	<b>27.2</b>
Less:		
Cash and cash equivalents	(65.4)	(61.4)
Time deposits	(6.2)	-
Available-for-sale investments	<u>(28.7)</u>	<u>(9.6)</u>
<b>Total net cash</b>	<b><u>(69.3)</u></b>	<b><u>(43.8)</u></b>
<b>Total equity</b>	<b><u>78.0</u></b>	<b><u>81.6</u></b>
<b>Total net cash over equity</b>	<b><u>(0.89)</u></b>	<b><u>(0.54)</u></b>

The net debt over equity ratio is not significant at 31 December 2009 and 2008 as the Group has a net cash position.

The Group had no externally imposed capital requirements during the period.

## 26. RELATED PARTY TRANSACTIONS

### Remuneration of Key Management Personnel

Remuneration of the key management personnel of the Group is set out below:

	2009 \$	2008 \$
Short-term employee benefits	6,415,348	6,127,585
Post-employment benefits	239,246	274,399
Termination benefits	-	-
Share-based payments	427,357	613,223
Total remuneration	<u>7,081,951</u>	<u>7,015,207</u>

Key management personnel consisted of 8 employees and 4 Directors of the Board during 2009 and 2008. Short-term employee benefits consist of salaries, bonuses and benefits. Further disclosures as required by Swiss law on the compensation paid to the Board of Directors and key management personnel as well as their shareholdings are presented in Notes 13 and 14 to the Statutory Financial Statements of the Company.

### Related Parties

During 2006 the Company, acting also on behalf of certain of its subsidiaries, entered into rental contracts for office space with a related party. The rental contracts are at arm's length and the rental costs have been assessed by the Nomination and Compensation Committee of the Board of Directors, in its role as Related Parties Transactions Committee, as being in line with the market prices for rental of similar type of real estate in the vicinity. At the end of 2009 the annual commitment under the outstanding contractual engagements is approximately \$0.9 million, the rental commitment is approximately two years and the amount expensed in 2009 and 2008 in the Consolidated Income Statement is approximately \$0.9 million and \$0.8 million, respectively.

The Chairman of the Board of Directors of the Company is a member of the Board of Directors of TVN SA, the majority shareholder of a major customer of the Group.

During 2008, loans for a total aggregate amount of approximately CHF 0.3 million were granted to two members of the management for the financing of immediate tax obligations incurred with the share options grant of 2008 (Note 30). These loans are to be repaid with the proceeds from the exercise of share options and bear interest at the prevailing market rate plus a spread of 1%. At 31 December 2009 these loans are still outstanding.

## 27. ACQUISITIONS AND DISPOSALS

There have been no acquisitions in 2009 and 2008. There have been no disposals in 2009, while in 2008 certain non-core activities were disposed of, as explained in Note 10.

## 28. MAJOR LICENSE AGREEMENTS

The Group has entered into various license agreements with respect to software developments and intellectual property rights for digital TV equipment, broadband communication and digital television related products. Royalty costs are included in research and development expenses as they are related to the use of third parties' intellectual properties by Group's engineers in connection with their research and development activities.

## 29. SIGNIFICANT CONTRACT MANUFACTURER

Since 2000, the Group has operated with one significant contract manufacturer, which used to produce all of the Group's digital TV equipment in one major location in Thailand.

In 2008, the Group initiated discussions with a new contract manufacturer based in Taiwan and operating manufacturing facilities in Asia, Europe and the Americas. This new contract manufacturer is a joint-design, joint-development, manufacturing, assembly and after-sales services supplier to several companies in the computer, communication and consumer-electronics industry. Supply of goods and services by this new contract manufacturer started in 2009.

A third contract manufacturer based in Singapore and operating manufacturing facilities in the People's Republic of China started supplying digital TV equipment products to the Group at the end of 2009.

## 30. EQUITY COMPENSATION PLANS

In 2008 the Company's Board of Directors approved an employee stock option programme designed to retain and motivate employees, directors and officers of the Group. The plan is allocated a maximum of 600,000 shares, which shall come from the Company's treasury shares or conditional capital.

580,000 stock options with a strike price of CHF 30.47 each were granted on 21 February 2008 to employees of the Group and to members of the Board of Directors. The stock options granted vest over three years from the date of grant, in the proportion of one-third at each twelve-month anniversary of the grant date: vesting is subject only to the continued employment of the beneficiary within ADB Group. Vesting can be accelerated in case of a change of control of the Group. The stock options expire four years from the date of grant. Each share option converts into one share of the Company. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

15,000 additional options under the same programme and bearing the same terms were granted on 18 May 2009 with a strike price of CHF 33.22 each.

The following share-based payment arrangements were in existence in 2009 and 2008:

Share Options Series	Number	Date of Grant	Date of Expiry	Exercise Price	Exchange Rate (CHF/ \$)	Average Fair Value at Grant
Series 1	580,000	21 Feb 2008	20 Feb 2012	CHF 30.47	1.09173	\$5.8
Series 2	15,000	18 May 2009	17 Feb 2013	CHF 33.22	1.11331	\$11.4

The number of share options exercisable at the end of year 2009 was 172,461, all from the Series 1. No share option was exercisable at the end of year 2008.

Share options were priced using the Black-Scholes model. The expected life used in the model was adjusted taking into effect for early exercise, which was assumed as the mid point in time between vesting date and expiry date for each option. Expected volatility for the grant of 2008 was computed as the share price volatility of comparable companies over the same periods of time, due to the absence of data on the Company share price for a sufficiently long period as requested by the application of the model. Expected volatility for the grant of 2009 was computed as the volatility of the Company shares over the corresponding time period. Risk-free rate was computed as the average of various interest rates paid or implied by risk-free financial instruments denominated in Swiss Francs and prevailing at the period of grant. Consistently with the past and current dividend policy of the Company, no dividend distribution was assumed.

The following table summarises the inputs of the Black-Scholes model for the share-based payment arrangements that were in existence in 2009 and 2008:

Share Options Series	Grant Share Price	Exercise Price	Average Expected Volatility	Option Duration	Dividend Yield	Risk-free Interest Rate
Series 1	CHF 27.70	CHF 30.47	35.5%	3 years	-	2.22%
Series 2	CHF 30.20	CHF 33.22	66.9%	3 years	-	1.50%

The share options granted under employee share options plans that were outstanding at the end of years 2009 and 2008 are as follows:

	2009		2008	
	Number of options	Weighted Average Exercise Price CHF	Number of options	Weighted Average Exercise Price CHF
Balance at beginning of year	575,900	30.47	-	-
Granted	15,000	33.22	580,000	30.47
Forfeited	(3,781)	30.47	(4,100)	30.47
Exercised	(25,580)	30.47	-	-
Expired	-	-	-	-
Balance at end of year	<u>561,539</u>	<u>30.54</u>	<u>575,900</u>	<u>30.47</u>

25,580 share options were exercised during 2009, and the weighted average share price at the dates of exercise was CHF50.63.

The expense for share-based payment related to the amortisation of the value of share options granted in February 2008 and May 2009 was \$1,171,479 and \$1,667,952 in the 2009 and 2008 Consolidated Income Statement, respectively.

### 31. OPERATING SEGMENTS

Segment information is presented in respect to the Group's operating segments. In 2008, the operating segments comprised Digital TV Equipment and Software and Services.

During the second-half of 2009 the Group reorganised its activities and transferred part of the Software and Services segment to the Digital TV Equipment segment, which was renamed Digital TV Products and Services.

Digital TV Products and Services includes the development, design, marketing, sale and after sale support of equipment, software and services for operators of digital television and broadband data communication networks, on a worldwide basis, and relies on external contract manufacturers for the production of equipment. This segment operates essentially under the Group's ADB, i-CAN and Osmosys brands.

As a result of the new organisation, the Software and Services segment was renamed Vidiom, has reduced in size, and falls below the threshold for reporting segments in accordance with IFRS 8. Amounts reported for the prior year have been represented accordingly.

Additional disclosures are provided in relation to the countries in which sales occur.

## Business Segments

Business segment information for 2009 and 2008 is as follows:

Year 2009	Digital TV Products and Services \$	Other \$	Eliminations \$	Consolidated \$
<b>REVENUE</b>				
External sales	376,991,256	4,014,522	-	381,005,778
Inter-segment sales	<u>844,503</u>	<u>8,573,324</u>	<u>(9,417,827)</u>	<u>-</u>
Total revenue	<u>377,835,759</u>	<u>12,587,846</u>	<u>(9,417,827)</u>	<u>381,005,778</u>
<b>RESULT</b>				
Segment result	<u>25,690,337</u>	<u>1,997,893</u>	<u>-</u>	<u>27,688,230</u>
Impairment charges				(8,180,625)
Finance income				2,311,978
Finance costs				(3,806,975)
Income tax expense				<u>(2,761,968)</u>
Profit for the year from continuing operations				15,250,640
Profit for the year from discontinued operations				<u>-</u>
Profit for the year				<u>15,250,640</u>
<b>ASSETS</b>				
Segment assets	<u>176,326,661</u>	<u>2,128,628</u>	<u>(724,259)</u>	177,731,030
Unallocated corporate assets*				<u>74,805,079</u>
Consolidated total assets				<u>252,536,109</u>

\* Includes assets from discontinued operations for \$8,786

Year 2008	Digital TV Products and Services \$	Other \$	Eliminations \$	Consolidated \$
<b>REVENUE</b>				
External sales	351,596,827	9,219,715	-	360,816,542
Inter-segment sales	<u>1,386,217</u>	<u>8,981,284</u>	<u>(10,367,501)</u>	<u>-</u>
Total revenue	<u>352,983,044</u>	<u>18,200,999</u>	<u>(10,367,501)</u>	<u>360,816,542</u>
<b>RESULT</b>				
Segment result	<u>22,394,463</u>	<u>(3,015,658)</u>	<u>-</u>	<u>19,378,805</u>
Impairment charges				-
Finance income				4,868,573
Finance costs				(6,231,115)
Income tax expense				<u>(3,098,098)</u>
Profit for the year from continuing operations				14,918,165
Loss for the year from discontinued operations				<u>(3,329,669)</u>
Profit for the year				<u>11,588,496</u>
<b>ASSETS</b>				
Segment assets	<u>135,607,362</u>	<u>25,607,362</u>	<u>-</u>	161,214,724
Unallocated corporate assets*				<u>61,380,223</u>
Consolidated total assets				<u>222,594,947</u>

\* Includes assets from discontinued operations for \$28,966

## Geographical Segments

The following table shows the Group's revenue and non-current assets by country for 2009 and 2008:

Country	Region**	Revenue		Non-current assets*	
		2009 \$	2008 \$	Year ended 31/12/09 \$	Year ended 31/12/08 \$
A	EMEA	117,407,699	81,705,141	-	-
B	EMEA	78,160,553	58,044,797	3,771,455	3,283,392
C	EMEA	48,932,271	35,474,458	2,709	4,370
D	EMEA	41,555,721	37,678,741	82,471	82,522
E	EMEA	1,508,070	16,113,413	32,866,790	43,981,311
F	Asia Pacific	1,058,136	148,000	6,876,436	6,964,259
Other		<u>92,383,328</u>	<u>131,651,992</u>	<u>1,039,470</u>	<u>994,299</u>
		<u>381,005,778</u>	<u>360,816,542</u>	<u>44,639,331</u>	<u>55,310,153</u>

\* Non-current assets excluding financial instruments and deferred tax assets

\*\* EMEA: Europe, Middle East and Africa

In 2009, revenue in the country of domicile of the Company was approximately \$1.5 million.

## Significant Customer Information

The following table provides an analysis of the Group's customers exceeding 10% of Group's revenue:

Customer	2009		2008	
	Amount \$	% of Total Revenue	Amount \$	% of Total Revenue
A	117,407,699	30.8	80,720,150	22.4
B	65,441,322	17.2	44,715,698	12.4
C	44,103,811	11.6	20,954,847	5.8

## 32. SUBSEQUENT EVENTS

The Company's share purchase programme, which commenced in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010 was completed on 18 February 2010. The total number of shares purchased under this programme was 619,054 and the average purchase price was CHF 51.14 per share. As at 18 February 2010, the Company owns 1,201,517 of its own shares, or 19.41% of the total outstanding shares.

## 33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and the presentation of the Consolidated Financial Statements. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 1 April 2010 and will be submitted for approval at the Annual General Meeting of Shareholders to be held on or before 30 June 2010.

## REPORT OF THE STATUTORY AUDITOR



To the General Meeting of Advanced Digital Broadcast Holdings SA, Pregny-Chambésy

### Report on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Advanced Digital Broadcast Holdings SA, which comprise the balance sheet, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes, presented on pages 37 to 94 for the year ended 31 December 2009.

#### *Board of Directors' Responsibility*

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

#### *Auditor's Responsibility*

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

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

#### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

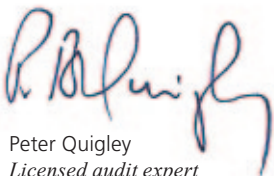
### Report on Other Legal Requirements

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

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

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

DELOITTE SA



Peter Quigley  
Licensed audit expert  
Auditor in charge

Geneva, 6 April 2010



Lesley Griffiths  
Licensed audit expert

2009 | Financial  
STATEMENTS



## **Statutory financial statements**

**ADVANCED DIGITAL BROADCAST HOLDINGS SA**

## ADVANCED DIGITAL BROADCAST HOLDINGS SA, Pregny-Chambésy

### BALANCE SHEET

AT 31 DECEMBER 2009

(Expressed in Swiss Francs, with 2008 comparative figures)

	Notes	2009 CHF	2008 CHF
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		10,959,588	28,719,171
Due from group companies		9,821,061	16,390,602
Due from employees - short term portion	4	79,212	77,671
Prepaid expenses and other receivables		547,270	361,480
Total current assets		21,407,131	45,548,924
<b>NON-CURRENT ASSETS</b>			
Financial investments, net	3	31,278,573	12,497,302
Own shares, net	7	46,279,048	17,091,195
Rental guarantee deposits		72,128	74,114
Due from employees	4	382,299	423,713
Fixed assets, net	5	327,907	270,345
Goodwill, net	6	11,444,250	17,695,185
Total non-current assets		89,784,205	48,051,854
Total assets		111,191,336	93,600,778
<b>LIABILITIES</b>			
Due to group companies		27,115,389	12,914,939
Other payables and accrued expenses		2,072,406	2,324,303
Total liabilities		29,187,795	15,239,242
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	1,547,635	1,547,635
Share premium, net	7	45,458,702	66,936,811
Reserve for own shares	7	46,279,048	24,800,938
General reserve		773,818	773,818
Accumulated deficit		(12,055,662)	(15,697,666)
Shareholders' equity		82,003,541	78,361,536
Total equity and liabilities		111,191,336	93,600,778

## ADVANCED DIGITAL BROADCAST HOLDINGS SA, Pregny-Chambésy

### STATEMENT OF INCOME AND ACCUMULATED DEFICIT

#### FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Swiss Francs, with 2008 comparative figures)

	Notes	2009 CHF	2008 CHF
<b>INCOME</b>			
Financial income		617,116	848,438
Service and management fees		12,497,685	14,613,871
Dividends from group companies		6,000,000	-
Foreign exchange gain, net		-	1,243,522
Other income		169,093	40,958
<b>Total income</b>		<b>19,283,894</b>	<b>16,746,789</b>
<b>EXPENSES</b>			
Payroll and related costs		4,294,372	5,024,896
Services from group companies		882,665	1,359,503
Administrative and other expenses		2,974,280	3,986,761
Depreciation	5	65,590	47,628
Goodwill amortisation	6	1,305,780	1,297,920
Translation losses		2,610,337	2,862,433
Financial expenses		157,844	112,211
Movement in provision for investment in own shares	7	(7,709,744)	1,817,105
Loss on own shares sold		1,002,710	-
Exceptional expenses	8	9,687,127	1,782,390
Foreign exchange losses, net		370,929	-
<b>Total expenses</b>		<b>15,641,890</b>	<b>18,290,847</b>
<b>NET INCOME (LOSS) BEFORE TAXATION</b>		<b>3,642,004</b>	<b>(1,544,058)</b>
Income tax	9	-	-
<b>NET INCOME (LOSS) AFTER TAXATION</b>		<b>3,642,004</b>	<b>(1,544,058)</b>
ACCUMULATED DEFICIT, beginning of the year		(15,697,666)	(14,153,608)
<b>ACCUMULATED DEFICIT, end of the year</b>		<b>(12,055,662)</b>	<b>(15,697,666)</b>

## ADVANCED DIGITAL BROADCAST HOLDINGS SA, Pregny-Chambésy

### NOTES TO THE STATUTORY FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Swiss Francs, unless otherwise stated)

#### 1. ACTIVITIES

Advanced Digital Broadcast Holdings SA (“the Company”), incorporated on 26 July 2004 in the Canton of Geneva, is the holding company of an international group of companies (together with its subsidiaries the “Group”) that are engaged in the development and sale of equipment, services and software for the digital television and broadband data communication industry worldwide, and rely on third party contract manufacturers for the production of equipment.

In 2005, the Company made an Initial Public Offering (“IPO”) and since 29 April 2005 the shares of the Company have been publicly traded on the SIX Swiss Exchange under the ticker ADBN.

Details of the Company’s subsidiaries are listed in Note 3.

#### 2. PRINCIPAL ACCOUNTING POLICIES

##### Accounting Basis

The Statutory Financial Statements have been prepared in accordance with the provisions of the Swiss Code of Obligations. As permitted by the laws of Switzerland, the books of the Company are maintained in United States Dollars (“\$”).

##### Translation of Foreign Currencies

Assets and liabilities expressed in foreign currencies at year-end are translated into United States Dollars at the rate of exchange prevailing at that date. Income and charges arising during the year in foreign currencies are translated into United States Dollars at rates of exchange in effect at the date of the transaction. Exchange differences are included in net income.

The United States Dollar Statutory Financial Statements have been translated into Swiss Francs as follows:

Assets (except goodwill, investments in subsidiaries and own shares) and liabilities	closing rate
Goodwill, investments in subsidiaries and own shares and shareholders’ equity	historical rate
Income and expenses	average rate

Translation gains are deferred and translation losses are included in the determination of net income. The translation into Swiss Francs should not be construed as representations that United States Dollar amounts could be converted into Swiss Francs at these or any other rate of exchange.

##### Financial Investments

Depending on the nature of the investment, financial investments are carried in the books at cost,

less provision for impairment where appropriate. Investments in subsidiaries are carried in the books at historical cost, less provision for impairment where appropriate.

### Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method over their useful economic life. The periods of depreciation are as follows:

Leasehold improvements	8 years
Furniture and fixtures	2-5 years
Equipment	2-10 years

### Goodwill

Goodwill is amortised over its expected useful life for a maximum period of 15 years.

### Taxation

The Company, which benefits from the reductions available to holding companies, follows the policy of providing in each year for all income and capital taxes which will be assessed on the net income and shareholders' equity shown in the Statutory Financial Statements.

### Own Shares

Own shares are valued at the lower of cost and realisable value at the balance sheet date. The reserve for the own shares included in shareholders' equity corresponds to the historical purchase cost of the own shares.

### Risk Assessment

The Company manages risks through a number of specific procedures and policies that apply Group-wide. The Company gathered these procedures in the ADB Group Policy Manual. It also adopted and deployed Group-wide the ADB Group's Internal Control System ("ICS"). The ICS is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. A risk assessment analysis was performed by the Board of Directors. This analysis provided a high-level mapping of risks to allow Group Management to make appropriate decisions on the future of the Group. This map identified the following main areas of risks related to:

- Information and Consolidated Reporting
- Engaging the Group, Protecting its Assets, Compliance
- The Group's Industry
- The Group's Business
- Information, Subsidiary Reporting, Social Security and Tax
- Engaging Subsidiaries, Protecting their Assets, Local Compliance.

Financial risks management is described in more detail in Note 25 of the Consolidated Financial Statements.

### 3. FINANCIAL INVESTMENTS, NET

	2009 CHF	2008 CHF
Financial investments	29,086,381	10,285,714
Investments in subsidiaries, net	<u>2,192,192</u>	<u>2,211,588</u>
Financial investments, net	<u>31,278,573</u>	<u>12,497,302</u>

Investments in subsidiaries comprise the following:

	Ownership %	2009 CHF	2008 CHF
Advanced Digital Broadcast Polska Sp. z.o.o., Poland	100	1,277,429	1,277,429
Advanced Digital Broadcast SA, Switzerland	100	66,123	66,123
Advanced Digital Broadcast Ltd., Taiwan, ROC	100	351,697	351,697
Advanced Digital Broadcast Inc., US	100	1,142	1,142
ADB Services SA, Switzerland	100	200,000	200,000
ADB Ukraine Ltd., Ukraine	100	156,641	156,641
tele.DOM Sp. z.o.o., Poland	-	-	19,396
Vidiom SA (formerly Osmosys SA), Switzerland	100	100,000	100,000
Vidiom Systems Inc., US	100	39,160	39,160
SIMPLE S.r.l., Italy	100	-	-
Total investments in subsidiaries, at cost		2,192,192	2,211,588
Less provision for reduction in value		-	-
Total investment in subsidiaries, net		<u>2,192,192</u>	<u>2,211,588</u>

The activities of Simple S.r.l. ceased during 2008. The residual value of this investment has been assessed as nil.

The activities of tele.DOM Sp. z.o.o. ceased during 2008 and the company was liquidated in 2009.

### 4. DUE FROM EMPLOYEES

A loan made to an employee in 2002 is to be repaid in full over the next two years and bears interest at the prevailing market rate plus a spread of 1%.

During 2008, loans for a total aggregate amount of approximately CHF 0.3 million were granted to two members of Group Management for the financing of immediate tax obligations arising under the share options grant explained in Note 7. These loans are to be repaid with the proceeds from the exercise of share options and bear interest at the prevailing market rate plus a spread of 1%.

## 5. FIXED ASSETS, NET

	2009 CHF	2008 CHF
At cost :		
Leasehold improvements	54,102	24,913
Furniture and fixtures	217,677	183,784
Machinery, equipment and others	<u>262,556</u>	<u>186,443</u>
Total at cost	534,335	395,140
Less : accumulated depreciation	<u>(206,428)</u>	<u>(124,795)</u>
Fixed assets, net	<u>327,907</u>	<u>270,345</u>

At 31 December 2009, the fixed assets of the Company and of its Swiss subsidiaries are insured against the risk of fire for approximately CHF 0.5 million.

## 6. GOODWILL, NET

Following approval by the Company's Board of Directors on 31 January 2006, the Group completed the acquisition of the business of Vidiom Systems Corporation. This acquisition contributed \$18,030,051, or CHF 21,966,436, in goodwill to the Company.

	2009 CHF	2008 CHF
Goodwill at beginning of year	21,966,436	21,966,436
Accumulated amortisation	(5,735,681)	(4,271,251)
Impairment	<u>(4,786,505)</u>	<u>-</u>
Goodwill, net	<u>11,444,250</u>	<u>17,695,185</u>

At end of 2009, a goodwill impairment review was conducted for the Group's cash-generating unit addressing the American digital cable TV market, to which the goodwill was allocated.

The goodwill impairment review took into consideration current market conditions and other factors that have impacted the cash-generating unit during past years. In particular, the introduction of tru2way (previously OCAP) in the American digital cable TV market is happening later than originally expected. While the Group considers that the potential for the future development of this market is unchanged compared to past years, it has taken into consideration these delays which have negatively impacted historical cash flows of the cash-generating unit. As a result of this analysis, the Group concluded that goodwill should be impaired by CHF 4,786,505.

Additional information on goodwill and its impairment can be found in Note 10 of the Consolidated Financial Statements.

## 7. SHAREHOLDERS' EQUITY

### Share Capital

	2009	2008
Number of registered shares of nominal value CHF 0.25 each, fully paid	6,190,542	6,190,542
In CHF	1,547,635	1,547,635

The share capital of the Company at 31 December 2009 consists of the following:

Ordinary shares of CHF 0.25 each	Authorised Capital	Conditional Capital	Issued and fully paid
	Number of Shares	Number of Shares	Number of Shares
Balance brought forward at 1 January 2007	548,935	424,523	6,190,542
Expiry of Authorised Capital on 24 March 2007	(584,935)	-	-
Creation of new Authorised Capital on 22 June 2007	1,000,000	-	-
Creation of new Conditional Capital on 22 June 2007	-	600,000	-
Balance brought forward at 31 December 2007	1,000,000	1,024,523	6,190,542
Issuance of shares in 2008	-	-	-
Balance brought forward at 31 December 2008	1,000,000	1,024,523	6,190,542
Expiry of Authorised Capital on 22 June 2009	(1,000,000)	-	-
Creation of new Authorised Capital on 26 June 2009	2,000,000	-	-
Balance brought forward at 31 December 2009	<u>2,000,000</u>	<u>1,024,523</u>	<u>6,190,542</u>
of which shares in circulation			5,149,375
of which own shares held in treasury			<u>1,041,167</u>

The Company has one class of ordinary shares, which carries no right to fixed income.

At the Annual General Meeting of Shareholders held on 22 June 2007, it was resolved to create an Authorised Capital that can be used by the Company's Board of Directors to increase the Company share capital by a maximum of 1,000,000 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 22 June 2009. At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to replace the Authorised Capital which expired on 22 June 2009 with a new Authorised Capital that can be used by the Company's Board of Directors to increase the Company share capital by a maximum of 2,000,000 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 26 June 2011. Statutory pre-emptive rights of the existing shareholders of the Company can be excluded if the capital increase is used for:

- the acquisition of enterprises or part of it;
- the acquisition of participations in enterprises;
- strategic investments of the Group; or
- the financing and refinancing of such transactions.

In addition to the Authorised Capital, the Company's share capital may also be increased by a maximum of 1,024,523 registered shares of CHF 0.25 each, fully paid-in (the "Conditional Capital"), in the following way:

- 424,523 registered shares of CHF 0.25 each, fully paid-in, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of the Company or of affiliated companies. Existing shareholders' preferential subscription rights are excluded. The Board of Directors must establish employee participation schemes (employee stock option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the options are set by the Board of Directors. Issuance at price below market price is authorised;
- 600,000 registered shares of CHF 0.25 each, fully paid-in, for the issuance of conversion or option rights, as resolved at the Annual General Meeting of Shareholders held on 22 June 2007. Option and conversion rights allowing the subscription of shares must be granted to the creditors holding convertible or option bonds or similar debt instruments, which must be issued by the Company or by one of its controlled companies, in one or several steps. The pre-emptive subscription rights of shareholders may be excluded in favour of the creditors holders of convertible or option rights by a decision of the Board of Directors for valid reasons as follows: if the convertible or option bonds are to be placed in priority on the foreign market, or if the proceeds from the issuance contribute to the financing or refinancing of the acquisition of enterprises, or parts thereof, or of participations in enterprises, to the financing of strategic investments of the Group, or to the financing of the repurchase of convertible or option bonds that have been issued before by the Company or its subsidiaries. The Board of Directors sets the terms and conditions of the conversion and option rights. In the event that the convertible or option bonds are not offered in priority to the shareholders, they must be placed publicly at market conditions, the term to exercise conversion rights may not exceed ten years and seven years for option rights, in each case from the date of the bond issue and the conversion or option price for the new shares must be at least equivalent to the market conditions as of the time of the bond issuance.

The Conditional Capital does not bear a time limit.

### Stock Options

580,000 stock options with a strike price of CHF 30.47 each and 15,000 stock options with a strike price of CHF 33.22 each were granted respectively on 21 February 2008 and on 18 May 2009 to employees of the Group and to members of the Board of Directors. The stock options granted vest over three years from the date of grant, in the proportion of one-third at each twelve-month anniversary of the grant date: vesting is subject only to the continued employment of the beneficiary within ADB Group. Vesting can be accelerated in case of a change of control of the Group. The stock options expire four years from the date of grant. Shares required upon exercise of these options shall come from the Company's treasury shares or Conditional Capital. Each share option converts into one share of the Company. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Additional information on these stock options can be found in Note 30 of the Consolidated Financial Statements.

## Share Premium, Net

Share premium, net, consists of the following:

	CHF
Share premium, net at 1 January 2007	83,799,684
Less : cost of shares purchased (see below - own shares)	<u>(3,205,421)</u>
Share premium, net at 31 December 2007	80,594,263
Less : cost of shares purchased (see below - own shares)	<u>(13,657,452)</u>
Share premium, net at 31 December 2008	66,936,811
Less : cost of shares purchased (see below - own shares)	(23,552,229)
Add : cost of shares sold (see below – own shares)	<u>2,074,120</u>
Share premium, net at 31 December 2009	<u><u>45,458,702</u></u>

## Own Shares

	Number of shares	CHF
Treasury shares at 1 January 2007	134,280	7,941,542
Share purchase	43,720	3,205,421
Shares granted to employees	(13,911)	(3,477)
Provision for investment in own shares (see below)	-	<u>(5,892,638)</u>
Treasury shares, net, at 31 December 2007	164,089	5,250,848
Share purchase	431,423	13,657,452
Provision for investment in own shares (see below)	-	<u>(1,817,105)</u>
Treasury shares, net, at 31 December 2008	595,512	17,091,195
Share purchase	471,235	23,552,229
Shares sold pursuant to exercise of stock options	(25,580)	(2,074,120)
Revaluation at cost of investment in own shares (see below)	-	<u>7,709,744</u>
Treasury shares, at 31 December 2009	<u>1,041,167</u>	<u><u>46,279,048</u></u>

The reserve for own shares is CHF 46,279,048 at 31 December 2009 (2008 – CHF 24,800,938).

On 3 October 2006, the Company publicly announced the start of a share purchase programme for a maximum of 200,000 shares or \$12.0 million. The purpose of the programme was that the purchased shares would become available for payment for potential acquisitions, for funding of employee share ownership programs and for use in the Company's interest. The programme was completed by

31 March 2007 after the acquisition, in 2007, of 43,720 shares for a total cost of CHF 3,205,421. Therefore the number of shares held in treasury by the Company increased from 134,280 shares at 1 January 2007 to 178,000 shares at 5 September 2007, when the distribution of 13,911 shares for share-based payments for 2007 reduced the total number of shares held in treasury to 164,089. The cost of shares held in treasury at 31 December 2007 was CHF 11,143,486. This amount was reduced to CHF 5,250,848 following the reduction of the publicly traded share price to CHF 32.00 per share at the end of 2007.

During 2008, the Company purchased shares under two programmes, with the same purpose. The first programme started in February 2008 with the objective of acquiring less than 2% of the total outstanding shares: the total number of shares purchased under this programme was 123,500 and the average purchase price was CHF 31.47 per share. The second programme started in September 2008 with the objective of acquiring 330,000 shares before the end of March 2009: the total number of shares purchased under this programme at 31 December 2008 was 307,923 and the average purchase price was CHF 31.73 per share. At the end of December, 2008 the number of shares purchased under both programmes since 1 January 2008 was 431,423, the average purchase price was CHF 31.66 per share and the total cost of the shares purchased was CHF 13,657,452. Therefore the number of shares held in treasury by the Company increased from 164,089 shares at 1 January 2008 to 595,512 shares. Following the reduction of the publicly traded share price to CHF 28.70 per share at the end of 2008, the cost of shares held in treasury at 31 December 2008 was reduced to CHF 17,091,195.

Having acquired since the beginning of the year the remaining 22,077 at the average purchase price of CHF 27.38 per share, on 30 January 2009 the Company completed the programme started in September 2008. The total number of shares purchased under this programme was 330,000 and the average purchase price was CHF 31.44 per share. At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to start a new share purchase programme for up to 10% of the outstanding share capital, and that the shares acquired under this programme shall be cancelled by way of reduction of the share capital, after final approval by the General Meeting of Shareholders. The programme started in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010: the number of shares purchased under this programme at 31 December 2009 was 449,158 and the average purchase price was CHF 51.09 per share. At the end of December 2009, the number of shares purchased under both programmes since 1 January 2009 was 471,235, the average purchase price was CHF 49.98 per share, the total cost of the shares purchased, was CHF 23,552,229.

Pursuant to the exercise of stock options granted in 2008, 25,580 shares were sold by the Company at the average price of CHF 30.47 per share. The aggregate proceeds from the sale of these shares were CHF 779,423. Therefore the number of shares held in treasury by the Company increased from 595,512 shares at 1 January 2009 to 1,041,167 shares. Following the increase of the publicly traded share price to CHF 51.50 per share at the end of 2009, the cost of shares held in treasury at 31 December 2009 increased to CHF 46,279,048, the historical purchase price paid.

During the programmes no shares were sold by the Company other than the 25,580 shares sold pursuant to the exercise of stock options.

## 8. EXCEPTIONAL EXPENSES

In 2009, exceptional expenses consist primarily of the impairment of Goodwill (Note 6) for a total amount of CHF 4,383,483 and of the write-down of receivables due from Vidiom Systems Inc., for a total amount of CHF 5,162,160. In 2008, exceptional expenses consist primarily of losses incurred in connection with the cessation of the activities of Simple S.r.l. for a total amount of CHF 1,415,921.

## 9. TAXATION

In 2009 the Company had a net income of CHF 3,642,004. As net operating losses generated between 2005 and 2008 exceed this profit, the Company has no income tax charge. In 2008 the Company incurred losses and had no income tax charge.

## 10. AMOUNT DUE TO PENSION FUND

At 31 December 2009, there is no amount due to the employee pension fund (2008 - nil).

## 11. COMMITMENTS

At 31 December 2009, the Company has provided third party guarantees for a total amount of approximately CHF 59 million (2008 - CHF 99 million). These guarantees were mostly issued to banks lending money to the Company's subsidiaries for a total amount of credit lines of approximately CHF 151 million, of which approximately CHF 58 million were used by the Company's subsidiaries as of 31 December 2009.

In 2009 and 2008, the Company was committed, also on behalf of certain of its subsidiaries, to be party to a rental agreement with a related party for the premises of the Company and of those subsidiaries for an expected gross annual expense of approximately CHF 0.9 million.

## 12. CONTINGENT LIABILITIES

The Company is part of a group for VAT purposes with other affiliates of the Group in Switzerland. The Company is jointly and severally liable towards tax authorities for current and future VAT payable for the VAT group to which it belongs.

### 13. BOARD OF DIRECTORS AND MANAGEMENT COMPENSATION

In 2009, the compensation granted to members of the Board of Directors is summarised in the following table:

CHF	Andrew N. Rybicki	Philippe Geyres	Jean-Christophe Hocké	Thomas Steinmann	Total Directors
	Chairman*	Director	Director	Director	
Cash compensation					
Fees	-	36,400	24,500	34,900	95,800
Benefits in kind					
Social security	-	-	1,879	-	1,879
Share-based payments					
Stock options granted (Note 7)	-	-	21,927	32,890	54,817
<b>Total</b>	<b>-</b>	<b>36,400</b>	<b>48,306</b>	<b>67,790</b>	<b>152,496</b>

\* The Chairman was also member of Group Management during 2009. His 2009 compensation, as member of the Group Management, is included in the table summarising Group Management compensation

Python & Peter, the law firm employing Thomas Steinmann and Jean-Christophe Hocké, received in 2009 fees amounting in total to approximately CHF 165,300 for legal advisory services rendered to the Company and its subsidiaries.

Mr. Philippe Geyres received in 2009 fees amounting in total to approximately CHF 69,000 for various advisory services rendered to the Company and its subsidiaries.

In 2009, the compensation granted to the eight members of the Group Management is summarised in the following table:

CHF	Total Group Management	Of which highest: Andrew N. Rybicki President and CEO
Cash compensation		
Salaries	6,499,584	2,234,584
Benefits in kind		
Social security and insurance	257,841	1,206
Pension plan	259,902	40,200
Car and housing	211,803	-
Share-based payments		
Stock options granted (Note 7)	464,253	45,454
<b>Total</b>	<b>7,693,383</b>	<b>2,321,444</b>

No performance bonus was granted in 2009 to any member of the Board of Directors. Performance bonus for members of the Group Management, computed on an accrual basis, is included in the salaries. No compensation of any type was paid in 2009 to former members of the Board of Directors or of the Group Management. No compensation which is not customary in the market was paid in 2009 to persons who are close to members of the Board of Directors or of the Group Management. The related party of the rental agreement mentioned in Note 11 is a member of the Board of Directors and of the Group Management. Loans were granted to two members of the Group Management as explained in Note 4.

#### 14. SIGNIFICANT SHAREHOLDERS AND SHARE OWNERSHIP OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE GROUP MANAGEMENT

To the knowledge of the Board of Directors of the Company, only three groups of shareholders owns directly and indirectly more than 3% of the Company's shares. One group is composed of Mr. Andrew N. Rybicki and members of his family, who own 2,095,889 shares, or 33.9% of the total outstanding shares. The second is the Company, which owns 1,041,167 of its own shares, or 16.8% of the total outstanding shares. The last is Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich, which owns 205,500 shares, or 3.3% of the total outstanding shares.

To the knowledge of the Board of Directors of the Company, the total number of shares and stock options owned by each member of the Board of Directors and of the Group Management together with closely related persons at the end of 2009 is as follows:

	Shares	Stock Options
Andrew N. Rybicki, Chairman, President and CEO	2,095,889	20,730
Jean-Christophe Hocké, Director	1,000	10,000
Philippe Geyres, Director	1,000	-
Thomas Steinmann, Director	1,000	15,000
François Pogodalla, EVP, Deputy CEO	4,300	70,000
Alessandro Brenna, EVP, CFO	6,967	50,000
Krzysztof Kolbuszewski, EVP, CTO	117,665	10,000
William G. Luehrs, EVP, CAO	20,300	10,000
Tina Nyfors, EVP Corporate Development	-	5,000
Janusz C. Szajna, EVP Eastern Europe	53,000	11,000
Belinda Wong, EVP Finance	17,000	10,000

## REPORT OF THE STATUTORY AUDITOR



To the General Meeting of Advanced Digital Broadcast Holdings SA, Pregny-Chambésy

### Report on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Advanced Digital Broadcast Holdings SA, which comprise the balance sheet, income statement and notes presented on pages 97 to 110, for the year ended 31 December 2009.

#### *Board of Directors' Responsibility*

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

#### *Auditor's Responsibility*

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

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

#### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

### Report on Other Legal Requirements

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

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

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

DELOITTE SA

Peter Quigley  
*Licensed audit expert*  
*Auditor in charge*

Lesley Griffiths  
*Licensed audit expert*

Geneva, 6 April 2010

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**ADVANCED DIGITAL BROADCAST HOLDINGS SA**

Avenue de Tournay 7  
1292 Pregny-Chambésy  
Geneva  
Switzerland  
Tel. +41 22 592 8400

[www.adbholdings.com](http://www.adbholdings.com)