

# Vtation Wireless Technology AG

**2012 Q2 Conference Call**  
**August 13, 2012**



# VTION AT A GLANCE



- Offers products in three major product groups – wireless data terminals, mobile intelligent terminals and Android mobile applications
- Strong sales channels connections to all three of China's major telecom operators – China Telecom, China Unicom and China Mobile
- Experienced management team allows company to adapt quickly to market change
- Offices in Chinese mainland, Taiwan, Hong Kong, Germany
- Currently 236 employees



# PRODUCT GROUPS



## Vtion Product Groups

### Wireless data terminals



U2916  
HSPA+ Wireless Modem



E1916  
CDMA2000 EV-DO Rev. A Wireless Modem



TG1912  
TD-SCDMA/GSM Wireless Modem



V6  
HSPA Mobile Hotspot

### Wireless intelligent terminals



V7  
Tablet PC



C1  
E book



VT1  
PCtoTV

### Mobile applications



## Wireless Data Terminals

- Includes wireless data cards, wireless routers and wireless modules;
- Product lines cover China Telecom's CDMA 2000 EVDO 3G technology, China Unicom's WCDMA 3G technology and HSPA+ 3.5G technology, and China Mobile's TD-SCDMA 3G technology;

## Mobile Intelligent Terminals

- Includes the V7 and V10 tablet PC's, C1 E-Reader and PC to TV products;
- Further products expected in 2H 2012;

## Online Applications (Android)

- Run through Vtion's wholly-owned subsidiary, Vtion Anzhuo;
- Applications sold through own online store, telecom operators and device manufacturers;
- Currently offers 10,000 total apps through all sales channels combined.

Wireless Anywhere

# 2012 Q2 FINANCIAL RESULTS AT A GLANCE



		Q2			H1		
		2012	2011	+/-%	2012	2011	+/-%
Revenues	million €	19.34	19.37	0	37.19	31.98	16
Gross profit	million €	3.49	3.54	-1	7.11	6.12	16
Gross profit margin	%	18	18	0PP	19	19	0PP
EBITDA	million €	2.07	2.02	2	4.15	3.17	31
EBITDA margin	%	11	10	0PP	11	10	1PP
EBIT	million €	2.01	1.90	6	3.94	2.93	34
EBIT margin	%	10	10	1PP	11	9	1PP
Net profit	million €	0.58	1.75	-67	2.72	4.05	-33
Net profit margin	%	3	9	-6PP	7	13	-5PP
Earnings per share <sup>1)</sup>	€	0.04	0.11	-65	0.18	0.25	-29
Net Cash flow from operations	million €	-6.93	10.17	-168	-3.73	9.33	-140

# CASH POSITION CHANGES



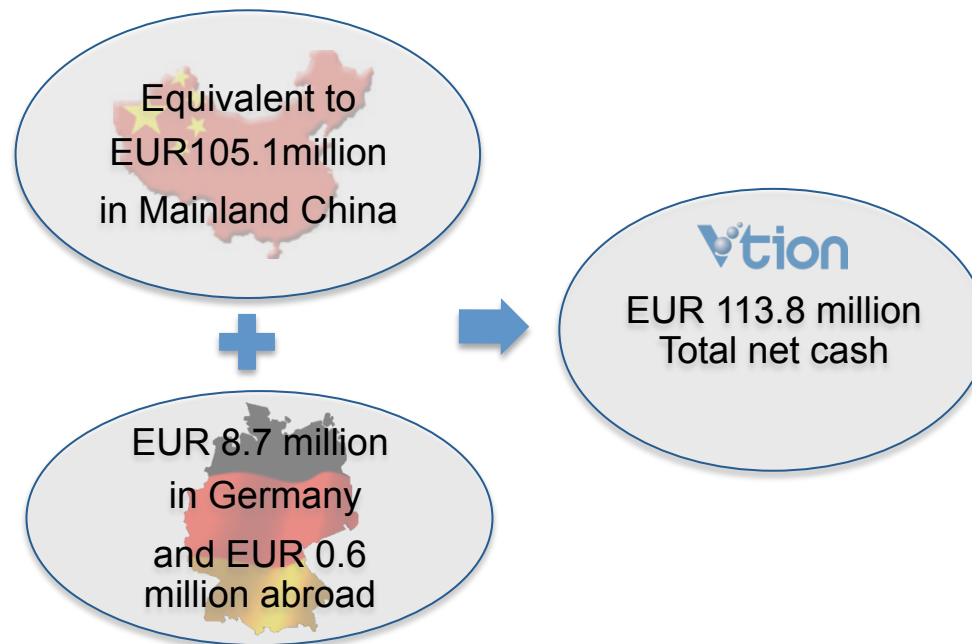
	H1 2012	H1 2011
	KEUR	KEUR
Operating cash flow before working capital changes	4,237	3,169
Cash generated from/(used in) operations	-2,910	9,579
Net cash generated from operating activities	-3,733	9,333
Cash flow used in investing activities	-5,075	-86
Cash flow from financing activities	-3,561	-4,396
<b>Net increase in cash and cash equivalents</b>	<b>-12,369</b>	<b>4,851</b>
Cash at beginning of year	124,516	<b>98,961</b>
Foreign exchange difference	1,682	-5,650
<b>Cash at end of the period</b>	<b>113,829</b>	<b>98,162</b>

Due to foreign exchange effects, Vtion's net cash position decreased from Euro 125 million as at 31 December 2011 to Euro 123 million as at 31 March 2012.

# CASH POSITION MAP



## Cash Position Map (as of June 30, 2012)



Of Vtion's **EUR 113.8 million** total net cash position, approximately **7.1% is located with the German holding company**, while the remainder is located with the Chinese operating entities.

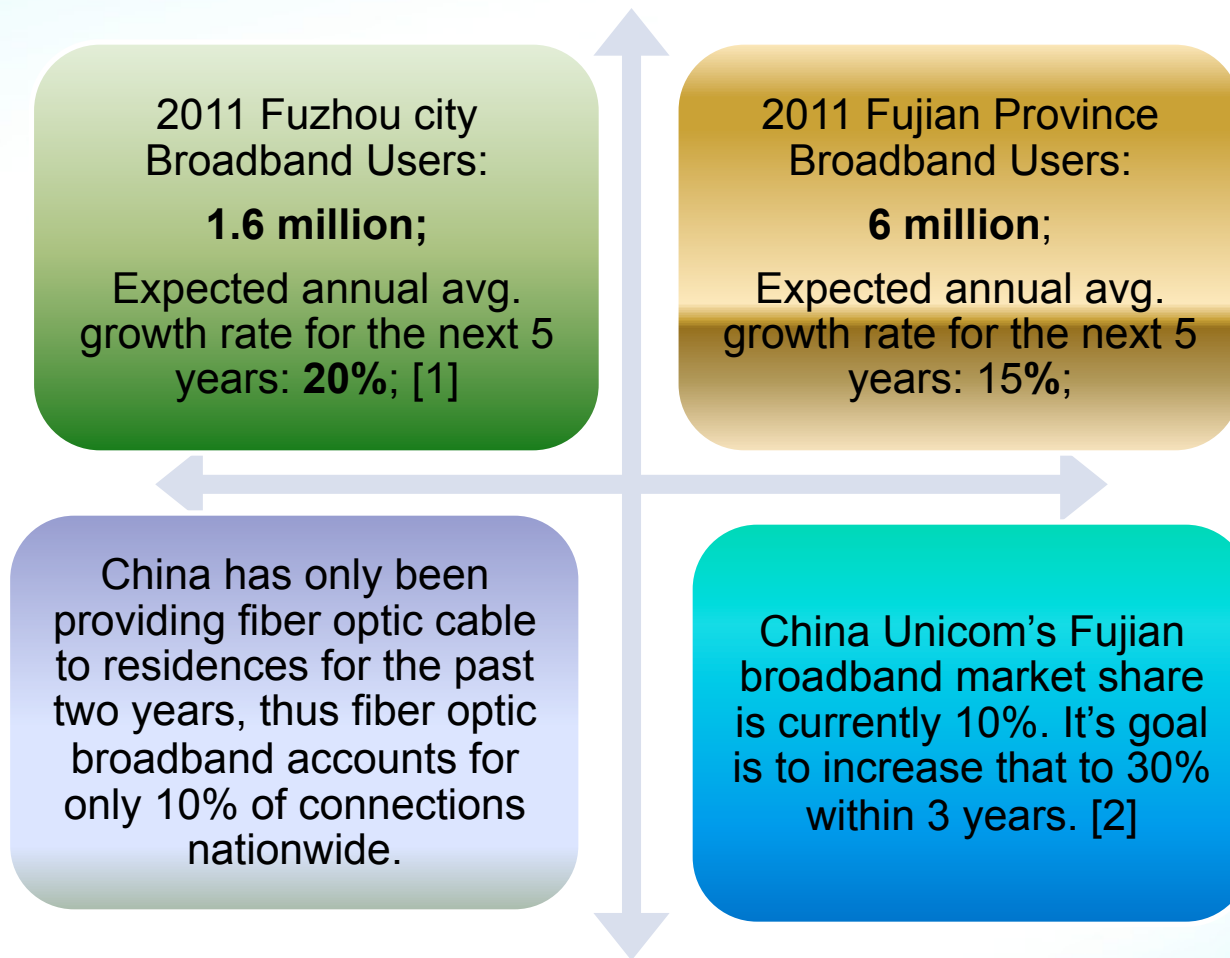


# USES FOR THE CASH POSITION



- Though Vtion has maintained a strong control on its working capital thus far, the company remains wary of working capital needs increasing due to a ramp-up in the sales and purchase volume of its hardware, and keeps cash on hand to meet such a need if it arises;
- Vtion has co-invested in a broadband network development project with China Unicom in Fujian Province. The company has allocated Euro 1.7 million for investment in 2012, a figure that will increase in following years;
- Vtion will continue to return cash to shareholders through dividend payments and share buyback programs;
- Vtion will look to apply its cash position in selective M&A opportunities as they arise, yet management remains confident in the company's ability to resume organic growth in 2012.

# Fujian Province Broadband Market



1: According to a market research report from Fujian China Unicom;

2: Dongguan China Unicom was able to move from a mkt. share of 9% to 30% Within 2 years.



# Operational Cooperation



## **Fujian China Unicom**

Provides user discount for joining network;  
Provides digital solutions and entertainment options;  
Provides value added-services;



## **Vtion Wireless**

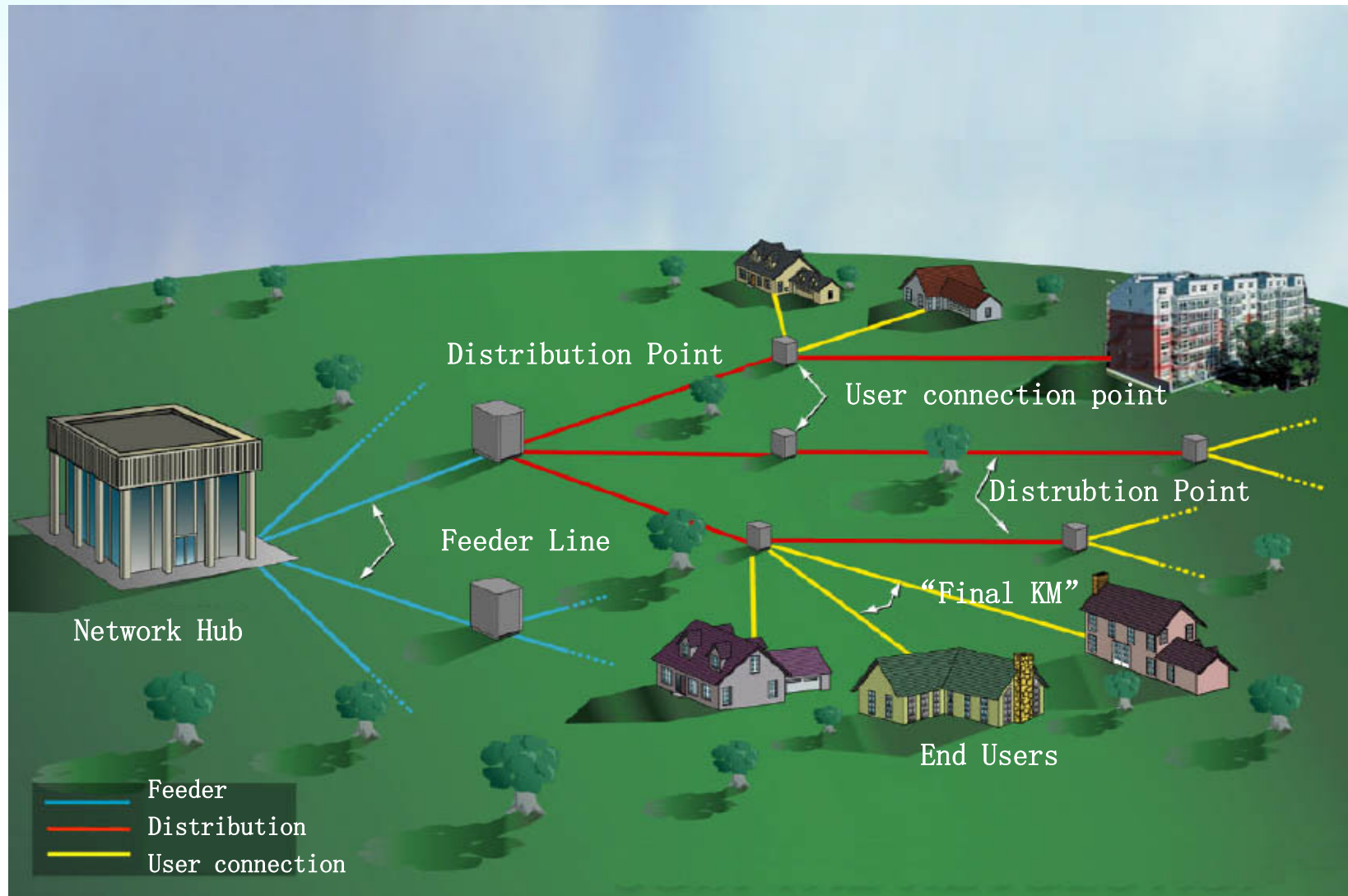
Responsible for network promotion and user development;  
Provides user support and technical support; Maintains network warranty;



## **Property Managers**

Responsible for residents' needs;  
Provides digitized lifestyle (needs help from Vtion and Unicom to do this)

# Fiber Optic Connection Model



## Connections and User Development Projections

Year	Connections Established	Users	Cost (EUR)
2012	20000	4000	1.2 million
2013	50000	18000	3 million
2014	80000	42000	4.8 million
2015	80000	63000	4.8 million
2016	90000	74000	5.4 million
2017		60000	
2018		27000	
Total	320000	288000	19.2 million

# 2012 OUTLOOK



## Guidance

- Vtion expects revenues for the year of Euro 80 million to Euro 100 million;
- EBIT margin is expected to remain stable (2011 EBIT margin 10.3%);
- Vtion expects pricing pressure in the wireless data terminal and mobile intelligent terminal business segments, which it intends to offset with continued new product roll-outs.

## Expected Business Development

- Revenues from the wireless data terminal segment are expected to stay relatively flat, possibly boosted slightly by expansion of 3.5G and possible 2H arrival of 4G technology;
- Tablet PC revenues are expected to show moderate growth in the consumer space and initial sales in the industry-specific area;
- Vtion's network development project with China Unicom will begin to contribute to revenue in 2013;
- Vtion Anzhuo is expected to make its first significant revenue contribution in the second half of 2012.

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