

KUDELSKI GROUP ANNUAL REPORT 2009

HIGHLIGHTS

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MIGRATION TO SERVICE MODE COMPLETED, ENSURING A MORE STABLE REVENUE BASE FOR THE GROUP

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MASSIVE DEPLOYMENTS ON DIGITAL TERRESTRIAL TELEVISION MARKETS

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SIGNIFICANT NEW CONTRACT WINS IN EMERGING MARKETS AND FOR NEW TECHNOLOGIES

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STRENGTHENED NAGRA PUBLIC ACCESS MARKET PRESENCE, PARTICULARLY IN THE AIRPORT SEGMENT

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SOLID 2009 RESULTS

Following the completion of the transition of selected large accounts to the service model in the first half 2009, the Kudelski Group delivered strong second half results, both in terms of top line and profitability. This robust second half resulted in a growing top line for the full year and a material improvement in profitability compared to the previous year. Total revenues including other operating income rose by 2.3% to reach CHF 1 060.8 million in 2009, in spite of the negative impact of the weakening EUR. At constant exchange rates, the Group achieved a 4.7% top line growth.

The operating margin before depreciation and amortization reached CHF 137.8 million and the operating income CHF 73.3 million for the full year (compared to CHF 18.5 million in 2008). The Group is reaping the economic benefit of large service card volumes and of a careful cost control resulting in a net decrease of operating expenses compared to the previous year.

The structural rebalancing of our location mix with a fast build-up of R&D operations of the Chinese sites delivered initial economic benefits in 2009. Overall, the Group generated a CHF 51.1 million net income, improving by CHF 58.1 million compared to the previous year. In 2009, the Group generated a strong cash flow from operating activities of CHF 135.2 million, representing an increase of CHF 142.6 million compared to 2008.

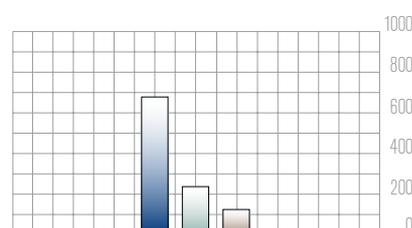
KEY FIGURES 2009

In million CHF	2009	2008	Change %
Revenues	1052.3	1 027.5	2.4%
Other operating income	8.4	9.5	-10.7%
Total Revenues & OOI	1060.8	1037.0	2.3%
OIBDA ¹⁾	137.8	92.2	49.5%
Operating income	73.3	18.5	296.5%
Net Income / (loss)	51.1	-7.0	

¹⁾ OIBDA: operating income before interest, taxes, depreciation and amortization

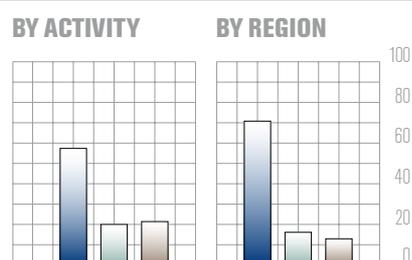
REVENUE BREAKDOWN BY SECTOR

In CHF '000	2009
Digital TV	685 035
Public Access	236 592
Middleware & advertising	130 716
Total	1 052 343



EMPLOYEE BREAKDOWN

Digital TV*	58%	Europe	71%
Middleware & Advertising	20%	Americas	16%
Public Access	22%	Asia & Oceania	13%
Total	100%	Total	100%



* Includes Nagra Audio employees (25)
Total employees at 31.12.2009: **2954**

GROUP PROFILE

DIGITAL TELEVISION

Digital television is the Kudelski Group's core business. The company is a world leader in this sector, with security and access control solutions providing an optimal level of protection throughout the content distribution chain, from creation to consumption. The Group's innovations are continuously contributing to the evolution of the digital television ecosystem, enabling operators to extend their multimedia offering in a proactive manner.

PUBLIC ACCESS

Public access solutions represent the Group's second main activity sector, also demonstrating the company's know-how in the field of security. Solutions developed for this sector target in particular operators of facilities, buildings, institutions and sites that require managing and controlling the access of people and vehicles.

AUDIO

Audio is the founding activity of the Kudelski Group which, more than half a century ago, gave birth to the Nagra brand, legendary for its professional recording equipment. This sector also includes a range of high-end Hi-Fi devices designed for music lovers in search of perfection.

DIGITAL TELEVISION



PUBLIC ACCESS



AUDIO



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 **DIGITAL TELEVISION**

 **PUBLIC ACCESS**

 **NAGRA AUDIO**

01

CHAIRMAN'S LETTER

KUDELSKI GROUP

2009 ANNUAL REPORT

In addition to further improving our financials, we completed a number of strategic projects that will have a significant medium- and long-term impact on the Group

Kudelski Group's business trends improved markedly in 2009. This outcome can be attributed to the success of the strategic initiatives that we began implementing at the end of 2007. For full-year 2009, the Group reported CHF 1.061 billion in total revenues and other operating income, CHF 73.3 million in operating income and CHF 51.1 million in net income.

In addition to further improving our financials, we completed a number of strategic projects that will have a significant medium- and long-term impact on the Group:

- We entered into a new 10-year agreement with DISH Network and EchoStar that redefines our relationship with our most important partner of the last 15 years. This new agreement lays the economic foundations for a relationship based on the service mode and offers opportunities for further collaboration in new areas of business.
- We successfully completed our public tender offer for the remaining shares in OpenTV, which will enable us to redefine our approach to interactive digital TV. This is an extremely dynamic sector, and the total alignment between our digital TV activities and OpenTV is fundamental to improving and accelerating our development programs in the area of interactivity.
- We set up an R&D center in Beijing in the second half of 2009. This is a key step in our strategic approach to emerging markets. In addition to our natural edge in terms of revenues and costs in these new markets, we now have a center for innovation right at the heart of this fast growing region.
- We restructured the management of our Digital Television Division in early 2009, significantly increasing this

team's bandwidth. This has led us to adopt a more proactive approach to sales and marketing as well as to new strategic initiatives.

Besides the strategic projects listed above, 2009 was a watershed year for Kudelski Group. Over the past twelve months, we were able to position ourselves optimally in anticipation of future challenges. More concretely, several powerful trends have emerged in the digital TV market, and we are poised to fully benefit from opportunities that arise, thanks to the following factors:

- Strengthened partnerships with our main clients: Historically, Kudelski Group served the needs of digital TV operators. Today, we are positioned as an active and privileged partner of these operators - our clients. The changeover to service mode further aligned the strategic interests of the Group with those of its main clients, and this has led to several innovations. Furthermore, our massive investments in R&D have equipped us with the innovative firepower we need to develop new, high value-added services for the benefit of operators. The numerous launches that we announced in recent months, including TV widgets, CI+ modules and set-top boxes with geo-control technology, are just a few examples of such initiatives.
- Opportunities in emerging markets: Emerging-market countries will undeniably be one of the main growth drivers of the global economy in the coming years. The Kudelski Group focused its investments on developing marketing and technological solutions specifically for these markets. Concretely, we experienced strong growth in Asia and Latin America, thanks to our targeted approaches that were tailored to the economic reality of these regions.

- New solutions: Innovation is another growth vector at the Kudelski Group. In addition to our traditional digital TV technologies, we invested massively in new technologies and new solutions. Examples include digital terrestrial TV (DTT), web-based TV, mobile TV, conditional access modules (CAMs), widgets, and display cards. Other technologies are also set to emerge from our pipeline. All these innovations meet new needs that are tied to or that modify consumer lifestyles.

One of our principal challenges lies in striking a balance between short-term profitability on one hand and sustainable margins and growth on the other. Although it was a difficult process, the transformation we made to our business model over the past two years has left us stronger than ever and prepared for the future. We have a foundation of stable, recurring revenues that reflect high value-added; an excellent position in emerging markets; and the innovative drive to ensure future growth in high value-added segments.

Alongside the renewed momentum in our Digital Television Division, we continued to achieve volume growth in the Public Access Division. Despite this market's sensitivity to the economic cycle, this business line proved resilient. It is particularly well positioned for the future economic recovery, in large part because it continued to invest and innovate during this difficult period.

The Kudelski Group's 2009 results and positive outlook for 2010 and further out confirm its growth potential over the medium and long term. At the Kudelski SA shareholders' meeting, the Board of Directors will therefore propose a dividend of CHF 0.30 per bearer share and CHF 0.03 per registered share.

On behalf of the Board of Directors, I would like to thank our clients, our teams and you, our shareholders, for trusting in us. It is because of this trust that we were able to transform our business model over the past two years and begin to reap the rewards of our renewed impetus.

ANDRÉ KUDELSKI

ANDRÉ KUDELSKI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE KUDELSKI GROUP





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KUDELSKI GROUP
2009 ANNUAL REPORT



02

FINANCIAL REVIEW

KUDELSKI GROUP

2009 ANNUAL REPORT

**The Group continues
to benefit from a healthy
pipeline of innovation
with selected product
lines**

Following the completion of the transition of selected large accounts to the service model in the first half 2009, the Kudelski Group delivered strong second half results, both in terms of top line and profitability. This robust second half resulted in a growing top line for the full year and a material improvement in profitability compared to the previous year.

Total revenues including other operating income rose by 2.3% to reach CHF 1060.8 million in 2009, in spite of the negative impact of the weakening EUR. At constant exchange rates, the Group achieved a 4.7% top line growth. While the established North American and European markets were remarkably resilient in spite of the challenging economic environment, emerging markets, including Asia, Latin America and Africa generated a solid growth across all Group segments.

2009: STRONG MOMENTUM AND POSITIVE OUTLOOK

Solid 2009 Group results

Profitability recovered in the second half, resulting in an operating margin before depreciation and amortization of CHF 137.8 million and an operating income of CHF 73.3 million for the full year. In the second half 2009, the Group delivered a best ever operating margin before depreciation and amortization of CHF 102.2 million, reaping the economic benefit of large service card volumes and of a careful cost control resulting in a net decrease of operating expenses compared to the previous year.

2009 net Group revenues rose by 2.4% to CHF 1052.3 million. At constant exchange rates, this translates into a 4.7% growth rate.

The "Margin after cost of material" (a pro forma non-IFRS item) grew by CHF 42.8 million to CHF 739.3 million. Relative to total revenues, this translates into a 2.5 percentage points increase from 2008 to 69.7% in 2009. The accounting treatment of the EchoStar card replacement, whereby the Group fully expenses the cost of cards upon delivery affected both 2008 and – to a lesser extent – 2009 margin. Net of such effect, the margin after cost of material exceeded 70% both in 2008 and 2009.

Personnel expenses rose by CHF 14.7 million from 2008, representing a 4.1% increase, to reach CHF 373.8 million. Average costs per headcount declined in 2009 as a result of the accelerated build up of the Group Chinese operations. At the end of 2009, the Group's headcount in China was at 257 units.

Compared to the previous year, other operating expenses declined by CHF 17.5 million. CHF 28 million one-off costs for card replacements at three operators were included in the 2008 accounts. Net of such one-off costs, the Group other operating expenses rose by CHF 10.5 million, mainly driven by higher R&D costs. Total R&D costs for the year grew by CHF 15.2 million to reach CHF 236.7 million, representing 22.5% of revenues.

The Group consolidated operating income before depreciation and amortization amounts to CHF 137.8 million, representing a CHF 45.7 million increase from the previous year. Depreciation, amortization and impairments were CHF 9.1 million lower than in 2008, mainly due to a CHF 6.8 million reduction of impairments. This resulted in a CHF 73.3 million operating income for the full year, compared to CHF 18.5 million in 2008.

Interest expenses of CHF 14.4 million include interest costs for the outstanding convertible bond. CHF 9.4 million income tax expenses reflect the Group's optimized tax structure. Overall, the Group generated a CHF 51.1 million net income for the full year, improving by CHF 58.1 million compared to the previous year's CHF 7 million loss.

Sustained positive momentum for Digital TV

2008 results were affected by the delivery of 25 million replacement cards to customers moving to the service model. In the first half 2009, the Group delivered further 6 million such cards, completing the transition to the service model. The base effect of the 2008 transition, including in particular the recognition of the smartcard delivery fees and of their full costs upon card delivery resulted in a material improvement of Digital TV segment profitability and in a lower reported growth in 2009.

Digital TV segment revenues for the full year rose by 3.6%, or 5.9% at constant currency rates, to reach CHF 685 million. Digital TV sales in the second half were particularly strong growing by 27.3% compared to the first half. The aforementioned base effect from the EchoStar revenue recognition affects the comparability of the 2008 and 2009 Digital TV revenue lines. As an indicator of the Digital TV segment structural growth, the compounded growth rate between 2007 and 2009 was 9.3%, respectively 15.8% at constant exchange rates.

The European Digital TV business was highly resilient in 2009, generating CHF 375 million revenues, an increase of 2.8% from 2008 at constant rates. This follows a strong 2008 in which revenues grew by 24.8% in local currency. Europe performed remarkably well in the second half, with a 23.2% revenue increase compared to the first half. Among the key contributors to European results, digital terrestrial operators played once again a striking role. In addition to the continued development of Mediaset, the newly launched Abertis platform in Spain generated the largest revenue increase of all Digital TV customers.

Digital TV's American business maintained its momentum in 2009, with

the ongoing extension of the base of customers generating material business for the Group. In addition to the longstanding North American satellite operators DISH Network and Bell, the Group Digital TV customer base includes an increasing number of growing Latin American operators such as Embratel, Net, OiTV, Telefonica and TV Azteca materially contributing to the Digital TV segment top line.

The quality of North American revenues improved year-on-year as well as in the second half 2009 compared to the first half, due to the EchoStar sales mix moving from low-margin card delivery fees from swap cards to higher margin service fees.

Finally, Asian Digital TV sales accelerated in the second half with an increase of over 50% compared to the first half, resulting in 10.6% year-on-year growth. The recent decision of SkyLife, one of the leading Asian satellite operators, to replace its legacy conditional access with a Kudelski Group solution further underlines Digital TV's successful expansion in Asia.

Digital TV operating income for the year rose from CHF 7.3 million in 2008 to CHF 67.5 million in 2009, following the completion of the transition to the service model in the first half 2009.

Strong fundamental Digital TV market drivers

Fundamentals in the Digital TV industry remain robust amid expectations for continued growth due to the ongoing digitization of transmission networks. Both in industrialized countries and in emerging markets, the Group continues to see a sustained extension of digital networks. In industrialized countries, cable network upgrades, analog switch-off of terrestrial broadcasting networks but also the emergence of hybrid, multi-

network solutions and mass digital offerings on satellite continue to materially expand the Group's addressable market. In emerging markets, the launch of new operators and the broadening share of the population with enough purchasing power to afford paid broadcasting content are setting the stage for a growth momentum that is likely to sustain the Group's growth for several years.

Moreover, the Group continues to benefit from a healthy pipeline of innovation with selected product lines, such as in particular common interface modules and mobile TV content protection solutions already materially contributing to the 2009 top line and others, such as Abilis semiconductor business, Nagrad one-time password display cards and Nagravisio widget creation and publishing platform expected to materially contribute to the segment top line starting this year (2010).

Resilience of Public Access

Adverse factors related to the lingering effects of the market downturn have affected Public Access target market. In such challenging environment, Public Access has shown a strong resilience, managing to maintain and even slightly increase its constant currency top line. The 2.2% revenue increase at constant exchange rate was driven by highly resilient European sales, up 3.6% in constant currency and Asia Pacific and African sales generating a 0.9% constant currency increase. This region benefited from a strong second half 2009, with revenues three times higher than in the first half, with the World Cup in South Africa among the factors contributing to this growth.

Public Access posted an operating income of CHF 16.8 million in 2009, representing an operating margin of 7.1%. Efficiency gains through operating improvements and careful cost contain-

ment initiatives enabled Public Access to maintain a robust profitability in a difficult market environment.

Stability of Middleware and Advertising

The Middleware and Advertising segment mainly consists of OpenTV. OpenTV managed to deliver a growing top line thanks to a strong aggregate performance of the Asia/Pacific and Africa regions. Overall aggregate revenues for these two regions amounted to CHF 50.4 million in 2009, rising by 20.6% in local currency compared to the previous year. Due to their continued top performance, these two regions now represent the top revenue contributor for this segment. The performance of the Asia/Pacific and Africa regions more than offset declining American and European revenues.

Middleware and Advertising operating income rose by CHF 0.3 million to reach CHF 10.5 million in 2009.

Completing the full OpenTV acquisition

On November 27, 2009, Kudelski announced the closing of its tender offer to acquire the OpenTV shares not already owned. With the acquisition of the tendered shares, Kudelski increased its interest stake to 88.5% and its stake of voting rights to 96.1%. On February 24, 2010, OpenTV announced that it is redeeming all of its outstanding shares not yet owned by Kudelski. As a result, Kudelski expects to be able to complete a redemption of the remaining minority interests in March 2010 and subsequently delist OpenTV.

The full acquisition of OpenTV will facilitate the alignment of the middleware roadmaps with the overall Group technology roadmap, resulting in more compelling solutions for customers. Following the completion of the transaction, Kudelski will drive a much closer integration of the Nagravisio and

OpenTV organizations and roadmaps. Nevertheless, Kudelski will maintain its modular approach allowing customers to implement selected components of its portfolio in conjunction with best-of-breed third-party products or to roll-out the full Group solution suite. Kudelski expects to increase R&D investments in the middleware domain to accelerate the upgrade of OpenTV product portfolio.

Balance Sheet and Cash Flow

Financial assets and other non-current assets rose by CHF 33.8 million in the 2009 balance sheet compared to 2008. Upon signing of a new 10-year agreement in December 2009, the Group awarded a monetary consideration to EchoStar and netted out such consideration against receivables. As a result, the deferred contract cost balance sheet item rose by CHF 50.3 million. Moreover, financial assets and other non-current assets include a cash equivalent of CHF 10.2 million invested in fixed income instruments.

As no material expenditures for the replacement of smart cards in service mode took place in 2009, tangible fixed assets decreased by CHF 19.7 million from the end of 2008.

The Group reduced inventories by CHF 15.1 million, as inventories at the end of 2008 included EchoStar swap out cards delivered in early 2009. Further, the Group decreased account receivable by CHF 61.9 million and reduced the aggregate overdue amount by CHF 98.5 million compared to 2008.

Other current assets rose by CHF 31.8 million, mainly due to the transfer of a CHF 26.5 million loan to Ticketcorner from long-term to current assets. The Group expects that this loan will be reimbursed in the first quarter 2010, as Kudelski sold its 28% stake in the company in February 2010.

Cash and cash equivalents decreased by CHF 37.7 million in 2009 to reach CHF 210.1 million at the end of the year. However, available for sale marketable securities rose by CHF 38.3 million over the same time period. Hence, the aggregate cash, cash equivalents and available for sale marketable securities increased by CHF 0.6 million over the year.

Total non-current liabilities rose by CHF 25.1 million and total current liabilities by CHF 35.7 million mainly due to bank loans for the financing of the OpenTV acquisition.

In 2009, the Group generated a strong cash flow from operating activities of CHF 135.2 million, representing an increase of CHF 142.6 million compared to 2008. The Group used CHF 224.2 million of cash for investing activities. This amount includes CHF 132.2 million of cash outflow for acquisitions (mainly OpenTV) and net investments in financial assets of CHF 41.5 million. Net of these two items, Group capital expenditures amounted to CHF 50.5 million.

Outlook – Strong 2010

In 2010, the Digital TV segment will fully benefit from the migration to the service model. The core digital TV business is expected to maintain the growth momentum of the last years. Moreover, top line contribution from new product lines will further support the Group growth. The profitability improvement trend is expected to continue into 2010, with full year operating margin further improving compared to the second half 2009.

The late cycle nature of the Public Access business leads the Group to a conservative outlook for 2010. The Group targets a top line and an operating margin roughly in line with 2009.

Finally, OpenTV will be fully integrated in 2010. Integration costs together with additional R&D investments aimed at accelerating the deployment of next generation middleware solutions are likely to depress profitability. Nonetheless, the Group expects a positive 2010 operating margin from this segment.



NEW YORK

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KUDELSKI GROUP
2009 ANNUAL REPORT



Travel Wizard



Africa
2 videos



Alaska
4 videos



Asia
5 videos

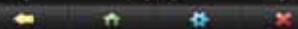


Australia
2 videos



Canada
4 videos

1 of 5



03

STRATEGIC OVERVIEW

KUDELSKI GROUP

2009 ANNUAL REPORT

We develop global, universally compatible solutions to manage, organize, enhance, market and secure digital content

With growing interconnectivity between digital systems, the stuff of dreams has now become our everyday reality. We can exchange content between televisions, computers, mobile telephones and other handheld devices regardless of the network technology: satellite, terrestrial, cable, internet, or mobile. This media cross-fertilization is a synergistic process that ultimately gives rise to new types of consumption – and new types of business for the Kudelski Group.

ADAPTING TO THE EVOLVING MARKET

The Kudelski Group has grown very quickly over the past twenty years with revenues rising from several million Swiss francs to over one billion. And the trend continues.

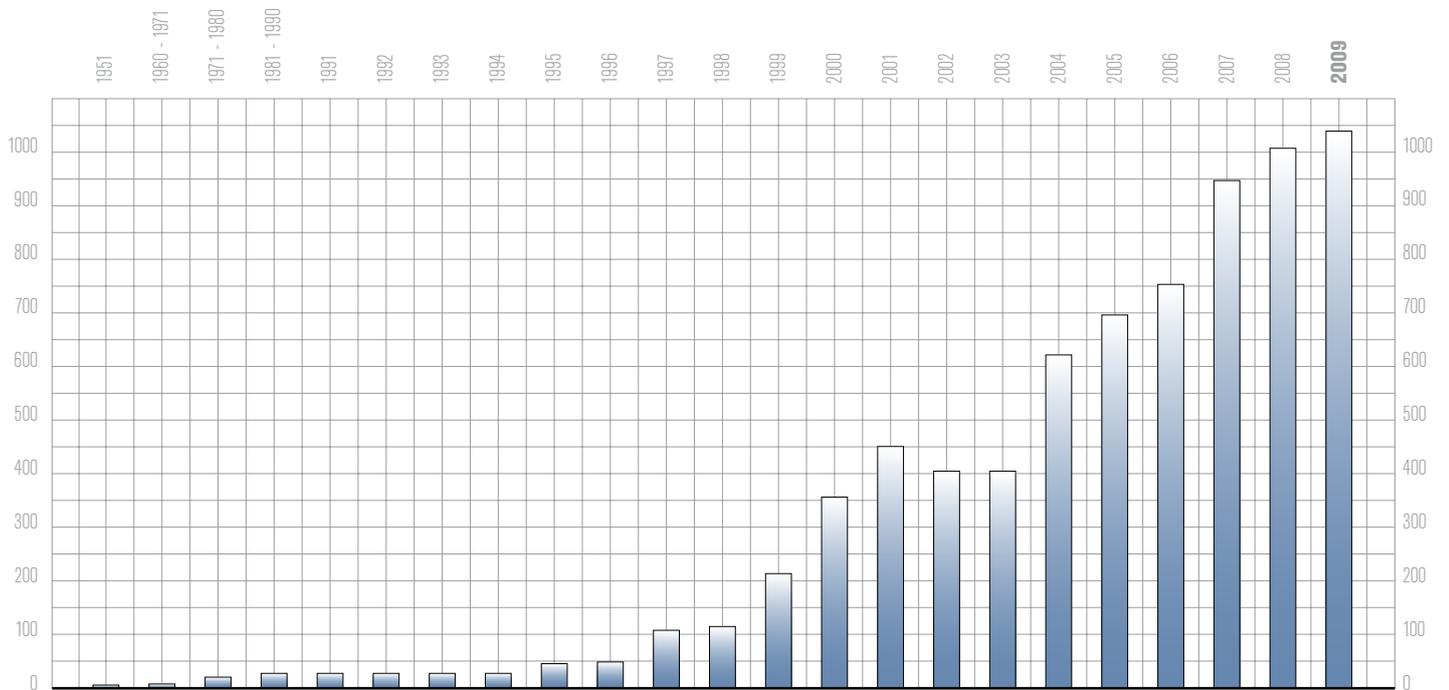
Our core business has evolved significantly, and our skills set is now much broader. In the beginning, our Television business consisted essentially of designing systems for pay-TV operators so that they could control subscriber access to programs that were broadcast linearly. We now develop global, universally compatible solutions to manage, organize, enhance, market and secure digital content, regardless of whether it is transmitted over one or more networks, or whether it is broadcast linearly or on-demand. Not only have we expanded our expertise to cover the entire digital TV ecosystem, but our client base has also diversified. Our solutions attract traditional broadcast operators as well as newcomers, including internet and telecom operators.

The Kudelski Group's role on the market has undergone profound change. We remain a source of technological expertise, but we have also become a proactive partner concerned primarily with boosting our clients' revenues. Seen from this angle, our technological expertise and flair for innovation represent a real growth engine for the industry as a whole.

These changes have driven significant growth in the Group's business volumes and a steady rise in market share.

KUDELSKI GROUP REVENUE GROWTH

Total in CHF '000 000



2004-2009 figures are based on IFRS financial statements; 1997-2003 figures are based on Swiss GAAP FER; 1996 and previous years are based on the Swiss Code of Obligations

DIGITAL TV**Key strategic decisions**

Kudelski Group was quick to recognize the revolution that would be sparked by digital convergence. We prepared for this by adopting a medium- and long-term strategy. Our approach is built on a firm foundation that reflects the time and patience that went into laying it.

1. Leadership

When we entered digital TV, we quickly became a leading player in the segment. We understood that this position was fundamental in an industry just beginning to expand – the cards were being re-dealt, and we intended to get the best hand possible. We were positioned to take advantage of new opportunities and to help define the industry's future through our technological and marketing innovations.

Our leadership also guided us in our strategic decisions at the operational level, in terms of product development, organization, management, growth and investment strategy, as well as industrial, human and financial resources.

2. Solutions for the entire ecosystem

Digital convergence implies increasing complexity and new infrastructures, which in turn generate new needs among operators. Chief among these is the need for partners that can develop global technological solutions that are easy to deploy and operate.

For years, our growth strategy has been built around this concept. We offer integrated end-to-end solutions that meet the entire range of needs in the digital TV ecosystem: security, content management, applications and interactivity. We develop turnkey platforms, which enable operators

to provide their subscribers with the best of today's technology for maximum value.

3. Open-architecture, convergence-ready solutions

Our platforms all have an open architecture, meaning that they can integrate with technologies developed by other suppliers. This is part of our core philosophy.

This approach paid off early on with traditional digital TV, as it gave operators greater latitude in designing and implementing their infrastructures. It has now given us a major strategic edge in the world of digital convergence, where interoperability among highly diverse technologies is required to achieve multi-content and multi-network platforms.

The open architecture of our solutions was critical in the field of mobile TV, for example, where we were a true forerunner. It enabled us to transfer our expertise and solutions to this new environment with reduced costs and time-to-market and to become the global leader in this sector.

4. Major investments in innovation

One of the fundamental values of the Kudelski Group is innovation. Innovation means developing new technology as well as new business models. We commit significant resources to this effort and have spent more than one billion Swiss francs on research and development over the past five years. This policy is constantly proving its value. The Group's competitive position is reinforced year after year by an ever-expanding range of solutions and services that are often considered benchmarks by the market for their quality and state-of-the-art technology.

Innovation means developing new technology as well as new business models. We commit significant resources to this effort and have spent more than one billion Swiss francs on research and development over the past five years

Innovation also forms the backbone of the Group's approach to security solutions. This is important because, in addition to new opportunities, convergence creates new threats. By building bridges between families of digital products, convergence opens up new routes of attack at a time when piracy is becoming ever more sophisticated. Kudelski Group's latest generation of security solutions takes into account the problems arising from this phenomenon. It introduces differentiated hardware- and software-based security mechanisms that can be adapted to specific types of use and types of device. Many specialists consider these to be the most robust security solutions ever developed.

In 2009, we opened an R&D center in Beijing. We are expanding our ability to innovate so that we can respond as effectively as possible to expectations in emerging-market countries in general – and China in particular. This new research center will help us keep up with these fast-growing markets.

5. Business model based on converging interests

In 2009, we completed a gradual, multiple-year changeover from sale to service mode for our main clients. This new business model is one of the most ambitious strategic developments we have ever undertaken. With the service mode, operators pay a monthly or annual fee to use one of our global solutions. The fee is based on the number of smartcards or modules used by the operators'

subscribers. Our clients also benefit from our long-term technical support and system upgrades.

The service mode offers a number of advantages to the Group. First, it makes us less dependent on the process of selling new systems. The fee system generates steady, stable revenues that are less affected by economic changes. It also allows us to optimize exchange rate management.

The transition to the service mode lasted several years, during which the significant investment required and the short-term impact on our top line temporarily weighed on our financials. The new business model is now starting to pay off, however, with improved profitability. It has also redefined our relationship with operators: our interests now dovetail with theirs, and this has set in motion a positive dynamic and strengthened our relationships with clients.

6. Worldwide presence

The Kudelski Group played a pioneering role in the development of the first digital pay-TV markets. Thanks to the expertise we built up and the privileged market position we occupied, we kept pace with this technology and established a strong position in emerging markets.

The Group is well established in the major western European countries and North America, where the markets are seeking higher value-added solutions. As the digital TV sector has expanded, we have achieved

some major successes in the other economic regions. This includes Asia – especially China – along with Eastern Europe and Latin America. All these markets, some of which are among the most populous countries in the world, represent major growth potential for the Kudelski Group. In addition, the technological advances that we regularly roll out are often most appreciated by those who are new to digital TV.

A new frontier: digital television 2.0

Web 2.0 refers to the second generation of the internet, which is characterized by an increasing focus on social networks and on applications that allow users to personalize their virtual environment. Likewise, experts in the digital TV sector talk about TV 2.0, which refers to the new era that television is preparing to enter.

New televisions come with an internet connection that enables operators to launch a range of innovative services that combine the advantages of the web with those of television, all in the comfort of the home.

User behavior and content consumption are about to be revolutionized as TVs integrate web-based content, micro applications called widgets, social networks, and a myriad of features allowing users to customize their viewing experience. In anticipation of these trends, Kudelski Group launched a widget platform in 2009 that has already been implemented by some operators.

Radical change is coming to the television advertising industry as well. As is

true on the internet, advertisements are taking the form of increasingly personalized messages that are more interactive and more tailored to such variables as context, behavior and social-regional profiles. Another advantage of this type of advertising is that it is easier to measure its effectiveness. These imminent changes could not be more timely for operators, whose advertising revenues are being eroded by the internet. The economic stakes are therefore enormous.

A new frontier is opening up for digital TV, and new opportunities are emerging. The Kudelski Group has positioned itself to meet operators' current and future needs and to help them take full advantage of these highly promising developments.

The centralized management of a network of sites is one of the many service-oriented activities that the Public Access division has developed for its clients

PUBLIC ACCESS

The Kudelski Group's second mainstay

Security technology developed by the Kudelski Group goes beyond digital television to include applications that control the access of both people and vehicles to facilities and sites. These activities, which are grouped in the holding company Nagra Public Access, account for some 22% of the Group's revenues.

Nagra Public Access designs both hardware- and software-based solutions to globally manage access to ski lifts, parking lots, stadiums, amusement parks and sites such as hospitals, business premises and university campuses.

Our strategic approach to this segment is similar to our approach in Digital TV. The primary growth vectors in Public Access are:

1. Value-added through innovation and service

Millions of people around the world file through Nagra Public Access control systems with a maximum of ease and comfort. These systems are built around some of the most advanced technologies.

Nagra Public Access invented hands-free ski passes which enable skiers to spend less time queuing and more time skiing, thanks to the use of a contactless smartcard. This solution is based on RFID technology and is found in many applications.

Further developments have led to innovative solutions integrating multi-media and multi-network technologies.

Instead of using a smartcard, for example, people can use their mobile phone to get past a security point, to reload a ski or parking pass, or to pay and gain access to specific services. All these payment and reservation options can also be carried out via the internet.

These innovations contribute to the growth of Nagra Public Access and help drive the industry forward. Their strategic importance is undeniable, as they constantly improve consumers' day-to-day experiences and enable operators to manage and market their services more effectively.

To take advantage of new market trends, Nagra Public Access has broadened its scope in recent years. The division has honed its expertise in major multi-site systems that are managed centrally – such as parking lots at airports, or networked ski resorts within a region. The centralized management of a network of sites is one of the many service-oriented activities that this division has developed for its clients. In addition, services in the areas of consulting, project management and training are becoming increasingly vital, as the ability of operators to increase their revenues depends directly on their capacity to harness new technologies.

2. A unified and modular platform for all new products

With digital convergence, the eco-system of physical access solutions is much broader and more diversified than in the past. Interdependence within the sector has intensified, which gives rise to the need to integrate diverse technologies into one platform. Nagra Public Access has therefore focused on developing a unified platform offering the versatility and openness needed to configure all kinds of evolving, customized systems, from the simplest to the most complex. The shared-platform concept simplifies product development, accelerates the time-to-market and makes it possible to centrally manage combined applications (such as skiing and parking).

3. Expanding globally

In addition to growing on its core markets, Nagra Public Access actively seeks to expand its footprint around the world. Through these efforts, the division is building its business more and more rapidly outside of Europe, with a particular focus on high potential emerging-market countries in South America and Central Asia. The division was active in Africa as well, with major systems installed in South Africa and Angola in 2009.

By constantly expanding its footprint, this division has diversified its revenue streams, reducing exposure to one-off fluctuations that can happen in a given economic region.

NAGRA AUDIO

Audio is the Kudelski Group's historical business line. Although it currently makes a modest contribution to the Group's revenues, this activity represents the foundation of Nagra's brand identity.

Nagra professional recorders, which were invented in 1951, have always been at the forefront of the industry. The latest generation of products carries on the tradition of excellence and boasts the most recent advances in multimedia communication. They are designed to fit seamlessly into an image/sound production chain that is increasingly geared towards software-based editing.

Nagra recorders are unmatched in terms of performance and the ability to do the most specialized tasks while maintaining an extremely high degree of sound integrity. The current product range meets specific needs in such areas as media, cinema, recording studios and security applications. Some models designed for discreet use, for example, come in a case the size of a credit card.

Since 1995, Nagra Audio has expanded its product line to include high-end Hi-Fi equipment for audiophiles. This diversification has proven shrewd, as this business now generates around half of the Audio division's revenues. New products are added to the Hi-Fi catalog every year and are often enthusiastically greeted by the market. The division's intensified marketing and distribution initiatives should contribute to the positive evolution of the division in the coming years.



Breaking News

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1 min ago

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1 of 2



BEIJING AIRPORT

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KUDELSKI GROUP
2009 ANNUAL REPORT



04

DIGITAL TELEVISION

KUDELSKI GROUP

2009 ANNUAL REPORT

With the emergence of new piracy threats generated by the internet, Nagravision further improved its content protection technologies in order to bring new security solutions to the pay-TV market

2009 was a very good year for our Digital Television Division. We secured new contracts, strengthened our presence in markets throughout the world, deployed conditional access, mobile television and widget solutions on a large scale, and made several acquisitions. Operators adopted and launched our new solutions, and we received awards for our innovations. These achievements testify to the growing momentum of our Digital Television Division as well as to the drive and motivation of our teams, partners and clients to always stay one step ahead.

STRENGTHENING OUR MARKET PRESENCE

In 2009, we developed our business and further strengthened our market presence around the world.

In Europe, we secured a number of new contracts, particularly in the digital terrestrial television sector. See below for further details.

In North America, Nagravision and NagraStar L.L.C. signed a new ten-year agreement with DISH Network, one of our major clients on that continent, at the end of 2009. This new agreement ranks among our main achievements in recent months. It aligns DISH Network's and Nagravision's interests to optimize the resilience of DISH Network's security solutions, including the deployment of next generation security smart cards in addition to a broader scope of signal protection covering traditional and emerging piracy threats. DISH Network recently completed a migration of its more than 14 million subscribers (as of Dec. 10, 2009) to Nagravision's new-generation security technology.

We also grew our business in South America where new agreements were signed. These include in particular DISH Mexico and Hi-tv in Mexico (NAGRA Media ACCESS and NAGRA Media TNT respectively), Oi Brazil (NAGRA Media DTH) and Embratel (NAGRA Media ACCESS) in Brazil, American Movil (NAGRA Media ACCESS) in Panama, Clara Puerto Rico DTH (NAGRA Media TNT) in Puerto Rico and Cable Magico Perú (Livewire OS) in Peru.

At the beginning of 2010, Nagravision also announced the signature of a contract with Rede Globo, the Brazilian television network, in view of an innovative project that includes the digital television industry's first geo-control technology. This ground-breaking solution is based

on a NAGRA Media ACCESS conditional access system. It enables local HD and SD content to be received from a satellite broadcasting infrastructure.

In Asia, Vietnam Satellite Digital Television (VSTV), a joint venture between Canal+ Group and Vietnam Cable Television, selected Nagravision as its sole provider of conditional access technology. The Taiwan-based operator China Network Systems Co., Ltd (CNS) selected Nagravision's latest-generation conditional access system for the launch of premium and HD services. CNS is one of the leading triple-play operators in Taiwan and offers a full range of broadband internet and telephone services. Nagravision has a solid presence in Taiwan, where most operators use its systems.

R&D center opened in Beijing

In order to better serve the needs of our customers on the Chinese market, we opened an office and a research and development center in Beijing in November 2009.

The Kudelski Group has been present in China since 1999. Nagravision's solutions are currently being used by some of China's leading digital television operators including Beijing Gehua Cable TV Network (BGCTV), Chinese Suzhou Digital Television Company, Oriental Cable Network (OCN), and CBC, the mobile operator of CMMB (previously China Satellite Mobile – CSM).

In 2008, Nagravision was selected as the conditional access provider for the nationwide mobile TV CMMB service, which was launched for the Beijing Olympics. This represented a further important step in the Group's sustainable development on this market.

The creation of a new digital TV R&D



Premises of the Kudelski Group's R&D center in Beijing



Mr Du Bai Chuan, Chief Engineer SARFT, and Mr André Kudelski, President & CEO of the Kudelski Group, at the opening of the R&D center in Beijing



Interactive advertising enabled by the OpenTV middleware platform

center and office in Beijing demonstrates the Kudelski Group's firm belief that the Chinese market has a strong growth potential for its core digital TV activities. The new center already employs around one hundred digital TV experts spread across research and development, sales and services, and integration services.

OpenTV is also firmly established in China. The Beijing structure was set up in 1999 and now employs more than 150 specialists.

ENHANCING OUR EXPERTISE TO GROW OUR BUSINESS

In addition to organic growth, the Group continued to develop through acquisitions. These provided the Group with additional expertise in strategic areas such as content protection and new web 2.0 solutions. They also enabled the Group to better control the evolution of its global digital TV offering.

OpenTV: an important link in our global offering

In order to have a better control of the strategic development of its middleware and interactive advertising offering, the Group launched in October 2009 a public tender offer in view of the acquisition of all outstanding class A shares in OpenTV, following the acquisition of a majority stake in this company in 2007. The tender offer ended successfully at the end of 2009.

OpenTV's know-how enables the Group to further improve its solution offering to cover the entire digital television ecosystem.

Medialive – enhanced content protection

In October 2009, the Kudelski Group acquired all the share capital of Medialive, a Paris-based company that Nagravision has been collaborating with for several years. Medialive develops and licenses innova-

tive and patented content protection and marking technologies and has filed over 20 patent applications over the last nine years.

With the emergence of new piracy threats generated by the internet, Nagravision decided to further improve its content protection technologies in order to bring new security solutions to the pay-TV market. Medialive's expertise will complement Nagravision's competencies in the areas of audiovisual compression, video players, internet streaming technologies, DRM and watermarking technologies in various environments.

This acquisition will combine the Kudelski Group's strengths in conditional access with Medialive's innovative encryption and watermarking technologies.

Medioh! – Innovative combination of web and TV

In September 2009, the Kudelski Group acquired Medioh!, a Denver-based media technology company founded in 2007. Medioh! aggregates mid-tail content and provides a widget and content-publishing platform for multimedia devices. This acquisition demonstrates the Group's increasing focus on more actively developing web-enabled service platform solutions across its extensive digital TV customer base.

Along with the fast growing number of connected devices, this acquisition strengthens the Group's global DTV portfolio and provides end-users with a personalized TV experience. Medioh!'s specialized web 2.0 R&D team will further strengthen the Group's expertise in the core Digital TV business.

DIGITIZATION AS A GROWTH DRIVER

The switch from analog to digital television is gaining momentum throughout the world and is a strong organic growth

driver for the Kudelski Group. In fact, the transition to digital has turned controlled-access television into a mass market due to the significant business volumes it generates.

Pay-TV subscriber growth is directly driven by the digitization of households. Fierce competition, new players in the television sector and falling advertising revenues force operators to innovate and roll out new value-added services such as video on demand. These services, which complement the classical pay-TV business model, need to be protected by a security system in order to preserve operators' interests. Additionally, new services and value-added content boost customer loyalty and increase the number of new subscribers. As a result, the television industry as a whole is benefiting from digitization.

The advent of digital is also leading to the mass development of certain markets that were not initially considered as pay-TV target markets. One example is digital terrestrial television, which has rapidly become a mass market, particularly in Europe.

DTT PAY-TV – A NEW MASS MARKET

The Kudelski Group identified the digital terrestrial television (DTT) market as a potential growth market in 2007 and started developing solutions specifically designed for this type of platform.

DDT was initially considered to be unsuitable for pay-TV business models due to its limited bandwidth. Today, with improved video compression technologies, growing consumer demand and the fact that licenses are being granted by the governments in an effort to push the development of DTT and accelerate the digitization process, DTT pay-TV has become extremely successful. In 2009, the Kudelski Group provided solutions to

major European markets where DTT services have been deployed on a large scale.

Mediaset: DTT pay-TV in action

The Kudelski Group is particularly well established in Italy, where analog broadcasting is set to come to an end in 2012. This market is a good example of how successful DTT has become.

Mediaset is the main DTT operator in Italy. Nagravision supported Mediaset in 2005 when it launched its first pay-TV service based on pre-paid cards, Mediaset Premium. This innovative offer provides consumers with simple and inexpensive access to a range of top-quality content using a pre-paid rechargeable smartcard. This service met with immediate success. In 2008, Mediaset Premium was also launched on DTT networks using Nagravision's conditional access system. This was the first DTT pay-TV service available in Italy. In the same year, Mediaset Premium rolled out Easypay, a new monthly subscription model that can be combined with the pre-paid card system. Nagravision's flexible conditional access solution enables Mediaset to deploy various pay-TV revenue models and as a result benefit from a continuous inflow of new subscribers. Consumers on their end enjoy the wide variety of services made available to them.

Nagravision is working with Mediaset in order to support the growth of the DTT market during the analog TV switch-off in Italy. As analog TV is gradually phased out, Mediaset will be able to target a large proportion of the population with its Premium pay-TV service. During this process, Nagravision will help Mediaset scale up the system so that it can accommodate all new active subscribers.

Supporting a smooth transition to digital

Nagravision was also chosen as the conditional access provider for Italy's satellite system Tivu Sat, which is jointly owned by



SmarDTV's conditional access module

Italian broadcasters RAI, Mediaset and Telecom Italia Media. This service will ensure uninterrupted delivery of all leading Italian free-to-air channels across the country.

Tivu Sat channels will be protected by Nagravision to preserve the rights of sports and movie content providers, thus ensuring that this content cannot be viewed outside Italy. This service is intended for households that, due to their location, will not receive free DTT channels after the analog switch-off.

Spain – launching DTT

Spain's analog switch-off is set to take place in April 2010, and the process of migrating to DTT has proved to be a major challenge for the whole sector. DTT market penetration, however, is already quite high in Spain.

The Kudelski Group has a strong presence on the Spanish market, with Nagravision's conditional access systems protecting the pay-TV content of Digital+, Euskaltel, R Cable, Telecable and Jazztel.

In 2009, The Group signed a contract with Abertis Telecom, Spain's leading audiovisual network operator. Abertis Telecom is deploying a DTT pay-TV platform, TDT Premium, which is similar to Mediaset's service in Italy.

Under new government regulations, all current DTT broadcasters with more than one DTT channel are entitled to offer one channel in pay mode. The first pay-DTT channel to go on-air for Abertis Telecom's TDT Premium platform is Gol Television, a 24-hour sports channel. The Nagravision conditional access solution deployed for Abertis Telecom is being integrated into TDT Premium's homologated set-top boxes and conditional access modules (CAMs) to support the new platform. The set-top boxes and modules are available in retail outlets. Nagravision has collaborated closely with numerous iDTV, set-top box

and CAM manufacturers to integrate its technology into these consumer devices.

SmarDTV's SmarCAM-3 modules have been certified for the new DTT pay-TV services in Spain. These modules have been massively deployed in order to support the launch of Abertis Telecom's TDT Premium service.

CAMS – A KEY ROLE IN DTT DEPLOYMENT

Conditional access modules (CAMs) enable consumers to access services that use different conditional access systems through one single device, such as a set-top box or an integrated digital television set.

The CAM market is growing substantially in Europe as a result of DTT development. The Kudelski Group is supporting this strong positive trend which will boost the global pay-TV market, enhance consumer welfare and generate significant benefits for pay-TV operators by avoiding risk of content piracy. The Group is therefore playing a key role in the development of open, horizontal, retail pay-TV markets in Europe.

SmarDTV, the leader in CAMs, completed major deployments on DTT networks in 2009.

France – SmarDTV modules to expand the CANAL+ offering

In 2009, SmarDTV rolled out a new Conditional Access Module for the French market. This module enables CANAL+ Group's DTT offer to be viewed without a set-top box and comes bundled with a smartcard. It can be used by subscribers to access CANAL+ channels, including high-definition programs, directly on their CANAL READY television set. SmarCAM-3 is the first SmarDTV module to implement the CI Plus specification, which guarantees content protection

and security in line with CANAL+ Group requirements for premium HD channels.

INNOVATION: WEB TV (OR TV 2.0)

The digital television ecosystem continues to evolve rapidly, in line with consumer trends and behavior. The arrival of digital television was itself a paradigm change, and the internet's incursion into what used to be television's exclusive domain represents another equally significant transformation of the ecosystem. As devices become more technologically advanced, operators and content providers can offer consumers more and more services and content. These developments drive changes in user behavior and alter the way in which programs are viewed.

Television and internet first crossed paths when it became possible to view television channels online and have on-demand access to content via the web. With the surge in connected television, certain web applications have been adapted for television and can enhance the television viewing experience.

Rather than offering content choices with a linear EPG environment, the trend now is towards providing these options in the form of applications that appear as icons on the TV screen. Users configure these applications according to their personal preferences and manage them via the remote control. These applications come from the internet and are known as "widgets" (short for "web" and "gadget"). They are the first step in the convergence of the TV and the web into a seamless multimedia experience.

WIDGETS – FOR A CUSTOMIZED TV EXPERIENCE

A widget is a small, intuitive, user-friendly software application that appears on the

TV screen and lets consumers play with graphics and information online. Viewers can use widgets to customize their viewing environment and receive relevant recommendations that will make them more likely to return to a certain content of interest, thus improving customer loyalty for the operator. By bringing web content to the TV screen, widgets have become an integral part of the TV experience.

As an example, the "Friends" widget enables subscribers with similar content tastes to create or join groups where they can share content and interact with other members who are watching the same program. They can also receive recommendations from friends.

In addition, widgets create a smart way of integrating operators' recommendations for pay-TV content. They offer a real opportunity for operators to build new services based on live monitoring of their subscribers' viewing habits. This increases operators' competitiveness, as they are able to respond more effectively to their customers' expectations.



The NAGRA Media WIDGET platform offers operators a wide choice of widgets

NAGRA Media WIDGET platform

Nagravision has developed a dedicated widget solution, NAGRA Media WIDGET. This solution comprises both the technological platform itself and the widget library, and can be summarized in a few key points:

- It is TV-specific, and designed to enhance the overall TV viewing experience.
- It can be white-labeled for subsequent branding by an operator.
- It is user-friendly for consumers but also specific to operator needs.
- It can be integrated into the operator's overall offering and EPG.
- It can be deployed on devices that are already in the field.

Operators stand to gain a lot from widgets. They can enhance the value of their platform by adding web content to their existing content offering. This can include video, photos and even online radio. The operator can choose what to offer. Since widgets are personal, they can include targeted ads.

Broadcasters can also use widgets to bring added value to live programs and channels, which are the flagship product of most pay-TV operators. Social networking applications and other web applications can be leveraged both to bring in new subscribers and to lock in existing ones using viral marketing techniques. In addition, operators can offset the decline in traditional TV advertising revenue by tapping into internet ad revenue streams.

Numericable – NAGRA Media WIDGET's first deployment

In September 2009, Numericable, France's leading TV cable operator and cable internet provider, chose Nagravision's widget platform for the launch of its "Widget TV" service on its network.

Nagravision's widget platform will allow Numericable to work together with content providers and software application developers to develop innovative services related to the content being viewed by the consumers or that respond to viewers' needs.

Numericable will in particular offer the "MyTV" widget that will enable users to send program alerts to their friends. Subsequently, Numericable's subscribers will be able to choose widgets from a large gallery of widgets.

Twister for the TV screen

In September 2009, Nagravision and Deutsche Telecom launched a partnership to port the "twister" recommendation service to TV screens. The twister application is an intelligent TV program guide currently available on the internet. It offers information on shows, stars, and films, and also recommends other programs in the TV schedule based on what the viewer is watching.

Widget services boost operators' brand awareness and loyalty by offering personalized experiences that keep subscribers satisfied and coming back for more. This in turn generates direct revenues, additional advertising revenues as well as cross-selling opportunities.

Partnership with Samsung

In early 2010, Nagravision launched a partnership with Samsung to provide TV applications that bring more interactive web services and video content to consumers. Consumers will have access to interactive applications via Samsung Apps, the first HDTV-based application store. They will be able to buy and download the applications on select 2010 Samsung HDTV sets, Blu-ray players and home theater systems.

The Samsung Apps are based on Nagravision's content publication tools, which provide easy-to-use templates that can be used to create and publish applications.

3D TV

After HDTV, the next logical step in the evolution of digital television is three-dimensional television. In cooperation with a leading 3D technology company, Nagravision developed a new version of its user interface NAGRA Media GUIDE that offers a 3D experience for viewers. NAGRA Media GUIDE enables users to navigate the electronic program guide in order to view and purchase 3D video content. It is designed for operators who want to expand their subscriber service offering and capitalize on the rapidly growing market for 3D content.

NEXT STEPS IN CONDITIONAL ACCESS SOLUTIONS

The Kudelski Group has developed comprehensive and scalable solutions that address all types of platforms, whether they use satellite, cable, digital-terrestrial, IP or mobile technologies. These solutions also adapt to hybrid platforms, meeting their needs in terms of security, content management and functionality. The Kudelski Group's offering now covers the entire digital television ecosystem including conditional access, middleware, content management and protection, interactivity, user interfaces and security modules.

NAGRA Media ACCESS ELK-CAS: security for IP and hybrid networks

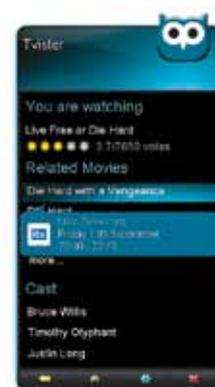
The convergence of broadcast (DTT and DTH) and broadband (cable and DSL)



NAGRA Media GUIDE for 3D TV



Numericable's video-on-demand service



The "twister" widget offers consumers a personalized TV experience



Prestigious awards received
by Kudelski's solutions

environments represents an opportunity for operators to enhance their product offering and provide viewers with more interactive and on-demand services. In the original bi-directional networks, the return channel was a telephone line, but this has now shifted to an IP connection that is always active, and this drives a need for specific security solutions.

Nagravision's next generation conditional access solution, NAGRA Media ACCESS ELK-CAS (Embedded Link CAS), is specifically designed to protect live video content over "always-on" IP managed networks. This state-of-the-art security system leverages an innovative combination of software and a hardware root of trust using Nagra On Chip Security (NOSC). NOSC has been certified on over 30 chipsets from all the major chipset suppliers and has already been deployed in over 30 million set-top boxes and digital TV sets.

The NAGRA Media ACCESS ELK-CAS solution won a TelcoTV Vision Award at the 2009 Telco Awards in Orlando, Florida. These awards recognize the most innovative and visionary new products, services or applications unveiled in the communications industry. NAGRA Media ACCESS ELK-CAS was singled out in the conditional access prize category. Nagravision deployed the ELK-CAS solution for several operators in 2009, including Elisa in Finland, SFR in France and EchoStar in the USA.

End-to-end solutions for IPTV networks

NAGRA Media ACCESS ELK-CAS is also the security component of Nagravision's global IPTV solution.

The IPTV market is continuing to grow throughout the world. Today, tens of millions of consumers access TV content via IP technology (internet). The Kudelski Group is well positioned in this market, thanks to an integrated solution tailored

to the specificities of IP networks and covering the entire delivery chain, from the headend to consumer devices.

Nagravision's integrated, end-to-end solution is designed for telecom and cable operators who want to rapidly launch IPTV services. It comprises three components: a state-of-the-art Service Delivery Platform (SDP) combined with a comprehensive Content Management System (CMS), NAGRA Media ACCESS ELK-CAS for conditional access, and the Nagra Media Guide.

Operators can use this solution to offer:

- subscription to live TV
- pay-per-view
- video on demand
- PVR (hard-disc decoder) applications

The NAGRA Media Service Delivery Platform (SDP) won a 2009 Infovision Award, which was presented by the International Engineering Consortium (IEC) at Broadband World Forum Europe 2009. The Infovision awards honor some of the most notable broadband products, services and applications. The solution won the award in the category of "Content, Entertainment, Applications, and Services". The platform was developed by Quative, a wholly owned Kudelski Group subsidiary, and is provided by Nagravision as a cornerstone of the NAGRA Media IPTV solution. Quative specializes in products for hybrid IP deployments. The NAGRA Media SDP provides a highly effective and affordable IPTV solution for smaller networks. The multi-operator capability makes it possible to achieve economies of scale across multiple deployments, thus significantly lowering the investment threshold for each individual deployment.

Operators are provided with their own web-based management interface to select online which linear or on-demand

content packages they want to publish on their networks. Additionally, they can rebrand the advanced browser-based user interface. This means that operators are truly able to manage their own subscribers, including not only access to content but also the look and feel of the user interface.

NAGRA Media PRM

NAGRA Media PRM (Persistent Rights Management) is a security solution for VOD and DVR that is based on NAGRA On-Chip Security (NOSC) technology. It is independent of the Conditional Access System and deployed as a standalone component. This makes for short time-to-market, regardless of whether it is deployed on new or existing set-top boxes. NAGRA Media PRM gives operators gateway control over content consumption and delivery.

NAGRA MEDIA MOBILE – THE WORLD LEADER IN MOBILE TV

The NAGRA Media MOBILE solution has made Nagravision the undisputed global leader in the mobile TV market. This solution protects services that are broadcast over mobile networks using the major mobile broadcast technologies (such as FLO in the USA, CMMB in China and DVB-H in Italy and the rest of the world).

The mobile TV market is expected to grow very rapidly over the next ten years. As digitization continues and analog is being phased out in many countries, governments are making mobile TV frequencies available to operators. This removes a longstanding roadblock to the mass development of mobile TV, although major deployments have already taken place in some key markets. For technology providers such as Nagravision, the challenge is to deliver convergent solutions allowing operators to create services that

seamlessly combine mobile broadcast technologies with streaming technology and various types of interactive services.

Mobile TV services were rolled out in Japan and South Korea in 2005 and in Italy in 2006, and are beginning to be deployed in major markets such as China and the USA.

Italy has been a pioneer in the mobile TV sector. H3G, TIM and Vodafone were the first operators in the world to offer mobile TV over secure DVB-H networks, and all three companies use Nagravision's technology.

Beginning in 2008, Nagravision further consolidated its position as the mobile TV market leader with new contract wins. In China, Nagravision was chosen by China Satellite Mobile Broadcast Ltd (CSM), a subsidiary of SARFT (the Chinese State Administration of Radio, Cinema and Television) as the conditional access provider for its nationwide mobile TV service, CMMB (China Mobile Multimedia Broadcasting). CMMB has shown strong growth ever since.

The MENA (Middle East/North Africa) region's first commercial mobile TV service, Mobision, was launched in Iraq in May 2009 by the satellite operator Alsumaria TV using Nagravision's technology. The bouquet is composed of around 20 channels in English and Arabic. Mobision is the first DVB-H mobile TV bouquet in the Middle East that uses NAGRA Media MOBILE including a conditional access system.

Nagra and Eutelsat/SES Astra: partners in the DVB-SH standard

A leader in mobile TV on DVB-H and a pioneer on the STiMi standard in China, Nagravision is further extending its footprint in the mobile television market with developments in the DVB-SH and FLO standards.

A leader in mobile TV on DVB-H and a pioneer on the STiMi standard in China, Nagravision is further extending its footprint in the mobile television market with developments in the DVB-SH and MediaFLO standards

In 2009, Nagravision announced a partnership with Solaris Mobile, a joint venture between Eutelsat and SES Astra, the leading provider of satellite-based next generation mobile TV networks. The companies will jointly develop a harmonized ecosystem to optimize the delivery of mobile TV and broadband services. This suite of solutions will operate in the new dedicated spectrum S-band, which is located near the UMTS frequencies exclusively reserved for mobile satellite services. This S-band payload will use the DVB-SH (Satellite services to Handhelds) hybrid satellite/terrestrial standard. Our NAGRA Media MOBILE content and service protection platform provides a turnkey solution for securing all DVB-SH content and services. It is available as an extension to existing Nagravision conditional access systems or as a stand-alone system.

Staying one step ahead

Nagravision is continually developing innovative solutions designed to boost the mass adoption of mobile TV in the world.

In February 2009, Nagravision and PacketVideo, a provider of innovative software enabling the deployment of mobile multimedia services, jointly announced the first conditional access-enabled version of the Telly device. The pocket-sized, easy-to-use Telly turns iPhones, other

WiFi-enabled smartphones, portable media players and PCs into mobile TV sets. The new Nagravision and PacketVideo solution will enable operators to provide mobile TV services to consumers already equipped with mid-range to high-end WiFi-enabled devices with no built-in mobile TV capability. The solution was demonstrated at the Mobile World Congress 2009 in Barcelona in February 2009.

In February 2010, FLO TV, a fully-owned subsidiary of Qualcomm providing mobile TV services in the US selected Nagravision to provide a security solution for its live mobile TV offering FLO TV™. The service will be made available on the new "FLO TV Personal Television" devices and on car entertainment devices. Nagravision further confirms its market-leading position in mobile TV service protection by deploying the first MediaFLO solution to be compatible with the OpenCA specifications as defined by the FLO Forum.



SEIZE THE OPPORTUNITIES OFFERED BY CONVERGENCE

The transition to digital and the convergence of networks results in richer content offered to consumers. The Kudelski Group's end-to-end solutions address operators' needs and enable them to take advantage of the new possibilities and increase their revenue sources.

1. CONTENT



TV programs



Movies



Music



Sport



e-commerce



Video-on-demand



Interactive advertising



Previews



Participation TV



Social networking



Recommendations



Games

PROTECT REVENUES – ENABLE NEW BUSINESS MODELS

Kudelski's solutions allow operators to securely manage and broadcast their content and to extend their services while offering more interactivity to consumers. The most state-of-the-art technology supports and accompanies market evolution while responding to consumers' expectations.

2. SERVICES



Protection of access to content and services



Content management



Applications

DIGITAL TV VALUE CHAIN

4. CONSUMPTION



AT HOME:
Set-top box, DVR
(Time Shifting),
home server, PC, etc.

ON THE MOVE:
Mobile phone,
multimedia player,
laptop, etc.

A SEAMLESS VIEWING EXPERIENCE

The Group's solutions provide optimal comfort and ease of use. They are designed to offer subscribers a seamless and consistent TV experience across all devices.



Anytime, anywhere,
on any device



3. DISTRIBUTION



Broadcast:
terrestrial, satellite



Broadcast:
cable



Broadband:
cable, telcos



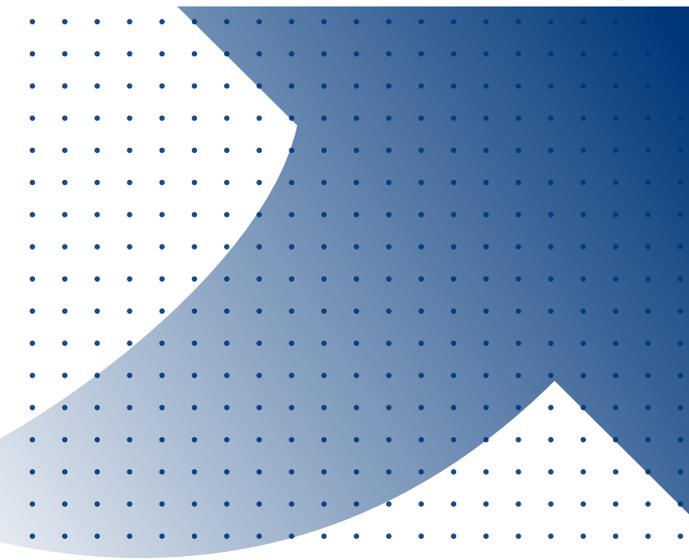
Mobile:
3G, DVB-H, DVB-SH,
MediaFlo, STiMi



Hybrid:
combined networks

MAXIMIZE ALL TYPES OF NETWORKS

One of the key issues for operators is to be able to integrate new platforms and technologies in order to extend their services to other types of consumers. Thanks to their open architecture and their modular design, Kudelski's solutions enable them to achieve this in a rapid and cost-effective manner.



PUBLIC ACCESS

KUDELSKI GROUP
2009 ANNUAL REPORT

Now a global solution provider, SkiData confirmed its strong market position in both People Access and Car Access

The Public Access Division posted good full-year figures despite the economic crisis, which took its toll on this market. SkiData's growth strategy continued to pay off in 2009, as this company consolidated its market position.

The Parking segment showed strong growth. SkiData's ability to fully integrate and centrally manage large systems won it some important contracts, particularly in the airport sector (Abu Dhabi, Montreal, Amsterdam-Schiphol). It also set up large-scale parking facilities in Chile (shopping malls) and Belgium (for the national railway company).

People Access also reported solid figures, especially in stadiums and arenas. SkiData was selected to be a privileged partner in equipping stadiums with access systems for the 2010 FIFA World Cup in South Africa. Likewise, it equipped four stadiums that hosted games in the 2010 African Cup of Nations in Angola. In India, SkiData set up access systems in three cricket stadiums.

In the Mountain segment, SkiData made further progress on the US market. It installed a new access system in Alpine Meadows, a California ski resort, and expanded facilities in Aspen (Colorado), which it first set up in 2008. In Europe, SkiData's access systems were adopted by mountain resorts in France, Spain and Italy.

First convergence project

Although specifically tailored to each client's needs, SkiData's solutions are built on a common platform that enables operators to combine various solutions in order to offer convergent multi-function services to consumers.

Park & Ski in Tignes-Val d'Isère

The first convergent solution was implemented in 2009 at the Tignes-Val d'Isère ski resort in France. The resort, which already used a SkiData access system for its ski lifts, adopted SkiData solutions for its seven parking lots. Tignes-Val d'Isère can now offer visitors a combined parking and ski pass ticket, and the entire system is managed centrally.

This solution is based on RFID technology, which is embedded in the ski pass carrier (a smart card for example). Skiers use their smart card to exit the parking lot. This allows operators to offer free or discounted parking to skiers or to set different rates for skiers and other users of the parking facilities. The end user ultimately benefits from this "one-stop shopping" for both skiing and parking.

Recognized achievements

For the second year in a row, SkiData was named one of Austria's "Leading Companies" in the province of Salzburg. This award honors Austrian firms that show "outstanding growth and a solid financial basis."



Donbass Arena in Donetsk, Ukraine, equipped with a SkiData access solution



Airports equipped with SkiData parking solutions:



Abu Dhabi (United Arab Emirates)



Amsterdam-Schiphol (The Netherlands)



Montreal (Canada)

CAR ACCESS – INNOVATIVE PRODUCT LINES

Remote monitoring and management

One of SkiData's most important innovations in recent years is its remote monitoring and control system called REMCO (Remote Control). With it, operators are able to centrally manage large, multi-site facilities. This system can be bundled into a global management solution for parking facilities.

In 2009, a large-scale global solution of this type was implemented for the Belgian National Railway Company. (SNCB)

Belgian National Railway Company – a nationwide park & ride solution

The Belgian National Railway Company was looking for a centralized solution to manage the parking lots at the country's largest train stations. The aim was to set up an efficient park & ride system to provide users with one single ticket for parking their car and taking the train. The SNCB chose to work with SkiData.

SkiData has proven expertise in this area, as it had already set up an identical solution for the Dutch railway system with 60 centrally-managed park & ride lots. In Australia, 75 parking lots operated by Wilson Parking were networked using the same type of platform.

The solution used for the SNCB is built around SkiData's innovative REMCO system. All on-site equipment (gates, intercom system, cash registers, etc.) is connected to the network, allowing the operator to monitor all systems in real time from a control room in Brussels as well as to monitor maintenance and have a direct contact with users.

The system can also generate statistics and reports based on operator-defined criteria.

Hosted Business Services

In addition to state-of-the-art access management systems, SkiData now offers an array of centralized services on one platform. These services, which range from marketing to maintenance and management, are referred to as Hosted Business Services.

This platform is meant for operators seeking a global, easy-to-use solution in order to manage their customer relationships, generate statistical analyses of their network, securely host data, monitor facilities and facility maintenance and launch marketing initiatives.

Hosted Business Services can be used across the entire range of public access applications, including in stadiums, amusement parks and ski resorts.

Airports – new large-scale installations

In 2009, SkiData further consolidated its leading position in the airport parking segment. It set up new parking systems for airports in Abu Dhabi (United Arab Emirates) and Montreal (Canada). In the Netherlands, the Amsterdam-Schiphol airport, a SkiData customer, extended its parking facilities using SkiData's solutions.

PEOPLE ACCESS

New generation scanners for gate access systems

In 2010, SkiData launched a next-generation turnstile that will further improve access management at stadiums, amusement parks and exhibition sites. The turnstile system is called Vario.Gate. It comes equipped with a scanner that can read tickets of all sizes and formats, including bar codes printed at home, coupons clipped out of a newspaper,

RFID tickets, and electronic tickets. The gate also has a screen on which operators can display additional information or advertising. This system was designed to work with future ticketing technologies, such as via mobile phones and new types of chips.

The Vario.Gate system was first installed in the Netherlands, at NAC Breda club's Rat Verlegh stadium.



Convergent ski/parking access system



Freemotion handsfree access solution

MAIN PROJECTS IN 2009

CAR ACCESS

Airports

Canada	Montreal airport
United Arab Emirates	Abu Dhabi airport
Netherlands	Amsterdam-Schiphol airport (expansion)

Other sectors

Chile	Centros Comerciales del Sur
Australia	Melbourne Crown Casino
Australia	Perth Burswood Casino
New Zealand	Sky City Casino
France	Combined parking/ski solution at Tignes/Val d'Isère
Belgium	National railway company parking lots networked

PEOPLE ACCESS

Stadiums & arenas

India	Cricket stadiums in Bangalore, Mohali and Delhi
Angola	Stadiums in Luanda, Benguela, Cabinda and Lubango
Ukraine	Stadiums in Shakhtar Donetsk and Metalist Kharkiv
Germany	Nürburgring Formula 1 track
Netherlands	NAC Breda club stadium
Mexico	Santos Laguna club stadium

Mountain

France	New systems in four Altiservice resorts in the Pyrenees
USA	Alpine Meadows, California
USA	Aspen, Colorado (phase 2)



Last-generation Vario.Gate turnstile with display screen

06

NAGRA AUDIO

KUDELSKI GROUP

2009 ANNUAL REPORT



Nagra VI six-track digital recorder



Nagra LB two-track dual-display compact digital recorder



Nagra ARES ML handheld stereo digital recorder

Nagra Audio's product range includes digital recorders designed for professional use as well as high-end Hi-Fi equipment. All models boast exceptional characteristics, and Nagra's exacting manufacturing standards put this equipment at the pinnacle of audio perfection in their respective markets. They perpetuate the decades-old tradition of excellence, feeding the Nagra legend around the world.

PROFESSIONAL RECORDERS

Just like their predecessors, Nagra's latest generation professional recorders are self-contained and compact – or even ultra-miniaturized in the case of security recorders for law enforcement applications. Designed for intensive on-location work, they ensure high-quality sound recording in even the harshest environments.

Nagra's recorders integrate state-of-the-art digital technology, delivering ever-higher performance in terms of functionality, ergonomics and communication. The current range of models covers the needs of the various fields in which location sound recording is used, such as film, music, audiovisual journalism and security.

Nagra VI

The Nagra VI, a six-track recorder, was launched in 2008. It proved to be extremely popular among sound engineers, especially those working in cinema, due to its multiple tracks, audio quality and ease of use. Its primary recording media is a standard hard drive which is paralleled up with a removable Compact Flash solid-state memory card. A SSD (solid-state drive) with no moving parts can easily be installed if desired.

Thanks to its optimal ergonomics that make it very intuitive to use, the Nagra VI meets today's requirements for most in-the-field recording situations. The exceptional quality of its microphone inputs – a Nagra specialty – ensures recording of the highest sound quality. The device is therefore ideal for ultra high precision audio mastering work.

The Nagra VI is designed using a VHDL platform, which makes it possible to upgrade digital circuits with simple software upgrades, thus facilitating the device's future evolution. In order to

respond to user demand, a new version containing more tracks is being developed. In 2009, the Nagra VI received the Technical Excellence and Creativity Award at the Audio Engineering Society (AES) show in New York.

Nagra LB

The Nagra LB first came on the market in 2009. It is designed primarily for radio journalists but musicians, sound engineers and individuals looking for something more sophisticated than a mainstream device also appreciate its features.

The Nagra LB comes in a compact case and offers a large array of features. It enables journalists to carry out editing work on the device itself and immediately transfer the edited file to the studio thanks to the machine's communications platform.

Various versions of this recorder are currently being developed, and this will further enhance the Nagra LB's sales potential.

ARES-ML

The Ares-M line of pocket recorders is still Nagra Audio's bestseller. Their affordable price means that they are widely distributed across a range of both professional and consumer markets.

The Ares-ML is the latest model in this line. Its internal memory has been boosted to 4GB, and other developments are also in progress.

HI-FI RANGE

Nagra's range of Hi-Fi equipment expands each year. It now includes all the key components needed by audiophiles to build a sound system of exceptional quality. This includes both transistor and tube amplifiers. There has been renewed interest in vacuum tube technology over the last ten years. Nagra's tube-based devices are the result of state-of-the-art engineering that has put these devices at the forefront of today's technology and further stretched the boundaries of musical performance.

Nagra's Hi-Fi range includes:

- Nagra CDC, CDP and CDT CD players
- Nagra PL-L and PL-P tube preamplifiers
- Nagra VPS (tube) and BPS (transistor) phono preamplifiers
- Nagra VPA monoblock tube amplifiers
- Nagra PMA (mono) and PSA (stereo) transistor amplifiers
- Nagra MSA compact transistor stereo power amplifier

Launch of the Nagra BPS

Following the introduction of the tube version, VPS, in 2008, the Nagra BPS transistor phono pre-amplifier was successfully launched in 2009. This battery-powered device is extremely compact, and its simplified features make it both attractive and more affordable.

End of the development phase for the Nagra MSA

The new transistor amplifier, Nagra MSA, comes in a case similar, in look and size, to that of our pre-amplifiers. This compact device provides a comfortable 60 Watts RMS per channel.

The Nagra MSA includes a number of innovative solutions for its power supply and power output stages, which enable it to perform perfectly even when it is used with speakers that are considered as difficult to drive. In line with the Nagra tradition, the MSA delivers neutral and transparent sound, of extremely high quality.

Unveiling of the 300B tube amplifier

At the 2010 international Consumer Electronics Show (CES) in Las Vegas, USA, Nagra unveiled the prototype for an integrated stereo amplifier based on 300B tubes. Invented at the beginning of the 20th century, the 300B is one of the oldest and most reputable tube types ever developed. Nagra's prototype pays homage to this legendary tube by naming its new amplifier after the tube. The compact 300B tube amplifier presented by Nagra delivers 20 Watts per channel. It includes all the features required for easy handling. The prototype sparked great interest among visitors to the show and generated positive newsflow in trade publications. The launch is scheduled for the end of 2010 or early 2011.



Nagra MSA solid-state stereo amplifier



Stocks

GHPY	32.57	-7.73%
GMTX	3.69	+8.64%
GWP	87.20	+0.98%
HIRO	12.63	-4.23%
ILNS	8.55	+6.92%
JNMX	62.73	+1.82%
JPPR	14.09	+9.23%

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LEXINGTON KENTUCKY 10:00 AM

KUDELSKI GROUP
2009 ANNUAL REPORT



07

CORPORATE GOVERNANCE

KUDELSKI GROUP

2009 ANNUAL REPORT

This report was prepared in compliance with the directive on information relating to corporate governance issued by the SIX Swiss Exchange. Unless otherwise mentioned, the information provided in this report reflects the situation as of 31 December 2009.

1. GROUP STRUCTURE AND SHAREHOLDING**1.1. Group structure**

Kudelski SA has its registered offices in Cheseaux-sur-Lausanne. The company has been structured as a holding company since 1999 and its shares have been listed on the SIX Swiss Exchange since 2 August 1999.

The structure of the Kudelski Group is shown below.

1.1.1. Operational structure of the Group

From an operational point of view, the Group's activities are divided into three divisions: Digital Television, Middleware &

Advertising and Public Access, which develop their solutions with the assistance of departments dedicated to Marketing, Research and Development, Sales and Management of Intellectual Property. The Digital Television division is composed of four departments:

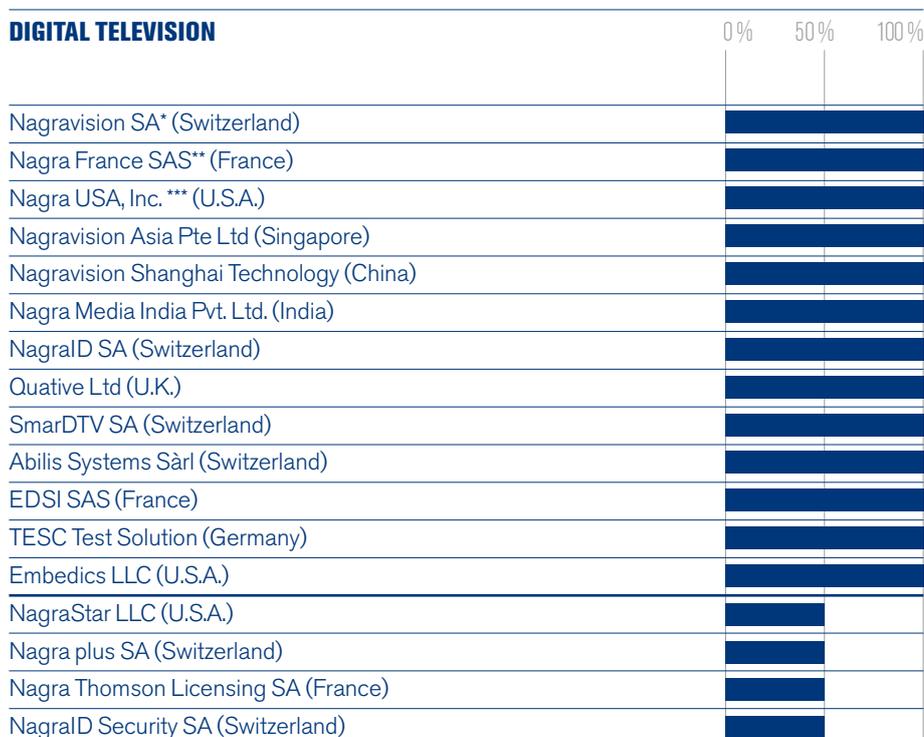
- Sales and Operations
- Products and Solutions
- Conditional Access
- Corporate Development

The Middleware & Advertising division is composed of the two segments referred

to in its name. The Public Access division is divided into three segments:

- Car Access
- People Access (ski)
- People Access (events)

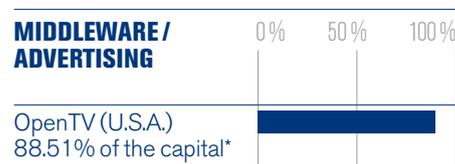
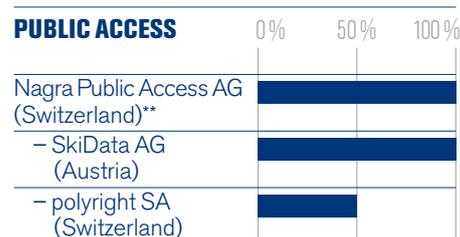
The company's Audio activities are consolidated in the accounts of Nagravis SA and are under the operational direction of Charles Egli. Results by sector are presented on pages 24 and 25 of the Kudelski Group's 2009 financial statements.

MAIN OPERATING COMPANIES HELD DIRECTLY OR INDIRECTLY BY KUDELSKI SA**DIGITAL TELEVISION**

* Nagracard SA and Nagra Trading SA were merged with Nagravis SA on 3 June 2009, effective on 1 January 2009. A research and development center was inaugurated in Beijing (China) on 11 November 2009.

** Medialive SA, which was acquired in December 2009, was merged with Nagra France SAS on 31 December 2009.

*** The assets of Medioh! have been integrated within Nagra USA, Inc.

MIDDLEWARE / ADVERTISING**PUBLIC ACCESS**

* 96.13% of voting rights.

** Nagra Public Access's 28% holding in Ticket-corner AG was sold on 19 February 2010. This activity is not within the scope of consolidation.

■ Head offices
■ Subsidiaries / companies with specific purpose
■ Offices

INTERNATIONAL PRESENCE

		DIGITAL TV	PUBLIC ACCESS	NAGRA AUDIO	MIDDLEWARE/ ADVERTISING
EUROPE	Switzerland	■ ■ □	■ ■ ■	■ □ □	□ □ □
	France	□ ■ ■	□ ■ □	□ □ ■	□ ■ □
	Austria	□ □ □	■ □ □	□ □ □	□ □ □
	Belgium	□ ■ □	□ ■ □	□ □ □	□ □ □
	Germany	□ □ □	□ ■ □	□ □ □	□ □ □
	Spain	□ ■ □	□ ■ □	□ □ □	□ □ □
	Italy	□ ■ □	□ ■ □	□ □ □	□ □ □
	The Netherlands	□ □ □	□ ■ □	□ □ □	□ □ ■
	Sweden	□ □ □	□ ■ □	□ □ □	□ □ □
	United Kingdom, Ireland	□ ■ □	□ □ ■	□ □ ■	□ ■ □
	Portugal	□ □ ■	□ □ □	□ □ □	□ □ □
	68 AMERICAS	USA	□ ■ □	□ ■ □	□ □ ■
Brazil		□ □ ■	□ □ □	□ □ □	□ □ □
Chile		□ □ □	□ □ ■	□ □ □	□ □ □
MIDDLE EAST	United Arab Emirates	□ □ □	□ ■ □	□ □ □	□ □ □
ASIA/PACIFIC	Singapore	□ ■ □	□ □ □	□ □ □	□ □ □
	China	□ ■ □	□ □ □	□ □ □	□ ■ □
	Hong Kong	□ □ ■	□ □ ■	□ □ □	□ □ □
	Japan	□ □ □	□ □ ■	□ □ □	□ ■ □
	Taiwan	□ □ ■	□ □ □	□ □ □	□ □ □
	Malaysia	□ ■ □	□ □ □	□ □ □	□ □ □
	Australia	□ □ □	□ □ □	□ □ □	□ ■ □
	India	□ ■ □	□ □ ■	□ □ □	□ □ □

1.1.2. Listed companies included in the scope of consolidation

Kudelski SA is a Swiss holding company listed on the SIX Swiss Exchange (Ticker: KUD; Sec. No 001226836/ ISIN: CH0012268360) with a market capitalization at 31 December 2009 of CHF 1 133 471 577. Only the bearer shares of Kudelski SA are listed on the SIX Swiss Exchange. Since 17 January 2007, Kudelski SA has held through subsidiaries a stake in the capital of OpenTV,

Middleware & Advertising sector.

At 31 December 2009, this participation* was 88.51% of the capital and 96.13% of the voting rights. Headquartered in San Francisco (United States), OpenTV Corp. is a BVI holding company listed on the NASDAQ (Ticker: OPTV; CUSIP No G675431/ISIN: VGG675431016) with a market capitalization at 31 December 2008 of USD 187 941 899.

*OpenTV has been fully owned by the Kudelski Group since 26 March 2010.

1.1.3. Unlisted companies included in the scope of consolidation

Information concerning the company name, registered office, share capital and holdings owned by unlisted Group companies included in the scope of consolidation are shown on pages 65 and 72 of the Kudelski Group's 2009 financial statements.

1.2. SIGNIFICANT SHAREHOLDERS

The principal shareholders of Kudelski SA are the Kudelski family pool including Mr André Kudelski and Mr Stefan Kudelski and, outside the Kudelski family pool, Mrs Irène Kudelski Mauroux and Mr Henri Kudelski (and their respective descendants), and Mrs Marguerite Kudelski and Mrs Isabelle Kudelski Haldy (and their respective descendants) through two investment structures of which they are the beneficiaries. Furthermore, Mrs Marguerite Kudelski holds 5 112 bearer shares in her own name. To the Group's knowledge, no other shareholder holds more than 3% of the capital and there

are no shareholder agreements between the family pool and other shareholders. The shareholding structure, under which the Kudelski family pool has control over the company, guarantees the Group's long term stability. This stability is essential to ensure long-term continuity and independence, which are key elements for the Group's main customers.

Kudelski Financial Services SCA has issued a convertible bond (ISIN: CH 0022692609) for an amount of CHF 350 million, representing 5 225 440 bearer shares (5.51% of voting rights). See section 2.7 for details.

As part of the Group's share purchase plan (which is described in section 2.7 below and in pages 51-52 of the financial report) Kudelski SA has issued a certain number of stock options for Group employees.

Announcements made by Kudelski SA to SIX Swiss Exchange concerning disclosure of shareholdings may be consulted on the company website at: www.nagra.com/investors-doc.html

1.3. CROSS-HOLDINGS

The Group has no knowledge of the existence of any cross-holdings.

AT 31 DECEMBER 2009

	REGISTERED SHARES	BEARER SHARES	SHARE CAPITAL HELD	VOTING RIGHTS
Kudelski family pool	46 300 000	7 924 113	23.60%	57.16%
Mrs I. Kudelski Mauroux and Mr H. Kudelski (and their respective descendants)		3 000 000	5.64%	3.16%
Mrs M. Kudelski* and Mrs I. Kudelski Haldy (and their respective descendants)		3 000 000	5.64%	3.16%

*Mrs Marguerite Kudelski holds in addition 5 112 bearer shares in her own name.

2. CAPITAL STRUCTURE

2.1. Amount of ordinary, authorized and conditional capital at 31.12.2009 and 2.2. Specific information concerning authorized and conditional capital

Ordinary capital

The share capital amounts to CHF 531 934 780. It is divided into 48 563 478 bearer shares with a nominal value of CHF 10 per share and 46 300 000 registered shares with a nominal value of CHF 1 per share. Each share confers the right to one vote. All shares are fully paid up.

Authorized capital

The Board of Directors is authorized to increase the share capital in one or more stages until 22 April 2010 by a maximum amount of CHF 40 881 640 through the issue of 3 768 164 bearer shares with a nominal value of CHF 10 per share and 3 200 000 registered shares with a nominal value of CHF 1 per share to be fully paid up.

The issue price, the nature of contributions, the date from which new shares

shall give entitlement to dividends and other modalities of the share issue shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance whole or partial acquisition of other companies in Switzerland or elsewhere. All statutory restrictions to the transfer of shares are applicable to new registered shares.

Conditional capital

The conditional capital amounts to CHF 109 502 708 and is structured as follows:

- a maximum amount of CHF 9 502 780 through the issue of a maximum of 950 278 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the option rights or share subscription rights which will be granted to employees of the company and of affiliated companies are exercised. There are no preferential subscription rights for shareholders. Share option or subscription conditions are determined by the Board of Directors. Issue at a price below market conditions is authorized;

- a maximum amount of CHF 100 million through the issue of a maximum of 10 000 000 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the conversion rights related to the convertible bonds of the company or its subsidiaries are exercised.

There are no preferential subscription rights for shareholders. The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or eliminated by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily on markets outside Switzerland, or if the issue proceeds contribute (b) to the financing or refinancing of acquisitions of companies or firms or (c) to the financing of other strategic investments of the Group, or (d) to financing the redemption of all or part of convertible loans previously issued by the company or its subsidiaries. If the convertible bond is not offered preferentially to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within a period of

seven years from the day of issuance of the respective bond, and (c) the conversion price must be at least the equivalent of market conditions at the time of the issue of the bond.

2.3. Changes in capital

CHF'000	31.12.09	31.12.08	31.12.07
Registered share capital	46 300	46 300	46 300
Bearer share capital	485 635	477 660	475 294
Legal reserve	81 887	79 028	76 107
Net profit	42 834	48 321	53 782
Total available earnings	322 532	290 079	260 161
TOTAL SHAREHOLDERS' EQUITY	936 354	893 067	857 862

For information relating to changes in the capital which took place in 2009, 2008 and 2007, please refer to the Group's corresponding financial statements.

2.4. Shares and participation certificates

The capital of Kudelski SA at 31 December 2009 was made up of 46 300 000 registered shares with a nominal value of CHF 1 per share, and 48 563 478 bearer shares with a nominal value of CHF 10 per share. Each share confers the right to one vote at the General Meeting and to a dividend proportional to the nominal value of the relevant type of share. Kudelski SA does not have participation certificates.

2.5. Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

2.6. Restrictions on transferability and nominee registration

As per the Articles of Incorporation of Kudelski SA, registered shares may be transferred upon delivery of the endorsed share certificate, subject to the approval of the Board of Directors and registration in the share register. The Board of Directors may refuse to approve the transfer of registered shares in one or more of the following cases:

- a) If there exists valid reason within the

meaning of article 685 b paragraph 2 of the Swiss Code of Obligations, i.e. if admission of the acquirer of the stocks into the shareholder's group is incompatible with the object of the company or may

jeopardize the economic independence of the company. This would in particular be the case if the acquirer could prejudice the company directly or indirectly, or if transfer of the stock could jeopardize the existing majorities.

- b) If the company offers the seller of the shares to acquire the shares for its own account, for the account of other shareholders or of third parties at their real value at the time of the request.

- c) If the acquirer does not expressly declare that he has acquired the shares in his own name and for his own account. If the shares are acquired by inheritance, division of an estate, marital property rights or by debt enforcement, the company may only refuse its consent if it makes an offer to the acquirer to take over the shares at their real value.

In the event of a dispute, the real value referred to in this section will be determined by the court having jurisdiction in the place where the company has its registered office. The company will bear the costs of such valuation. If the acquirer does not reject the purchase offer within

one month of becoming aware of the real value, the offer will be deemed accepted.

Kudelski SA has no regulations concerning the registration of nominees.

Limitations on the transferability of registered shares, authorized or conditional increases in share capital and limitations on or eliminations of preferential subscription rights are decided upon at the General Meeting if approved by shareholders holding at least two thirds of the shares represented at the Meeting and an absolute majority of the nominal share capital represented.

The General Meeting is validly constituted regardless of the number of shareholders present and/or the number of shares represented.

2.7. Convertible bonds and options

Convertible bond

On 5 October 2005, Kudelski Financial Services Holding S.C.A., a wholly owned subsidiary of Kudelski SA, issued a non-subordinated convertible bond of CHF 350 million in order to pursue the aim of the Kudelski Group to actively manage its assets, in particular by optimizing its financial costs and by improving the duration of its financial debt instruments. The issue proceeds were used mainly for the redemption of the previous convertible bond issued at the end of January 2002, and the remainder is used for potential acquisitions or other purposes corresponding to the general interest of the Group outside Switzerland.

The annual coupon amounts to 1.625% calculated with reference to the nominal amount of the bond payable on 5 October each year from 5 October 2006. The conversion price was initially set at CHF 67.76 per ordinary bearer share of Kudelski SA.

At the Ordinary General Meeting of shareholders of Kudelski S.A., held on 24 May 2007, it was decided in particular to pay, on 30 May 2007, an ordinary gross dividend of CHF 0.30 and an extraordinary gross dividend of CHF 0.30 per bearer share with a nominal value of CHF 10. In accordance with section D.1.2 (1) (c) of the bond conditions, the methods of conversion were adjusted as follows, with effect from 30 May 2007: bonds, with a nominal value of CHF 5000 each, may be converted at no cost until 21 September 2012 (subject to early repayment), into 74.6491 (instead of 73.7898) bearer shares of Kudelski S.A. with a nominal value of CHF 10 per share. The conversion price of bearer shares now amounts to CHF 66.98 (instead of CHF 67.76).

The repayment price of the bonds is at par on 5 October 2012. Early repayment can take place from 5 October 2010. Kudelski SA unconditionally and irrevocably guarantees this issue. The convertible bond is quoted on the SIX Swiss Exchange, under security number ISIN CH0022692609.

The offering circular for the convertible bond is available on request from the Group's head office or by e-mail to info@nagra.com. More information about the convertible bond can be found in the financial reports, note 28 of the consolidated financial statements.

Options

In 2003, the Kudelski Group implemented a stock option plan for certain employees. At 31 December 2009, there were no longer any options in issue.

Share purchase plan

In 2004, the Kudelski Group introduced a share purchase plan for the employees of certain Group companies, enabling those employees to buy Kudelski SA bearer shares on favorable terms. Each participant can subscribe annually to this plan up to a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the closing price of the Kudelski SA share listed on the SIX Swiss Exchange on the day of subscription with a discount of up to 42%. However, the shares are subject to a three year blocking period from the date of purchase.

A chart showing employee participation in this plan for the year 2009 can be found on pages 51-52 of the Kudelski Group financial statements.

NUMBER OF OPTIONS	VESTING	EXPIRATION	RATIO	EXERCISE PRICE
125 000	01.04.2006	01.04.2007	1 – for – 1	CHF 20
126 000	01.04.2007	01.04.2008	1 – for – 1	CHF 20
126 000	01.04.2008	01.04.2009	1 – for – 1	CHF 20

For more information on the stock option plan, please refer to the financial reports of the Kudelski Group, pages 51-52.

3. BOARD OF DIRECTORS

The Board of Directors is the highest executive body of the company. It has the non-transferable and inalienable responsibilities set forth by the law and the Articles of Incorporation. The Board currently consists of eight members elected by the General Meeting of Shareholders.

Three Committees, an Audit Committee, a Strategy Committee and a Remuneration and Nomination Committee, are formed within the Board of Directors and are responsible for specific tasks (see below pages 76 and 77). Mr Stefan Kudelski has been the Honorary Chair

man of the Board of Directors since 2 May 2006.

Mr Nicolas Goetschmann, who is not a Board member, was appointed as Corporate Secretary by the Board.

3.1. Members of the Board of Directors

	YEAR OF BIRTH	NATIONALITY	EDUCATION	FIRST ELECTION	END OF TERM OF OFFICE
72 ANDRÉ KUDELSKI* Chairman of the Board and Chief Executive Officer	1960	Swiss	Degree in Physical Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL)	1987	04.05.2010
CLAUDE SMADJA Deputy Chairman of the Board and Lead Director	1945	Swiss	Degree in Political Science University of Lausanne	1999	04.05.2010
NORBERT BUCHER	1931	Swiss	Doctorate in Engineering Ecole Polytechnique Fédérale de Lausanne Various postgraduate studies at the University of New York, Harvard Business School and IMD Lausanne	1992	04.05.2010
PATRICK FÖTISCH	1933	Swiss	Doctorate in Law University of Lausanne Bar Exam	1992	04.05.2010
LAURENT DASSAULT	1953	French	Degree in Corporate Law Degree from ESLSCA Ecole Supérieure Libre des Sciences Commerciales Appliquées, Paris	1995	04.05.2010
PIERRE LESCURE	1945	French	Degree in Literature and Journalism Centre de formation des journalistes, Paris	2004	04.05.2010
MARGUERITE KUDELSKI	1965	Swiss	Engineering degree in Microtechnology Doctorate in Microtechnology Ecole Polytechnique Fédérale de Lausanne Executive MBA (IMD Lausanne)	2006	04.05.2010
ALEXANDRE ZELLER	1961	Swiss	Degree in Economics Université de Lausanne	2007	04.05.2010

* André Kudelski is the only member to combine his Board duties with an executive function within the Group (Chief Executive Officer).



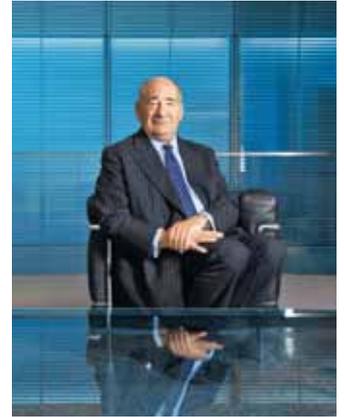
ANDRÉ KUDELSKI



CLAUDE SMADJA



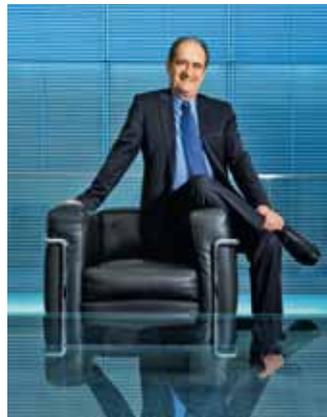
NORBERT BUCHER



PATRICK FËTISCH



LAURENT DASSAULT



PIERRE LESCURE



MARGUERITE KUDELSKI



ALEXANDRE ZELLER

ANDRÉ KUDELSKI

André Kudelski began his career in 1984 as a Research & Development engineer with Kudelski SA. In 1986, after working for several months with a firm in Silicon Valley, he returned to work in the family business firstly as Pay TV Product Manager then as Director of Nagravision SA, a company in charge of the Pay TV sector. Mr Kudelski then took over from his father Stefan Kudelski and from 1991 became Chairman and Chief Executive Officer of the parent company Kudelski SA.

CURRENT MANDATES

KUDELSKI GROUP

- Nagravision SA, Chief Executive Officer
- Nagra plus SA, Chairman and Chief Executive Officer
- SkiData AG, Member of the Supervisory Board
- Open TV Corp., Executive Chairman
- NagraStar LLC., Co-Chairman

OTHER:

- Dassault Systèmes SA (France), Board member, member of the Audit Committee and of the Remuneration and Nomination Committee
- Edipresse SA (Switzerland), Board member, Chairman of the Audit Committee
- HSBC Private Banking Holdings (Suisse) SA (Switzerland), Board member
- Nestlé SA (Switzerland), Board member, member of the Audit Committee
- Comité d'économiesuisse (Switzerland), member
- Swiss-American Chamber of Commerce (Switzerland), Vice-Chairman

CLAUDE SMADJA

After 15 years with Télévision Suisse Romande (TSR) as Deputy Editor of the Information Department, Claude Smadja joined the management of the World Economic Forum in 1987, a position that he held until 1992. He then returned to TSR as Director of Information until 1996, in which year he was appointed Managing Director of the World Economic Forum. In June 2001, Claude Smadja set up his own strategy consultancy Smadja & Associates, Strategic Advisory, which collaborates on strategic problems with multinationals and government bodies and organizes international events.

- OpenTV Corp., Board member

- Edipresse SA (Switzerland), Board member, Chairman of the Remuneration Committee
- Infosys Technologies Ltd. (United States), Independent Director, Chairman of the Nomination Committee
- International Board of Overseers of the Illinois Institute of Technology (United States), member.

NORBERT BUCHER

Norbert Bucher began his professional career as an engineer with Sulzer, in Winterthur and in New York, then moved to Syska & Hennessy Inc, Consulting Engineers in New York. He then joined Philip Morris Europe SA as Deputy Managing Director. After eleven years as Deputy Managing Director at Interfood SA in Lausanne, he occupied the position of Senior Vice President with Jacobs Suchard in Zurich for seven years.

- Nagra plus SA, Board member

PATRICK FÖTISCH

Patrick Fötisch is an independent lawyer specializing in contracts and finance at an international level. He acts as legal counsel to Group companies as and when required, bringing to bear his in-depth knowledge of their activities to provide assistance and legal advice.

- Nagravision SA, (Switzerland) Chairman
- Nagra France SAS, (France) Chairman
- NagralD SA, (Switzerland) Chairman
- Nagra plus SA, (Switzerland) Board member
- SkiData AG, (Austria) Member of the Supervisory Board

- Renault Finance SA (Switzerland), Board member

OTHER:

LAURENT DASSAULT

After a career spanning thirteen years in the banking sector, in 1992 Laurent Dassault joined the Dassault Group, in whose subsidiaries he holds important positions. Today he assumes around thirty mandates, including those of the Dassault Group, mainly in the financial, industrial and wine-producing sectors.

- 21 Centrale Partners SA (France), member of the Supervisory Board
- Arqana SAS (France), member of the Supervisory Board
- Artcurial Développement Sàrl (France), Co-gérant
- Artcurial Holding SA (France), Chairman of the Development Committee
- Association des Amis National du Musée d'Art Moderne (France), Board member
- Banque Privée Edmond de Rothschild Europe SA (Luxembourg), Board member
- Catalyst Investments II L.P. (Israel), Chairman of the Advisory Board
- Château Dassault SAS (France) (since 1994), Chairman
- Dassault Belgique Aviation SA (Belgium) (since 1992), Président-Directeur Général
- Dassault Systèmes SA (France) (since 1992), Board member
- Financière Louis Potel & Chabot SAS (France), Board member
- GENERALI France SA (France), Board member and member of the Accounting Committee
- Génération Entreprise (French association), member of the Supervisory Board
- Groupe Industriel Marcel Dassault SAS (France), Vice-Chairman (since 1992)
- Immobilière Dassault SA (France) (since 2003), Chairman of the Supervisory Board
- Laurent Dassault Rond Point (LDRP) SCI (France), Associé Gérant
- Lepercq, de Neuflyze & Co. Inc. (United States), Board member
- Organisation pour la Prévention de la Cécité (OPC) (France), Board member
- PECHEL INDUSTRIES SAS (France), membre du comité de suivi
- Power Corporation du Canada (company incorporated under Canadian law on joint stock companies) (Canada), Board member
- SAGARD PRIVATE EQUITY PARTNERS SAS (France), membre du comité consultatif
- SGAM ALTERNATIVE INVESTMENTS SA (France), prestataire
- Sita SA (Switzerland), Board member

PIERRE LESCURE

Save for a two year period (1972-1974) as a television news presenter for Antenne 2, Pierre Lescure spent the first fifteen years of his professional career with the RTL, RMC and Europe 1 radio stations where he successively occupied a variety of positions, in particular Deputy Editor and Director of Programs. In 1981 he returned to television as Editor in Chief of Antenne 2. From 1984, he worked with André Rousselet on the launch project for the pay TV channel CANAL+ where he was appointed Director and then Chief Executive Officer. From 1993 to 2002, he was Chairman and Chief Executive Officer of the CANAL+ Group. From 2000 to 2002 Pierre Lescure was also co-Chief Executive Officer of Vivendi-Universal. Since 2002, he has been Chairman and Chief Executive Officer of Anna Rose Production SAS, a company active in audiovisual and cinematographic production as well as in communication consultancy services. Lastly, since July 2008 he has directed the Théâtre Marigny in Paris.

- Lagardère SCA (France), member of the Supervisory Board
- Thomson SA (France), Board member, member of the Remuneration Committee
- Havas SA (France), Board member
- Le Monde SA (France), external member of the Supervisory Board
- Le Monde Presse SAS (France), Chairman

CURRENT MANDATES

KUDELSKI GROUP

MARGUERITE KUDELSKI

Marguerite Kudelski's professional career began at the EPFL's Laboratory of Electromechanics and Electrical Machines, where she worked from 1991 to 1999. During this period she also worked as a development engineer within the Nagra Audio division of the Kudelski Group. In 1999, she became the Head of R&D with Précel SA in Neuchâtel (then a Kudelski Group company) before being appointed as CEO and Board member of the same company in 2000, positions that she occupied until the end of 2002. After completing a number of marketing and financial analysis projects for Nagrad in 2003, she took responsibility for certain key projects for the Group within the Finance Department from 2004 to 2006. Since March 2007, Marguerite Kudelski has worked as a consultant, offering services such as business development and management consulting.

- polyright SA, Board member

3.5.1. Distribution of tasks within the Board of Directors

The Board of Directors constitutes itself by appointing from within its ranks the Chairman and the Deputy Chairman. The functions of Chief Executive Officer and Lead Director are allocated if the Board decides to elect a Chief Executive Officer. Otherwise management of the company is delegated in full to the Executive Board. A Corporate Secretary may be appointed and chosen from outside the Board of Directors. He or she is not a member of the Board of Directors.

The Chairman of the Board leads the discussions at the General Meeting, ensures that the minutes are taken, is in charge of protocol and directs meetings of the Board, informs Board members of the development of business and the half-yearly accounts, represents the company in dealings with administrative and/or judicial authorities subject to mandates entrusted by the Board of Directors to a third party, to a Director or to one of its members.

The Deputy Chairman may convene a meeting of the Board of Directors. He chairs the General Meeting in the absence of the Chairman.

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ALEXANDRE ZELLER

Alexandre Zeller began his professional career in 1984 with Nestlé as a Management Auditor. Three years later he joined Credit Suisse, where he carried out various duties in the field of loans and asset management at a Swiss and international level, while at the same time managing various branches. In 1999 he was appointed to the Executive Board of Credit Suisse Private Banking. In November 2002, Alexandre Zeller joined the Banque Cantonale Vaudoise. Since July 2008, he has been CEO of HSBC Private Bank (Switzerland).

3.2. Other activities and vested interests

Please refer to the individual profiles of Board members under 3.1 above.

3.3. Cross-involvements

The requirements of the SIX Swiss Exchange directive have been cancelled.

3.4. Election and term of office

The Board of Directors comprises a maximum of eight members. Board members are appointed by the General Meeting for a period of one year. The term of office ends on the day of the Ordinary General Meeting. They may be re-elected.

3.5. Internal organization

The Board of Directors performs inalienable and non-transferable duties prescribed by the law (art. 716 of the Swiss Code of Obligations) with the support of its three Committees: Audit, Strategy, and Remuneration and Nomination.

The internal organization of the Board of Directors is defined in the Articles of Incorporation and the Board Regulations. The regulations are available on request to the General Secretariat of the Kudelski Group.

Management of the company may be delegated to the Chief Executive Officer, unless otherwise stipulated by law. In his management activities, the Chief Executive Officer acts in accordance with directives issued by the Board of Directors and safeguards the interests of the company. He also makes a report at each meeting of the Board of Directors covering the essential aspects of the current business situation.

In the Group's current structure, the functions of Chairman of the Board of Directors and Chief Executive Officer are exercised by one person. This situation

guarantees a rapid and fluid information and decision-making process, enabling the company to respond operationally and strategically at the pace required by developments in the sectors of activity pursued by the Group. There are mechanisms to counterbalance a potential risk resulting from the combination of these functions through the institution of the Lead Director.

The Lead Director ensures the independence of the Board of Directors vis-à-vis the Chairman and Chief Executive Officer and also the management of the company; he also chairs the Board of Directors in cases of conflict of interest involving the Chairman and Chief Executive Officer. Thus the Lead Director may autonomously convene and direct a meeting of the independent members of the Board of Directors if the interests of the company require independent deliberation. He ensures a performance appraisal process for the Chairman of the Board of Directors and the Chief Executive Officer.

3.5.2. Composition, attributions and delimitation of competencies of Board Committees

Committees are constituted by the Board of Directors which appoints their members and chairpersons. The Board Committees meet as often as is necessary. They have a consultative and preparatory role vis-à-vis the Board of Directors, to which they report on a regular basis. Committee reports serve as the basis for decision making by the Board of Directors.

Audit Committee

The Committee consists of at least three non-executive members of the Board of Directors. At least one Committee member has proven experience in the field of accounting. All members may have knowledge or practical experience in the field of

financial management. The Audit Committee meets in principle three times a year. The Audit Committee may at any time request detailed risk analyses of the Group's various sectors of activity as well as relating to specific fields of its choice. The Committee calls on experts outside the Board of Directors where this is deemed necessary for the successful completion of its tasks.

The Audit Committee supervises the company's internal financial reporting process and ensures its integrity, transparency and quality. It ensures that accounting methods comply with applicable regulations and constantly updates and provides financial information to the company.

It assesses the quality of work of external auditors and provides appropriate recommendations to the Board of Directors concerning renewal of the term of office of external auditors or, where necessary, their replacement. The Committee ensures that the recommendations of external auditors are followed up and safeguards their independence.

The Committee provides regular reports presenting its recommendations to the Board of Directors concerning the adequacy, efficiency and veracity of accounting processes.

Strategy Committee

The Strategy Committee is composed of three members of the Board of Directors, including the Chairman and Deputy Chairman. It meets at least twice a year.

The purpose of the Strategy Committee is to review and define Group strategy. It drafts strategic development options with a view to ensuring the long-term enhancement of the Group's competitive position and its shareholder value. To this end, the Strategy Committee monitors

market trends and the Group's competitive position, drafts future development models and oversees the Group's development by means of investments, disinvestments and reorganization.

To define strategic choices, the Strategy Committee relies upon information supplied by management, the members of the Board of Directors and, if deemed necessary, by external counsel.

The Strategy Committee periodically reviews the balance between the Group's objectives, its structure and the organization in place to achieve strategic objectives. The Strategy Committee makes proposals to the Board of Directors, which has ultimate decision-making power on strategy.

Remuneration and Nomination Committee

This Committee is composed of three non-executive members of the Board of Directors. It meets at least twice a year.

The Committee supervises the remuneration policy put in place by the company (confer section 5: Remuneration, shareholdings and loans).

The Committee presents proposals to the Board of Directors concerning the appointment of Board members to be submitted to the General Meeting. At the request of the Chief Executive Officer, it examines applications for management positions and may if it wishes meet with candidates.

■ Chairman
■ Member

	AUDIT COMMITTEE	STRATEGY COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
André Kudelski	<input type="checkbox"/> <input type="checkbox"/>	■ <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Claude Smadja	■ <input type="checkbox"/>	<input type="checkbox"/> ■	<input type="checkbox"/> ■
Norbert Bucher	<input type="checkbox"/> ■	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Laurent Dassault	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Patrick Føetisch	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	■ <input type="checkbox"/>
Marguerite Kudelski	<input type="checkbox"/> ■	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Pierre Lescure	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> ■	<input type="checkbox"/> ■
Alexandre Zeller	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>

The Committee calls upon outside experts where deemed necessary to support its recommendations and decisions.

78 3.5.3. Working methods of the Board of Directors and its Committees

The cooperation and allocation of competencies between the Board of Directors and its Committees are described in chapter 3.5.2.

The Board of Directors meets at least four times a year, but as often as is required for the proper conduct of business.

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

Board of Directors	7 times
Strategy Committee	2 times
Audit Committee	3 times
Remuneration and Nomination Committee	3 times

Average attendance at Board meetings exceeded 90%. Meetings of the Board of Directors lasted on average five hours. Most Committee meetings lasted between two and three hours.

3.6. Competencies

Please see also section 3.5.1 for details of the internal organization of the Board of Directors and the position of Chief Executive Officer.

The Board of Directors

The Board of Directors:

- has the ultimate management of the company and issues all necessary instructions;
- determines the organization;
- determines the principles of the accounting system and of the financial controls and also of financial planning insofar as this is necessary for the management of the company;
- appoints and dismisses persons entrusted with management and representation;
- exercises ultimate supervision over persons entrusted with management to ensure in particular compliance with the law, the Articles of Incorporation, regulations and instructions given;
- writes the annual report, calls the General Meeting and implements its decisions;
- takes decisions on capital calls with respect to shares that are not fully paid up (article 634a of the Code of Obligations);
- takes decisions regarding the assessment of an increase in capital and relevant changes to the Articles of Incorporation (articles 651 para. 4, 651 a, 652a, 652g, 652h, 653g, 653h of the Code of Obligations);
- informs the judge in the event of over-indebtedness;
- proposes decisions relating to the

conversion of shares (bearer/registered, registered/bearer) in which case the decision must be taken by a majority of Board members representing A and B shares.

Group management

The Board of Directors has delegated full management of the company to the Chief Executive Officer, subject to legal imperatives and contrary provisions in the Articles of Incorporation. The Chief Executive Officer therefore coordinates the day-to-day operations of the Group companies.

3.7. Information and control instruments with respect to Group management

Because of the nature of the industry, mechanisms for controlling Group management and information feedback systems are very important. The Kudelski Group has therefore put in place information and control instruments at different levels, which it improves on a continuous basis. These instruments concern strategy, operations, finance, law, human resources and information management.

Supervision

- The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of the current business situation (key contracts, sales trends, market trends, human capital) for each Group entity and activity.
- Board members receive weekly or quarterly press digests concerning the Group, depending on the amount of relevant newsflow; they may also receive other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the CEO deems this is necessary.
- At least twice a year, members of management are invited to present their activities to members of the

Board of Directors. Members of the Board may also ask questions directly to company executives as and when they see fit.

- At each Board meeting, if justified by the business situation and depending on the agenda, members of management, Group executives or outside experts are invited to present specific subjects to members of the Board of Directors.

Operations and strategy

- In the Group's key sectors, ad hoc committees comprising a cross-disciplinary panel of internal experts evaluate market, strategic, operational, legal and financial risks. These ad hoc committees analyze risks, manage processes relating to the evaluation of such risks, propose measures and monitor their implementation. There is a committee for each segment, as well as a security committee and an innovation committee. Information and comments arising from these committees are conveyed to the Group management during the Executive Board Meetings, which take place at least once a month. The Digital TV Executive Board Meetings, which take place at least once a month and last on average four hours, also use the information provided by the ad hoc committees and review in particular two specifically chosen and relevant topics for the Digital TV segment.

Finance

- The Controlling entity conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the various activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This entity also makes available a platform of analytical services to Group management and operational departments.

- In addition, the Group has an internal control system based on the COSO (Committee Of Sponsoring Organizations of the Treadway Commission) reference system. This system aims at providing “reasonable assurance” as regards the performance and efficiency of operations, the reliability of financial information and reporting, and compliance with laws and regulations in force. A team is in charge of internal controls.
- Each year the Group improves the level of detail and efficiency of its information management system, in particular by combining financial information and quantitative information while taking into account the different stages in the sales process. This provides an increasingly accurate and global view of the activity. Every month, the Business Analysis Office issues region, client and project-specific reports, while the Controlling entity provides entity, profit center and cost center-specific reports to concerned persons, mainly regional heads, heads of affiliated companies and the Chief Financial Officer.

Legal

- Close involvement of the Legal Department in decision making contributes to improving legal risk management.

Human Resources

- The HR Department uses a performance development tool (“Performance Development System” – PDS) designed to align the teams' management programs with the needs of the company. PDS features performance- and skills-evaluation functions and establishes a career development baseline for employees in line with the company's needs.

Information Management

- The Corporate IT department has developed and implemented a series of policies and procedures concerning IT security (for the use of computer systems, data protection and back-up, etc.).

4. GROUP MANAGEMENT

4.1. Group executive management members

	YEAR OF BIRTH	NATIONALITY	POSITION	EDUCATION
ANDRÉ KUDELSKI	1960	Swiss	Chairman and Chief Executive Officer (CEO) of the Group	Degree in Physical Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL)
PIERRE ROY Executive Vice President of the Group	1952	Swiss	Director of Operations (COO), Digital TV	Degree in Business Management HEC Lausanne
CHARLES EGLI Executive Vice President of the Group	1948	Swiss	Director Chief Executive Officer of Nagra Public Access AG	ETS Engineer in Electronics (Ecole Supérieure) or today HES (Hautes Etudes Spécialisées) Lausanne
MAURO SALADINI Executive Vice President of the Group	1966	Swiss	Chief Financial Officer (CFO)	ETHZ Electrical Engineer Ecole Polytechnique Fédérale Zurich (EPFZ) MBA INSEAD (France)
LUCIEN GANI General Counsel	1948	Swiss	Director of Group Legal Affairs	Doctorate in Law HEC Degree University of Lausanne Bar Exam
JOHN BURKE Senior Vice President	1953	Irish	Director of Group Human Resources	Degree in Economics MBA (Hons) Trinity College (Dublin)
NICOLAS GÛETSCHMANN Corporate Secretary	1960	Swiss	Director of Group Administration	Degree in Economics University of Fribourg
ALEX OSADZINSKI* Executive Vice President of the Group	1958	British / American	Director Product	Degree equivalent to a US BSC in Computer Science/Management Information Systems and Marketing
YVES PITTON Senior Vice President	1968	Swiss	Director Corporate Development	Doctorate in Materials Science Ecole Polytechnique Fédérale de Lausanne MBA SDA Bocconi (Italy)

* Alex Osadzinski obtained various scientific diplomas in the United Kingdom in return for which the company International Education Evaluations Inc. in 1991 issued an equivalence to an American Bachelor's degree in Computer Science/Management Information Systems and Marketing.



ANDRÉ KUDELSKI



PIERRE ROY



CHARLES EGLI



MAURO SALADINI



LUCIEN GANI



JOHN BURKE



NICOLAS GÛETSCHMANN



ALEX OSADZINSKI



YVES PITTON

ANDRÉ KUDELSKI

Please see article 3.1 of this section.

PIERRE ROY

Pierre Roy began his professional career with Procter & Gamble as a Financial Analyst in 1975. Following this early experience, he joined IBM in 1977 as a Sales Engineer. In 1979, he began his international career with Digital Equipment Corporation, where he fulfilled various management positions at the European headquarters in Geneva and also abroad, in the Finance and Administration, Marketing and Business Management departments. He joined Kudelski SA in 1992 as Managing Director of Nagra Audio, Business Development Director of Nagravision and Managing Director of Précel (at the time a Kudelski Group company). In 1999 he started his own corporate consultancy firm working in the telecommunications sector while continuing to collaborate on strategic projects for Nagravision. In 2003, he was appointed Chief Operating Officer for the Digital Television sector of the Kudelski Group and Executive Vice President.

MANDATES WITH MAIN OPERATIONAL COMPANIES HELD BY KUDELSKI SA:

- OpenTV Corp., Board member
- Nagravision SA, Board member, Director
- NagralD SA, Board member
- Nagra Trading SA, Board member
- SmarDTV SA, Board member
- Quative Ltd., Board member
- Nagra Thomson Licensing SA, Chairman
- Nagra USA, Inc., Board member
- Nagravision Asia Pte Ltd., Board member

82 CHARLES EGLI

Charles Egli worked at Studer Revox in Zurich as a Development Engineer then as Project Manager until 1989, when he joined Nagravision as Project Manager. In 1992, he was appointed as Chief Operating Officer of Kudelski SA and then, in January 2003, Chief Executive Officer of Nagra Public Access AG and Executive Vice President of the Kudelski Group. He has also occupied the post of Chief Executive Officer of SkiData AG since September 2004.

- SkiData AG, CEO Vorstandsvorsitzender
- Nagra Public Access AG, Chief Executive Officer
- Nagravision SA, Board member
- polyright SA, Board member, Vice President
- Nagra plus SA, Director

MAURO SALADINI

After five years as a financial services consultant with Accenture, Mauro Saladini joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash flow and risk management activities. In 1997, he joined McKinsey & Co, where he became a partner in 2001. He worked in particular on corporate finance and strategy projects relating to various industries, mainly media and telecommunications. In addition, Mauro Saladini was in charge of the Swiss Media Practice and joint-head of the European Media Practice. He has been the Chief Financial Officer and Executive Vice President of the Kudelski Group since 1 February 2003.

- Nagravision SA, Director
- OpenTV Corp., Board member
- SkiData AG, member of the Supervisory Board
- NagralD SA, Chief Executive Officer
- NagralD Security SA, Board member
- Quative Ltd, Board member

Other:

- Newave Energy Holding SA (Switzerland), Board member

LUCIEN GANI

Lucien Gani began his professional career in 1972 as a lawyer with the Federal Tax Administration, and then occupied the post of Deputy Director with the Compagnie Vaudoise d'Electricité in Lausanne, where he remained from 1974 until 1976. Between 1977 and 1983, he was a trader with the company La Commerciale SA in Lausanne. From 1984, he wrote his doctoral thesis in law and undertook a law internship in 1987. Since 1990, he has worked as an independent lawyer with a law firm in Lausanne. He joined the Kudelski Group in January 2006 as Director of Legal Affairs. Previously, he acted as counsel for several years as an independent lawyer in the drafting and negotiation of strategic contracts for the Kudelski Group.

- OpenTV Corp., Board member
- SmarDTV SA, Chairman
- NagralD SA, Board member
- Nagravision SA, Board member
- EDSI SAS (France), Chairman
- EmbedICs LLC, Director

MANDATES WITH MAIN OPERATIONAL COMPANIES HELD BY KUDELSKI SA:

JOHN BURKE

John Burke began his professional career in marketing with Procter & Gamble International in Geneva in 1977. From 1982, he was appointed Group Marketing Manager with various Group subsidiaries, particularly in Geneva, Athens, Cincinnati and Madrid. In 1986, he joined RotoVision SA as Sales Director. He then joined the IUCN (World Conservation Union) in 1991 as Director of Communications and Public Relations. In 1996, he joined Novartis Consumer Health, initially as Head of Human Resources and Communication. He was then appointed Head of the Medical Nutrition division and a member of the Executive Committee, before being promoted to worldwide Head of the Nutrition division. In 2001, John Burke joined the Geneva-based International Federation of Red Cross and Red Crescent Societies as Director of Support Services and in 2004 was appointed Chief Administrative Officer of the Global Fund to Fight Aids, TB and Malaria, where he remained until he joined the Kudelski Group on 1 June 2006.

- Nagravision SA, Director
- NagralD SA, Director

NICOLAS GOETSCHMANN

From 1986 to 1989, Nicolas Goetschmann was a Private Client Executive with Credit Suisse in Geneva before becoming a Fund Manager with Kestrel SA in Neuchâtel. In 1990, he joined the Kudelski Group as Director of Finance and Administration. Since 2004, he has been the Corporate Secretary of the Kudelski Group as well as Director of Group Administration.

- Nagravision SA, Director
- Nagra Public Access AG, Director
- Nagra USA Inc., Board member
- Nagra France Holding SAS (France), Chairman

ALEX OSADZINSKI

Alex Osadzinski began his professional career in the United Kingdom in 1978, at two successful start-up companies which were subsequently sold. In 1984, he joined AT&T as European Sales Manager. From 1986 to 1994 he worked for Sun Microsystems, where he became Vice President for Markets and Product Strategy. After two years with Grass Valley Group (Tektronix) as Vice President for Marketing and International Sales, President of Grass Valley Japan and General Manager, Mr Osadzinski returned to the world of start-ups with the companies BE from 1996 to 1998 and Vitria Technology from 1998 to 2000. Both these companies were subsequently listed on the stock exchange. He then became CEO of the start-up Katmango. From 2001 to 2008 he was involved in start-ups as a "Venture Partner" through the company Trinity Ventures, one of the main venture capital companies in Silicon Valley and active in software and digital media. In December 2008 Mr Osadzinski joined the Kudelski Group as Executive Vice President Product in the Digital Television division.

- Nagravision SA, Director
- OpenTV Corp., Board member
- Quative Ltd., Board member

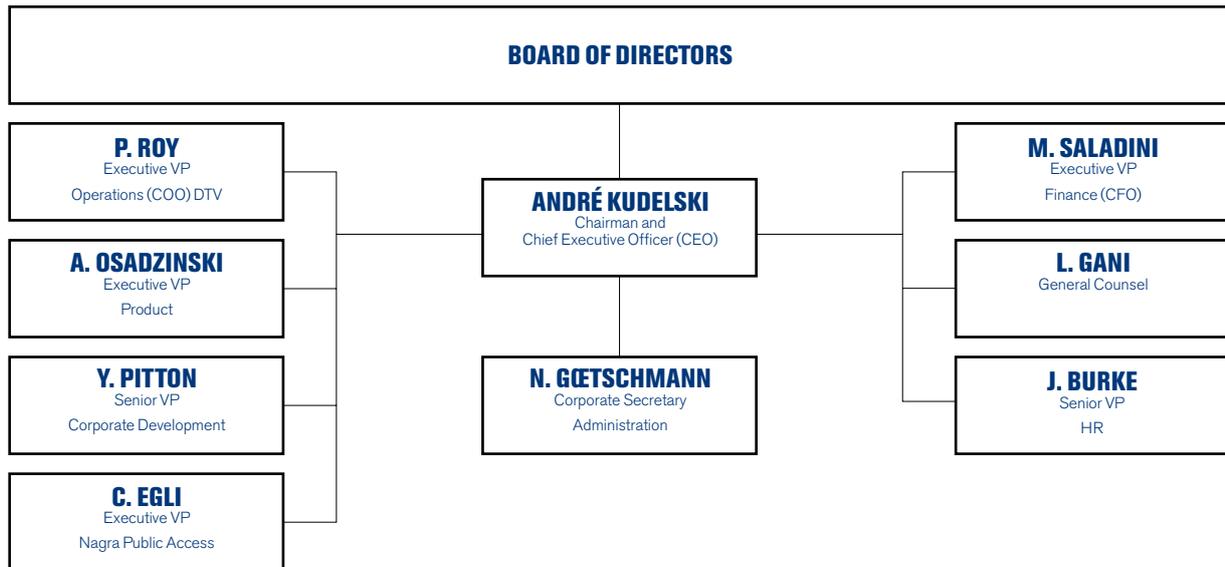
YVES PITTON

Mr Pitton worked on several projects at the Ecole Polytechnique Fédérale de Lausanne (EPFL) and for various international companies during the three years of his PhD thesis. After obtaining his PhD in Material Sciences & Engineering, he joined Alusuisse (now called Alcan Aluminium Valais SA) as Project Manager and then Product Manager in 1997, with responsibilities for product development, marketing and business development. He left Alusuisse to study for an MBA, which he obtained after one year's study in 2001. From August 2001, Mr Pitton worked as a consultant and then Engagement Manager for McKinsey & Co in Europe and the United States, where he led strategic projects for international companies operating in various business sectors, including finance, TV & new media, high-tech, technology and industrial businesses, both in Europe and in the US. He joined the Kudelski Group in October 2006 and was put in charge of strategic projects. In September 2008, he took responsibility for Business Development, and on 15 December he was appointed to the Group Executive Board as Senior Vice President in charge of Corporate Development.

- Nagravision SA, Director
- Abilis Systems Sàrl, gérant

Other:

- Ligaris SA (Switzerland), Board member



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4.2. Other activities and vested interests

Please refer to the individual profiles of members of the Group management under 4.1 above.

4.3. Management contracts

There were no management contracts in place at Kudelski SA on 31 December 2009.

5. REMUNERATION, SHAREHOLDINGS AND LOANS

5.1. Principles of remuneration

The Remuneration and Nomination Committee is responsible for setting the remuneration policy as well as the remuneration of each member of the Board of Directors and Group Management. As an exception to this principle, the remuneration of members of the Remuneration and Nomination Committee is set by the Board of Directors (refer to section 3.5.2, Remuneration and Nomination Committee). The Chairman of the Board is invited to take part in setting the remuneration of members of the Board and

key managers in the company, with the exception of his own remuneration.

In setting the remuneration policy, the Committee seeks to align the interests of the management bodies as closely as possible with those of the company over the medium and long term. In particular, the variable component of remuneration increases with the level of responsibility assumed by executive members, which can have a positive or negative effect on the overall remuneration of each member of management. The methods for determining the total remuneration of each executive member are optimized in such a way as to avoid favoring short-term results.

Fixed remuneration is not considered individually as a comparison factor for the Committee, which favors an overall assessment of remuneration in the company's long-term interest. Overall remuneration is therefore considered in such a way as to guarantee a level of remuneration that is comparable with the rest of the sector, taking into account the

specific context of the sector of activity. The Remuneration and Nomination Committee's assessment of the terms of remuneration was based on its own opinion and on the terms applied by other companies with which it competes in hiring board members and upper managers, without referring to particular benchmarks or engaging the services of consultants. The Committee also sought to ensure that remuneration levels are in line with salaries prevalent in the regions and business sectors, also taking into account national and international practices in this matter.

The purpose of the variable component of remuneration is to align the interests of the members of Group Management as closely as possible with those of the company by having the members benefit from value creation or be penalized in the opposite situation. The variable component of remuneration depends on the Group's results (both economic and strategic), the employee's level of responsibility, and the achievement of individual objectives. Variable remuneration

is not expressed as a percent of fixed remuneration.

There is currently no provision setting forth a particular allowance or benefit in the event of termination of the employment contract of a member of Group Management, a change in control or the early departure of a member of the Board of Directors.

5.2. Components of remuneration

Note 44 to the financial statements shows the breakdown of payments to members of the Board of Directors and Group Management, pursuant to Article 663bis of the Swiss Code of Obligations.

The principles governing the determination of components of remuneration are different for non-executive members of the Board of Directors and for Group Management.

Members of the Board of Directors

Overall remuneration of non-executive members of the Board of Directors includes fixed annual fees as well as an allowance for costs and other expenses incurred while performing their duties. This remuneration is paid in cash.

If specific tasks or services not within the usual scope of activities are assigned to Board members, the services rendered are remunerated on the basis of fees that correspond to market rates for the same type of services.

Members of Group Management

The total annual remuneration of members of Group Management includes a salary and a variable component. The amount of the variable component depends on the individual performance of the member in question and the strategic, economic and operational performance of the Group. The objectives are set by the Board of Directors and reflect

the Group's strategy; they also represent part of the objectives of the Chief Executive Officer (CEO). The CEO sets the individual objectives of each member of Group Management. The Remuneration and Nomination Committee has discretionary authority to determine how the components of individual performance and those relating to the Group are to be weighted, in order to set the remuneration of each member of Group Management.

Remuneration is paid in cash, shares and payment in kind, including for example payment of all or part of the health insurance premium and the provision of a company car. The fixed component is in principle paid in cash. The Remuneration and Nomination Committee has discretionary authority to determine how the variable part is paid, taking into account such criteria as the share price and the dilution effect. A maximum of 50% of the variable part of remuneration is in principle paid in the form of Kudelski SA bearer shares, with the exception of a member of Group Management who does not reside in Switzerland and whose variable remuneration is paid entirely in cash. These shares are blocked for a period of 1, 3 or 7 years in accordance with the employee's wishes, but at least half of these shares must be blocked for at least three years. Members of Group Management may also take part in the share purchase plan introduced in 2004, in accordance with the terms of said plan (refer to section 2.7).

5.3. Procedure for determining remuneration levels

The Remuneration and Nomination Committee examines the remuneration policy and sets the remuneration of each member of the Board of Directors and Group Management every year, in principle during the first quarter; during the same period, the Chief Executive Officer sets the performance objectives

of the members of Group Management. He presents the decisions to the Board of Directors in a meeting that is generally held during the first quarter as well. The remuneration of non-executive members of the Board of Directors and of the Remuneration and Nomination Committee is set by the entire Board of Directors in a meeting that is also generally held during the first quarter. The individuals whose remuneration is being discussed do not attend the relevant meetings of the Remuneration and Nomination Committee and of the Board of Directors.

5.4. Changes to the remuneration policy during the year under review

Apart from the fact that all the shares paid to the members of Management for the 2009 financial year were blocked, no major change was made to Kudelski Group's remuneration policy relative to the 2009 financial year.

6. SHAREHOLDER PARTICIPATION

The provisions of the Articles of Incorporation governing the participation rights of shareholders are in compliance with the law as set out in the Swiss Code of Obligations. The Articles of Incorporation of Kudelski SA may be consulted on the Kudelski Group website via the following link: www.nagra.com/ar/statuts_Kudelski.pdf.

6.1. Voting rights and representation restrictions

In accordance with the Articles of Incorporation of Kudelski SA, there are no restrictions on voting rights and no statutory Group clauses and rules on granting exceptions.

6.2. Statutory quorums

The Kudelski SA Articles of Incorporation do not provide for any statutory quorums.

6.3. Convening of the General Meeting of Shareholders

The rules in the Articles of Incorporation on calling the General Meeting of Shareholders are in accordance with applicable legal provisions. The General Meeting of Shareholders must be called at least 20 days before the date of the meeting. The notice of the General Meeting is published in the Swiss Official Gazette of Commerce.

6.4. Agenda

Items on the agenda are mentioned in the notice.

Regarding rules for adding items to the agenda, the Articles of Incorporation of Kudelski SA do not contain provisions that differ from the Swiss Code of Obligations, namely Art. 699 CO, "Shareholders who represent shares totaling a nominal value of CHF 1 million (*) may request that an item be included in the agenda. The calling and the inclusion of an item on the agenda must be requested

in writing listing the items and motions".

(*) *This represents 0.2% of the capital of Kudelski SA.*

6.5. Registration in the share register

Kudelski SA shares that can be traded on the Swiss Exchange are bearer shares; consequently there is no register of shareholders for this category of shares.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1. Duty to make an offer

Kudelski SA has no provision on opting-out or opting-up in its Articles of Incorporation. This means that if a shareholder reaches the limit laid down by the law on stock markets (art. 32 LBVM: 33 1/3% of the voting rights), he must by virtue of this law submit a takeover bid.

7.2. Clauses on changes of control

No such clauses exist.

8. AUDITORS

8.1. Duration of the mandate and term of office of the lead auditor

The auditors of Kudelski SA are PricewaterhouseCoopers SA (Lausanne). Some companies affiliated to the Group are audited by other auditors. The auditors were reappointed by the General Meeting of Shareholders of Kudelski SA of 28 April 2009 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mr Félix Roth since 1 January 2003. The auditor in charge is replaced at the latest seven years after the year in which he first occupied this position, as specified in article 730a paragraph 2 of the Swiss Code of Obligations.

8.2. Auditing fees

The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2009 the sum of CHF 1 031 000.

Auditing services are understood to mean the work required each year to examine the consolidated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country, performed by PricewaterhouseCoopers. In addition, some audit assignments were entrusted to other auditors.

8.3. Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2009 the sum of CHF 298 000, representing CHF 203 000 for tax advisory services and CHF 95 000 for other additional services. Additional services mean in particular services such as the auditing of occasional transactions, the implementation of new or modified accounting methods and other services such as reviews of IT projects.

8.4 Monitoring and control instruments pertaining to the audit

The aim of the Audit Committee of the Board of Directors is to provide effective and regular supervision of the company's financial reporting processes in order to ensure their integrity, transparency and quality. To this end and under its terms of reference, it is responsible for monitoring the work of the external auditors.

PricewaterhouseCoopers provides the Audit Committee with a detailed report before each Committee meeting regarding the execution and results of its work within the Kudelski Group, proposals to correct or improve identified problems and the implementation status of decisions made by the Audit Committee.

The auditor's representatives, including the auditor in charge of the Group's audit, are regularly invited to take part in meetings of the Audit Committee as external participants. Representatives from PricewaterhouseCoopers were invited to all three meetings of the Audit Committee with the exception of discussions and decisions of the Audit Committee regarding the auditors. The auditor in charge of the internal audit attended the parts of these three meetings that were relevant for him.

For more information on the Audit Committee, please refer to points 3.5.2 and 3.5.3 of this report.

9. INFORMATION POLICY

The Kudelski Group keeps investors regularly informed of the following developments:

- progress of business, major new contracts;
- changes occurring in the management of the Group;
- acquisitions or sales of companies;
- half-yearly and annual financial results.

Press releases are issued in compliance with the rules in force on the Swiss Exchange concerning factual publicity and are available on the Group's website simultaneously with their publication. A link on the home page of the Group's web site allows direct access to press releases. The Group communicates as often as necessary in this manner. Press releases are generally published in French and in English. In certain specific cases a German version is also provided. They are available in these languages on the website. Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website.

Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited can also follow the conference by phone.

The Group's website is a permanently updated source of information. The Investor Relations section contains a list of the principal dates of the corporate calendar (publication of results, General Meeting and presence at major trade shows) as well as the Group's main publications (annual report and half-year report).

INTERNET LINKS

Group web site
www.nagra.com

Investor relations section
www.nagra.com/investors.html

Important dates
www.nagra.com/investors-calendar.html

Financial documentation
www.nagra.com/investors-doc.html

Press releases
www.nagra.com/media-pr.html

E-MAIL ADDRESSES

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KUDELSKI GROUP
2009 ANNUAL REPORT



DIGITAL TELEVISION

Nagravision

Integrated software security solutions for digital television operators and content providers.



OpenTV

Middleware solutions enabling advanced digital television services including interactive television as well as interactive and addressable advertising.



SmarDTV

Removable conditional access modules (CAM) for digital TV access on digital devices.



Nagra+

Security systems for analog pay television. Innovative concepts developed in cooperation with Canal+ in the digital TV area. Joint venture with Canal+ (F).



Quative

Last generation turnkey IPTV platform including content protection, management and distribution.



Abilis Systems

Integrated circuits for digital television and wireless communications.



NagraID

Development and production of modules and smart cards for contact and contactless identification systems.



PUBLIC ACCESS

SkiData

Integrated access and management solutions for car parks, ski lifts as well as sports, culture, entertainment and exhibition facilities.

polyright

Open-ended rights and service management solutions for hospitals, universities and corporations. Joint venture with the Securitas group.

AUDIO

Nagra Audio

Portable digital recorders for professionals and products in the high-end Hi-Fi sector.

1951

Creation of the company by Stefan Kudelski and launch of the first portable recorder, the Nagra I.

1958

Release of the Nagra III, the legendary cinema recorder.

1986

The company is listed on the stock market.

1989

Canal+ adopts Kudelski's access control system for pay television.

1991

André Kudelski succeeds Stefan Kudelski as Chairman and Chief Executive Officer of the Kudelski Group. First million analog decoders sold. Conditional access television systems become Kudelski's core business.

1992

Creation of Nagra+, a joint venture with Canal+. Launch of the Nagra D, the first portable professional 4-track digital recorder.

1995

First order (from EchoStar) for a Nagravision digital system, marking the arrival of Nagravision in the North American market.

1996

Full conversion of the convertible bond (1986-1996) as part of a PEO.

1997

Digital television becomes the company's core business. Nagra Audio launches a range of high-end Hi-Fi products.

1998

Creation of NagraStar, a joint venture with EchoStar, and of NagraCard. Capital increase and first indirect split of the Kudelski share (5+1).

1999

The company becomes a holding company. Kudelski stock is listed on the principal market of SIX Swiss Exchange.

2000

Investment in SportAccess (now polyright). Capital increase and second indirect split (10+2).

2001

The Group makes several acquisitions in the public access sector (SkiData, Ticketcorner) and in digital television (Lysis, Livewire). The Kudelski share is split by 10. Launch of a convertible bond of USD 325 million. The issue is heavily over-subscribed.

2002

After a ten-year period of uninterrupted growth, the Kudelski Group suffers from the impact of the crisis in the television market, particularly in Europe, and of unfavorable developments in the foreign exchange markets. The company carries out an in-depth review of its structures. Creation of the holding company Nagra Public Access (including SkiData, Ticketcorner and polyright).

2003

Recovery of the digital television market. Acquisition of the MediaGuard product line from Canal+ Technologies and creation of Nagra France.

2004

The Group publishes record results, tripling its digital TV revenues in Europe and almost doubling them in America.

2005

Early redemption of the USD 325 million convertible bond and issuance of a new convertible bond of CHF 250 million. Creation of Quative (IPTV sector). New Nagra Public Access structure; the entity is profitable again. Sale of the majority stake of Ticketcorner. Success of the new Nagra PMA pyramidal amplifier.

2006

Strategic investments for the development of the digital TV ecosystem. Acquisition of the digital TV activity of SCM Microsystems resulting in the creation of SmarDTV. Intensified Research & Development effort with a focus on content protection, IPTV and mobile TV.

2007

The Group becomes a leader in middleware and interactivity for digital television with the acquisition of a controlling interest in OpenTV. Launch of new IPTV and mobile TV solutions. Launch of new families of security solutions. Excellent results for Nagra Public Access. Success of the Nagra CD player.

2008

Revenues pass the billion Swiss-franc milestone for the first time thanks to a 20.4% Group revenue growth in constant currency. Over 101 million digital TV active smart cards & devices worldwide. 25 million smart cards successfully migrated to service mode. Increasing footprint in Asia including for new solutions.

2009

Migration to service mode completed, ensuring a more stable revenue base for the Group. Massive deployments on digital terrestrial television markets. Success of the new TV 2.0 solutions such as NagraVision's Widget platform. Full OpenTV acquisition and new acquisitions (Medialive and Mediosh!). Market expansion and long-term contract with DISH network (USA). Creation of an R&D center in China. One billion Swiss francs invested in R&D over the past five years.

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Corporate Communications,
Kudelski Group

DESIGN

essencedesign

PROJECT SUPPORT AND COORDINATION

Desrochers Communication

PRINTING

Swiss Printers AG

PHOTOGRAPHY

Régis Colombo: portraits of the Board
of Directors and Group Management
Serge Desrochers: Audio devices
Getty Images: concept images

PHOTOLITHOGRAPHY

atelierZed

DISCLAIMER

This report contains forward-looking statements, including, but not limited to, statements that are projections of future events, trends, plans or objectives. These statements are subject to known and unknown risks and uncertainties and could be affected by other factors that could cause actual results, plans and objectives to differ materially from those expressed or implied in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, performance of financial market, competitive factors and changes in laws and regulations.