NAGRA
KUDELSKI GROUP

Press Release

2009 ANNUAL RESULTS

STRONG MOMENTUM AND POSITIVE OUTLOOK

- **Solid 2009 results :**
  - **Material improvement of Digital TV segment profitability**
  - **Resilience of Public Access in a challenging environment**
- **124 m actives smart cards / modules – 59.8 m units in service model**
- **Significant new contract wins in emerging markets and for new technologies**
- **Improved cost structure through optimized location mix**
- **Completing full OpenTV acquisition**
- **Guidance for 2010:**
  - **Revenues CHF 1'100m-1'140m**
  - **Operating income CHF 105m-120m**

Key figures 2009

(in million CHF)	**2009**	**2008**	**Variation %**
Revenues	1'052.3	1'027.5	2.4%
Other Operating Income	8.4	9.5	-10.7%
Total Revenues & OOI	**1'060.8**	**1'037.0**	**2.3%**
OIBDA	137.8	92.2	49.5%
Operating income	**73.3**	**18.5**	**296.5%**
Net Income / (loss)	**51.1**	**-7.0**	

Cheseaux, Switzerland – February 26, 2010 - The Kudelski Group (SIX:KUD.VX), the world's leading provider of media content protection and value-added service technology, announced today its 2009 annual 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. 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.

Solid 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 compared to CHF 18.5 million in 2008. In the second half 2009, the Group delivered a best ever operating income 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.

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. 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.

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.

Sustained positive momentum for Digital TV

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. 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.

This growth momentum 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, NagraID one-time password display cards and Nagravision 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. 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. 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 containment 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. 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 squeeze out 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 Nagravision 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.

Significant new contract wins

During 2009, the Digital TV division has continued to win new contracts in both traditional and new business areas. Previously announced 2009 deals include German operator HD+, a subsidiary of SES ASTRA, Abertis in Spain, Canal Overseas (DTH operator in Vietnam), Korean operator SkyLife as well as the new long-term Dish contract in the US.

In addition to these contracts, the Group signed the following new agreements:

a) <u>FLO TV - USA</u>

   Nagravision has been selected by FLO TV, a fully owned subsidiary of Qualcomm providing live Mobile TV services in the USA to supply OpenCA conditional access products and services. Nagravision is the undisputed world leader in mobile conditional access solutions, securing commercial services using the major mobile broadcast technologies including MediaFLO in the USA, CMMB in China and DVB-H in Italy and rest of the world.

b) TV Globo - Brazil

Brazilian television network, Rede Globo (also known as TV Globo and Globo), the 4th largest broadcast network in the world and the largest in Latin America, has selected Nagravision for its ambitious TVDR DTH project. The project includes the industry's first geo-control technology and targets a replacement analogue receivers with high definition (HD) ready set-top boxes. The ground-breaking solution is based on a NAGRA Media ACCESS conditional access system. The solution runs on pre-integrated set-top boxes configured with geographical localiser chips (GPS modules) to receive local SD and HD content from a satellite broadcasting infrastructure.

c) Elisa – Finland

Finnish telco operator Elisa Corporation has deployed NAGRA Media Access conditional access solution for its next generation IPTV network. In Finland, Elisa has been a forerunner in almost every aspect of telecommunications technology. With 2 million private households and around 15,000 international corporate customers, Elisa is a highly innovative provider of communications services in the Nordic countries.

The integration and deployment of the Nagravision solution into the Elisa network occurred in just three months and the service will be launched in March.

In the Public Access segment, SkiData extended its footprint in North America in the airport business. Recently, SkiData was selected by Dallas Fort Worth Airport, one of the top 10 airports in the US, to deploy a revolutionary parking solution including online reservation and other innovative services. This represents SkiData's most important airport agreement in North America.

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.

Overall, management expects total revenues between CHF 1'100 and 1'140 million and an operating income between CHF 105 and 120 million for 2010.

Dividend

The Board of Directors of Kudelski SA will propose to the Annual General Meeting of May 4, 2010 the payment of a dividend of CHF 0.30 per bearer share and CHF 0.030 per registered share. The ex-date will be May 6, 2009.

Note
The 2009 Financial Statements and MD&A are available in PDF format under:
www.nagra.com/investors-doc.html

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Note to the editor

About the Kudelski Group

The Kudelski Group (SIX: KUD.VX) is a world leader in digital security and convergent media solutions for the delivery of digital and interactive content. Its technologies are used in a wide range of services and applications requiring access control and rights management to secure the revenue of content owners and service providers for digital television and interactive applications across broadcast, broadband and mobile delivery networks. The Kudelski Group is also a world technology leader in the area of access control and management of people or vehicles to sites and events. It additionally offers professional recorders and high-end hi-fi products. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. For more information, please visit www.nagra.com

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