

# KUDELSKI GROUP ANNUAL REPORT 2010

**AMENDMENT TO THE 2010 FINANCIAL STATEMENTS**

**60**  
YEARS  
OF INNOVATION  
1951-2011  
**NAGRA**  
KUDELSKI GROUP



# **TO THE ATTENTION OF KUDELSKI SA SHAREHOLDERS**

## **AMENDMENT TO THE 2010 FINANCIAL STATEMENTS**

The Board of Directors approved on April 5, 2011 the amendment to its 2010 financial statements to reclassify in the cash flow statements transactions with non-controlling interests. This amendment impacted the consolidated cash flow statement (page 64), note 37 (page 105) and note 55 (page 120).

The above modifications of the 2010 financial statements have been reviewed by the Group auditors who delivered an audit report on the consolidated financial statements dated April 5, 2011 (page 122).

The revised sections of the financial statements are attached hereafter and supersede the pages in the 2010 financial statements authorized for issue on February 23, 2011 included in the 2010 Annual report.

The Board of Directors

Cheseaux-sur-Lausanne, April 5, 2011

# CONSOLIDATED CASH FLOW STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009)

In CHF'000	Notes	2010	2009
<b>Net income for the year</b>		<b>66 677</b>	<b>51 091</b>
Adjustments for:			
Current and deferred income tax		14 846	9 432
Interest expense and other finance income/(expense), net		10 244	3 216
Allocation of the equity conversion component and transaction costs of convertible bond and borrowings		7 848	5 703
Depreciation, amortization and impairment	9	62 974	64 498
Change in fair value of financial assets at fair value through profit or loss		150	231
Share of result of associates	17	-4 897	-1 275
Dividends received from associated companies	17	828	780
Non-cash employee benefits expense		5 904	10 756
Other non operating cash items		-3 240	1 707
Other non cash income/expenses		23 839	-11 360
		<b>185 173</b>	<b>134 779</b>
Change in inventories		-7 945	19 267
Change in trade accounts receivable		26 551	60 844
Change in trade accounts payable		-12 730	-38 387
Change in deferred costs and other net current working capital headings		-29 578	-32 005
Interest paid		-8 871	-7 803
Interest received		8 855	1 548
Income tax paid		-12 309	-3 060
<b>Cash flow from operating activities</b>		<b>149 146</b>	<b>135 183</b>
Purchases of intangible fixed assets		-29 754	-23 395
Purchases of tangible fixed assets		-43 388	-27 861
Proceeds from sales of tangible and intangible fixed assets		1 339	1 438
Investment in financial assets and loans granted		-7 110	-58 710
Divestment of financial fixed assets and loan reimbursement		69 932	17 198
Acquisition of subsidiaries, cash outflow	37	-2 688	-4 324
Disposal of associated companies	17	3 080	-
Acquisition of associated companies		-1 086	-741
<b>Cash flow used in investing activities</b>		<b>-9 675</b>	<b>-96 395</b>
Reimbursement of bank overdrafts, long term loans and other non-current liabilities		-121 921	-58 665
Increase in bank overdrafts, long term loans and other non-current liabilities		28 902	120 708
Proceeds from employee share purchase program	41	142	148
Cash received from exercise of stock options		14	243
Dividends paid to non controlling interests		-	-86
Dividends paid to shareholders	40	-15 958	-7 921
Sale of treasury shares		605	-
Acquisition of treasury shares	26	-489	-
Acquisition of non controlling interests, cash outflow	37	-31 320	-127 826
<b>Cash flow used in financing activities</b>		<b>-140 025</b>	<b>-73 399</b>
Effect of foreign exchange rate changes on cash and cash equivalents		-10 554	-3 069
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>-11 108</b>	<b>-37 680</b>
Cash and cash equivalents at the beginning of the year	24	210 139	247 819
Cash and cash equivalents at the end of the year	24	199 031	210 139
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>-11 108</b>	<b>-37 680</b>

The accompanying notes form an integral part of these consolidated financial statements.

**37. CASH FLOWS FOR ACQUISITION OF SUBSIDIARIES AND NON CONTROLLING INTERESTS**

In CHF'000	Notes	2010 Acquisi- tions	2009 Acquisi- tions
Tangible fixed assets		317	21
Intangible fixed assets (excluding goodwill)		3 324	1 484
Financial assets and other non-current assets		–	34
Net working capital		49	465
Deferred tax liabilities		-701	–
Long term liabilities		-151	-114
Cash and cash equivalents		–	33
<b>Fair value of net assets acquired for the Group</b>	<b>4</b>	<b>2 838</b>	<b>1 923</b>
Goodwill		105	–
Impact of transaction with non controlling interests	4	27 696	133 143
<b>Total acquisition costs</b>		<b>30 639</b>	<b>135 066</b>
Of which:			
– cash consideration paid		30 639	125 884
– acquisition costs		–	9 182
		<b>30 639</b>	<b>135 066</b>
To adjust for:			
– prior years contingent considerations paid		2 129	2 434
– prior year acquisition costs paid on acquisition of non controlling interests		3 624	–
– correction of prior year purchase price		-2 384	–
– cash and cash equivalents acquired	4	–	-33
– unpaid acquisition costs on acquisition of non controlling interests		–	-3 624
– non cash items transferred to acquisition costs		–	-1 693
<b>Net cash outflow from acquisitions</b>		<b>34 008</b>	<b>132 150</b>
Of which have been classified for cash flow statement purposes as follow:			
– investing activity (acquisition of subsidiaries, cash outflow):		2 688	4 324
– financing activity (acquisition of non controlling interests, cash outflow):		31 320	127 826

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Following the adoption of the amendment of IAS 7 - Statements of cash flows, prior year cash flows in connection with acquisition of non controlling interests have been reclassified from investing activities to financing activities for kCHF 127 826.

















Compared to the financial statements released on February 24, 2011, the cash flow statement has been amended by reclassifying the transactions with non controlling interests of kCHF 31 320 (respectively kCHF 127 826 in 2009) from «cash flow used in investing activities» to «cash flow used in financing activities».




# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010

## 55. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorised for issue on April 5, 2011.

## 56. PRINCIPAL OPERATING COMPANIES

Company	Place of incorporation	Activity	Percentage held		
			2010	2009	
<b>Digital Television solutions</b>					
Nagravision SA	CH – Cheseaux	Solutions for Digital TV and audio products		100	100
NagraID SA	CH – Chaux-de-Fonds	Smartcard production		100	100
Nagra France SAS	FR – Paris	Solutions for Digital TV and audio products		100	100
Nagra USA, Inc.	US – Nashville	Sales and support		100	100
Nagravision Asia Pte Ltd	SG – Singapore	Services		100	100
SmarDTV SA	CH – Cheseaux	Chipsets for iDTV and conditional access modules		100	100
NagraStar LLC	US – Englewood	Smartcards and digital TV support		50	50
Nagra Plus	CH – Cheseaux	Analog Pay-TV solutions		50	50
Nagra Thomson Licensing SA	FR – Paris	Intellectual property management		50	50
<b>Public Access solutions</b>					
SkiData Group	AT – Gartenau	People and car access systems		100	100
TicketCorner Group	CH – Rümlang	Event distribution and ticketing		–	28
Polyright SA	CH – Sion	Multifunction chipcard system		50	50
<b>Middleware &amp; Advertising</b>					
OpenTV Group **	US – Delaware	Middleware for set-top-boxes and advertising solutions		100	89*
Quative Ltd	UK – London	IPTV solutions		100	100
<b>Corporate</b>					
Kudelski SA	CH – Cheseaux	Holding, parent company of the Group		100	100
Kudelski Financial Services SCA	LU – Luxemburg	Finance, convertible bearing company		100	100

-  Full consolidation method applied
-  Joint-venture accounting applied
-  Equity method of accounting applied

\*In 2009, the Group has 96% of the voting power in OpenTV Corp

\*\* Including amongst other OpenTV Interactive Software (Beijing) Co. Ltd, China, OpenTV Australia Pty Ltd, Australia, Nagra Media Japan K.K., Japan.

# REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

## TO THE GENERAL MEETING OF KUDELSKI SA, CHESEAUX-SUR-LAUSANNE

As statutory auditor, we have audited the consolidated financial statements of Kudelski SA, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 62 to 121), for the year ended 31 December 2010.

### BOARD OF DIRECTORS' RESPONSIBILITY

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the

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

### OPINION

In our opinion, the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

### EMPHASIS OF A MATTER

We draw attention to Note 37 to the financial statements which describes the restatement and reissuance of the financial statements due to an amendment to the cash flow statement: the transactions with non controlling interests kCHF 31 320 (respectively kCHF 127 826 in 2009) were reclassified from «cash flow used in investing activities» to «cash flows used in financing activities». We issued our original auditor's report dated February 23, 2011 on the previously issued financial statements.

Due to the restatement described in Note 37, we provide this new auditor's report on the reissued financial statements.

### REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

**PRICEWATERHOUSECOOPERS** 

PricewaterhouseCoopers SA



Corinne Pointet  
Chambettaz  
Audit expert  
Auditor in charge



Stéphane Jaquet  
Audit expert

Lausanne, April 5, 2011

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