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KUDELSKI GROUP

Press Release

2010 ANNUAL RESULTS

RESILIENT RESULTS IN A DIFFICULT ENVIRONMENT

- **2010 highlights:**
  - **Total revenues and other operating income growing by 7.6% in constant currency**
  - **Highest Operating Income Before Depreciation and Amortization ever at CHF 173 million**
  - **New client wins including OTT platform for Digital+ and US-based MobiTV**

- **Profitability improvement program launched:**
  - **Dedicated new market region targeting emerging markets**
  - **Cost reduction program launched including setup of new Bangalore-based entity**

- **Guidance for 2011:**
  - **+1.7% at constant currency revenues => CHF 1’025m - 1’050m**
  - **+0.9% at constant currency operating income => CHF 75m - 90m**

Key figures 2010

(in million CHF)	**2010**	**2009**	**Variation %**
Total Revenues & OOI	**1‘069.3**	**1‘060.8**	**0.8%**
Operating Income Before Depreciation and Amortization	173.0	137.8	25.5%
Operating income	**110.0**	**73.3**	**50.0%**
Net Income / (loss)	**66.7**	**51.1**	**30.5%**

Cheseaux, Switzerland – February 24, 2011 - The Kudelski Group (SIX:KUD.S), the world’s leading provider of media content protection and value-added service technology, announced today its 2010 annual results. Group total revenues and other operating income rose by 7.6% at constant currencies, driven by strong organic growth in the Digital TV division, posting a sales growth of 6.8% at constant currencies, and by a one-off positive contribution from government grants. These effects contrast with weaker growth rates in the Middleware and Advertising and Public Access segments, posting constant currency growth of 0.5% and 2.1% respectively.

In a challenging environment characterized by plummeting exchange rates against the CHF, with the EUR average rate down 8.6% and year-end rate down 15.8%, the USD average rate down 4.2% and the year-end rate down 9.2%, Kudelski managed to deliver a robust operating result, with an operating income before depreciation and amortization of CHF 173.0 million, representing a best ever mark for the Group, a CHF 110.0 million operating income for the full year, compared to CHF 73.3 million in 2009, an increase of 50%.

At constant currencies, operating margins for 2010 were CHF 22 million higher at CHF 132 million. Adjusted operating income, net of the aforementioned one-off other operating income and litigation provision amounts to CHF 116 million, representing a 58.3% increase from 2009.

Overall, the Group generated CHF 66.7 million net income for the full year, an improvement of CHF 15.6 million from the previous year.

In 2010, the Group generated a strong cash flow from operating activities of CHF 149.1 million, representing an increase of CHF 13.9 million compared to 2009.

DIGITAL TV BUSINESS DRIVEN BY STRONG FIRST HALF

A very strong first half with a constant currency growth of over 20% drove Digital TV full year results. For the full year, reported revenues were substantially stable, translating in a 6.8% revenue lift in constant currency.

Digital TV operating income for the year climbed from CHF 67.5 million to CHF 129.5 million, representing a 91.8% increase and an operating margin of 18.9%.

Overall, Digital TV profitability was ahead of target, as the core conditional access continued to deliver a strong performance and segment results benefitted from the improved profitability of new business areas.

MIDDLEWARE AND ADVERTISING TURNAROUND

With the full acquisition of OpenTV completed at the beginning of 2010, the Group launched a turnaround plan, with a reconfiguration of the product roadmap representing the key milestone of the program. This program resulted in a ramp-up of R&D investments aimed at accelerating the deployment of the next generation Group middleware solution. With a material headcount increase, this ramp-up mainly took place in the first half year, resulting in an operating loss of CHF 6.0 million for the first half. Further, the recognition of one-off government grants supported segment profitability. In the second half of 2010, the operating loss was reduced to CHF 0.4 million, while the development of the next generation solutions continued to progress as planned.

SUBDUED PUBLIC ACCESS GROWTH AND PROFITABILITY

In a difficult environment, Public Access delivered a 2.1% revenue growth in constant currency and an operating income of CHF 8.8 million.

CONTRACT WINS AND INCREASING FOOTPRINT

Over the last months, the Kudelski Group has continued to win new contracts and to expand its footprint:

Mobile Content Venture (MCV), MobiTV and Nagra enter into technology and device partnership
Nagra will assist MCV, a joint-venture comprising 12 major broadcast groups, in managing its standards-based conditional access, enabling broadcasters to encrypt content and evaluate many business models. Additionally, MCV has partnered with MobiTV, the leading mobile television company, to build a number of consumer applications which will be available as part of the MCV platform consumer launch in late 2011. Using MobiTV's software on mobile DTV-enabled devices, and based on Nagra's technology, consumers will be able to access live TV and program information.

Alliance in the US for open set-top boxes
Nagra, together with six other leading consumer electronics companies formed the AllVid Tech Company Alliance to lobby the Federal Communications Commission to continue the pursuit of the proposed AllVid open set-top box policy for the pay TV industry. The AllVid policy would bring an end to the tradition of proprietary set-top boxes in the pay TV market. The alliance believes that this will spur innovation and new investment in the sector, while bringing new content to consumers.

Furthermore, the Kudelski Group signed an agreement with Cable One, Inc., one of the top cable service providers in the United States, to enable the rollout of the operator’s new digital television service.

New Over-The-Top TV service in Spain
The Kudelski Group and DIGITAL+ announced the launch of “DIGITAL+ a la carta”, an Over-The-Top VOD and linear TV service powered and secured by Nagra and available to subscribers of the DIGITAL+ satellite service. “DIGITAL+ a la carta” is powered by Nagra’s multi-screen end-to-end solution. The solution maintains the highest security standards and ensures cross-device content security with Nagra’s award-winning Persistent Rights Management (PRM) solution, integrated with the set-top box and the Nagra Media Player (NMP) for PCs, smartphones and tablets. DIGITAL+ is owned by PRISA TV, the leading pay-TV operator in Spain.

A similar service - OTT VOD service - will be launched in Italy by the Kudelski Group and Mediaset in the coming weeks.

Skylife and the Kudelski Group form a joint venture
SkyLife - the Korean Satellite & Hybrid services operator with more than 2,830,000 subscribers - and the Kudelski Group have formed a joint venture to develop world leading Advanced Advertising solutions, enabling operators to offer and monetize addressable and interactive advertising.

MANAGEMENT CHANGES

Mr. Lucien Gani, Kudelski Group's General Counsel, will be taking early retirement on March 31st, 2011. He will continue to respond to occasional requests from the Group. Marc Beariault, current

OpenTV General Counsel, will succeed Lucien Gani as Group General Counsel and member of the Executive Board as from April 1st, 2011.

OUTLOOK

Currency headwind is likely to continue affecting Group total revenues and operating income. Average USD and EUR exchange rates in for the first 7 weeks of 2011 lost a further 7% to 9% compared to average 2010 rates. If the current exchange rate environment persists for the remainder of the year, the Group would report declining total revenues in 2011. Operating profits would also be further affected by a two-digit million amount.

Based on current rates, management expects to report 2011 total revenues between CHF 1'025 and 1'050 million: at the mid-point of the guidance, this translates to a constant currency growth rate of 1.7%. Further, management guides for an operating income between CHF 75 and 90 million, translating to a 0.9% increase from adjusted operating income 2010 at the mid point of the guidance.

To contain the negative macroeconomic developments, the Group has launched a set of profitability improvement initiatives in each segment:

- In the Digital TV segment, the Group is strengthening its focus on emerging markets. To this end, it set up a sales unit specifically targeting these markets with customized offers. Further, the Group is systematically replacing external development and engineering resources in high cost locations with its own resources in lower cost locations. To this end, it set up a new engineering unit in India, already staffed with 35 employees. This unit will serve both the Digital TV and the Middleware and Advertising segments and will be strongly ramped up in the next 18 months with the planned replacement of higher cost external resources. The Group expects to start reaping economic benefits from these initiatives in 2012.

- In Middleware and Advertising, the Group started restructuring its roadmap as it acquired full control of OpenTV in early 2010. As originally planned, the initial outcome of this effort is expected in 2012.

- Finally, the Group launched a targeted cost reduction program in the Public Access segment. This program is aimed at reducing operating expenses effective this year.

Dividend

The Board of Directors of Kudelski SA will propose to the Annual General Meeting of April 5, 2011, the payment of a dividend of CHF 0.30 per bearer share and CHF 0.03 per registered share. The ex-date will be April 7, 2011.

Note

The 2010 Financial Statements and MD&A are available in PDF format under www.nagra.com => Investors => Doc center.

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Note to the editor

About the Kudelski Group
The Kudelski Group (SIX: KUD.S) 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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