Press Release

RECOVERING SECOND HALF

Confirmation of the strong growth trend
Significant impact of the migration to the service model

- **20.4% group revenues growth in constant currency and achieving over CHF 1 billion in revenues**
- **CHF 18.5 million of Group operating profit**
- **Over 101 million of active smart cards & devices (Digital TV)**
- **25 million smart cards successfully migrated to service mode**
- **Resilient contribution of Public Access and Middleware & Advertising businesses**
- **Expressing an interest in fully acquiring OpenTV**
- **Increasing footprint in Asia including for new solutions**
- **Positive outlook for 2009 with improved profitability and cash flows**

Key figures 2008, in CHF '000

(in CHF '000)	**2008**	**2007**	**Variation %**
Revenues	1027.5	925.8	11.0%
Gain on sale of subsidiary and other operating income	9.5	16.7	-43.1%
Total	**1037.0**	**942.5**	**10.0%**
OIBDA	92.2	137.2	-32.8%
Operating income	**18.5**	**87.7**	**-78.9%**
Net Income / (loss)	**-7.0**	**67.4**	

Cheseaux, Switzerland – February 27, 2009 - The Kudelski Group (SWX:KUD.VX), the world's leading provider of media content protection and value-added service technology, announces today its 2008 annual results. The introduction of new generation security solutions at several Digital TV accounts together with the migration of some of the Group's largest accounts to the service model had a strong effect upon the Group 2008 results. In 2008, the Group delivered over 25 million smart cards for customers migrated to the service model.

As anticipated, this change in model affected the profitability of the Digital TV business. On the other hand, both the Public Access and the Middleware and Advertising segments continued to deliver on their positive momentum maintaining a healthy contribution margin in a challenging economic environment.

Once more, the Group confirmed the strong growth trend of the last years, with total revenues and other operating income reaching CHF 1.037 billion. Achieving a compounded annual growth rate of 15% over the last 5 years, the Group continues to materially exceed the average industry growth rate.

With an operating margin of CHF 37 million, second half profitability exceeded our expectations, leading to an operating income for the year of CHF 18.5 million, exceeding the range of the CHF 5 to 10 million guidance. Initial results from cost control measures allowed the Group to reach a result over target, in spite of the 10% average USD exchange rate decline from 2007 to 2008 to 1.08.

CHF 18.5 million of operating profit in 2008

While the weakening USD affected the 2008 top line, Group net revenues grew by 11%. At constant exchange rates, the Group achieved a strong 20.4% growth.

The “Margin after cost of material” (a pro forma non-IFRS item) for the year was at CHF 696.5 million. As a percentage of revenues net of other operating income, the margin after cost of material is down 4.9 percentage points to 66.9%. While the card replacement at EchoStar under the new service model positively contributed to the revenue line, it had a negative effect on the Group 2008 margins. Net of the EchoStar card replacement revenues, the margin after cost of material as a percentage of revenues would have been roughly at the same level as in 2007.

Compared to the previous year, personnel expenses increased by CHF 23 million. Entities acquired and consolidated for the first time in 2008 added CHF 13.7 million. Net of the newly acquired entities, Group’s personnel cost increased by a mere 2.8%, the lowest growth of the last 7 years. This was due, in particular, to cost control in the core conditional access business. Between the first and the second half year, the increase of personnel cost was reduced to CHF 5.3 million.

Other operating expenses increased by CHF 39.9 million. CHF 28 million one-off costs for card replacements at three operators and CHF 7.3 million provisions for bad debt drove most of the increase. Legal costs due remained high in 2008.

The Group consolidated operating profit before depreciation and amortization (OIBDA) amounts to CHF 92.2 million. Depreciation, amortization and impairments were CHF 24.2 million higher compared to 2007, mainly due to impairment charges for software assets and smart cards. 2008 operating profit has reached CHF 18.5 million.

Overall, the Group generated a net loss of CHF 7 million for the full year. Following the CHF 34.9 million loss in the first half, the Group started to recover in the second half posting a CHF 27.9 million profit.

Digital TV grows by 26.6%

Digital TV progressed well in the second half, generating a 46.1% net revenue growth compared to the first half. For the full year Digital TV achieved a 15.3% growth rate, 26.6% in constant currency.

Digital TV has remarkably performed in Europe during the second half despite the overall economical environment, with net revenues increasing by 44.5% compared to the first half. On a full year basis, European revenues were 18.2% higher, 24.8% in constant currency. Among the Digital TV reference customers, Portugal Telecom deployed in 2008 the full Nagra solution suite, including conditional access, Quative´s Service Delivery Platform, and NagraGuide Electronic Programming Guide based on OpenTV STB middleware. Nagra acted as the end to end solution integrator. Portugal Telecom provided the largest growth contribution of the Group´s European customers in 2008.

In the Americas, net revenues almost doubled compared to the first half, with the EchoStar card replacement and migration to the service mode as the main driver of this growth. The American Digital TV customer portfolio continues to broaden, with an ongoing inflow of new customers. As an example, TVAzteca, a new customer, was the highest growth contributor of our Latin American Digital TV business in 2008.

Asian Digital TV sales were roughly at the same level as in the first half. While local currency sales did not grow compared to the previous year, the consolidation took place at a high absolute level, following the 56.5% growth rate achieved in 2007.

2008 operating income for the Digital TV segment was over initial expectations at CHF 7.3 million, posting a recovery in the second half.

Within Digital TV, new business areas continued to grow on an aggregate basis compared to the previous year, but still generated a single digit million operating loss.

Impact of the migration to the service model
In early 2008, the Group stated the intention to push for the migration of the majority of its installed base of cards to the service model. The Group is successfully delivering on this plan, having completed the migration of over 25 million cards to the service model in 2008, in addition to the natural growth of its “service mode” installed base by more than 7 million units.

The massive migration from the sales to the service mode during 2008 includes EchoStar, Bell Express-VU and Digital+.

In 2008, the Group also replaced 10 million new generation smart cards for other operators accounted for in the service model.

The aggregate P&L impact, without migration costs, R&D costs and impairments, of the service model migration and service model card replacements in 2008 totaled CHF 92 million.

Public Access grows by 10.8%
Public Access growth moderately decelerated in the second half, with a year-on-year growth of 7.2%, 10.8% in constant currency.

European sales were up 8% in constant currency, with a favorable contribution from the car access sector. The American region continued to outstrip the market growing by 39% in local currency, while Asia and Africa consolidated their revenue contribution, generating sales of CHF 20.2 million. This represents an increase of 11.4% in constantcurrency, following a particularly strong year 2007, where the Asia region generated a 30% growth rate.

Public Access posted an operating income for the year of CHF 21.6 million. In spite of the difficult market conditions, Public Access operating margin is only 1 percentage point short of the 10% target margin.

Middleware and Advertising in line with expectations
At Group's level, the Middleware and Advertising top line was affected by the USD weakness, with a slight 1.6% decrease of nominal revenues.

On the positive side, the aggregate Asian and African revenue base has been nominally growing at 11.5%, 23.9% in constant currency, notably benefitting from the strong development of the Indian market.

On the other hand, the European business was weak in 2008 reflecting a slow down affecting two large accounts. Exchange rate effects further accentuated the slow down, with European revenues down by 6% in constant currency and by 15.4% in Swiss Francs compared to the previous year.

At CHF 10.2 million, operating income for the Middleware and Advertising segment was positive for the first time, with the business notably succeeding in realizing initial quick wins envisaged upon the acquisition of a controlling stake in OpenTV.

OpenTV
The Kudelski Group has submitted today a non binding proposal to acquire the outstanding Class A ordinary shares of OpenTV] at $1.35 per share in cash.

OpenTV is a leading vendor of digital TV solutions, whose software has been integrated into more than 121 million digital set-top boxes and digital televisions. The acquisition of voting control of OpenTV in 2006 broadened the Kudelski Group's portfolio of digital TV solutions. Over the past several years, OpenTV has demonstrated its product leadership and its ability to secure global customer relationships.

This transaction would provide better integrated industry-leading end-to-end solutions and services to the customers. Such integration is growing increasingly critical for addressing customer needs. Efforts to improve efficiencies and service delivery are vital to both the Kudelski Group and OpenTV in today's economic environment.

The integration would allow to position OpenTV in new markets (e.g., IPTV, terrestrial/retail) and enhance offering with state-of-the art technologies through integrated efforts and joint investments.

The Kudelski Group believes a combination between the two companies is in the best interest of both OpenTV and The Kudelski Group shareholders. It expects to combine forces in a manner that best enhances OpenTV talent base and plans to discuss with management the best way to achieve it. The Kudelski Group proposes to acquire the outstanding Class A ordinary shares of OpenTVfor $1.35 per share in cash. It implies total consideration to be paid to the non-Kudelski Group shareholders of approximately $127 million. This represents a 35% premium to OpenTV's closing share price on February [26], 2009. The Kudelski Group intends to use third party debt to finance the transaction, and its proposal is not subject to any financing contingency.

The Kudelski Group expects that OpenTV will form a special committee of independent directors to evaluate its proposal. Once a special committee has been formed, The Kudelski Group's desire is to reach a definitive agreement as soon as practical. The Kudelski Group has no intention of disposing of our controlling equity stake in OpenTV under any scenario.

Client wins

During 2008, the Digital TV division has continued to win new contract in both traditional and new business areas. In addition to the already announced contracts, the following deals are communicated in this press release:

a) China Network Systems (CNS)

Nagravision, a Kudelski Group company, announces today that it was selected by China Network Systems Co., Ltd (CNS) one of Taiwan's largest cable based television providers to protect the content rights and revenues of its new premium and high definition services and will start deploying Nagravision's new generation smartcard in mid-2009. The Kudelski Group has expanded its already strong foothold in Taiwan, servicing all independent operators. By providing service to CNS, Nagravision will extend its presence in Taiwan to over 1 million subscribers of CNS. In addition to digital TV services CNS offers a full range of high-speed internet and telephony services making it one of the largest triple play providers in Taiwan.

b) China Mobile Multimedia Broadcasting (CMMB)

Nagravision and mobile TV operator China Satellite Mobile Broadcasting Corp. (CSMBC), have entered the second deployment phase for China's national mobile TV service called China Mobile Multimedia Broadcasting (CMMB). A Nagravision conditional access system (CAS) solution now secures all CMMB services covering 150 cities in China. During phase two of the deployment, an additional 188 cities will be secured by the Nagravision CAS. Nagravision will also secure the full nationwide satellite coverage which extends the service to rural areas.

CSM has recently announced that more than 120 companies have launched over 200 CMMB devices and Nagravision is on schedule to complete integration with more than 150 devices by the second quarter of 2009. Nagravision is integrating conditional access into devices such as mobile phones, pocket TVs, and PC dongles. The company will also provide integration for platforms, reference designs and application processors in order to increase the number of secure devices available and to accelerate the adoption of conditional access. In anticipation of continued service growth, Nagravision has received a firm order for four million secure chips to be delivered in the first half of 2009.

c) TV Azteca

TV Azteca has implemented the first commercial launch of DTT PayTV in Mexico, leveraging the operator's own retail outlet (Elektra). This launch shows a huge growth potential, initially in Mexico city, Nationwide thereafter . TV Azteca has selected Nagravision to provide a comprehensive solution including CAS, various applications and a Set-Top-Box reference design (including industrial design).

Outlook

In early 2009, the Group has completed the migration of large Digital TV customers to the service model. Between January 2008 and today, more than 30 million smart cards were shifted to the service model.

In 2009, the Digital TV segment will reap the initial fruit of this change in model. Service model revenues are expected to fully kick in starting in the second half and one-off migration costs will

be substantially lower than in 2008. The Group expects improved operating profits and substantially better cash flows for 2009.

Both the Public Access and the Middleware and Advertising segments are expected to experience a higher sensitivity to the overall development of the economy than Digital TV. While 2009 growth is likely to slow down, the Group has initiated cost containment measures aimed at maintaining the profitability of both segments.

The management guidance for total revenues between CHF 1.070 bn and 1.100 bn and an operating profit between CHF 50 million and 60 million.

Dividend

The Board of Directors of Kudelski SA will propose to the Annual General Meeting of April 28, 2009 the payment of a dividend of CHF 0.15 per bearer share and CHF 0.015 per registered share. The ex-date will be May 4, 2009.

Note

The 2008 Financial Report PDF is available on
http://www.nagra.com/ar/2008/kudelski_rf_2008_en.pdf

Note to the editor

About the Kudelski Group

The Kudelski Group (SWX: 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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