

Press Release

Kudelski Group's 2007 results marked by strong top-line growth and long-term investments

- Strong top-line growth in all markets and particularly in Asia
- New contracts wins for Nagravision in Digital TV, Mobile TV and IPTV, and multiple successes in collaboration with OpenTV
- Global reach with 84 million active cards/devices for Nagra conditional access families in 2007 and 100 million cumulative device licences delivered by OpenTV
- Strongest ever progress and results for Nagra Public Access in 2007
- Nagravision expects major migration to service model during 2008
- Operational efficiency improvement and cost reduction initiatives launched to improve profitability

| (in million CHF) | 2007 | 2006 | Variation % |
|---|-------|-------|-------------|
| Revenues | 925.8 | 694.3 | +33.3 |
| Gain on sale of subsidiary and other operating income | 16.7 | 61.8 | |
| Total | 942.5 | 756.2 | +24.6 |
| OIBDA | 137.2 | 188.2 | -27.1 |
| EBIT | 87.7 | 150.2 | -41.6 |
| Net Income | 67.4 | 138.5 | -51.3 |

Cheseaux, February 29, 2008 – 2007 Kudelski Group results show a robust top line development with total revenues and other operating income reaching CHF 942.5 million, including organic growth and first-time OpenTV consolidation. This confirms the growth momentum of the last five years with a compounded annual growth rate at 25 percent.

Continuous substantial investments in R&D and in new business areas as well as customer shifts to the service model and lower-than expected results of OpenTV affected profitability. The Group's consolidated EBIT in 2007 was at CHF 87.7 million, down by 3.8 percent compared to 2006 EBIT adjusted for the gain on sale of Ticketcorner. The 2007 adjusted Group EBIT margin was 9.5 percent. Digital TV margin was 15.3 percent. Public Access EBIT margin confirms the improvement trend coming in at 11.5 percent. The consolidation of OpenTV had a dilutive effect on the 2007 EBIT contributing to a loss of CHF 7.6 million.

In 2007, the Kudelski Group's growth momentum has continued at a fast pace. The marketing of joint solutions with OpenTV has been successful and the integration visibly strengthens the Group's global footprint and product offerings. Digital TV's new business areas have exceeded by 18 percent the CHF 100 million revenue targets. Nagravision has

also introduced two out of three of the latest smartcard families, and the company is continually reinforcing its anti-piracy activities, which have been successful in several countries such as the US, Canada, Italy and Switzerland, aiming to discourage future investments in this illegal industry.

By acquiring the control of OpenTV in January 2007, the Kudelski Group changed its role in the digital TV industry. From a conditional access supplier, the Group is on the move to become a major player in the digital TV ecosystem and to address the new market trends. Such a fundamental transformation however leads to high transition costs in 2007 and 2008 for the development of end-to-end, pre-integrated solutions.

The growing business opportunities in emerging markets and the trend of the US\$ / CHF exchange rate have led the Kudelski Group to launch initiatives to improve its operational efficiency and its cost structure. As part of this initiative, the business portfolio, business priorities and investment schedules will be reviewed.

Digital Television

Digital TV net revenues increased by 14.5 percent to CHF 573.4 million. European sales increased by 12.5 percent to CHF 322.0 million, with a well balanced distribution. Digital terrestrial operators as well as Eastern European satellite operators experienced a particularly strong growth, with sales doubling compared to the previous year. In the Americas, revenues were substantially stable at CHF 139.9 million. Strong growth in South America compensated for a volume decline in North America and the USD weakness. In 2007, South American operators generated more than half of the American revenues. Sales in Asia-Pacific and Africa increased by 56.5 percent to CHF 111.5 million, with a material increase of smart card sales in the Indian, South Korean and particularly in the Chinese markets.

Digital TV's **new business areas** exceeded by 18 percent the CHF **100** million revenue target for the full year. The Kudelski Group's Conditional Access (CA) Modules are gaining traction beyond the traditional footprint and are starting to secure a significant presence in new promising markets such as Italy. In the advanced smart card business, The Group extended its presence in financial services and in the government segments. Further, it continuously expanded in the PVR/push VOD/EPG space, with, in particular, a strong adoption of the company's NagraGuide solution.

The **MobileTV** market saw major evolution in 2007. NagraVision confirmed its leadership position, with a DVB-H market share over 95 percent in number of users, mainly driven by its success with all operators in Italy, **H3G**, **Vodafone** and **Telecom Italia**. New contracts have been recently concluded with **Vimpelcom** and associated broadcaster partner **Dominanta** in Russia, **Telefonica** in Latin America, and **T-Mobile** in the Czech Republic. This leadership in DVB-H is starting to translate in early successes in related technologies like MediaFLO in the US and the Chinese domestic standard StiMi.

The growth rate of **IPTV** continues to be significant. This growth will even further consolidate with the advent of Cable IPTV, an area where the increasing number of hybrid deployments use a combination of NagraVision broadband and broadcast technologies for pre-integrated solutions. NagraVision strengthened its position by continuing its relationship with **Neuf Cegetel**, one of the world five largest IPTV deployments. In digital cable TV, NagraVision confirmed its leadership in Europe, with 72 percent subscribers share, and Latin America with 50 percent of the subscriber share.

The active collaboration between **OpenTV** and **Nagravision** has resulted in a growing number of contracts wins for OpenTV, including Numericable, Canal Digitaal, Reliance, Portugal Telecom and TV Cabo.

New customer wins

- In Europe, **Portugal Telecom** has contracted Nagravision as its system integrator for its new DTH service to be launched in 2008. The deployment is based on an end-to-end Kudelski Group solution leveraging Nagravision CAS, OpenTV middleware with a powerful suite of interactive applications, the Quative back-end for interactive services and Lysis content management solution.
- **TV Cabo** has selected OpenTV middleware in combination with Nagravision's High Definition Guide for the launch of its high definition PVRs.
- Nagravision will provide end-to-end solutions for **Mostelekom** (Russia) for cable and IPTV networks, including Quative IPTV solutions as common IPTV and cable back-end solutions and Lysis content management. Additional contracts are currently under negotiation in Eastern Europe.
- In the Americas, TV **Azteca**, Mexico's second largest television broadcaster and one of the countries and regions largest conglomerates has selected the Nagravision CA for its next generation media platform.
- Two major Cable Multiple System Operators in Taiwan, **Taiwan Fixed Networks Media (TFN Media)** and **Kbro** jointly serving over 1.5 million subscribers have simultaneously selected Nagravision as their exclusive conditional access vendor going forward.
- **Etisalat**, a large innovative operator in the Middle East incumbent in the UAE with licenses in significant countries such as Saudi Arabia, Egypt, Atlantic Telecom (Africa), Sudatel and Canar Telecom (Sudan), Zanzibar (Tanzania), selected Nagravision for the first ever VOD platform deployed in the Middle East and a hybrid Content Management Platform addressing Etisalat Cable and IP customers for launch in the 2nd half of 2008.

Public Access with strongest ever results

In 2007, Public Access posted the best results in company history for the second year in a row and continued expanding its market share in a growing market. Public Access revenues reached CHF 224.3 million, 15.8 percent up from the previous year. EBIT increased by 46.3 percent reaching CHF 25.8 million. Sales increased across all regions. Europe was up 14.5 percent. The Americas grew by 14.6 percent to CHF 18.4 million and the Asia Pacific and Africa region was up 30.4 percent to CHF 19.5 million. Thus, over the last three years, extra-European Public Access share of sales has increased to 16.9 percent.

SKIDATA has benefitted from a significant boost in its worldwide key account business and was able to leverage its core competence in response to a rising demand for large-scale integrated solutions and value-adding services. Performance was particularly strong in Asia, with sizeable follow-up projects in Japan and South Korea, as well as contracts for two major airports in India and further projects in preparation. In Europe, SKIDATA has opened new subsidiaries in Belgium and Spain to reinforce its market presence and strengthen its key account relationships. In North America, SKIDATA further developed its direct sales strategy for large-scale projects. In 2008 SKIDATA will open a subsidiary in Russia.

Throughout 2007 SKIDATA continued its solid policy of R&D investment underscoring its recognition as a global innovation leader in the industry. The company received the prestigious Austrian innovation award for the FREEMOTION access gate for ski resorts.

2008 perspectives

Over the last months, the Group has been actively promoting the migration of large digital TV customers to the service model to better align with customers' incentives and to reduce the volatility of the Group's revenue base. In 2008, the majority of the Group's active devices are expected to be in the service model, due to the envisaged shift of close to 30 million smart cards to this model. With a resilient, secure solution, this model is expected to generate materially higher revenues per card, thus providing a favorable return on the company's ongoing investments in new security solutions. The migration, however, will negatively impact the 2008 profit and loss account as the full revenues generated by the cards delivered this year will not be recognized.

The Public Access segment expects a continuing growth for 2008.

The corrective measures implemented over the last few months at OpenTV have delivered initial tangible results in the fourth quarter of 2007. In 2008, the Group expects further progress along the same lines, with the organizational changes, the ongoing operational improvement program and, in particular, the synergies with the Digital TV division, translating into a material profitability improvement.

The Kudelski Group expects 2008 total revenues in the range of CHF 1'030 million to CHF 1'050 million and 2008 EBIT in a range between CHF 5 million and CHF 10 million.

Dividend

The Board of Directors of Kudelski SA proposes to the Annual General Meeting of April 22nd, 2008 the payment of a dividend of CHF 0.30 per bearer share and CHF 0.03 per registered share. The ex-date will be 25th April 2008.

Note

The 2007 Financial Report PDF is available on
http://www.nagra.com/ar/2007/kudelski_rf_2007_en.pdf

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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.

Disclaimer

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