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## Digital cable

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### Europe

With digital penetration in the cable sector being relatively low, digital cable has a strong development potential. In Europe, lower investment costs, in particular of decoders, is accelerating the migration to "all digital" of cable operators who are eager to offer more TV programs and above all more services and more interactivity to their subscribers. Only digital technology enables high-definition broadcasting and video-on-demand applications.

Early 2007, YPSO/Numéricâble, the leading broadband cable operator in France, Belgium and Luxemburg, selected the Kudelski Group technology for the rollout of its video-on-demand and interactive TV services. Kudelski will leverage its entire suite of digital television products to seamlessly introduce VOD into YPSO/Numéricâble's existing cable infrastructure.

In Germany, Kabel Deutschland GmbH (KDG) launched its new basic encryption digital cable service in April 2006. Attractive options (both in terms of variety and cost) offered to analog subscribers should encourage them to subscribe to the new digital offer. At the end of 2006, KDG's digital pay TV service had 500 000 subscribers. KDG's analog network has close to 10 million connected homes.

### Controlled access mass digital TV

The rollout of basic encryption services by KDG shows the emergence of controlled access mass digital TV, alongside the development of premium digital TV. This is a significant evolution transforming digital TV from a niche to a mass market business concerning all TV viewers. This sector is expected to become an important growth driver for the Kudelski Group in the future.

In the United Kingdom, ntl Incorporated and Telewest Global, Inc., both Kudelski Group customers, finalized their merger in March 2006. The merged platform is the leading triple-play service provider in the United Kingdom. With the acquisition of Virgin Mobile in July 2006, ntl:Telewest became UK's first operator to offer quadruple play services including digital TV, internet access as well as fixed and mobile telephony.

Pan-European operator UPC Broadband, a subsidiary of the international operator UGC (UnitedGlobalCom, Inc.), successfully started the digital conversion of its Dutch analog cable network using the Nagravision conditional access and content protection technology. UPC acquired Swiss cable operator Cablecom as well as Irish operators NTL Ireland and Chorus, all using Nagravision's conditional access technology to secure their digital pay TV services.

On the Swiss domestic market, Naxoo selected Nagravision to deliver a comprehensive turnkey solution to broadcast its all digital bouquets including more than 190 TV channels (and the Canal+ bouquet), as well as exclusive movie releases and sporting events. The platform met with great success.

Cablecom, another Kudelski Group customer, had a successful year 2006, in particular thanks to its new digital TV offering. The operator offers triple-play services including high speed internet access, digital cable phone and digital TV services. The number of its digital subscribers increased by 26% in 2006. Cablecom passes 73% of Swiss households.

In Belgium, Telenet launched digital cable services secured by Nagravision as part of its triple-play offer. Telenet continues to develop at a steady pace with currently more than 250 000 subscribers, a positive result taking into account that Telenet only operates in the Flanders region.

Early 2007, INDI, the digital TV platform of the four Flemish public cable providers (Interlectra, Integan, PBE and WVEM) selected Nagravision to provide a complete integrated conditional access platform to secure its services which will soon include HDTV channels and DVR services. INDI reaches one-third of the Flemish TV market or 800 000 households in Belgium.

In Portugal, TV Cabo, a Kudelski Group long-standing customer, launched a digital migration program of its analog cable subscribers.

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## Asia

The Kudelski Group achieved strong growth in the Asia/Pacific region in 2006, managing its important customer base in the region out of its Singapore headquarters and regional offices in Hong Kong, Shanghai and Beijing.

In China, spurred by Government incentives, cable operators are accelerating their digital transition. Kudelski Group customers Beijing Gehua CA TV Network Co Ltd (BGCTV) and Oriental Cable Network (OCN, Shanghai region) started mass deployments of smart cards, resulting in a record year for the Kudelski Group in terms of card sales.

Technologically, the industry showed strong interest in Nagravision's Basic Access product. This technology is integrated in decoders and enables access to a basic digital package while being able to upgrade to premium pay TV content.

In Korea, Kudelski Group customers C&M Co. Ltd and Qrix Communications, Inc. started large-scale deployments of SmarDTV's CableCard modules based on the OpenCable standard developed specifically for the Korean market. Large volumes of cards are expected to be delivered to Korea in 2007.

In Singapore, multimedia operator StarHub Cable Vision continued to grow with record conversion to digital. StarHub is Singapore's only operator to offer communication, entertainment and information services on fixed, mobile, cable and Internet networks. In 2006, StarHub launched the first DVR solution in Asia and the first High-Definition broadcasts to coincide with the Football World Cup.

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## Latin America

GTD, a telecommunications operator in Chile, selected Nagravision turnkey solution, including the Nagravision conditional access and user interface as well as Livewire middleware. Like other operators in this region, GTD chose Nagravision because of its ability to deliver a pre-integrated, proven solution suite enabling a fast and reliable deployment.

In Brazil, Kudelski Group customer TVA (Abril Group), launched a new low cost platform to facilitate the migration of its analog base in Rio to digital. TVA also launched DVR services. Net Serviços (Globo Group) continued to migrate its analog cable base to digital.



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