**Highlights**

- Strong top line growth in all markets and particularly in Asia
- New contract 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 Nagravision 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
Strong top line growth in all markets and particularly in Asia

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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
2007 Kudelski Group results show a robust top line development with total revenues and other operating income reaching CHF 942.5 million, corresponding to an annual growth over the previous year of 33.3% or 15% excluding OpenTV, a historic record for the Group. The Group’s consolidated EBIT, even though down, is nevertheless among the four best performances in the history of the company.

### Key figures

#### 2007

<table>
<thead>
<tr>
<th>In CHF’000</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
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<tbody>
<tr>
<td>Revenues</td>
<td>942,538</td>
<td>707,148</td>
<td>696,242</td>
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</tr>
<tr>
<td>OIBDA</td>
<td>596,192</td>
<td>187,933</td>
<td>93,510</td>
<td>158,982</td>
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<tr>
<td>EBIT</td>
<td>94,268</td>
<td>131,143</td>
<td>89,772</td>
<td>89,005</td>
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</table>

1. OIBDA: operating income before interest, taxes, depreciation and amortization.
2. EBIT: operating income.
3. 2006 revenues included the CHF 59 million gain on the sale of a subsidiary company.

### Employee breakdown

#### By region

<table>
<thead>
<tr>
<th>Region</th>
<th>Total headcount</th>
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<tbody>
<tr>
<td>Europe/Middle East</td>
<td>1,609</td>
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<tr>
<td>Americas</td>
<td>369</td>
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<tr>
<td>Asia/Pacific, Africa</td>
<td>183</td>
</tr>
</tbody>
</table>

#### By activity

<table>
<thead>
<tr>
<th>Activity</th>
<th>Total headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital TV</td>
<td>1,462</td>
</tr>
<tr>
<td>Public Access</td>
<td>571</td>
</tr>
<tr>
<td>Middleware/advertising</td>
<td>51</td>
</tr>
</tbody>
</table>

#### Total

| 2007 | 2,557 |

### Key figures

Revenue breakdown by sector and by region

<table>
<thead>
<tr>
<th>In CHF’000</th>
<th>Europe/Middle East</th>
<th>Americas</th>
<th>Asia/Pacific, Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital TV</td>
<td>121,996</td>
<td>138,898</td>
<td>111,890</td>
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<tr>
<td>Public Access</td>
<td>108,629</td>
<td>18,590</td>
<td>12,005</td>
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<tr>
<td>Middleware/advertising</td>
<td>38,918</td>
<td>56,661</td>
<td>37,931</td>
</tr>
</tbody>
</table>

#### Total

| 2007 | 203,553 |

### Principal brands and companies of the Kudelski Group

#### Digital Television

- nagraSTAR
- Synergy
- SMARDTV

#### Public Access

- nagraTV
- SKIDATA
- polyrighTV

#### Audio

- NAGRA

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1. Including 351 employees Middleware/advertising.

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1. On the reporting level, OpenTV is classified under Middleware/advertising.
2007 Kudelski Group results show a robust top line development with total revenues and other operating income reaching CHF 942.5 million, corresponding to an annual growth over the previous year of 33.3% or 10% excluding OpenTV, a historic record for the Group. The Group’s consolidated EBIT, even though down, is nevertheless among the four best performances in the history of the company.
Digital Television is the Kudelski Group’s core business. The company is a world leader in this sector, with security and access control solutions providing a very high level of protection throughout the content distribution chain, from creation to consumption. The Group’s innovations are continuously contributing to the evolution of the digital television ecosystem, enabling operators to complete their services and market them more efficiently.

Public Access is the Group’s second main activity sector, also demonstrating the company’s know-how in the field of security. Solutions developed for this sector target operators of sports and leisure facilities, buildings, institutions and sites that require managing and controlling the access of people and vehicles.

Audio is the founding activity of the Kudelski Group which, more than half a century ago, gave birth to the Nagra brand, legendary for its professional recording equipment. This sector also includes a range of high-end Hi-Fi devices designed for music lovers in search of perfection.
The year 2007 marks an important milestone in the evolution of the Group. Several major strategic objectives have been successfully reached, durably modifying the Group’s positioning and therefore the balance of forces in the digital television ecosystem.
In 2007, the Kudelski Group achieved total revenues, including the gain on the sale of a subsidiary and other operating income, of CHF 942.5 million, an operating income (EBIT) of CHF 87.7 million and a net income of CHF 67.4 million. The annual revenue growth reached 33.3%, or 15% excluding OpenTV, a record for the Group. EBIT, even though down, is nevertheless among the four best performances in the history of the company.

The year 2007 marks an important milestone in the evolution of the Group. Several major strategic objectives have been successfully reached, durably modifying the Group’s positioning and therefore the balance of forces in the digital television ecosystem. However, some initiatives taken in order to reach these goals as part of the Group’s medium and long-term development strategy, had an impact on short-term profitability.

Strategy for sustainable value creation

In the past, the Kudelski Group provided access control solutions by collaborating with partners to offer turnkey solutions. Today, following a profound change in the digital television industry, operators require increasingly complex integrated solutions, enabling them to maintain a competitive advantage against the new rivalry of the telcos. For this reason, the Kudelski Group has invested substantially in new technologies ranging from IPTV to video on demand and from conditional access to content management.

Along with organic growth through acquiring new customers and expanding services into new areas of activity, the Kudelski Group made a decisive step in the area of middleware and interactivity by acquiring control in early 2007 of OpenTV, a San Francisco-based company.

Collaboration with partners in the area of middleware and interactivity has long proved to be the best solution both to preserve the Group’s independence and from a strictly economic point of view. The Group awaited the strategically opportune moment to make this acquisition when, following a consolidation, the market evolved towards a situation of duopoly. By taking control of one of the two major players, we became the world leader in this sector.

However, being number one in the conditional access, middleware and interactivity markets is not the ultimate objective. A major effort must be made to ensure that the solutions are fully integrated with each other, so as to provide a comprehensive solution meeting the expectations of operators, and to reduce time-to-market and deployment costs.

The increasing number of contracts won simultaneously by Nagravision and OpenTV confirm what appears to be a fundamental market trend, namely the fact that operators want to reduce the number of suppliers in order to improve their ability to meet the challenges of the future.

Innovation – key to the Group’s longevity

The ability of the Group to perpetually reinvent itself has enabled it to successfully accompany the technological revolutions and changing consumer habits. From a manufacturer of professional portable tape recorders, it has become a provider of integrated digital TV solutions, with revenues multiplied by 50. Although investments in developing new technologies are costly, they are also the key to over 56 years of longevity.

The digital TV’s new business areas reflect the importance of innovation to the Kudelski Group. In 2007, the new solutions achieved sales of CHF 118.4 million, an increase of almost 120% compared to the previous year. The new product lines, although still not profitable, offer excellent prospects for profitability which should materialize when the market has reached critical mass and adequate volumes. The very positive response of consumers to the initial commercial launch of some of these solutions further confirms this perspective.
Among the new solutions should be especially noted Nagra Mobile which, in no more than two years, set the standard for television on mobile devices. The Kudelski Group is a pioneer and market leader in the mobile pay television DVB-H world with deployments approaching 1.2 million units. Additionally, it has strongly invested in the development of solutions based on the US MediaFLO and Chinese STiMi standards.

In terms of fundamental security technology, the year 2007 was marked by the roll-out of two new families of security solutions for digital television. These are very important steps for the long-term protection of content distributed by our operator customers and for the development of the Group’s product portfolio. These new technologies offer optimum security levels to considerably reduce the risk of simultaneous security attacks over geographically distant networks. Their development required a major investment due to the large number and the diversity of Nagravision customers.

Public Access - second major pillar of the Group

The other pillar of the Group, Public Access, achieved a record year in 2007, reaping the harvest of several years of investment in R&D and in the prospection of new markets. The Nagra Public Access entity not only published excellent figures both in terms of growth and profitability, but continued to consolidate its position in numerous new markets.

Outlook and targets

The major efforts made during 2007 will continue in 2008. To achieve the objective that the Group has set, namely to become a provider of turnkey solutions, substantial investments must be made upstream in order to build pre-integrated systems that are easy and cost-effective to install, particularly for emerging markets and medium-size operators.

In addition, the Group aims at becoming the reference in the fields of intuitive user interfaces and advanced advertising, in symbiosis with conditional access. The combination of these three areas into a single solution will enable the Kudelski Group to offer an added value unique in this industry.
The consumer will benefit from a simple and intuitive access to various programming content, whether live, recorded or on demand. It is a disruptive approach to space-time which, with Nagra Mobile technology, sketches the outline of the television of the future: the program you want, whenever and wherever you want it.

In parallel with these changes, the Kudelski Group has the opportunity of converting about 30 million active cards from sales mode to service mode in 2008. This objective, which has been announced for several years, will become reality in 2008. Even if it leads to a significant shortfall in the immediate future due to revenues being carried forward, this migration is a real opportunity to add value to the new conditional access technologies in the coming years.

Maintaining confidence

Despite these developments and future objectives, taking care of our shareholders is important to us. We are fully aware that the past year has been a difficult one for our share price and that our financial outlook for 2008 is not very promising. However, we count on our shareholders to support the strategy chosen by the Group to focus on the mid and the long term, and to continue placing their trust in the company. We are convinced that the investments we make today will be key to positioning the Group very strongly in its sector and ensuring its future prosperity. We expect to improve our external communication in order to better explain the fundamentals of our strategy.

For the fiscal year 2007, the Board of Directors proposes to the General Meeting of Kudelski SA the payment of an unchanged ordinary dividend of CHF 30 cents per bearer share, in continuity with previous years.

We wish to thank warmly our shareholders, customers, partners and employees for having enabled the Kudelski Group to grow in recent years, and for the trust that they have placed in us.

André Kudelski
The Group's financial results show a robust top line development, confirming the positive revenue trend of the last five years, with a compounded annual growth rate at 25%.
2007 results show a robust top line development. The Group confirms the positive revenue trend of the last five years. Growth momentum continues to be strong with total revenues and other operating income reaching CHF 942.5 million, including CHF 128.6 million from the first time consolidation of OpenTV. Over the last five years, the compounded annual growth rate was at 25%.

Profitability is short of original expectations mainly due to 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. The Group consolidated EBIT in 2007 is at CHF 87.7 million, down by 3.8% compared to the 2006 EBIT adjusted for the gain on sale of Ticketcorner. The adjusted Group EBIT margin declines from 13% in 2006 to 9.5% in 2007, due to a 3 percentage point contraction of the Digital TV margin to 15.3%. Public Access EBIT on the other hand confirms the improvement trend and crosses the 10% threshold coming in at 11.5%. The consolidation of OpenTV has a dilutive effect on 2007 EBIT contributing a loss of CHF 7.6 million.

End of 2007, the Digital TV division launched a profitability improvement program targeting the division’s cost base. The program includes a review of the business portfolio, the business priorities and the investment schedules.

Secondly, it aims at adjusting the company’s technology and platform roadmap to accelerate the deployment of highly secure, segmented new generation security solutions and to complete the offering. In this respect, the Digital TV division is redesigning key components of its solutions architecture to reduce the cost of deploying and operating the solutions.

Thirdly, the company is reviewing its location mix to better exploit global opportunities and cost structures. In addition, it is implementing cost reduction measures in areas such as procurement, with the goal of reducing smart card chipset costs.

Finally, the Group will stop the headcount increases in the established businesses.

**2007 Group profitability and improvement initiatives**

The Group “Margin after cost of material sold” (a pro forma non-IFRS item) for the year is at CHF 678.5 million. As a percentage of revenues, adjusting for both other operating income and gain and loss on sale of subsidiaries, the margin after cost of material is up 3 percentage points to 72%. However, a further 2007 adjustment reversing the OpenTV margin contribution shows a 5% decline, reflecting in particular a material improvement potential in the Digital TV supply chain management.

The consolidation of OpenTV adds CHF 77.7 million personnel expenses, while the further CHF 43.1 million increase of personnel expenses is mainly due to a growing headcount in new business areas and in the core conditional access business R&D and service areas. Other operating expenses increases by CHF 66.5 million due to the consolidation of OpenTV and a further increase of outsourced engineering and development activities in core Digital TV.

**Digital TV sales up, particularly in new business areas**

Digital TV net revenues increase by 14.5% to CHF 573.4 million, while the operating margin declines to CHF 88.0 million, due to a negative gross margin development and a continued expansion of operating expenses.

European sales increase by 12.5%, with a well-balanced distribution. Among the highlights, 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 are relatively stable, with the strong growth of South American sales compensating for the volume decline in North America and the USD weakness. In 2007, South American operators generated more than half the total American revenue base.

Sales in Asia/Pacific and Africa increase by 56.5% to CHF 111.5 million, with a material increase of smart card sales in the Indian, South Korean and particularly the Chinese markets.
Digital TV’s new business areas exceed the CHF 100 million revenue target, reaching CHF 118.4 million for the full year. Conditional Access 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 is extending its presence in financial services and in the government segments. Further, it is continuously expanding in the PVR/push VOD/EPG space, with, in particular, the NagraGuide solution.

In 2007, the Group further consolidated its leadership in the mobile TV market with several new wins, including the recent wins at T-Mobile in the Czech Republic, Dominanta in Russia and Telefonica in Latin America.

It also extended its IPTV customer footprint beyond the French market, winning T-Com Innovations GmbH in Germany and Etisalat in the Middle East, and more than doubled its revenue base in the digital terrestrial market.

New business areas, however, had a negative impact on Digital TV operating profits, reducing division EBIT by a high single digit million number. In particular, the mobile chipset business required material expenditures in 2007 without yet generating any revenue and will continue to generate losses in 2008; mobile TV still represents an investment, with volumes today still too low to put at break-even, mainly because of the delayed availability of frequencies for mobile TV operators. IPTV is also still in an early phase in terms of deployed units.

**Public Access beats targets**

In 2007, Public Access revenues are 15.8% higher than in the previous year, while EBIT is up by 46.3% at CHF 25.8 million, reaching historical high marks.

Over the last four years, Public Access operating profitability substantially improved, from a negative 2% in 2004 to a positive 11% last year, translating into an absolute EBIT improvement of CHF 29.4 million.

Public Access sales are growing across all regions, with Europe up by 14.5%, in a market where SkiData already has a very strong positioning in particular in the ski market, the Americas growing by 14.6% to CHF 18.4 million and the Asia-Pacific and Africa region up 30.4% to CHF 19.5 million.

Within three years, extra-European Public Access share of sales has increased from 8.2% to 16.9%.

**Balance sheet and cash flow**

The consolidation of OpenTV adds CHF 132.9 million of goodwill and further CHF 21 million intangible assets as well as CHF 8 million tangible fixed assets.

Working capital at the end of the year materially increases compared to 2006 due to the consolidation of OpenTV but also a high working capital in the Digital TV division. Inventory increases by CHF 34 million with Days Inventory Outstanding up 106 days, mainly due to two customer projects delayed into 2008. Day Sales Outstanding are down from 119 to 101 days, yet are still subject to improvement in spite of the seasonality effects in the Public Access business leading to high year end receivables. Other current assets increase to CHF 78 million, including a.o. CHF 16.1 million related to the OpenTV acquisition and cashed in from Liberty Media in January 2008.

Cash flow from operating activities in 2007 is at CHF 64.4 million, as a result of a strong CHF 146.7 million cash flow before working capital and high additional working capital needs (incl. cash taxes) of CHF 82.3 million.

Following a CHF 19.1 million first half cash flow from operating activities, the second half’s was at CHF 45.3 million. Cash from investing activities mainly reflects the acquisition of OpenTV, but also high investments for security technologies and for technical equipment and machinery mainly related to the deployment of cards and equipments in service model.
Outlook

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 to be delivered this year will not be recognized.

In the Public Access division, the Group reached its growth and profitability targets. The division expects a continuing growth in 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.
Mobile TV of the future: premium content, advanced features and interactive applications.
TV programs available on mobile terminals thanks to the Nagra Mobile solutions.
The growth of the Group has always been driven by innovation and the development of state-of-the-art technologies.

**Strategic orientations**

A vision focused on the medium and long term is the key driver of the constant strengthening of the Group.
A Group focused on research and development

During the last ten years, the Kudelski Group’s activities have developed rapidly, generating total revenues that increased from around 31 million Swiss Francs in 1996 to more than 942 million in 2007 – a growth resulting from the strategy adopted by the company.

Innovation as the basis of future income

The growth and profitability of the Group are closely linked to investments in research and innovation. This effort has progressively been intensified, even in periods of unfavorable market conditions. The emphasis on the medium and long term is the key to the success of the company.

This strategy remains more relevant than ever. The Group is currently running particularly ambitious R&D programs, whose positive effects will be felt throughout the coming years.

These programs include the development of security and access control systems, two essential aspects of the Kudelski Group’s core business. The new product lines represent a new development axis, including in particular the Nagra Mobile and IPTV solutions.

The Group has become a key player in its field, capable of anticipating the major developments in the world of electronic media

In the field of Public Access, significant investment in recent years to develop a common platform for all segments is also coming to fruition, enabling this activity to expand into new markets with a more efficient operational base.

For the Kudelski Group, innovation goes far beyond the technology aspect. It is also a creative approach adopted throughout the value chain, including offers made by the Group to its customers or solutions that the company proposes to operators to enable them to maximize their own services.

Digital Television strategy

Present in every link in the value chain

The Group has become a key player in its field, capable of anticipating the major developments in the world of electronic media.

In the domain of sound, Nagra portable recorders have revolutionized the way professionals work in cinema, radio and television since the 1950s. They introduced a hitherto unknown freedom and quality, actively contributing to the overall progress of their sector.

The same is true in the field of television, which the Group entered at the end of the 1980s and which has become the company’s core business. Initially, the Group primarily innovated in the field of access control and encryption technologies for pay TV programs. These solutions have enabled operators to protect revenues generated by their subscriber base.

Television has since undertaken its migration to digital and is now part of a much more complex ecosystem, where the worlds of media, Internet and telecommunications merge and converge. Located at the crossroads of these developments, the Kudelski Group has significantly broadened the spectrum of its activities, with solutions participating in the general technological evolution.

Besides access control systems, the company has made available to operators – classical and challengers – innovative content management and protection solutions and, since the recent acquisition of a controlling stake in OpenTV, the development of interactive applications and new forms of advertising.

The Kudelski Group has now a decisive influence in the value chain of the digital television ecosystem and is in a position to promote the emergence of new business models. In doing so, it multiplies the opportunities for creating new revenue sources in high-potential mass markets.

New dimensions in television

From an initial basic TV offering, television has progressively extended to include additional thematic or ethnic programs. Today, the digital TV offering is multi-dimensional: in addition to the basic offering, thematic and ethnic programs, it now also includes premium contents such as box office movies and great events, broadcast live or on demand. The notion of “linear” programs has been completed by the possibility to access content whenever and wherever we want.

With digital convergence, these contents have new distribution channels through the Internet and PCs, mobile phones and other portable players. This causes the operators’ business to widen equally. With the recent changes, the traditional television market is reaching an ever larger and more diversified public.
Innovation and growth

Total revenues of the Group in CHF 000,000

Innovation is a key growth driver for the Group. Over the past fifteen years, the value creation capability of the Group has increased substantially.

Digital TV
Public Access
Audio

2004-2007 figures are based on IFRS financial statements; 1997-2003 figures are based on Swiss GAAP FER; 1996 and previous years are based on the Swiss Code of Obligations.
Other developments also have an impact on how these contents are consumed. On demand services, digital video recorders and interactive program management enabling the viewing of pre-recorded content have emerged and have brought about a new freedom for the user. For operators, these new features have added substantial value to the content offered.

With these changes, the traditional market has soared to reach an ever larger and more diversified public and to integrate concepts coming from other ecosystems such as new media and the Internet.

For example, convergence of TV and PC is one of the major innovations introduced during the past year, providing additional growth leverage to the Group.

**With the recent changes, the traditional television market is reaching an ever larger and more diversified public**

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**The «new experience»**

The next stages of the evolution are already taking shape. Internet gives mass access to a multitude of specialized content and allows users to increasingly customize their consumption and their browsing environment according to their personal tastes and habits. These users can finally combine passive and active consumption modes. Researchers speak of a “new experience”, a trend that, in the logic of convergence, already has repercussions on the world of television.

In the field of television also, interactivity and content personalization are going to occupy a growing place. Targeted interactive advertising will play an important role, as is already the case in the Internet world.

The Kudelski Group’s strategy has included the vision of this “new experience” for many years. The most recent developments and stake acquisitions, such as those taken in OpenTV, confirm this strategy and enable the Group to stay one step ahead.

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**Expansion in all markets**

The growth of the Kudelski Group is linked to the widening of its activities and products as well as to a large geographic presence.

For more than a decade, the company has progressively expanded into most regions of the world and has set up an organization tailored for a pro-active approach of the markets.

The Kudelski Group now occupies strong positions in Europe and in the Americas and is on the way to substantially extend its presence in Asia. This last region still holds enormous potential. After China, where the Group has firmly taken hold, India represents a major future development ground.

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**Digital Television strategy in a nutshell**

- **Continue growth in conditional access in existing and new markets**, with a strong emphasis on emerging markets
- **Continue to develop the Digital TV multi-platform ecosystem including conditional access, interactivity and advanced advertising**
- **Expand turnkey solutions in accordance with optimal segmentation**
- **Widen the field of action with new product lines (IPTV, PVR, Push VOD, prepaid cards, Mobile TV, PCTV)**
- **Pursue an ambitious R&D policy, with significant investments in access control technology and new product lines, including IPTV and Nagravision Mobile**

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**OpenTV, complementary technology and market presence**

OpenTV’s unique positioning on the middleware, interactivity and advanced advertising market has made this company Nagravision’s privileged partner for several years.

By taking a controlling stake in OpenTV in 2007, the Kudelski Group wanted to play a decisive role in the strategic development of OpenTV, in order to be able to durably influence the digital TV ecosystem beyond conditional access and the other activities of the Kudelski Group’s digital TV unit.

OpenTV has particularly valuable expertise and experience in the areas of middleware solutions for all types of digital television networks, interactive applications and the management of various forms of advertising, including traditional linear broadcast ads as well as addressable and interactive advertising.
The participation in OpenTV enables the Kudelski Group to provide operators with a more comprehensive product offering and to expand the range of services it offers to the entire digital television ecosystem.

Both Nagravision and OpenTV are actively working on bringing their respective operations into phase in order to maximize synergy. The task of integrating solutions is currently in progress. Significant potential has been identified and is progressively being capitalized on by both OpenTV and Nagravision.

The following initiatives are underway:
- accelerating the Open TV product roadmaps
- aligning and integrating the solution portfolios
- developing a common applications portfolio
- providing pre-integrated solutions
- addressing the needs of operators requiring a third-party CAS or middleware

Nagravision/OpenTV complementarity in product offering

<table>
<thead>
<tr>
<th>Content providers/ advertisers</th>
<th>Broadcasters</th>
<th>Operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On demand services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue sources

- Subscription
  - Content protection

- On demand services
  - PVR, VOD, Push VOD, EPG, Content syndication

- Applications
  - Interactive applications

- Advertising
  - iAds (interactive targeted advertising, advanced advertising), inventory management

The Nagra Public Access division is also focused on security management and access control, but in this case applied to persons or vehicles for clients as diverse as ski and tourist resorts, car parks, stadiums, shopping malls, corporations, institutions and university campuses.

This sector benefits from common or coordinated developments with the digital television and smart cards sector within the Kudelski Group. Here also, the Group has positioned itself at the forefront of major technological developments. SkiData, the main company in the Public Access sector, has been the first to market hands-free access systems for ski resorts, allowing the holder of a smart-card badge to pass the turnstiles without having to introduce the badge into a reader.
A common platform for all developments

Nagra Public Access has particularly invested in software intelligence by developing a modular platform common to all its systems. Here also, digital convergence plays an important role. Public Access is also now part of a wider ecosystem, bringing together the Internet, mobile networks and telecommunications. As an example, a ski pass can be reserved on a mobile phone or via the Web.

The new platform represents a strategic advantage for the Group because it provides the flexibility to adjust the level of technological sophistication and services based on very different requirements of customers and market segments. It enhances the competitiveness of Nagra Public Access, as evidenced by the very positive development of results over the past two years.

Further international expansion

The particularly flexible and efficient solutions that Nagra Public Access is now able to offer allow the division not only to increase its share in its traditional market – Europe – but also to conduct a sustained expansion into promising new markets. Nagra Public Access has become very international, posting successes in countries such as the United States, China, India, Japan, Korea and Russia. This line of geographical development forms part of the strategic priorities.

Nagra Public Access strategy in a nutshell

- Capitalize on Kudelski Group’s global research in security and multimedia access control technologies
- Integrate a high level of intelligence in the software platforms so as to provide a range of functions and services and widen the competitive gap
- Have a modular central platform customizable according to the needs of different market segments
- Anticipate the evolution of needs and expand the range of services and products, capitalizing on the strong present position
- Continue and intensify international expansion

Nagra Audio strategy

Part of the global digital evolution

Audio, which is the Kudelski Group’s pioneer activity, now represents a relatively small share of the company’s total income. But the importance of this historic sector goes beyond numbers. Worldwide prestige is attached to the Nagra brand, giving it a very high value. In their field, Nagra professional recorders have always represented the ultimate in technology and this remains the priority of current developments.

The equipments of the latest generation are the fruit of the evolution driven by digital convergence. They are designed to fit into an image/sound production chain increasingly focused on editing by means of software. Provided with a hard disk or silicon memory, they are now PC-oriented and include all the communication devices enabling them to interface easily with the world of computers.

Strategically, the professional range consists of unique devices capable of performing their tasks at the highest level of sound quality and with greatest effectiveness within the current production context of the media industry.

Diversifying production in the Hi-Fi sector

Since 1991, Nagra Audio has expanded its production to high-end Hi-Fi equipment for private use, based on the know-how and production structures of the professional sector.

Entry into this niche market has led to very positive results. The revenue generated by this domain is now equivalent to that from professional equipment.

This line of development is set to grow in the coming years, with a widening range of equipment and a strengthening of marketing efforts.

Nagra Audio strategy in a nutshell

**Professional sector:**
- Place Nagra recorders at the leading edge of development in the context of digital image/sound production in the media world
- Preserve the basis of Nagra’s reputation: precision, robustness, reliability, durability

**Hi-Fi sector:**
- Expand the range of equipment
- Increase marketing efforts
Simple and user-friendly: the advanced features of digital TV now also on the PC.
SmarDTV’s USBCAM: removable security modules to make pay-TV content accessible to PC users.
In the heart of digital convergence:
TV content accessible on multiple terminals

**Digital Television**

Access TV contents anywhere and anytime: a fundamental revolution of the digital ecosystem.
The new digital television markets

In Europe, before 2012, analogue terrestrial television should have definitively given way to digital television. The transition between these technologies is profoundly changing both operators’ offers and consumers’ expectations. It is creating a strong growth potential, especially in Europe where the penetration of digital is still relatively low. In the Americas and in Asia (especially China), this conversion is going rapidly ahead.

Converging media

Digital technology enables operators to expand their services and increase features. Now universal, it supports the distribution of content on different types of fixed and mobile devices: television sets, computers, mobile telephones and portable media players.

This evolution leads operators to work on multiple distribution platforms, combining technologies. In addition to television operators, new players are entering the world of digital TV, such as telcos, whose infrastructure is particularly suited to the distribution of television content.

The Kudelski Group ready to meet new expectations

The Kudelski Group has a complete suite of solutions that enable it to play a driving role in the evolution of this increasingly complex convergent universe. Conditional access, middleware, content management and protection, interactivity, user interfaces and removable security modules are the main elements of the Group’s offer covering the whole ecosystem and contributing to extending its limits.

These open architecture solutions enable interoperability between the technologies from different players. The Kudelski Group is therefore able to deliver end-to-end turnkey platforms, based on which operators can offer their subscribers greater variety in the ways content can be viewed and interacted with.

Managing security

Conditional access – new generation of solutions

Conditional access systems are at the centre of the Kudelski Group activities. The company continues to invest substantially in this sector, both in end-to-end system solutions and dedicated security components, in particular smart cards.

Three new advanced security solution suites have been designed accordingly, in order to offer strengthened and diversified security levels to the operators while introducing a series of new, innovative functionalities. The new solutions benefit from major progress in protection against smart card attacks and enable various anti-piracy mechanisms both at the smart card and at the decoder level. In 2007, the first series of cards based on two of the new families were deployed successfully in several key markets.

The Group also strengthened its dynamic countermeasures and anti-piracy activities, providing permanent support to operators and helping them optimize the total cost of ownership of their technology environment.

NagraID – production under high security

In highly secure premises and with EMV (EuroPay Mastercard VisaCard) certification for the production of bank cards, NagraID manufactures and personalizes the cards for the Kudelski Group’s Digital TV and Public Access applications.

The open architecture of the Kudelski solutions allows interoperability of technologies and therefore a perfect symbiosis between players within the ecosystem
Digital TV value chain

Digital media market structure

**Content**
- TV contents
  - TV programs
  - Movies
  - Music
  - Sport
- Interactive content and advanced advertising
  - Games
  - Interactive ads
  - Addressable ads
  - e-commerce

**Service creation**
- Content access protection
- Content management
- Interactive applications

**Distribution**
- All types of networks
  - Broadcast
    - Terrestrial, satellite, cable
  - Broadband
    - DSL, cable
  - Mobile
    - 3G, DVB-H, MediaFLO, STiMi

**Consumption**
- At home
  - TV, decoder, PVR
  - PC
- On the move
  - Mobile phone
  - Multimedia player
<table>
<thead>
<tr>
<th>Customer expectations</th>
<th>Kudelski Group added value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect the content life cycle throughout the value chain, from creation to consumption</td>
<td>Highly secure end-to-end content protection and access rights management solutions. Role of integrator for the delivery of turnkey solutions</td>
</tr>
<tr>
<td>React rapidly to market evolution</td>
<td>Pre-integrated solutions allowing fast deployments</td>
</tr>
<tr>
<td>Maximize return on investment:</td>
<td>Solutions and services enabling operators to protect their revenue sources and to create new ones. Flexibility and privileged relations with operators to achieve developments addressing their specific needs</td>
</tr>
<tr>
<td>– increase ARPU (Average Revenue Per User)</td>
<td></td>
</tr>
<tr>
<td>– reduce churn</td>
<td></td>
</tr>
<tr>
<td>Manage the operational complexity:</td>
<td>Comprehensive turnkey content management solutions</td>
</tr>
<tr>
<td>content acquisition, aggregation and distribution</td>
<td></td>
</tr>
<tr>
<td>Offer ever more advanced functionalities to interact with content</td>
<td>Integrated interactivity concept including VOD, PVR, EPG applications and many more</td>
</tr>
<tr>
<td>Benefit from new forms of advertising</td>
<td>Advanced advertising solutions such as targeted, addressable and interactive advertising</td>
</tr>
<tr>
<td>Deploy services on all types of platforms</td>
<td>Agnostic (open architecture) technologies that can integrate with all types of networks as well as with hybrid networks</td>
</tr>
<tr>
<td>Offer a new attractive media experience based on the latest technological innovations</td>
<td>Solutions pushing the limits of the digital TV ecosystem</td>
</tr>
<tr>
<td>Content accessible on all types of devices, anytime and anywhere</td>
<td>Technologies contributing to the digital media convergence. For consumers, ever more consistent user experience, whatever the media</td>
</tr>
</tbody>
</table>
Content propagation: securing the whole distribution chain

With digital convergence, operators combine more and more frequently different types of networks to deliver content. As regards users, they consume content on ever more diverse fixed and mobile devices that potentially communicate with each other. This situation requires a new approach to security. The Persistent Rights Management (PRM) concept is the answer developed by the Kudelski Group.

While conventional access control denies or authorizes access to content from the outside (with a smart card), the PRM concept consists in placing the access rights in the content itself. The secured rights thus accompany the content throughout its consumption cycle, regardless of the network used and the device on which it is consumed.

By using a unique and coherent security system for all types of platforms, operators gain access to a new freedom in the development and expansion of their service offers and their business models.

This coherence in the end benefits the consumer, who can enjoy a more consistent and transparent multimedia experience.

Advanced features and interactivity

Advanced functionalities (PVR, Push VOD, interactive program guide, etc.), allowing the consumer to access a world ever more full of possibilities, are the subject of constant developments. Requested by television viewers, they now represent an important aspect of the service offers of operators who draw from them new revenue sources.

The Kudelski Group has offered solutions enabling advanced functionalities for several years. The new generation of products has been further enhanced in terms of graphical quality and ease of use. Modular and scalable, the solutions adapt to the operators’ platforms and can be rapidly deployed.

PVR and Push VOD solutions

The PVR (Personal Video Recorder) is a digital multifunction decoder-recorder with a mass memory (hard disk or flash) of tens, or even hundreds of gigabytes. It includes many features such as multiple simultaneous recordings of programs, pausing of a live program for later viewing, archiving of recordings, access to Push Video On Demand (VOD) services (content downloaded to the set-top box) and electronic program guides.

The Kudelski Group’s Nagravision solutions enable the implementation of PVR and Push VOD features thanks to which operators can offer high value-added content in an increasingly intuitive and user-friendly way.

OpenTV also offers complementary solutions. OpenTV Core2™ and OpenTV PVR2™ provide the underlying setup box software and file system required for a network operator or consumer electronics manufacturer to create a PVR solution in a very flexible manner.

100 million digital set-top boxes and television sets in the world are using OpenTV technologies

The Kudelski Group’s Nagravision solutions enable the implementation of PVR and Push VOD features thanks to which operators can offer high value-added content in an increasingly intuitive and user-friendly way.

OpenTV also offers complementary solutions. OpenTV Core2™ and OpenTV PVR2™ provide the underlying setup box software and file system required for a network operator or consumer electronics manufacturer to create a PVR solution in a very flexible manner.
Electronic Program Guides

Electronic Program Guides (EPG) facilitate navigation, guiding subscribers as they adjust to the explosive growth in digital TV programs.

OpenTV

In 2007, OpenTV presented its vision of a revolutionary intuitive user interface which enables subscribers to navigate instinctively through thousands of channels and live, pre-recorded or on demand content, based on personalized criteria. One of the innovations of this system is the concept of recommendation: after each selection, a number of additional programs based on the same criteria are suggested to the viewer. The first version of this visually rich, high definition interface is planned for availability at the end of 2008.

Nagravision

Developed by Nagravision, NagraGuide is a powerful suite of interactive applications supporting both high-definition and standard-definition. It was specifically designed to make the most of today’s PVR set-top boxes integrated with Nagravision’s conditional access and Push VOD technologies. NagraGuide is based on OpenTV’s middleware.

Content management – Lysis iDTV

The multiplicity of content, platforms and devices makes the use of an efficient content management tool all the more important for operators. Completing the suite of Nagravision solutions, iDTV Lysis Content Management is an end-to-end flexible system allowing for the secure and optimized workflow management from acquisition of content to analysis, aggregation and post transmission. This powerful tool provides operators with a content management platform for creating, managing and delivering transactional digital television services such as video on demand.

Advanced forms of advertising and interactive applications

Often required by operators in parallel with access control, interactive capabilities have become a must. The Kudelski Group has increased its expertise in the field of interactivity via the OpenTV company.

Interactive features are enabled by a middleware system integrated into decoders and digital television receivers. OpenTV is the leading middleware supplier in the world with more than 56% market share. In addition to PVR applications, the OpenTV product range includes innovative interactive and addressable advertising solutions as well as participative applications for digital television. For example, OpenTV Participate™ allows viewers to take part in competitions, quizzes, votes and games during a program via any device including phone, mobile, PC and TV.

End-to-end turnkey solutions – the choice of customers

CanalDigitaal and TV-Vlaanderen, the only providers of digital satellite TV in the Netherlands and the north of Belgium, have selected a suite of Kudelski Group products to enhance and secure their new high definition television subscription video on demand service scheduled to launch in 2008.

The Kudelski Group products selected include the NagraGuide user interface system, OpenTV Core2™ and OpenTV PVR2™ software. High-definition personal video recorders with OpenTV software solutions, in combination with Nagravision content security and NagraGuide will provide CanalDigitaal and TV-Vlaanderen with outstanding protection for premium content, while offering subscribers more service options. The overall Kudelski based solution is expected to increase subscriber satisfaction, raise the average revenue per user (ARPU) and reduce churn.
With major commercial rollouts since 2004, IPTV (Internet Protocol TV) is an established market alongside satellite, cable and terrestrial transmissions.

Today, with bandwidths up to several megabits per second, broadband networks (DSL and broadband cable) have become modes of transmission for digital television in their own right, allowing the implementation of high value-added services, such as the distribution of multimedia content and interactive applications.

Pre-integrated solutions

The Kudelski Group occupies a key position in the IPTV market with solutions already used by major operators in Europe and the United States. These pre-integrated solutions include Nagravision’s content protection system Nagravision’s content protection system NagraIP, Quative’s Service Delivery Platform and the Lysis iDTV Content Management system.

The Kudelski Group addresses the needs of the new hybrid platforms with pre-integrated solutions covering all aspects of the offering

Bringing together experts in IPTV, Quative Limited, based in the United Kingdom, provides a platform enabling operators and service providers to deliver IPTV services to subscribers’ decoders keeping control of every aspect of their offering, from graphic design and navigation to applications. Quative also provides a comprehensive set of base IPTV interactive applications including an electronic program guide with PVR and TV on demand, video on demand, parental control, messaging and e-mail.

Hybrid broadband/broadcast platforms

The convergence of the broadcast and broadband ecosystems has given rise to the emergence of new hybrid platforms: cable/IP, satellite/IP and DTT/IP. The Kudelski Group addresses the needs of these markets with pre-integrated solutions combining access control, interactivity and service management.

The Group enjoys a strong position in the digital cable TV sector in most regions of the world. It is actively investing in the technologies that will enable cable operators to stand out from competitors, in particular from telecommunications companies with an IPTV offering.

Hybrid broadband/broadcast deployments

**Numéricâble**

The leading broadband cable operator in France, Belgium and Luxemburg, selected the Kudelski Group’s suite of pre-integrated solutions for the rollout of new video on demand and interactive TV services. They include the Nagravision content protection solution, the Lysis content management system to drive the entire content distribution chain and workflow for on demand content, the NagraGuide advanced interactive program guide, OpenTV middleware and the Quative Service Delivery Platform. The Kudelski Group is also taking care of the overall integration with Numéricâble’s existing back-end systems.

**T-Com Innovation GmbH**

T-Com Innovation – a wholly-owned subsidiary of Deutsche Telekom – has chosen a Quative IP/terrestrial hybrid solution for an interactive TV pilot project including on demand applications over IP as well as free-to-air channels broadcast in digital terrestrial DVB.

**British Telecom**

The operator has launched a new digital television platform in the United Kingdom. It has deployed a hybrid terrestrial/broadband PVR set-top box which integrates Nagravision’s conditional access system, enabling British Telecom’s subscribers to view and record premium content services.

**CJ Cabelnet**

The major MSO (Multi-System Operator) of Korea has chosen the Lysis iDTV content management solution from Nagravision and the Quative Service Delivery Platform to enrich its digital cable TV platform with enhanced VOD services.

**DISH Network**

EchoStar Communications Corporation’s satellite television network (US) announced in October 2007 a video download or Pull VOD service allowing subscribers to download quality content from the Internet for viewing on DISH Network’s latest generation digital video recorders. This service is enabled by a Nagravision hybrid satellite/broadband VOD and PVR solution.
Mobile television

Less than ten years ago, the idea of watching television on a mobile telephone was utopian. Three or four years ago, the first television services appeared on 2G and 3G mobile networks, but they rapidly proved ill-adapted to television broadcasting. New standards have since been introduced: DVB-H (especially in Europe), MediaFLO (firstly in the United States) and STiMi (China).

Successful pioneers

In 2006, Italy was the first country in the world to deploy Mobile TV services over DVB-H broadcast networks secured by the Nagra Mobile solution, with H3G, TIM and Vodafone Italy.

Launched in 2006 for the Football World Cup, the H3G mobile TV service attracted more than 1.1 million users (out of the operator’s 7 million mobile telephony subscribers) within only 18 months of operations.

In 2008, several European countries are preparing to launch similar services according to the European Commission’s frequency allocation plan.

Market potential

In contrast to what has occurred in the broadcasting world, the first content to be marketed on mobile phones was on demand content: ring tones, logos, MP3, etc. The trend is now towards premium contents, broadcast live or on demand. Security is in this context an increasingly strategic factor.

In many countries of the world, the growth of this market is, however, slowed down by the current shortage of available mobile frequencies.

The first mobile television services were proposed by mobile telephone operators. Today, television operators are also launching mobile TV offerings. Thus new opportunities are being created for the Kudelski Group by its traditional customers. In 2007, the Group consolidated its position as the mobile TV market leader by winning several new deals, both in Europe (Alcatel-Lucent in France), in the United States (Hiwire/RRD/SES Americom) and in Asia (PMSI in the Philippines).

Development axes

The Kudelski Group has continued to develop its Mobile TV solutions to address the needs of operators by providing security solutions that can be deployed rapidly and cost-effectively. The Nagra Mobile solutions support all standards currently used worldwide: DVB-H, DVB-SH, MediaFLO, STiMi. In 2007, Nagravision was the world’s first conditional access company to support the MediaFLO standard.

Furthermore, the Kudelski Group announced in 2007 with Giesecke & Devrient (G&D), a leading provider of smart card-based solutions and technologies, the joint development of a secure MicroSD/SD card fully integrated with the Nagra Mobile conditional access solution. This card offers consumers a bridge between their mobile phones and their unconnected devices such as personal navigation devices and portable media players, providing full portability for both live access and recorded content.

1.1 million users within 18 months for H3G’s mobile TV service secured by Nagra Mobile

Abilis

Abilis Systems strengthens the Group’s expertise in the field of mobile television. It offers a single-chip, low-power mobile TV solution integrating both a multi-band RF tuner and a demodulator.

In 2007, Abilis launched a new generation of this product with further enhanced performance, especially as regards reception quality and length of viewing time. This new mobile TV receiver is the most highly integrated mobile digital TV device on the market, enabling the rapid design of low-cost mobile TV services for personal computers, personal navigation devices, personal multimedia players and set-top boxes.

The technology used by Abilis complies with the various standards established or under development concerning broadcasts to mobile devices.

In 2007, Abilis established a structure in Taiwan in order to ensure the development of its activities in Asia and set up a sales network covering the Asia/Pacific region.
Removable security modules: SmarDTV

Through its company SmarDTV, the Kudelski Group addresses the needs of the rapidly expanding market of removable security modules for integrated digital television sets increasingly sold worldwide.

These devices feature a Common Interface (CI) into which a conditional access module (CAM) can be inserted, making the use of a separate decoder superfluous. SmarDTV is world leader in the development and production of these modules. In 2007, the company sold more than 1.3 million modules throughout the world, representing a growth of 50% over the previous year.

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Active participation in standardization committees

The role played by the Group in standardization committees testifies to the innovative spirit of the company. The Group is in fact actively contributing to the genesis and development of digital TV standards specifications, with the benefit of being able to anticipate the development and deployment of standards in emerging markets.

The Kudelski Group has been elected by the DVB (Digital Video Broadcasting) General Assembly to be one of the ten companies representing digital television manufacturers to sit on the DVB Steering Board along with regulators, broadcasters and network operators. This Board is responsible for setting the overall DVB policy and approving specifications towards standardization.

In the Mobile TV sector, as a member of the FLO Forum, Nagravision contributed to the definition of the MediaFLO standard with Qualcomm. This is a new open broadcasting standard used initially in North America.

In the area of removable security solutions, the Group is also actively involved in standardization committees through its company SmarDTV. For several years, SmarDTV has been contributing to the development of technical specifications for open digital receivers and decoders worldwide, and in particular to the development of the DVB-CI and follow-on standards.

PCTV

Watching TV on a computer is becoming more prevalent. Millions of DVB tuners, enabling the reception on PCs of terrestrial, cable and satellite broadcast programs have been sold, and demand is growing.

The new generation of computers contains an integrated TV reception capability. These systems are suitable for the reception of free-to-air TV content. However access to pay TV content requires the use of SmarDTV’s security technology. SmarDTV’s newest product line consists of a compact dongle, the size of a USB drive, integrating the USB interface, the conditional access technology and a DVB tuner for digital terrestrial reception.
## Kudelski Group’s main Digital TV customers

### Americas
- **Broadband/broadcast**
  - EchoStar/DISH Network (US)
  - Iowa Network System (US)
  - Bell ExpressVu (Canada)
  - Telefónica Latinoamérica (Argentina, Brazil, Chile, Columbia, Mexico, Peru, Venezuela)
  - NET Serviços (Brazil)
  - TVA (Brazil)
  - Globo (Brazil)

- **Mobile**
  - AT&T/Hiwire (US)
  - Telefónica (Peru)
  - CNN/Turner (US)

- **Middleware/advertising**
  - EchoStar/DISH Network (US)
  - Time Warner Cable (US)
  - Comcast (US)
  - Cablevision (US)
  - Charter Communications (US)
  - Cox Communications (US)
  - Bell ExpressVu (Canada)
  - NET Serviços (Brazil)

### Europe/Middle East
- **Broadband/broadcast**
  - Canal Satellite (France)
  - Canal+ TNT (France)
  - Neuf Cegetel (France)
  - Numéricable (France, Belgium, Luxemburg)
  - Virgin Media (UK)
  - TopUp TV (UK)
  - Mediaset (Italy)
  - Digital+ (Spain)
  - Kabel Deutschland (Germany)
  - Premiere (Germany)
  - UnityMedia (Germany)
  - APS (Germany)
  - Canal Digitala/TV-Vlaanderen (Belgium, The Netherlands)

- **Mobile**
  - 3 Italia (Italy)
  - Telecom Italia Mobile (Italy)
  - Vodafone (Italy)
  - Bouygues Telecom (France)

- **Middleware/advertising**
  - BSkyB (UK)
  - Numéricable (France)
  - Sky Italia (Italy)
  - UPC/UGC (Ireland, The Netherlands)
  - Canal Digitala/TV-Vlaanderen (Belgium, The Netherlands)
  - Casema (The Netherlands)
  - NTV Plus (Russia)
  - TV Cabo (Portugal)

### Asia/Pacific, Africa
- **Broadband/broadcast**
  - StarHub (Singapore)
  - Reliance (India)
  - IMCL (India)
  - BGCTV (China)
  - OCN (China)
  - Dalian Tiantu Cable Network (China)
  - Suzhou Digital Television (China)
  - C&M (Korea)
  - Orix (Korea)
  - Hong Kong Cable (Hong Kong)
  - Kbro (Taiwan)
  - Canal+ Horizons (Africa)

- **Mobile**
  - Maxis (Malaysia)
  - PMSI (The Philippines)

- **Middleware/advertising**
  - FOXTEL (Australia)
  - AUSTAR (Australia)
  - DishTV (India)
  - Sun Direct TV (India)
  - Reliance (India)
  - J:COM (Japan)
  - AcTVila (Japan)
  - Panasonic/MEI (Japan)
  - TrueVisions UBC (Thailand)
  - StarHub (Singapore)
  - Sky New Zealand (NZ)
  - MultiChoice (South Africa)
Ultimate comfort: the keycard is designed for multiple re-use and pre-sale via Internet or mobile phone.
SkiData’s innovative Freemotion technology vastly improves lift access convenience.
Public Access

Technological innovations, value-added services, expansion into new markets: the dynamic unit again posts excellent results.
Following a historical fiscal year 2006, SkiData again achieved record results in 2007, a year symbolically important for the company which celebrated its three decades of existence.

A few years ago, SkiData reviewed its structures as well as its product portfolio and geographic expansion strategy. As a result, the company has been reaping the rewards of its efforts since 2006, successfully pursuing its new strategy.

Today, in many markets, SkiData is a leader and a reference in the physical access control sector.

### SkiData milestones

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>1977</td>
<td>Founding of SkiData</td>
</tr>
<tr>
<td></td>
<td>First ticketing system for ski resorts</td>
</tr>
<tr>
<td>1988</td>
<td>First car park management system</td>
</tr>
<tr>
<td>1991</td>
<td>Entry into Trade Fair and Exhibition market</td>
</tr>
<tr>
<td>1997</td>
<td>Entry into Stadium and Arena market</td>
</tr>
<tr>
<td>2001</td>
<td>New owner: Swiss-based Kudelski Group</td>
</tr>
<tr>
<td>2005</td>
<td>Introduction of the universal ticket coding unit Coder Unlimited</td>
</tr>
<tr>
<td>2006</td>
<td>Launch of the revolutionary Freemotion system for Mountain Destination</td>
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<td></td>
<td>Record financial results</td>
</tr>
<tr>
<td></td>
<td>Entry into new markets outside Europe</td>
</tr>
<tr>
<td>2007</td>
<td>Company 30-year anniversary</td>
</tr>
<tr>
<td></td>
<td>Numerous technological innovations</td>
</tr>
<tr>
<td></td>
<td>Strengthened presence in Asia and North America</td>
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</tbody>
</table>

Creating value through services

From a company manufacturing access systems addressing specific market segments, SkiData has developed into a provider of global turnkey solutions capable of creating new revenue opportunities for operators.

SkiData’s solutions are built around a common platform that can be customized according to the needs of operators and markets. As a central element of the system, access control acts as a hub that coordinates many features and manages their interactions. In addition, the modular approach allows SkiData to offer solutions combining different segments such as ski/parking for example.

As a result of a product strategy strongly focused on market requirements, SkiData has managed to expand its presence outside its traditional territories and to penetrate new markets.

### 2007 – Proliferation of projects throughout the world

SkiData has made a remarkable breakthrough in India, with contracts for the installation of parking solutions for two major airports. Other projects are underway and are expected to come on stream in 2008. These deals come one year after establishing a structure in that market through a partnership.

In the Mountain Destination sector, new business has been obtained in South Korea, a market which the company entered in 2006, as well as in Japan.

In North America, SkiData has continued to progress with important new projects being carried out especially in parking systems for airports. This segment is where the strongest growth is expected in this market for 2008.

Successes in this market also include the completion of eight major amusement parks being equipped with fully integrated visitor management solutions.

In the Mountain Destination sector, SkiData is preparing to launch new access solutions combining the revolutionary convenience of the Freemotion gate with the ticket processing and guest management power of the Handshake software, in order to exploit the potential of this market with the most efficient solutions. Future plans call for the extension of these solutions to other segments as well.

In Latin America, SkiData has made a promising first step in Mexico by equipping the car parks of two of the largest shopping malls in the country.

SkiData continues to grow in the South African market, a country that will host the 2010 FIFA World Cup. A first contract was signed in 2007 with this event in view.

In Europe, SkiData’s traditional market, new deals were made and relationships with existing customers reinforced. SkiData plans to open an office in Moscow in the near future to handle the surge of activity in Russia and in the Ukraine. In the Car Access sector, SkiData has acquired the Belgian company PACT (Parking Access Control Technology).
Public Access value chain

Nagra Public Access market structure

Types of customers
- Car parks
- Airports
- Shopping malls
- Hospitals
- Ski resorts
- Stadiums
- Exhibition halls
- Amusement parks

Solutions and services

<table>
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<tr>
<td>Platform definition</td>
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<tr>
<td>Solution integration/deployment</td>
</tr>
<tr>
<td>Support/Maintenance</td>
</tr>
</tbody>
</table>

- Physical access control solutions for people and vehicles, and for destination management applications
- Multifunction application management system: access, timing, payment

Consumers
- Hands-free access
- Seamless access
- Access via mobile
- Multifunction cards
<table>
<thead>
<tr>
<th>Customer expectations</th>
<th>Kudelski Group added value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage access of flows of people and vehicles to public or private sites, for</td>
<td>Global turnkey solutions for all types of applications</td>
</tr>
<tr>
<td>commercial or security reasons</td>
<td></td>
</tr>
<tr>
<td>Benefit from solutions designed to manage even the most complex environments</td>
<td>Systems with modular architecture to address the most specific needs</td>
</tr>
<tr>
<td>Maximize the return on investment</td>
<td>Minimizing operating costs: solutions and services enabling operators to create new</td>
</tr>
<tr>
<td></td>
<td>revenue sources</td>
</tr>
<tr>
<td>Benefit from all the competencies necessary to optimize the project</td>
<td>Consulting services, proven expertise, project management</td>
</tr>
<tr>
<td>Ease of integration with existing platforms, for example with ticketing services</td>
<td>Ability to interface with various ticketing systems</td>
</tr>
<tr>
<td>Multiple reservation channels for enhanced marketing</td>
<td>Multi-channel reservations: through the Internet, mobile phone, call center</td>
</tr>
<tr>
<td>Management and monitoring of users (statistics, targeted offers, etc.)</td>
<td>Very flexible platform allowing the integration of a whole range of business models</td>
</tr>
<tr>
<td>Solutions making users’s lives easier and enabling dynamic and creative marketing</td>
<td>Freedom and comfort in making reservations and accessing the site in a direct way</td>
</tr>
<tr>
<td>Multiple, flexible and rapid purchase and payment systems</td>
<td>Technologies allowing transactions to be made through various channels and using various</td>
</tr>
<tr>
<td>Nice design creating a positive image for the operator</td>
<td>media</td>
</tr>
<tr>
<td></td>
<td>Innovative products often awarded innovation prizes</td>
</tr>
</tbody>
</table>
Car Access segment

Airports
SkiData has successfully maintained its leading position in this area despite fierce competition.

New installations

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Bangalore Airport, Hyderabad Airport</td>
</tr>
<tr>
<td>US</td>
<td>Burbank (Bob Hope Airport) in California</td>
</tr>
<tr>
<td>Canada</td>
<td>London and Edmonton Airports, Ontario</td>
</tr>
<tr>
<td>Germany</td>
<td>Renewal of the installations at Munich airport, SkiData’s client since 1992</td>
</tr>
<tr>
<td>UK</td>
<td>Extension of installations at the new Terminal 5 of London-Heathrow, SkiData’s client since 1990</td>
</tr>
</tbody>
</table>

SkiData’s parking access solutions already equip the airports of Hong Kong (China), Dubai (United Arab Emirates), Glasgow (Scotland), Lille (France), Zurich (Switzerland), Amsterdam (Netherlands) and several cities in North America.

Value-added parking management solutions
Increasingly, operators require parking management solutions that come with enhanced services attractive to users: license plate recognition, valet service, systems integrating stores’ customer cards, etc.

SkiData systems respond to these requirements and allow customization of the installation according to specific regional needs. These characteristics are the key to their success on the markets.

People Access segment

Mountain Destination
In Europe, with a mild winter and snow scarce, demand in the Mountain Destination segment declined slightly in 2007. However, despite a relatively stable global market, SkiData has managed to make significant progress with installations at prestigious sites in Germany (Allgäu), France (Aravis, Alpe d’Huez, Les Deux Alpes) and Italy (Courmayeur).

SkiData continued its expansion outside Europe in 2007 by conducting large-scale installations in South Korea. Two resorts have chosen to acquire Freemotion access solutions which will be the first of this type to be deployed in the Asia/Pacific region.

Stadiums and Arenas
Many new successes have been achieved by SkiData in this segment. Thanks to the recognition enjoyed by its brands throughout the world, SkiData is seen as a privileged partner in equipping high profile international events:

- Euro 2008: stadiums in Basel, Vienna and Innsbruck
- Football World Cup 2010: Orlando Stadium in South Africa
- Italy: ten installations meeting the new safety standards for stadiums
- China: Tianjin Olympic Center Stadium, Beijing
Technological innovations

SkiData continued the strategic step-by-step renewal of its entire product portfolio to address current and future market demand with tailored overall solutions. The first new-generation products developed on this basis include the Freemotion open-gate technology for ski resorts and the Easy.Cash pay-on-foot machine. Both products have enjoyed remarkable worldwide market success from the beginning.

In 2007, various applications were developed in conjunction with the new, overarching technical platform designed to serve as the basis for all SkiData solutions. These applications include:

Web Shop/Web Suite
In view of the growing importance of the Internet as a sales channel, operators increasingly rely on the ability to make their product and service offerings available for purchase over the Internet. To meet this demand, SkiData has developed the “Web Suite”, a new line of web-based sales applications that include a ready-to-use default web shop structure that customers can modify and run according to their needs. SkiData also offers hosting of the web shop on customers’ behalf.

DTA
DTA (Direct To Access) is a service concept introduced by SkiData some six years ago. It allows end consumers to purchase their access permissions (ski passes, for example) over the Internet and to book them directly on their previously purchased data carrier (e.g. their credit card for example) equipped with a SkiData chip. As a result, they get immediate lift access upon arrival at the resort. The pass purchased is downloaded from the gateway directly onto the card the first time the skier passes through.

Already implemented in the Mountain Destination segment, these technologies will also shortly be introduced in Car Access applications.

NFC
As a Principal Member of the NFC (Near-Field Communication) Forum, SkiData continued its support in the definition and marketing of the NFC technologies that allow short distance reading of data contained on mobile phone chips. All of the latest SkiData devices will support NFC, which will see its official market launch as well as numerous pilot projects and installations in 2008.

Strategically important certification
SkiData’s latest Car Access software release has been certified to comply with the strategically important PCI DSS (Payment Card Industry Data Security Standard) credit card security standard which was developed by the major international payment brands. This certification is a business-critical requirement especially in North America and has motivated many customers to upgrade to the latest release, a trend that will continue well into 2008.

The Swiss group Securitas, a global leader in physical security, acquired in January 2007 a 50% stake in polyright SA. This strategic alliance allows polyright to access international distribution networks as well as the technical skills of the Securitas Group. The past year has enabled efficient collaboration to be organized between polyright and Securiton and Bixi – two Securitas subsidiaries whose activities are complementary to polyright’s business.

Additionally, the polyright solution is distributed in Austria and Germany by branches of the Securitas Group. This harnessing of synergies gives polyright rapid access to new markets.

Rights management and electronic banking platform
polyright introduced in 2007 a new version of its multifunction smart card solution. As a result of its flexibility, its openness towards management systems, and its ease of use, the polyright solution is particularly appreciated in the education and health sectors as well as in enterprises.

Student cards – the polyright solution has been deployed in many schools and universities. In 2007, the University of Zurich and the Swiss Federal Institute of Technology of Zurich chose a polyright system, while the Swiss Federal Institute of Technology of Lausanne, already equipped with a polyright solution, extended the functionality of its system.

Patients’ cards – Patients and employees of a clinic or a hospital appreciate being able to access services such as telephony and electronic payment by means of a secure card. In 2007 the Hirslanden Group extended its physical access control and parking management system to telephony.

Employee cards – Within a firm, the management of the rights associated with each collaborator needs to rely on an efficient, easy to use and flexible system. At the world headquarters of Philip Morris International, integration of the polyright system with the facility management and print management systems as well as overall system control by polyright leads to significant cost savings.
Based on the latest developments, Nagra’s equipment opens up new perspectives in sound editing.
Nagra recorders: in the heart of the most demanding sound production environments.
In the world of audio, the Nagra brand continues to fuel the legend with equipment of exceptional characteristics representing a peak in their technology.
Professional line

In the stream of digital communication

By moving to digital technology, Nagra portable recorders were able to benefit from many advantages. Using the universal digital language, they can communicate directly with their production environment in the radio, television, music and cinema studios.

Thanks to their portable memory, their USB connection, and, on new devices, their Bluetooth wireless capability, Nagra recorders now fit fully into the flow of digital communication, facilitating the sound editing process. Via the website www.nagraaudio.com, each owner of a Nagra recorder can update the software on his machine and receive personalized assistance.

New software platform

In order to rationalize and optimize the development of its products, Nagra Audio has adopted a new software platform that serves as a basis for the design of the logic circuits of new devices. This platform uses the powerful and very flexible standardized programming language VHDL, which is particularly appropriate for the design of modular solutions. This approach allows faster developments and facilitates the creation of new versions of products. The new Nagra VI recorder is based on this technology.

Ultra-miniature Nagra CBR

The secret services are long-standing Nagra customers. In the past, miniature recorders Nagra SNST (tape) and JBR/PA-1 (cassette) were specifically intended for them. The new Nagra CBR (Covered Body Recorder) is the successor to these devices. Ultra-miniature and extremely rugged, it operates reliably in the most difficult environments with an autonomy of up to 69 hours of continuous recording.

The Nagra CBR’s software platform allows all aspects of its operation to be pre-programmed.

Nagra VI ready for launch

The fruit of a highly advanced development, the Nagra VI recorder is ready to enter production and commercial launch is planned for the first half of 2008.

The equipment is part of the long line of Nagra field recorders. Lightweight, shoulder portable, it has 6 tracks and is based on a very advanced software platform.

From ARES M to ARES MII

Launched in 2005, the ultra-portable recorder ARES-M continues its career in a second version, ARES-MII.

This new generation includes two changes: a larger internal memory (2 GB) and a broadband 2.0 USB port. Particularly used by radio reporters, the ARES-M has met with enormous success. The new version is expected to boost this market.

High-end Hi-Fi line

An expanding range

The Nagra Hi-Fi sector is experiencing a highly positive development of its activities in Europe, North America and Asia. With a product range growing from year to year, it possesses the key components for audiophiles to build a sound system of exceptional quality. The line now includes the following devices:

- CD players Nagra CDC, CDT and CDP
- tube preamplifiers Nagra Nagra PL-L and PL-P
- new phono tube preamplifier Nagra VPS
- tube amplifiers Nagra VPA
- pyramid solid state amplifiers Nagra PMA (mono) and PSA (stereo)

Success of Nagra CD players

Launched in 2006, the Nagra CD players benefit from the technologies developed for professional recorders. They have met with a major market success. The extremely positive test results of these players reported in the specialized press have given the equipment immediate international recognition.

New Nagra VPS phono tube preamplifier

In the last few years, vinyl 33 rpm disks have been enjoying renewed popularity, but equipment possessing a high quality phono input to which the disk player can be connected is becoming increasingly rare. As a result, the use of an autonomous audio preamplifier becomes necessary. Launched at the beginning of 2008, the Nagra VPS equipment performs this function using very high quality valve circuits and Nagra custom made transformers.

The specialist audio press about Nagra CD players

"With the Nagra CDC, the world of CD finally has a top reference which merits its rank."
- Stereo (Germany)

"Nagra CDP: (...) the basis for the most beautiful and the most ambitious sound systems."
- Diapason (France)

"When it comes to construction and performance, the Nagra CDP is one of the best CD players I’ve ever heard or caressed."
- Stereophile (USA)

"Combine the Nagra’s outstanding tonal purity, exceptional clarity and resolution and sheer beauty of sound and you’ve got to consider them among the coolest and most desirable of high-end CD players."
- the absolute sound (USA)

"Nagra CDC: fluid, precise, dynamic, balanced, in a word musical, the Nagra player is now a new standard in its category."
- Haute Fidélité (France)
Human Resources

From the inventive genius of its founder to the expert teams of today, the Kudelski Group has capitalized on its human resources by developing the talents of its employees.
World-class skills

In a highly competitive and ever changing market place, it is essential for the Kudelski Group to provide its clients with the most advanced technological tools so that they can grow and develop successfully. The strength of the Kudelski Group lies in its skilled and talented employees in all sectors of the business.

With the constant evolution of the market, the qualifications required to maintain the Group at the forefront of the international arena are also changing. The Group has a solid base of core skills in the development and deployment of advanced conditional access solutions. In 2007 intensive effort was maintained against identifying and recruiting the best experts in this type of technology as well as in newer areas of the digital television ecosystem such as mobile and Internet television, interactivity and home device networking.

In 2007, the Group further strengthened the HR function in the area of recruitment, talent management and compensation and benefits.

Finding the best

The fundamental objective of the Group in terms of Human Resources is to have in its ranks the most qualified people to anticipate and meet customer expectations, enabling the Group to react rapidly and efficiently to market evolution.

Within the research & development teams as well as within the customer services and support groups, the company has an important cross-section of highly skilled software developers, architects and engineers, refining and deploying some of the most sophisticated technologies.

The excellent technical and personal competencies within the Group have been steadily reinforced by the addition of new teams that have joined through acquisitions over the years. These include Lysis, Nagra France, Quative, Abilis and OpenTV in the field of Digital Television, and SkiData and polyright in the field of Public Access. The acquisitions have not only enabled the Group to strengthen its patent portfolio and its market presence, but have, above all, brought new know-how and complementary expertise in specific fields.

Building quality and performance

2007 also saw the introduction of a new approach to performance management and people development. The new system aims to ensure that all people management programs are focused on and driven by the needs of the business. This program will enable the Group to further develop and consolidate the human wealth it possesses. Beyond short-term performance assessment and management, the new system provides a solid base to refine succession planning and recruiting strategies.

Training

The growth and expansion of the Group have also created new needs in terms of competencies. The training programs offered to employees cover wide areas, ranging from recruitment and interviewing techniques to management skills and technical knowledge related to employees’ functions.

Several new soft-skill and competency development training courses were launched in 2007 based on specific, identified business needs as well as personal needs assessments.

A global team

As the Group grows, the profile and geographic distribution of its workforce are also changing. At the end of 2007, nearly 60% of Group headcount was based outside Switzerland, with a particularly strong expansion in the Americas and the Far East.

Group employees worldwide

<table>
<thead>
<tr>
<th>Region</th>
<th>Headcount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe (geographic)</td>
<td>1979</td>
<td>77%</td>
</tr>
<tr>
<td>Americas</td>
<td>399</td>
<td>15.5%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>194</td>
<td>7.5%</td>
</tr>
<tr>
<td>Total</td>
<td>2,572</td>
<td>100%</td>
</tr>
</tbody>
</table>
Corporate Governance

This report has been prepared in compliance with the Directive on information relating to Corporate Governance issued by the SWX Swiss Exchange. Unless otherwise mentioned, the information provided in this report reflects the situation as of 31 December 2007.
1. Group structure and shareholding

1.1 Group structure

Kudelski SA has its registered offices in Cheseaux-sur-Lausanne. The company has been structured as a holding company since 1999 and its shares have been listed on the SWX Swiss Exchange since 2 August 1999.

1.1.1 Operational structure of the Group

From an operational point of view, the Group’s activities are divided into three divisions: Digital Television, Middleware/Advertising and Public Access, which develop their products with the assistance of departments dedicated to Marketing, Research and Development, Sales and Management of Intellectual Property. The Digital Television division is composed of four segments: Broadband, Broadcast, Mobile and Home devices. The Middleware/advertising division is composed of the two segments referred to in its name. The Public Access division is divided into three segments: Car Access, People Access (ski) and People Access (events). The Audio activity is consolidated in the accounts of Nagravision SA and is under the operational direction of Charles Egli.

Results by sector are presented on pages 20-21 of the Kudelski Group’s 2007 financial statements.

1.1.2 Listed companies included in the scope of consolidation

Kudelski SA is a Swiss holding company listed on the SWX Swiss Exchange (Ticker: KUD; val. No 001226836/ISIN: CH0012268360) with a market capitalization at 31 December 2007 of CHF 1,065,609,529. Only the bearer shares of Kudelski SA are listed on the SWX Swiss Exchange. Since 17 January 2007 Kudelski SA has held through subsidiaries a share reaching at 31 December 2007 31.66% of the capital and 76.92% of voting rights of OpenTV Corp, Middleware/advertising division. With its main office of business in San Francisco (United States), OpenTV Corp. is a BVI holding company listed on the NASDAQ (Ticker: OPTV; CUSIP No G675431/ISIN: VGG675431016) with a market capitalization at 31 December 2007 of USD 183,021,348.

Main operating companies held by Kudelski SA

<table>
<thead>
<tr>
<th>Digital Television</th>
<th>Middleware/Advertising</th>
<th>Public Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagravision SA</td>
<td>100%</td>
<td>OpenTV* 31.66%</td>
</tr>
<tr>
<td>NagraCard SA</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>NagraID SA</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Nagra Trading SA</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Nagra France SAS</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Nagra USA Inc.</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Nagravision Asia Pte Ltd</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Quative Ltd</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>SmarDTV SA</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Abilis Systems Sàrl</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>NagraStar LLC</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Nagra plus SA</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Nagra Thomson Licensing SA</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nagra Public Access AG 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SiData AG 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>polyright SA 50%</td>
</tr>
</tbody>
</table>

* 76.92% of voting rights.
1.1.3. Unlisted companies included in the scope of consolidation
Information concerning the company name, registered office, share capital and holdings owned by unlisted Group companies included in the scope of consolidation are shown on pages 57 and 62 of the Kudelski Group’s 2007 financial statements.

1.2 Significant shareholders
The principal shareholders of Kudelski SA are the Kudelski family pool including Mr André Kudelski and Mr Stefan Kudelski and, outside the Kudelski family pool, Mrs Irène Kudelski Mauroux and Mr Henri Kudelski (and their respective descendants) and Mrs Marguerite Kudelski and Mrs Isabelle Kudelski Haldy (and their respective descendants) through an investment structure of which they are the beneficial owners. To the Group’s knowledge, no other shareholder holds more than 3% of the capital and there are no shareholder agreements between the family pool and other shareholders.

Kudelski family pool

Mrs I. Kudelski Maurox and Mr H. Kudelski (and their respective descendants)*

<table>
<thead>
<tr>
<th>Registered shares</th>
<th>Bearer shares</th>
<th>Share capital held</th>
<th>Voting right</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>3 000 000</td>
<td>5.75%</td>
<td>3.20%</td>
</tr>
</tbody>
</table>

Mrs M. Kudelski and Mrs I. Kudelski Haldy (and their respective descendants)*

<table>
<thead>
<tr>
<th>Registered shares</th>
<th>Bearer shares</th>
<th>Share capital held</th>
<th>Voting right</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>3 000 000</td>
<td>5.75%</td>
<td>3.20%</td>
</tr>
</tbody>
</table>

* As published in the FOSC (Swiss Official Gazette of Commerce) on 29 February 2008, as per Articles 20 and 21 of LBVM.

The shareholding structure, and in particular the control given to the Kudelski family pool over the company, guarantees the Group’s independence vis-à-vis the main digital television operators and also the Group’s stability in relation to its clients.

1.3 Cross-holdings
The Group has no knowledge of the existence of any cross-holdings.
2. Capital structure

2.1 Amount of ordinary, authorized and conditional capital at 31.12.2007

2.2 Specific information concerning authorized and conditional capital

Ordinary capital
The share capital amounts to CHF 521,594,170. It is divided into 47,529,417 bearer shares with a nominal value of CHF 10 per share and 46,300,000 registered shares with a nominal value of CHF 1 per share. Each share confers the right to one vote. All shares are fully paid up.

Authorized capital
The Board of Directors is authorized to increase the share capital in one or more stages until 2 May 2008 by a maximum amount of CHF 40,881,640 through the issuance of 3,768,164 bearer shares with a nominal value of CHF 10 per share and 3,200,000 registered shares with a nominal value of CHF 1 per share, to be fully paid up.

The issue price, the nature of contributions, the date as of which new shares shall give entitlement to dividends and other modalities of the share issue shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or elsewhere. All statutory restrictions to the transfer of shares are applicable to the new registered shares.

Conditional capital
The conditional capital amounts to CHF 109,843,390 and is structured as follows:

- a maximum amount of CHF 9,843,390 through the issuance of a maximum of 984,339 bearer shares with a nominal value of CHF 10 per share, to be fully paid up as and when the option rights or share subscription rights, which will be granted to employees of the company and of affiliated companies are exercised. Preferential subscription rights for shareholders are excluded. Share option or subscription conditions are determined by the Board of Directors. Issue at a price below market conditions is authorized;

- a maximum amount of CHF 100,000,000 through the issuance of a maximum of 10,000,000 bearer shares with a nominal value of CHF 10 per share, to be fully paid up, as and when the conversion rights related to the convertible bonds of the company or its subsidiaries are exercised. Preferential subscription rights for shareholders are excluded.

The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or excluded by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily on the foreign market, or if the issue proceeds contribute (b) to the financing or refinancing of acquisitions of companies or firms or (c) to the financing of other strategic investments of the Group, or (d) to financing the redemption of all or part of convertible bonds previously issued by the company or its subsidiaries.

If the convertible bond is not offered as a priority to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within 7 years of the day of issuance of the respective bond, and (c) the conversion price must be at least the equivalent of market conditions at the time of the issuance of the bond.

2.3 Changes of capital

<table>
<thead>
<tr>
<th>CHF'000</th>
<th>31.12.07</th>
<th>31.12.06</th>
<th>31.12.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered share capital</td>
<td>46,300</td>
<td>46,300</td>
<td>46,300</td>
</tr>
<tr>
<td>Bearer share capital</td>
<td>475,294</td>
<td>473,052</td>
<td>470,529</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>76,107</td>
<td>68,629</td>
<td>60,039</td>
</tr>
<tr>
<td>Net profit</td>
<td>53,782</td>
<td>72,320</td>
<td>35,182</td>
</tr>
<tr>
<td>Total available earnings</td>
<td>260,161</td>
<td>241,888</td>
<td>187,449</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>857,862</td>
<td>829,869</td>
<td>767,317</td>
</tr>
</tbody>
</table>

For information relating to changes in the capital structure which have taken place in 2007, 2006 and 2005, please refer to the Group’s corresponding financial statements.

2.4 Shares and participation certificates

The capital of Kudelski SA at 31 December 2007 consisted of 46,300,000 registered shares with a nominal value of CHF 1 per share and 47,529,417 bearer shares with a nominal value of CHF 10 per share. Each share confers the right to one vote at the General Meeting and to a dividend proportional to the nominal value of the relevant type of share.

Kudelski SA does not have any participation certificates.
2.5 Profit sharing certificates

Kudelski SA does not have profit sharing certificates.

2.6 Restrictions on transferability and nominees registration

As per the Articles of Incorporation of Kudelski SA, registered shares may be transferred upon delivery of the endorsed share certificate, subject to the approval of the Board of Directors and the registration of the new shareholder in the share register. The Board of Directors may refuse to approve the transfer of registered shares in one or more of the following cases:

a) If there exists a valid reason within the meaning of Article 685 b paragraph 2 of the Swiss Code of Obligations, i.e. if admission of the acquirer of the stocks into the shareholder’s group is incompatible with the object of the company or may jeopardize the economic independence of the company. This would in particular be the case if the acquirer could prejudice the company directly or indirectly or if transfer of the stock could jeopardize the existing majorities.

b) If the company offers the seller of the shares to acquire the shares for its own account, for the account of other shareholders or of third parties at their real value at the time of the request.

c) If the acquirer does not expressly declare that he has acquired the shares in his own name and for his own account. If the shares are acquired by succession, division of an estate, marital property rights or debt enforcement, the company may only refuse its consent if it makes an offer to the acquirer to take over the shares at their real value.

In the event of a dispute, the real value referred to in this section will be determined by the court having jurisdiction in the place where the company has its registered office. The company will bear the costs of such valuation. If the acquirer does not reject the purchase offer within one month of becoming aware of the real value, the offer will be deemed accepted.

With regard to the admissibility of the registration of nominees, Kudelski SA has no regulations concerning the registration of nominees.

The limitation on the transferability of registered shares, the authorized or conditional increase in share capital and the limitation or exclusion of preferential subscription rights are decided by the General Meeting if approved by shareholders holding at least two thirds of the shares represented at the Meeting and an absolute majority of the nominal share capital represented.

The General Meeting is validly constituted regardless of the number of shareholders present or the number of shares represented.
2.7 Convertible bonds and options

Convertible bond

On 5 October 2005, Kudelski Financial Services Holding S.C.A., a wholly owned subsidiary of Kudelski SA, issued a non-subordinated convertible bond of CHF 350 million in order to pursue the aim of the Kudelski Group to manage actively its assets, in particular by optimizing its financial costs and by improving the duration of its financial debt instruments. The proceeds resulting from the issuance of the convertible bond were mainly used for the redemption of the previous convertible bond issued at the end of January 2002 and the remainder was used and will be used for acquisitions or other purposes corresponding to the general interests of the Group outside Switzerland.

The annual coupon amounts to 1.625% calculated with reference to the nominal amount of the bond payable on 5 October each year from 5 October 2006 onwards. The conversion price was initially set at CHF 67.76 per ordinary bearer share of Kudelski SA.

At the Ordinary General Meeting of the shareholders of Kudelski S.A., held on 24 May 2007, it was decided in particular to pay, on 30 May 2007, an ordinary gross dividend of CHF 0.30 and an extraordinary gross dividend of CHF 0.30 per bearer share with a nominal value of CHF 10. In accordance with section D.1.2 (1) (c) of the bond conditions, the methods of conversion were adjusted as follows, with effect from 30 May 2007: bonds, with a nominal value of CHF 5,000 each, may be converted at no cost until 21 September 2012 (subject to early repayment), into 74.6491 (instead of 73.7898) bearer shares of Kudelski S.A. with a nominal value of CHF 10 per share. The conversion price of bearer shares now amounts to CHF 66.98 (instead of CHF 67.76).

The repayment price of the bonds is at par on 5 October 2012. Early repayment can take place from 5 October 2010. Kudelski SA unconditionally and irrevocably guarantees this issue. The convertible bond is quoted on the SWX Swiss Exchange, under value number ISIN CH0022692609.

The offering circular for the convertible bond is available on request from the Group’s head office or by e-mail to info@nagra.com.

For information about the convertible bond, please refer to note 27 of the consolidated financial statements.

Options

In 2003, the Kudelski Group implemented a stock option plan for certain employees. The following options were distributed (status as at 31 December 2007):

<table>
<thead>
<tr>
<th>Number of options</th>
<th>Vesting</th>
<th>Expiration</th>
<th>Ratio</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>125,000</td>
<td>01.04.2006</td>
<td>01.04.2007</td>
<td>1-for-1</td>
<td>CHF 20</td>
</tr>
<tr>
<td>126,000</td>
<td>01.04.2007</td>
<td>01.04.2008</td>
<td>1-for-1</td>
<td>CHF 20</td>
</tr>
<tr>
<td>126,000</td>
<td>01.04.2008</td>
<td>01.04.2009</td>
<td>1-for-1</td>
<td>CHF 20</td>
</tr>
</tbody>
</table>

For more information on the stock option plan, please refer to the financial reports of the Kudelski Group, pages 45-46.

Share purchase plan

In 2004, the Kudelski Group introduced a share purchase plan for the employees of certain Group companies, enabling those employees to buy Kudelski SA bearer shares on favorable terms. Each participant can subscribe annually to this plan up to a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the closing price of the Kudelski SA share listed on the SWX Swiss Exchange on the day of subscription with up to 42% discount. However, the shares are subject to a three year blocking period from the date of purchase.

A chart showing employee participation in this plan for the year 2007 can be found on pages 45-46 of the Kudelski Group financial statements.
3. Board of Directors

The Board of Directors is the highest executive body of the company. It has the non-transferable and inalienable responsibilities set forth by the law and the Articles of Incorporation. It currently consists of eight members elected by the General Meeting of Shareholders.

The Board has elected three Committees – an Audit Committee, a Strategy Committee and a Remuneration and Nomination Committee – which are responsible for specific tasks (please refer to pages 55-56 of the present report).

Mr Stefan Kudelski has been the Honorary Chairman of the Board of Directors since 2 May 2006.

Mr Nicolas Gœtschmann, who is not a Board member, was appointed as Corporate Secretary by the Board.

3.1 Members of the Board of Directors

<table>
<thead>
<tr>
<th>Year of birth</th>
<th>Year of election</th>
<th>Nationality</th>
<th>Education</th>
<th>End of term of office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board and Chief Executive Officer</td>
<td></td>
<td></td>
<td>Ecole Polytechnique Fédérale de Lausanne (EPFL)</td>
<td></td>
</tr>
<tr>
<td>Claude Smadja</td>
<td>1945</td>
<td>Swiss</td>
<td>Degree in Political Science</td>
<td>1987</td>
</tr>
<tr>
<td>Deputy Chairman of the Board and Lead Director</td>
<td></td>
<td></td>
<td>University of Lausanne</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Various postgraduate studies at the University of New York, Harvard Business School and IMD Lausanne</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>University of Lausanne</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Diploma of the ESLSCA, Ecole Supérieure Libre des Sciences Commerciales Appliquées, Paris</td>
<td></td>
</tr>
<tr>
<td>Pierre Lescure</td>
<td>1945</td>
<td>French</td>
<td>Degree in Literature and Journalism</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Centre de formation des journalistes, Paris</td>
<td></td>
</tr>
<tr>
<td>Marguerite Kudelski</td>
<td>1965</td>
<td>Swiss</td>
<td>Engineer diploma and Doctorate in Microtechnology</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ecole Polytechnique Fédérale de Lausanne</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>University of Lausanne</td>
<td></td>
</tr>
</tbody>
</table>

* André Kudelski is the only member to combine his Board duties with an executive function within the Group.
André Kudelski
André Kudelski began his career in 1984 as a Research & Development (R&D) engineer with Kudelski SA. In 1986, after working for several months with a firm in Silicone Valley, he returned to work in the family business firstly as Pay TV Product Manager then as Director of Nagravision SA, a company in charge of the Pay TV sector. Mr Kudelski then took over from his father Stefan Kudelski and from 1991 became Chairman and Chief Executive Officer of the parent company of a fast growing Group.

Current mandates
Kudelski Group:
– Nagravision SA, Chief Executive Officer
– NagraCard SA, Chief Executive Officer
– Nagra plus SA, Chairman and Chief Executive Officer
– SkiData AG, member of the Supervisory Board
– OpenTV Corp., Executive Chairman
– NagraStar LLC, Co-Chairman

Other:
– Edipresse SA (Switzerland), Board member, Chairman of the Audit Committee
– Nestlé SA (Switzerland), Board member, member of the Audit Committee
– HSBC Private Banking Holdings SA (Switzerland), Board member
– Dassault Systèmes SA (France), Board member, member of the Audit Committee and of the Remuneration Nomination Committee
– Committee of economiesuisse (Switzerland), member.

Claude Smadja
After fifteen years with Télévision Suisse Romande (TSR) as Deputy Editor of the Information Department, Claude Smadja joined the management of the World Economic Forum in 1987, a position that he held until 1992. He then returned to TSR as Director of Information until 1996, in which year he was appointed Managing Director of the World Economic Forum. In June 2001, Claude Smadja set up his own strategy consultancy Smadja & Associates, Strategic Advisory, which collaborates on strategic issues with multinationals and government bodies and organizes international events.

Current mandates
Kudelski Group:
– OpenTV Corp., Board member

Other:
– Edipresse SA (Switzerland), Board member, Chairman of the Remuneration Committee
– Infosys Technologies Ltd. (United States), Independent Director, Chairman of the Nomination Committee
– International Board of Overseers of the Illinois Institute of Technology, member.

Norbert Bucher
Norbert Bucher began his professional career as an engineer with Sulzer, in Winterthur and in New York, then moved to Syska & Hennessy Inc, Consulting Engineers in New York. He then joined Philip Morris Europe SA as Deputy Managing Director. After eleven years as Deputy Managing Director at Interfood SA in Lausanne, he held the position of Senior Vice President with Jacobs Suchard in Zurich for seven years.

Current mandates
Kudelski Group:
– Nagra plus SA, Board member

Patrick Fœtisch
Patrick Fœtisch is an independent lawyer specialized in contracts and finance at an international level. He acts as legal counsel to Group companies as and when required, employing the benefit of his in-depth knowledge of their activities to provide assistance and legal advice.

Current mandates
Kudelski Group:
– Nagravision SA, Chairman
– NagraCard SA, Chairman
– Nagra plus SA, Board member
– NagraID SA, Chairman
– SkiData AG, member of the Supervisory Board

Other:
– Renault Finance SA (Suisse), Board member

Laurent Dassault
After a thirteen-year career in the banking sector, Laurent Dassault joined the Dassault Group in 1992 and held important positions in subsidiaries of the group. Today he is entrusted with approximately thirty mandates, including those of the Dassault Group, mainly in the financial, industrial and wine-producing sectors.

Current mandates
– Groupe Industriel Marcel Dassault SAS (France), Vice-President (since 1992)
– Dassault Belgique Aviation SA (Belgium) (since 1992), Chairman and Chief Executive Officer
– Dassault Systèmes SA (France) (since 1992), Board member
– Sogitec Industries SA (France) (1992), Board member
– Société de Véhicules Electriques SAS (SVE) (France), Board member
– Immobilière Dassault SA (France) (since 2003), Chairman of the Supervisory Board
– Dassault Investissements Sàrl (France) (since 1991), Managing Director
– Château Dassault SAS (France) (since 1994), Chairman
- Terramaris SA (Switzerland), Board member
- Power Corporation (company incorporated under the Canadian law on joint stock companies) (Canada), Board member
- 21 Centrale Partners SA (France), member of the Supervisory Board
- Generali France SA (France), Board member
- Financière Louis Potel & Chabot SAS (France), Board member
- Banque Privée Edmond de Rothschild Europe SA (Luxembourg), Board member
- Fauchier Partners Management Ltd. (England), Board member
- Catalyst Investments II L.P. (Israel), Chairman of the Advisory Board
- Lepercq, de Neuflize & Co. Inc. (United States), Board member
- Association des Amis du Centre Georges Pompidou (France), Board member

Pierre Lescure
Aside from a two-year period (1972-1974) as a television news presenter for Antenne 2, Pierre Lescure spent the first fifteen years of his professional career with the RTL, RMC and Europe 1 radio stations where he held successively several positions, in particular Deputy Editor and Director of Programs. In 1981 he returned to television as Editor in Chief of Antenne 2. From 1984, he worked with André Rousselet on launching the pay TV channel Canal+, where he was appointed Director and then Chief Executive Officer. From 1993 to 2002, he was Chairman and Chief Executive Officer of the Canal+ Group. From 2000 to 2002 Pierre Lescure was also co-Chief Executive Officer of Vivendi-Universal. Since 2002, Pierre Lescure has been Chairman and Chief Executive Officer of Anna Rose Production, a company active in audiovisual and cinematographic production as well as communication consultancy services.

Current mandates
- Lagardère SCA (France), member of the Supervisory Board
- Thomson SA (France), Board member, member of the Remuneration Committee
- Havas SA (France), Board member
- Le Monde SA (France), External member of the Supervisory Board
- Le Monde Presse SAS (France), Chairman
- SA de la rue du Louvre SA (France), Chairman of the Supervisory Board

Marguerite Kudelski
From 1991 to 1999, Marguerite Kudelski began her professional career with the Laboratory of Electromechanics and Electrical Machines of the EPFL and worked in parallel as development engineer within the Nagra Audio division of the Kudelski Group.

In 1999, she became the Head of R&D with Précel SA in Neuchâtel (at the time a Kudelski Group company) before being appointed as CEO and Board member of the same company in 2000, positions that she held until the end of 2002.

After completing a number of marketing and financial analysis projects for NagraID in 2003, she took responsibility for certain key projects for the Group within the Finance Department from 2004 to 2006. Since March 2007, Marguerite Kudelski has worked as a consultant, offering various services (business development, counseling) to national and international companies.

Current mandate
- Kudelski Group:
  - polyright SA, Board member

Alexandre Zeller
Alexandre Zeller began his professional career in 1984 with Nestlé as a Management Auditor. Three years later he joined Credit Suisse where he assumed various positions in the field of loans and asset management at the Swiss and international level, while at the same time managing various branches. In 1999 he was appointed to the Executive Board of Credit Suisse Private Banking. In November 2002, Alexandre Zeller joined the Banque Cantonale Vaudoise as Chief Executive Officer.

Current mandates
- Banque Piguet & Cie SA (Switzerland), Board member
- Renault Finance SA (Switzerland), Board member
- Association Suisse des Banquiers (Switzerland), Deputy Chairman of the Board of Directors
- Union des Banques Cantonales Suisses (Switzerland), Deputy Chairman of the Board of Directors
- Fondation Genève Place Financière (Switzerland), Board member
- Chambre Vaudoise du Commerce et de l’Industrie (Switzerland), Committee member
3.2 Other activities and vested interests

Please refer to the individual CVs of Board members under 3.1 above.

3.3 Cross-involvements

The requirements of the SWX Swiss Exchange directive have been removed.

3.4 Election and term of office

The Board of Directors comprises a maximum of eight members. Board members are appointed by the General Meeting for a period of one year. The term of office ends on the day of the Ordinary General Meeting. Members may be re-elected.

3.5 Internal organization

The Board of Directors performs inalienable and non-transferable duties prescribed by law (see Article 716 of the Swiss Code of Obligations) with the support of its three Committees: Audit, Strategy and Remuneration and Nomination.

The internal organization of the Board of Directors is defined in the Articles of Incorporation and the Board Regulations. The regulations are available upon request to the General Secretariat of the Kudelski Group.

3.5.1 Distribution of tasks within the Board of Directors

The Board of Directors constitutes itself by appointing from within its ranks the Chairman and the Deputy Chairman. The functions of Chief Executive Officer and Lead Director are allocated if the Board decides to elect a Chief Executive Officer. Otherwise management of the company is delegated in full to the Executive Board. A Corporate Secretary may be appointed and chosen from outside the Board of Directors. He or she is not a member of the Board of Directors.

The Chairman of the Board leads the discussions at the General Meeting, ensures that the minutes are taken, is in charge of protocol and directs meetings of the Board, informs Board members of the development of business and the half-yearly accounts, represents the company in dealings with administrative and/or judicial authorities subject to mandates entrusted by the Board of Directors to a third party, to a Director or to one of its members.

The Deputy Chairman may convene a meeting of the Board of Directors. He chairs the General Meeting in the absence of the Chairman.

Management of the company may be delegated to the Chief Executive Officer, unless otherwise stipulated by law. In his management activities, the CEO acts in accordance with directives issued by the Board of Directors and safeguards the interests of the company. He also presents a report to each meeting of the Board of Directors covering the essential aspects of business development.

In the Group’s current structure, the functions of Chairman of the Board of Directors and Chief Executive Officer are exercised by one person. This situation guarantees a rapid and fluid information and decision-making process, enabling the company to respond operationally and strategically at the pace required by developments in the sectors of activity pursued by the Group. There are mechanisms to counterbalance any potential risk resulting from the combination of these functions through the institution of the office of Lead Director.

The Lead Director ensures the independence of the Board of Directors vis-à-vis the Chairman and Chief Executive Officer and also the management of the company and chairs the Board of Directors in cases of conflict of interest involving the Chairman and Chief Executive Officer. He chairs the meeting of the Board of Directors in situations of conflicts of interest involving the Chairman and Chief Executive Officer. Thus the Lead Director may convene and direct autonomously a meeting of the independent members of the Board of Directors if the interests of the company require independent deliberation. He ensures a performance appraisal process for the Chairman of the Board of Directors and the Chief Executive Officer.
3.5.2 Composition, attributions and delimitation of competencies of Board Committees

Committees are constituted by the Board of Directors which appoints their members and chairpersons. The Board Committees meet as often as is necessary. They have a consultative and preparatory role vis-à-vis the Board of Directors, to which they report on a regular basis. Committee reports serve as the basis for decision making by the Board of Directors.

Audit Committee
The Audit Committee consists of at least three non-executive members of the Board of Directors. At least one Committee member must have proven experience in the field of accounting. All members have knowledge or practical experience in the field of financial management. The Audit Committee meets in principle three times a year.

The Audit Committee may at any time request detailed risk analyses of the Group’s different sectors of activity as well as relating to specific fields of its choice. The Committee calls on experts outside the Board of Directors where this is deemed necessary for the successful completion of its tasks.

The Audit Committee supervises the company’s internal financial reporting process and ensures its integrity, transparency and quality. It ensures that accounting methods comply with applicable regulations and constantly updates and provides financial information to the company.

It assesses the quality of work of external auditors and provides appropriate recommendations to the Board of Directors concerning renewal of the term of office of external auditors or, where necessary, their replacement. The Committee ensures that the recommendations of external auditors are followed up and safeguards their independence.

The Committee provides regular reports presenting its recommendations to the Board of Directors concerning the adequacy, efficiency and veracity of accounting processes.

Strategy Committee
The Strategy Committee is composed of a minimum of three members of the Board of Directors, including the Chairman and Deputy Chairman. It meets at least twice a year.

The purpose of the Strategy Committee is to review and define the Group strategy. It drafts strategic development options with a view to ensuring the long-term enhancement of the Group’s competitive position and its shareholder value. To this end, the Strategy Committee monitors the development of markets and the Group’s competitive position, drafts future development models and oversees the Group’s development by means of investments, disinvestments and reorganization.

To define strategic choices, the Strategy Committee relies upon information supplied by the management, the members of the Board of Directors and, if deemed necessary, by external counsel.

The Strategy Committee periodically reviews the balance between the Group’s objectives, its structure and the organization in place to achieve strategic objectives.

The Strategy Committee makes proposals to the Board of Directors, which finally decides on strategic choices.

Remuneration and Nomination Committee
The Committee is composed of at least two non-executive members of the Board of Directors. It meets at least twice a year.

The Committee supervises the remuneration policy put in place by the company. It ensures that remuneration packages are in line with the salary levels applied in the regions and sectors of activity where the Group operates. Managers whose activity exerts a significant influence on the development of business have a considerable variable component in their remuneration.

The Chairman of the Board of Directors takes part – as a guest – in deciding upon the remuneration of Board members and key officers of the company, to the exclusion of his own remuneration.

The Committee presents to the Board of Directors proposals for the appointment of Board members to be submitted to the General Meeting.

It examines, at the request of the Chief Executive Officer, applications for management positions and may if it wishes meet with candidates.
The Committee calls upon outside experts where deemed necessary to support its recommendations and decisions.

<table>
<thead>
<tr>
<th>Committee</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Committee</td>
<td></td>
</tr>
<tr>
<td>Strategy and Nomination Committee</td>
<td></td>
</tr>
<tr>
<td>Remuneration Committee</td>
<td></td>
</tr>
</tbody>
</table>

André Kudelski  
Claude Smadja  
Norbert Bucher  
Laurent Dassault  
Patrick Fœtisch  
Marguerite Kudelski  
Pierre Lescure  
Alexandre Zeller

Chairman  
Member

3.5.3 Working methods of the Board of Directors and its Committees

The cooperation and allocation of competencies between the Board of Directors and its Committees are described in chapter 3.5.2.

The Board of Directors meets at least four times a year, but as often as is required for the proper conduct of business.

In 2007, the Board of Directors and its Committees met as follows:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Number of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>8 times</td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>3 times</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>3 times</td>
</tr>
<tr>
<td>Remuneration and Nomination Committee</td>
<td>4 times</td>
</tr>
</tbody>
</table>

Average attendance at Board meetings exceeded 90%. Meetings of the Board of Directors lasted between three and seven hours. Most Committee meetings lasted between two and three hours.

3.6 Competencies

Please see also section 3.5.1 for details of the internal organization of the Board of Directors and the position of Chief Executive Officer.

Board of Directors

The Board of Directors:

- has the ultimate management of the company and issues all necessary directives;
- determines the organization;
- determines the principles of the accounting system and of the financial controls as well as the financial planning insofar as this is necessary for the management of the company;
- appoints and dismisses the persons entrusted with management and representation;
- exercises ultimate supervision of the persons entrusted with management to ensure in particular compliance with the law, the Articles of Incorporation, regulations and instructions given;
- prepares the annual report, calls the General Meeting and implements its decisions;
- takes decisions on capital calls with respect to shares that are not fully paid up (Article 634a of the Swiss Code of Obligations);
- takes decisions regarding the assessment of an increase in capital and relevant changes to the Articles of Incorporation (Articles 651 para. 4, 651a, 652a, 652g, 652h, 653g, 653h of the Swiss Code of Obligations);
- informs the judge in the event of over-indebtedness;
- proposes decisions relating to the conversion of shares (bearer to registered/registered to bearer) in which case the decision must be taken by a majority of board members representing shares A and B.

Group management

The Board of Directors has delegated full management of the company to the Chief Executive Officer, subject to legal imperatives and contrary provisions in the Articles of Incorporation. The Chief Executive Officer therefore coordinates the day-to-day operations of the Group companies.
3.7 Information and control instruments with respect to Group management

Because of the nature of the industry, mechanisms for controlling Group management and information feedback systems are very important. The Kudelski Group has therefore put in place information and control instruments at different levels, which it improves on a continuous basis: strategy, operations, finance, law, human resources and information management.

Strategy
- The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of business development (sales figures, market trends, personnel) for each Group entity and activity.
- Board members receive weekly or quarterly press reviews concerning the Group, depending on their relevance, or other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the latter deems this is necessary.
- At least twice a year, members of management are invited to present their activities to members of the Board of Directors. Members of the Board may also ask questions directly to company managers as and when they see fit.
- At each Board meeting, if justified by the business situation and depending on the agenda, members of management, Group executives or outside experts are invited to present specific subjects to members of the Board of Directors.

Operation and strategy
- In the Group’s key sectors, ad hoc committees comprising a cross-disciplinary panel of internal experts evaluate market, strategic, operational, legal and financial risks. These ad hoc committees analyze risks, manage processes relating to the evaluation of such risks, propose measures and monitor their implementation. There is a committee for each division, as well as a security committee and an innovation committee. Information and comments arising from these committees are conveyed to the Group management during the “Executive Board Meetings” which take place at least once a month. The “Digital TV Executive Board Meetings”, which take place at least once a month and last on average four hours, also use the information provided by the ad hoc committees and review in particular two specific and relevant topics for the Digital TV division.

Finance
- The Controlling entity conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the different activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This entity also makes available a platform of analytical services to Group management and operational departments.
- In addition, the Group is implementing the COSO (Committee Of Sponsoring Organizations of the Treadway Commission) reference system. This system aims at providing “reasonable assurance” as regards the performance and efficiency of operations, the reliability of financial information and reporting, and compliance with laws and regulations in force. A person is in charge of internal controls.
- Each year the Group improves the level of detail and efficiency of its information management system, in particular by combining financial information and quantitative information while taking into account the different stages in the sales process. This constantly enhances the accuracy and across-the-board nature of the company’s vision of its activities. Every month, the Business Analysis Office issues region, client and project-specific reports, while the Controlling entity provides entity, profit center and cost center-specific reports to concerned persons, namely in particular regional heads, heads of affiliated companies and the Chief Financial Officer.

Law
- Increasingly close involvement of the Legal Department in the Group’s different fields of activity and in decision making contributes to improving legal risk management.

Human Resources
- The Human Resources Department has implemented a Performance Development System (PDS) which seeks to ensure coordination between employee management programs and business needs. It includes performance assessment and individual career development based on the company’s needs.

Information Management
- The Corporate IT department has developed and implemented a series of policies and procedures concerning IT security (for the use of computer systems, data protection and back-up, etc).
4. Group management

4.1 Group executive management members*

<table>
<thead>
<tr>
<th>Date of birth</th>
<th>Nationality</th>
<th>Position</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>André Kudelski</td>
<td>1960 Swiss</td>
<td>Chairman and Chief Executive Officer (CEO) of the Group</td>
<td>Degree in Physical Engineering Ecole Polytechnique Fédérale de Lausanne (EPFL) (Federal Institute of Technology of Lausanne)</td>
</tr>
<tr>
<td>Pierre Roy</td>
<td>1952 Swiss</td>
<td>Director of Operations (COO), Digital TV Management of the Group</td>
<td>Degree in Business Management Hautes Etudes Commerciales (HEC) de l'Université de Lausanne</td>
</tr>
<tr>
<td>Charles Egli</td>
<td>1948 Swiss</td>
<td>Chief Executive Officer (CEO), Nagra Public Access AG Executive Vice President (CEO), Nagra Public Access AG</td>
<td>ETS Engineer in Electronics Ecole Technique Supérieure de Lausanne (or today Hautes Études Spécialisées)</td>
</tr>
<tr>
<td>Adrienne Corboud Fumagalli</td>
<td>1958 Swiss/Italian</td>
<td>Business Development Executive Vice President of the Group</td>
<td>Doctor of Economic and Social Science University of Fribourg</td>
</tr>
<tr>
<td>Mauro Saladini</td>
<td>1966 Swiss</td>
<td>Chief Financial Officer (CFO) Executive Vice President of the Group</td>
<td>ETHZ Electrical Engineer in Electronics Ecole Polytechnique Fédérale de Zurich (Federal Institute of Technology of Zurich) MBA INSEAD (France)</td>
</tr>
<tr>
<td>Lucien Gani</td>
<td>1948 Swiss</td>
<td>General Counsel Head of Group Legal Affairs Head of Group Legal Affairs</td>
<td>Doctorate in Law HEC Degree University of Lausanne Bar Exam</td>
</tr>
<tr>
<td>John Burke</td>
<td>1953 Irish</td>
<td>Head of Group Human Resources Senior Vice President</td>
<td>Degree in Economics MBA (Hons) Trinity College (Dublin)</td>
</tr>
<tr>
<td>Nicolas Gœtschmann</td>
<td>1960 Swiss</td>
<td>Corporate Secretary Head of Group Administration</td>
<td>Degree in Economics University of Fribourg</td>
</tr>
</tbody>
</table>

* Alan Guggenheim was Executive Vice President of the Group and CEO of NagraStar LLC until 15 March 2007.
Pierre Roy began his professional career with Procter & Gamble as a Financial Analyst in 1975. Following this early experience, he joined IBM in 1977 as a Sales Engineer. In 1979, he began his international career with Digital Equipment Corporation where he fulfilled various management positions at the European headquarters in Geneva and also abroad, in the Finance and Administration, Marketing and Business Management departments.

He joined Kudelski SA in 1992 as Managing Director of Nagra Audio, Business Development Director of Nagravision and Managing Director of Précel (at the time a Kudelski Group company).

In 1999 he started his own corporate consultancy firm working in the telecommunications sector while continuing to collaborate on strategic projects for Nagravision. In 2003, he was appointed Chief Operating Officer for the Digital Television sector of the Kudelski Group and Executive Vice President.

Mandates with main operational companies held by Kudelski SA:
– OpenTV Corp., Board member
– Nagravision SA, Board member, Managing Director
– NagraCard SA, Board member, Managing Director
– NagraID SA, Board member
– Nagra Trading SA, Board member
– SmarDTV SA, Board member

Charles Egli worked at Studer Revox in Zurich as a Development Engineer then as Project Manager until 1988, when he joined Nagravision as Project Manager. In 1992, he was appointed as Chief Operating Officer of Kudelski SA then, in January 2003, Chief Executive Officer of Nagra Public Access AG and Executive Vice President of the Kudelski Group. He has also occupied the post of Chief Executive Officer of SkiData AG since September 2004.

Mandates with main operational companies held by Kudelski SA:
– Nagra Public Access AG, Chief Executive Officer
– SkiData AG, Chief Executive Officer and Chairman of the Supervisory Board
– NagraCard SA, Board member
– NagraID SA, Board member
– Nagravision SA, Board member
– polyright SA, Vice President
– Nagra plus SA, Managing Director

Adrienne Corboud Fumagalli was a researcher, teacher and consultant in the field of media and information technology policy with a variety of institutions (University of Fribourg, DAMS Bologna, CNRS Paris, McGill University, Montreal) for several years.
In 1996 she joined the PTT in the management team of Radiocom (Radio, TV, Mobile) in charge of New Business Development and the international market. The PTT then became Swisscom, and Adrienne Corboud Fumagalli held various positions, particularly in the development of multimedia activities from 1997 to 2000. She then became Director of Product Marketing in Radio Broadcasting Services. In November 2000, she joined the Kudelski Group as Corporate Secretary. In January 2004, she was appointed Executive Vice President in charge of Business Development.

As head of Business Development, she manages a number of company or asset acquisition projects. As part of internal development projects, Adrienne Corboud Fumagalli has handled as from 2005, the launch and management of the Mobile TV activity, and of the Abilis startup company.

Mandates with main operational companies held by Kudelski SA:
- Nagravision SA, Managing Director
- Abilis Systems Sàrl, Managing Director
- NagraID SA, Board member, Corporate Secretary
- SmarDTV SA, Board member

Mauro Saladini
After five years as a financial services consultant with Accenture, Mauro Saladini joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash flow and management activities. From 1997, he joined McKinsey & Co where he became a partner in 2001. He worked in particular on corporate finance and strategy projects relating to various industries, particularly the media and telecommunications. In addition, Mauro Saladini was in charge of the Swiss Media Practice and joint-head of the European Media Practice. He has been the Chief Financial Officer and Executive Vice President of the Kudelski Group since 1st February 2003.

Mandates with main operational companies held by Kudelski SA:
- OpenTV Corp., Board member
- SkiData AG, member of the Supervisory Board

Other:
- Airesis SA (Suisse), Board member
- Newave Energy Holding SA (Suisse), Board member

Lucien Gani
Lucien Gani began his professional career in 1972 as a lawyer with the Federal Tax Administration then occupied the post of Deputy Director with the Compagnie Vaudoise d’Electricité in Lausanne, where he remained from 1974 until 1976. Between 1977 and 1983, he was a trader with the company La Commerciale SA in Lausanne.

From 1984, he wrote his doctoral thesis in law and started his Bar practice training in 1987. Since 1990, he has worked as an independent lawyer with a law firm in Lausanne. He joined the Kudelski Group in January 2006 as Head of Legal Affairs.

Previously, he acted as counsel for several years as an independent lawyer in the drafting and negotiation of strategic contracts for the Kudelski Group.

Mandates with main operational companies held by Kudelski SA:
- OpenTV Corp., Board member
- SmarDTV SA, Chairman
- Nagra Trading SA, Chairman
- NagraID SA, Board member
- Nagravision SA, Board member
- NagraCard SA, Board member

John Burke
John Burke began his professional career in marketing with Procter & Gamble International in Geneva in 1977. From 1982, he was appointed Group Marketing Manager with various Group subsidiaries, particularly in Geneva, Athens, Cincinnati and Madrid. In 1986, he joined RotoVision SA as Sales Director. He then joined the IUCN (World Conservation Union) in 1991 as Director of Communications and Public Relations.

In 1996, he joined Novartis Consumer Health, initially as Head of Human Resources and Communication. He was then appointed Head of the Medical Nutrition division and a member of the Executive Committee, before being promoted to worldwide Head of the Nutrition division. In 2001, John Burke joined the Geneva-based International Federation of Red Cross and Red Crescent Societies as Director of Support Services and in 2004 was appointed Chief Administrative Officer of the Global Fund to Fight Aids, TB and Malaria, where he remained until he joined the Kudelski Group on 1st June 2006.

Mandates with main operational companies held by Kudelski SA:
- Nagravision SA, Managing Director
- NagraCard SA, Managing Director
- NagraID SA, Managing Director

Nicolas Gœtschmann
From 1986 to 1989, Nicolas Gœtschmann was a Private Client Executive with Credit Suisse in Geneva before becoming a Fund Manager with Kestrel SA in Neuchâtel. In 1990, he joined the Kudelski Group as Director of Finance and Administration. Since 2004, he has been the Corporate Secretary of the Kudelski Group as well as Director of Group Administration.

Mandates with main operational companies held by Kudelski SA:
- Nagravision SA, Managing Director
- NagraCard SA, Managing Director
- NagraID SA, Managing Director
- Nagra Trading SA, Managing Director
- Nagra Public Access AG, Managing Director
- Nagra USA Inc., Board member
4.2 Other activities and vested interests

Please refer to the individual CVs of members of the Group management under 4.1 above.

4.3 Management contracts

There were no management contracts in place at Kudelski SA on 31 December 2007.

5. Remuneration, shareholdings and loans

5.1 Content and method of determining remuneration and shareholding programs

The Remuneration and Nomination Committee monitors and approves the remuneration policy established by the company. It proposes to the Board of Directors for approval the remuneration of members of the Board of Directors as well as members of Group management (see section 3.5.2 Remuneration and Nomination Committee).

Generally, the remuneration policy in the Kudelski Group is based on the performance of business units and persons individually throughout the course of the year.

The Financial Statements show details on pages 49 and 50 of remuneration paid to members of the Board of Directors and management as stipulated by Article 663b of the Swiss Code of Obligations.

Members of the Board of Directors

Overall remuneration of non-executive members of the Board of Directors includes fixed annual fees as well as an allowance for costs and other expenses incurred in connection with the performance of their duties. This remuneration is paid in cash. Options are attributed to them according to distribution criteria determined by the Remuneration and Nomination Committee at the time such options are granted to eligible company staff.

If specific tasks or services not within the usual scope of activities of the Board of Directors of Kudelski SA or a Group company are assigned to Board members, the services rendered are remunerated on the basis of fees, the rate of which correspond to the market rate for the same type of services.

Members of Group management

The global annual remuneration of members of Group Management includes a salary and a variable element based on individual performance, the attainment of Group objectives, Group performance, and the attainment of objectives set for individuals.

The salary consists of remuneration in cash, a number of shares and payment in kind, including for example payment of the health insurance premium. Methods of payment of the variable element are decided by the Remuneration and Nomination Committee and payment may be made in cash and/or in the form of Kudelski SA bearer shares, in particular as per the share price. Interested parties also have the possibility of taking part in the share purchase plan introduced in 2004, in accordance with the said plan.
6. Shareholder participation

The provisions of the Articles of Incorporation governing the participation rights of shareholders are in compliance with the law as set out in the Swiss Code of Obligations. The Articles of Incorporation of Kudelski SA may be consulted on the Kudelski Group web site via the following link: www.nagra.com/ar/statuts_Kudelski.pdf.

6.1 Voting rights and representation restrictions

In accordance with the Articles of Incorporation of Kudelski SA, there are no restrictions on voting rights and no statutory Group clauses and rules on granting exceptions.

6.2 Statutory quorums

The Kudelski SA Articles of Incorporation do not provide for any statutory quorums.

6.3 Convening of the General Meeting of Shareholders

The rules in the Articles of Incorporation on calling the General Meeting of Shareholders are in accordance with applicable legal provisions. The General Meeting of Shareholders must be called at least twenty days before the date of the meeting. The notice of the General Meeting is published in the Swiss Official Gazette of Commerce.

6.4 Agenda

Items on the agenda are mentioned in the notice.

Regarding rules for adding items to the agenda, the Articles of Incorporation of Kudelski SA do not contain provisions that differ from the Swiss Code of Obligations, namely Article 699, “Shareholders who represent shares totaling a nominal value of CHF 1 million* may request that an item be included in the agenda. The calling and the inclusion of an item on the agenda must be requested in writing listing the items and motions”.

* This represents 0.2% of the capital of Kudelski SA.

6.5 Registrations in the share register

Kudelski SA shares that can be traded on the SWX Swiss Exchange are bearer shares; consequently there is no register of shareholders for this category of shares.

7. Changes of control and defense measures

7.1 Duty to make an offer

Kudelski SA has no provision on opting-out or opting-up in its Articles of Incorporation. Thus the provisions regarding the threshold of 33 1/3% of the voting rights for making a public takeover offer set out in Article 32 of the Stock Exchange Act are applicable.

7.2 Clauses on changes of control

No such clauses exist.
8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

The auditors of Kudelski SA are PricewaterhouseCoopers SA (Lausanne). Some companies affiliated to the Group are audited by other auditors. The auditors were re-appointed by the General Meeting of Shareholders of Kudelski SA of 24 May 2007 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mr Felix Roth since 1 January 2003.

8.2 Auditing fees

The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2007 the sum of CHF 969 400.

Auditing services are understood to mean the work required each year to examine the consolidated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country, performed by PricewaterhouseCoopers. In addition, some audit assignments were entrusted to other auditors.

8.3 Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2007 the sum of CHF 178 000.

Additional services mean in particular services such as the auditing of occasional transactions, the implementation of new or modified accounting methods and other services such as advice on mergers, acquisitions and sales of companies. They also include services related to the monitoring of international laws on corporations as well as advice concerning tax and risk management.

8.4 Monitoring and control instruments pertaining to the audit

The aim of the Audit Committee of the Board of Directors is to provide effective and regular supervision of the company’s financial reporting processes in order to ensure their integrity, transparency and quality. To this end and under its terms of reference, it is responsible for monitoring the work of the external auditors. Representatives from the auditors of the Kudelski Group, including the partner in charge of the Group’s audit, are regularly invited to take part in meetings of the Audit Committee as external participants. This year they were invited to three meetings of the Audit Committee.

For more information on the Audit Committee, please refer to points 3.5.2 and 3.5.3 of this report.

9. Information policy

The Kudelski Group keeps investors regularly informed of the following developments:

– progress of business, major new contracts;
– changes occurring in the management of the Group;
– acquisitions or sales of companies;
– half-yearly and annual financial results.

Press releases are issued in compliance with the SWX Swiss Exchange regulations concerning factual publicity and are available on the Group’s website simultaneously with their publication. A link on the home page of the Group’s web site allows direct access to press releases. The Group communicates as often as necessary in this manner. Press releases are generally published in French and in English. In certain specific cases a German version is also provided. They are available in these different languages on the website. Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website.

Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited also have the possibility of following the conference by phone.

The Group’s website is a permanently updated source of information. The Investor Relations section contains in particular a list of the principal dates of the corporate calendar (publication of results, General Meeting and presence at major trade shows) as well as the Group’s main publications (annual report, half-year report).
Internet links

Group website
www.nagra.com

Investor Relations section
www.nagra.com/investor.php

Important dates
www.nagra.com/investorCalendar.php

Financial documentation
www.nagra.com/investorDoc.php

Press releases
www.nagra.com/press.php

E-mail addresses

General information
info@nagra.com

Investor relations
ir@nagra.com

Media relations
communication@nagra.com
Kudelski Group companies

Digital television

Nagravision
Integrated software security solutions for digital television operators and content providers.

Nagra France
Integrated conditional access solution for digital television. MediaGuard competence center.

NagraStar
Conditional access and smart cards used by EchoStar’s DISH Network American satellite system and companies affiliated to EchoStar. Joint-venture with EchoStar (US).

OpenTV
Middleware solutions enabling advanced digital television services including interactive television as well as interactive and addressable advertising. Part of the Kudelski Group since early 2007.

Nagra Plus
Security systems for analog pay television. Innovative concepts developed in cooperation with Canal+. Joint-venture with Canal+ (F).

SmarDTV
Removable Conditional Access Modules (CAM) for digital TV access on digital devices.

NagraCard
Smart card security technology for digital television and other applications such as physical access.
Quative
Last generation turnkey IPTV platform including content protection, management and distribution.

Abilis Systems

NagrasID
Development and production of modules and smart cards for contact and contactless identification systems.

Nagra Trading
Management of the Kudelski Group’s set-top box activity.

Leman consulting
Patent and intellectual property management.

Public Access

SkiData
Integrated access and management solutions for car parks, ski lifts as well as sports, culture, entertainment and exhibition facilities.

polyright
Open-ended rights and services management solutions for hospitals, universities and corporations. Joint-venture with the Securitas group.

Audio

Nagra Audio
Portable digital recorders for professionals; products in the high-end Hi-Fi sector.
1951
Creation of the company by Stefan Kudelski and launch of the first portable recorder, the Nagra I.

1958
Release of the Nagra III; the legendary cinema recorder.

1986
The company is listed on the stock market.

1989
Canal+ adopts Kudelski’s access control system for pay television.

1991
André Kudelski succeeds Stefan Kudelski as Chairman and Chief Executive Officer of the Kudelski Group.
First million analog decoders sold. Conditional access television systems become Kudelski’s core business.

1992
Creation of Nagra+, a joint-venture with Canal+.
Launch of the Nagra D, the first portable professional 4-track digital recorder.

1995
First order (from EchoStar) for a Nagravision digital system, marking the arrival of Nagravision in the North American market.

1996
Full conversion of the convertible bond (1986-1996) as part of a PEO.

1997
Digital pay television becomes the company’s core business.
Nagra audio launches a range of high-end Hi-Fi products.

1998
Creation of NagraStar, a joint-venture with EchoStar, and of NagraCard.
Capital increase and first indirect split of the Kudelski share (5+1).

1999
The company becomes a holding company.
Kudelski stock is listed on the principal market of the SWX Swiss Exchange.
2000

Investment in polyright.

Capital increase and second indirect split (10+2).

2001

The Group makes several acquisitions in the public access sector (SkiData, Ticketcorner) and in digital television (Lysis, Livewire).

The Kudelski share is split by 10.

Launch of a convertible bond of USD 325 million.

The operation is heavily over-subscribed.

2002

After a ten-year period of uninterrupted growth, the Kudelski Group suffers from the impact of the crisis in the television market, particularly in Europe, and of unfavorable developments in the foreign exchange markets. The company carries out an in-depth review of its structure.

Creation of the holding company Nagra Public Access (including SkiData, polyright and Ticketcorner).

2003

Recovery of the digital television market.

Acquisition of the MediaGuard product line from Canal+ Technologies and creation of Nagra France.

2004

The Group publishes record results, tripling its digital TV revenues in Europe and almost doubling them in America.

2005

Early redemption of the USD 325 million convertible bond and issuance of a new convertible bond of CHF 350 million.

Creation of Quative (IPTV sector).

New Nagra Public Access structure; the entity is profitable again.

Sale of the majority stake of Ticketcorner.

Success of the new Nagra PMA pyramidal amplifier.

2006

The Group publishes record financial results.

Strategic investments for the development of the Digital TV ecosystem.

Acquisition of the Digital TV activity of SCM Microsystems resulting in the creation of SmarDTV.

Intensified Research & Development effort with a focus on content protection, IPTV and Mobile TV.

First mass deployments of the Nagra Mobile solutions enabling access to TV content on mobile phones.

2007

The Group becomes a leader in middleware and interactivity for digital television with the acquisition of a controlling interest in OpenTV.

Massive consumer acceptance of new solutions such as IPTV and Mobile TV.

Launch of new families of security solutions.

Excellent results for Nagra Public Access.

Success of the Nagra CD player.
Kudelski Group headquarters

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The year 2007 marks an important milestone in the evolution of the Group. Several major strategic objectives have been successfully reached, durably modifying the Group’s positioning and therefore the balance of forces in the digital television ecosystem.
Kudelski Group: a market driver and shaper

Digital Television is the Kudelski Group’s core business. The company is a world leader in this sector, with security and access control solutions providing a very high level of protection throughout the content distribution chain, from creation to consumption. The Group’s innovations are continuously contributing to the evolution of the digital television ecosystem, enabling operators to complete their services and market them more efficiently.

Public Access is the Group’s second main activity sector, also demonstrating the company’s know-how in the field of security. Solutions developed for this sector target operators of sports and leisure facilities, buildings, institutions and sites that require managing and controlling the access of people and vehicles.

Audio is the founding activity of the Kudelski Group which, more than half a century ago, gave birth to the Nagra brand, legendary for its professional recording equipment. This sector also includes a range of high-end Hi-Fi devices designed for music lovers in search of perfection.
Strong top line growth in all markets and particularly in Asia

New contract 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 Nagravision 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