

Press Release

Kudelski Group 1st half 2007 results: continued growth and investments in the future

- Strong top line growth sees revenues and other operating income up 38.6 %
- Continued investments in future technologies in hybrid IPTV, mobile, conditional access and other digital TV projects
- New business areas well on the way to exceed CHF 100 million revenues in 2007
- Expanded global footprint and business-build-up in India, China, Indonesia and Latin America
- New advanced security solutions introduced with several operators
- New customer wins confirming digital TV market leadership
- Upbeat first half 2007 for Nagra Public Access
- Outlook with higher top line expectations

Key figures in CHF '000	<i>January/June 2007 CHF '000 unaudited</i>	<i>January/June 2006 CHF '000 unaudited</i>	
Revenues and other operating income	422'956	305'085	38.6%
Gain/(loss) on sale of subsidiary	-318	59'236	
Margin after cost of material	313'104	277'796	12.8%
OIBDA	51'092	117'661	-56.6%
EBIT, operating income	29'238	97'339	-70.0%
Net income	28'122	90'310	-68.9%

Cheseaux, August 24, 2007 – The Kudelski Group (SWX: KUD.VX) today announced its first half 2007 results, with strong top line growth and reduced profitability compared to the first half 2006 mainly due to the base effect of the gain on sale of Ticketcorner booked last year, the first-time consolidation of OpenTV and continued investments in new business areas and innovations. The total number of active smart cards/modules has reached 77.5 million.

Strong top line growth

In the first half 2007, total revenues and other operating income were at CHF 423.0 million, up CHF 117.9 million compared to the 1st half 2006. The year-on-year growth rate net of the OpenTV consolidation and of the gain on sale of Ticketcorner was at 18%. The average growth rate for the first half results in the period 2003 to 2007 was 24%. EBIT for the first half year was CHF 29.2 million and net income CHF 28.1 million. Both were significantly lower than in the same period of last year, mainly due to the CHF 59.2 million one-off gain on the sale of Ticketcorner booked in the first half 2006.

Doubling revenues in new business areas

Digital TV is on its way to successfully meet the target to more than double revenues in new business areas and exceed the CHF 100 million mark for the full year. New business areas include new segments (terrestrial TV, IPTV and mobile TV) and new products (PVR/pushVOD/EPG, advanced smart cards and conditional access modules). In the first half, revenues from new business areas already exceeded the full 2006 revenues. Due to the early stage development of these markets, however, net contribution was in the negative high single digit million range.

Two out of the three new advanced security solution suites, which integrate innovative security concepts, have already been deployed in several markets.

The Group enjoys a strong position in the digital cable TV sector in most regions of the world. In a changing environment, it is essential for the Group to invest actively in the technologies that will enable cable operators to stand out from competitors – in particular from telcos with an IPTV offering.

Several customer wins confirming Digital TV market leadership

Digital TV revenues continued to grow steadily. They increased by 16.9% to CHF 280.5 million. The European region performed very well, with a 13.2% net sales growth, driven by a strong development of the Digital Terrestrial revenue base and a continued growth of the Eastern European business. The American region grew by 13.7%, mainly due to the Latin American customer base, now representing more than half of the region's Digital TV revenues. Asia/Africa reached CHF 49.5 million, an increase of 36.8% from last year. From the first half 2005, the Group's Asian Digital TV revenue base more than doubled. In the first half 2007, material smart card sales in the Chinese and Indian markets contributed to this growth.

Major Indian breakthrough and further expansion in Asia and America

- In India, Reliance-Anil Dhirubhai Ambani Group's Bluemagic selected Kudelski Group full end-to-end solutions including conditional access and interactivity products for a new direct-to-home (DTH) network in India. NagraVision will provide its CA system, NagraGuide graphical user interfaces and Lysis content management solution for what may become one of the largest DTH deployments in the world. Leveraging the strength of the Reliance Group's brand and product portfolio including mobile communications and broadband access, Bluemagic's service will include digital television, video-on-demand, pay-per-view, with a programming line up of over 200 channels of music, news, sports and movies. Both standard definition and high-definition services will be offered, protected and supported by the NagraVision solutions.
- Astro all Asia Networks plc ("Astro") is the South East Asia leading DTH satellite television operator in Malaysia, Brunei and, under a licensing arrangement, in Indonesia. The new DTH system addressing Indonesia offers more than 40 channels of news and entertainment channels to the Indonesian subscribers and is secured by a NagraVision advanced security solution.
- In Latin America, Telefonica is extending its satellite offering to consumers in the continent. Services have been launched in Peru, Columbia, Chile and Brazil using NagraVision's CAS. Telefonica has also selected and deployed NagraVision's end-to-end digital cable offering, where NagraVision is the systems integrator, as well as CAS and set-top-box software supplier.
- CJ CableNet, one of the largest MSOs in Korea, selected Lysis iDTV Content Management solution from NagraVision and the Quative VOD Service Delivery Platform (SDP) to enrich its digital cable TV platform.
- Chinese Suzhou Digital Television Company Ltd has selected NagraVision to provide its conditional access end-to-end solution. NagraVision solutions will enable Suzhou Digital Television Co. Ltd. to ensure the migration from analog to digital, providing secure digital TV services to over 700,000 existing subscribers.
- In the United States, Iowa Network Services (INS), a consortium of telephone companies, has chosen NagraVision as their next generation IPTV platform systems integrator and security vendor.

Tier one Telco deployment and continued strong business in Europe

- British Telecom (BT) have launched a new digital television platform in the UK. BT have deployed a hybrid terrestrial/broadband DVR STB which integrates NagraVision's CA, enabling BT subscribers to view and record premium content services. This complements BT's broadband On Demand sports service, providing an attractive package for BT's subscribers.

- YPSO/Numéricable, the leading cable broadband operator in France, Belgium and Luxembourg, selected a Nagravision conditional access system. In addition, amongst others, the Quative SDP provides full support for interactive applications and the Lysis Content Management System (CMS) drives the entire content distribution chain and workflow for on-demand content. The Kudelski Group is also taking care of the full integration with YPSO/Numéricable's existing backend systems.
- CANALDIGITAAL and TV-Vlaanderen, the only provider of digital satellite TV in the Netherlands and north of Belgium, has selected a suite of Kudelski Group products to enhance and secure its new high definition television (HDTV) subscription video-on-demand (S-VOD) service scheduled to launch in 2008. Kudelski Group products selected include the NagraGuide user interface system, OpenTV Core2™ and OpenTV PVR2™.
- Top Up TV, the UK digital terrestrial television pay-TV operator, is upgrading its existing MediaGuard conditional access system to the latest generation Nagravision CAS and launching a new pay-TV and VOD platform. Setanta Sports will secure premium sports content such as English Premier League matches with Nagravision.
- Liberty Global's UPC direct DTH service in Central and Eastern Europe will deploy the Nagravision CAS to secure a new direct-to-home (DTH) satellite platform from an Amsterdam headend to serve Hungary, the Czech Republic, Slovakia and Slovenia. The service is to be launched in the fourth quarter 2007. UPC Broadband will also launch a new cable platform in Hungary, Austria and Poland utilizing the Nagravision system.

Mobile TV in the surge

- In the Mobile TV segment, Nagravision has been consolidating its leading position by winning a project in the Asia Pacific region with PMSI in the Philippines, and a deal in Europe with a French mobile operator.
- Hiwire/RRD/SES Americom and Nagravision have deployed a DVB-H system for the delivery of video content to mobile phones in the test market of Las Vegas.
- In Italy, the first and largest DVB-H market worldwide, H3G has attracted more than 600'000 users to their mobile phone TV services after only 12 months of operations, getting close to 10% service penetration.
- Nagravision is the world first CAS company to support the MediaFLO solution, a highly efficient mobile TV broadcast technology created by Qualcomm.

Nagra Public Access with strong results and new contracts

Nagra Public Access generated CHF 73 million revenues, an increase of 12.1% compared to the first half 2006, and fully delivered on the strategic goal of extending its revenue base beyond its traditional European footprint. In particular, revenues in the Americas strongly increased to CHF 8.8 million. Compared to the first half 2004, the Public Access extra-European revenue share increased from 7.8% to 19.4% of the total segment revenues. While maintaining seasonality patterns, Nagra Public Access continued to improve margins, with first half EBITDA CHF 1.6 million higher than last year's first half and EBIT improvement of CHF 1.1 million (excluding Ticketcorner gain on sale).

SkiData signed several new contracts strengthening the company's global position: SkiData successfully expanded its presence in Asia, particularly with first orders received from Indian operators since market entry in January 2007, contract wins in Hong Kong and China in the Car Access sector and major new deals in Japan in the People Access sector, more specifically for large-scale installations at ski resorts.

Europe continued to be a strong market with major new contracts signed in France (Ski), Austria (Park&Ski systems) and Italy (stadium access), among others.

Outlook – higher top line target range

In the second half of the year, the Group expects a further strong development of the Digital TV top line, both for new business areas and established core conditional access business. This should result in a higher segment profitability compared to the first half.

Nagra Public Access is expected to follow the usual seasonality patterns, with a significantly stronger second half both in terms of top line and profits. In the second half, the Group expects the same positive momentum of the last months to continue, enabling the business to maintain growth rates and resulting in higher yearly segment profits.

In the Middleware and Advertising segment, the Group is committed to undertake the necessary measures to rectify the negative profit developments and set the foundation for an accelerated growth. For the full year, the Group expects that corrective measures will enable the business to achieve positive operating result under IFRS.

Overall, the Kudelski Group has upgraded its total revenues guidance to a CHF 940 to 955 million range. The Kudelski Group expects a 2007 EBIT range between CHF 110 and 125 million.

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About the Kudelski Group

The Kudelski Group (SWX: KUD.VX), is a world leader in digital security. Its technologies are used in a wide range of applications requiring access control and rights management, whether for securing transfer of information (digital television, broadband Internet, video-on-demand, interactive applications, etc.) or to control and manage access of people or vehicles to sites and events. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. Please visit www.nagra.com for more information.

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