

Press Release

## Kudelski Group 2006 Results

### The Kudelski Group achieves strongest-ever financial results in 2006 and expects strong revenues growth in 2007

- Strong underlying growth in both Digital TV (+23%) and Public Access (+14.7%)
- The Kudelski Group becomes the leading provider of middleware and software for interactive TV with the acquisition of a controlling share in OpenTV
- Strategic investments made in the future of digital TV with the development of solutions for IPTV, Mobile TV, Push VOD, CAM modules and new generations of conditional access systems
- Strong pipeline of new contract wins in both, traditional and new business lines
- Strong increase in Nagra Public Access profitability due to launch of innovative solutions and cost structure improvements
- Strong top line growth expected in 2007 with total revenues between CHF 930 and 950 million and EBIT in the CHF 110 to 125 million range.

(in thousand CHF)	2006	2005	Variation %
Total Revenues	694'340	687'102	+1,1%
Gain on sale of subsidiary and other operating income	61'842	10'071	
Total	756'182	697'173	+8,5%
OIBDA	188'162	160'833	+17,0%
EBIT	150'207	121'142	+24,0%
<b>Net Income</b>	<b>138'530</b>	<b>86'772</b>	<b>+59,6%</b>

**Cheseaux, February 16, 2007** – The Kudelski Group announced today strongest-ever 2006 results. Total revenues, other operating income and net gain on sale of TicketCorner amount to CHF 756.2 million, increasing by 8.5% from the previous year. Adjusted pro forma Group revenues grew by 21.1% from 2005. The Kudelski Group posts record levels CHF 150.2 million EBIT (+24%) and CHF 138.5 million net income, 59.6% above previous year. In 2007, the Group expects continued growth and a solid profitability.

Andre Kudelski, Chairman and CEO of the Kudelski Group, said: “We are pleased with our 2006 results. For Digital TV, we managed to compensate the revenues generated by the swap smart cards delivered in 2005 with organic growth in 2006.

For public access the revenue growth of Skidata compensated the effect of the deconsolidation of Ticket Corner. In fact we achieved a 21 percent underlying revenue growth at a Group level”.

He continued: "In late 2005 we have decided to massively increase our R&D efforts. Today we are pleased that our R&D team has delivered the solutions we expected and that the market has adopted our new solutions at a pace beyond our expectations. As a result, we achieved double-digit millions revenues in these new lines of businesses already in 2006”.

For the first time, Digital TV broke the CHF 500 million revenue mark, with a particularly robust development in Europe, growing by 17% compared to the previous year. Within three years, the Kudelski Group has multiplied its European Digital TV revenues close to fivefold, by establishing the quality and performance standard for conditional access solutions for satellite and cable operators. In addition to growing in the established business lines, the Kudelski Group now drives an increasingly large share of its revenues from new segments, such as the terrestrial, IPTV and mobile markets and from newly introduced product lines such as EPG (Electronic Programming Guides), Digital Video Recorder and Push Video on Demand solutions, advanced smart cards and CAMs (Conditional Access Modules). In 2006, revenues from new lines doubled compared to the previous year and are expected to again double in 2007 to exceed the CHF 100 million mark.

A very strong second half drove Public Access to a best ever result, both in terms of growth and profitability. In the last two years, portfolio restructuring measures and an operational improvement program have allowed Public Access to accelerate growth from a low one digit rate to 14.7% and EBIT from a negative margin to 9% in 2006. Moreover, the partial exit from TicketCorner has generated a CHF 59 million gain for the Kudelski Group.

### **Continued growth in DTV**

The Kudelski Group’s strategy to offer integrated solutions to leading Pay TV operators has continued to gain wide market acceptance. New contracts include:

- **YPSO/Numéricâble**, the leading cable broadband operator in France, Belgium and Luxembourg, selected the Kudelski Group technology for the rollout of its Video-On-Demand (VOD) and interactive TV services. The Kudelski Group thereby will leverage its entire suite of digital television products to seamlessly introduce VOD into YPSO/Numéricâble's existing cable infrastructure. Expanding on the solid base of Nagravision's leading content protection system, which already secures Numéricâble’s services, the Kudelski Group will not only provide its latest Nagravision conditional access system to all of YPSO/Numéricâble operators, but also deliver three additional technologies: the OpenTV Core 2.0 and HTML client middleware to achieve portability across a wide range of set-top boxes; the Quative next-generation Service Delivery Platform (SDP) to provide full support for the operator’s interactive applications; the Lysis Content Management

System (CMS) to drive the entire content distribution chain and workflow for on-demand content. The Kudelski Group will additionally handle full integration with YPSO/Numéricable's existing backend systems.

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

The Kudelski Group has also continued to make inroads into the promising markets of TV over mobile devices and IPTV:

- Italy's second largest mobile operator **Vodafone Italy** has selected Nagravision to protect the content rights of its Digital Video Broadcasting Handheld (DVB-H) mobile TV service - Vodafone SKY TV. The Italian's top three MNOs today have adopted the Nagra Mobile platform to secure their DVB-H services.
- In Spain, Nagravision has successfully collaborated with **abertis telecom** to integrate its conditional access technology into abertis telecom's DVB-H platform for the company's mobile TV technical tests.
- In Asia, **Maxis Communications Bhd**, Malaysia's largest cellular operator, selected Nagra Mobile TV solution for a three-month DVB-H trial to test wireless television services. Full Mobile TV commercial launch is expected at the end of the year.
- In the United States, Nagravision has been selected by **Hiwire LLC**, a division of Aloha Partners (the largest 700 MHz spectrum owner in the US) to secure the deployment of its DVB-H multimedia platform delivery system.
- **CNN/Turner/Time Warner**, one of the world's leading US content providers, has purchased an end-to-end DVB-H Nagra Mobile solution for the development and evaluation of their Mobile TV offering.
- Leveraging on the Group's synergies, **Abilis Systems**, the Kudelski Group semiconductor company offering the world's first single-chip, low-power Software-Defined-Radio (LP-SDR™) solution for mobile digital TV, and CyberLink Corp. (5203.TW), a world leader in digital home solutions, announced the joint development of a secure end-to-end mobile TV solution integrating Nagra Mobile TV conditional access system.
- **Club Internet**, France's leading IPTV operator, has selected Nagravision's Lysis Content Management System to manage its new Video-On-Demand service. .

The Kudelski Group continues solid performance in all markets with strong momentum.

- In Eastern Europe covering the Romania, Hungary, Slovakia and Czech Republic markets, leading DTH operator **RCS&RDS** has increased in less than two years its subscribers number to 1.2 million at the end of 2006. .
- In Poland, **Cyfrowy Polsat** reached one-million subscribers in 2006. The operator is expected to continue to enhance its offering with HDTV services.
- In the United States, **DISH Network**, the Echostar Corporation satellite operator, continued its growth by reaching 13 million subscribers at the end of 2006. DISH Network's growth was boosted by the success of its DVR (4.6 million units sold in 2006) as well as by the launch of two new, advanced DVR, an expanding video-on-demand platform and a 30 HDTV channel offering.
- **Telefonica** has selected Nagravision to secure its DTH platform in Latin America. The Nagravision solution will enable the operator to seamlessly deploy its services in multiple countries across the continent.

Leveraging its leadership position in the R&D of innovative conditional access systems, Nagravision is offering a platform solution to enable operators to securely offer Pay TV channels over a PC – which is a growing delivery mode.

**NagraID**, has been awarded the EMV EuroPay MasterCard-VisaCard certification, which authorizes the production and customization of debit and credit banking cards. In late 2006, NagraID signed a three years agreement with **Credit Suisse** for the personalisation of its Maestro card in the Swiss market.

Further, NagraID has signed a global exclusive agreement with US based company **Innovative Card Technologies Inc.**, the developers of the breakthrough ICT DisplayCard for e-banking, e-commerce and data access security, to manufacture all InCard products. This strategic partnership to develop products using InCard's technology and NagraID manufacturing process enables Innovative Card Technologies to become the only company to mass produce an ISO-certified card with an embedded LCD display.

### **Strong results from Public Access and new product launches**

**SKIDATA** exceeded 2006 objectives both in term of growth and EBIT margin thanks to an accelerated market expansion, strong control of the costs and the introduction of attractive product generation. SKIDATA expansion was particularly strong in new markets such as South Korea, in the USA (+41% turnover) and in the Middle East and Asia/Pacific (+ 66% turnover).

SKIDATA's unit costs were reduced in 2006 with the optimization of its product portfolio and the introduction of major technological improvements. New logistics processes shortened the delivery time, contributing to the reduction of local inventory needs at SKIDATA subsidiaries.

Based on its corporate vision to evolve from a segment-specific vendor to an "access for the future" solution provider, SKIDATA launched a new product platform strategy to create market-driven horizontal product architecture with faster time-to-market, successfully introducing new products in all market segments.

### **The Kudelski Group strengthens Group Communications**

The Kudelski Group announced today the appointment of Rodolfo Ciucci (48) as Head of Corporate Communications. He will join the Company at its Cheseaux headquarters on March 1, 2007, and directly report to André Kudelski, Chairman and CEO. His responsibility will be to further develop and promote the Group's strong reputation and brand world-wide at an exciting and highly productive time.

An Italian national and a Swiss University graduate in languages, Mr. Ciucci joins the Kudelski Group after more than 20 years of experience in communications, including top-level positions in corporate communications at leading international companies in the financial services and industrial sectors, such as Hilti, Swiss Re and Ciba Specialty Chemicals, which has equipped him with a broad multicultural experience in both, a Swiss and international environment.

### **2007 perspectives**

For 2007, the Kudelski Group expects a further favorable development of both Digital TV and Public Access economics. Moreover, the Kudelski Group will fully consolidate OpenTV.

In Digital TV, the strong momentum of the second half 2006 is continuing in the first months of this year. In addition to the established business lines, emerging segments such as terrestrial, IPTV and in particular mobile TV as well as new solutions are significantly supporting growth. Public Access is expected to continue expanding its extra-European business, while pursuing the improvement of its cost structure.

Overall, the Kudelski Group expects total revenues in the range of CHF 930 to 950 million, which translate into a double digit growth rate at a constant perimeter of consolidation. The Kudelski Group expects a 2007 EBIT range between CHF 110 and 125 million.

## **Dividend**

The Board of Directors of Kudelski SA will propose to the Annual General Meeting of May 24th, 2007 the payment of a dividend of 60 cents (CHF 0.60) per bearer share and 6 cents (CHF 0.06) per registered share composed by an ordinary dividend of 30 cents (CHF 0.30) per bearer share and 3 cents (CHF 0.03) per registered share and an extraordinary dividend of 30 cents (CHF 0.30) per bearer share and 3 cents (CHF 0.03) per registered share. The ex-date will be May 30th, 2007.

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