

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.

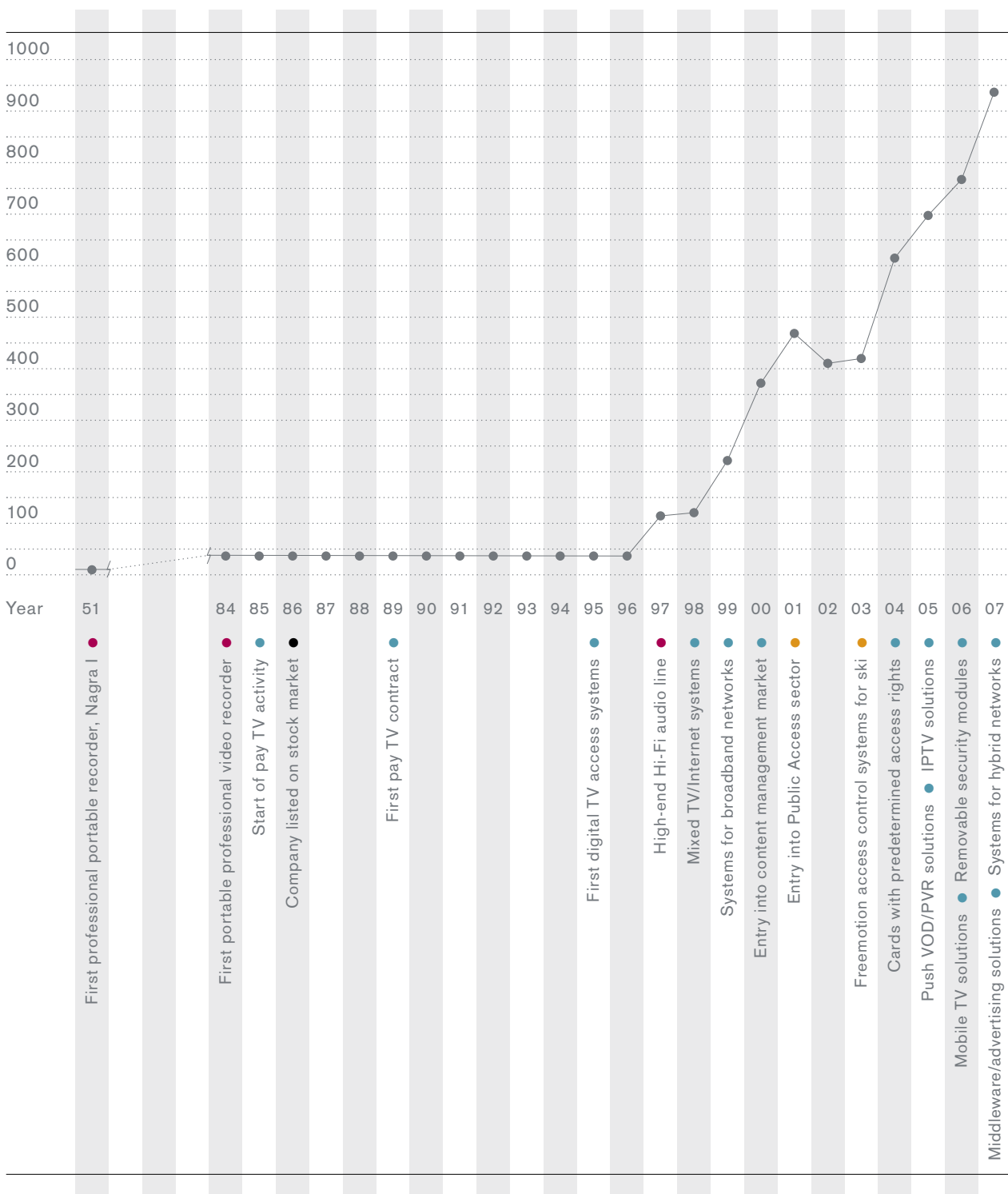
New dimensions in television

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



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.

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

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

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.

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.

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 Nagra Mobile

OpenTV, complementary technology and market presence

OpenTV's unique positioning on the middleware, interactivity and advanced advertising market has made this company Nagra'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.

Nagra Public Access strategy

Capitalizing on the Group's R&D

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.

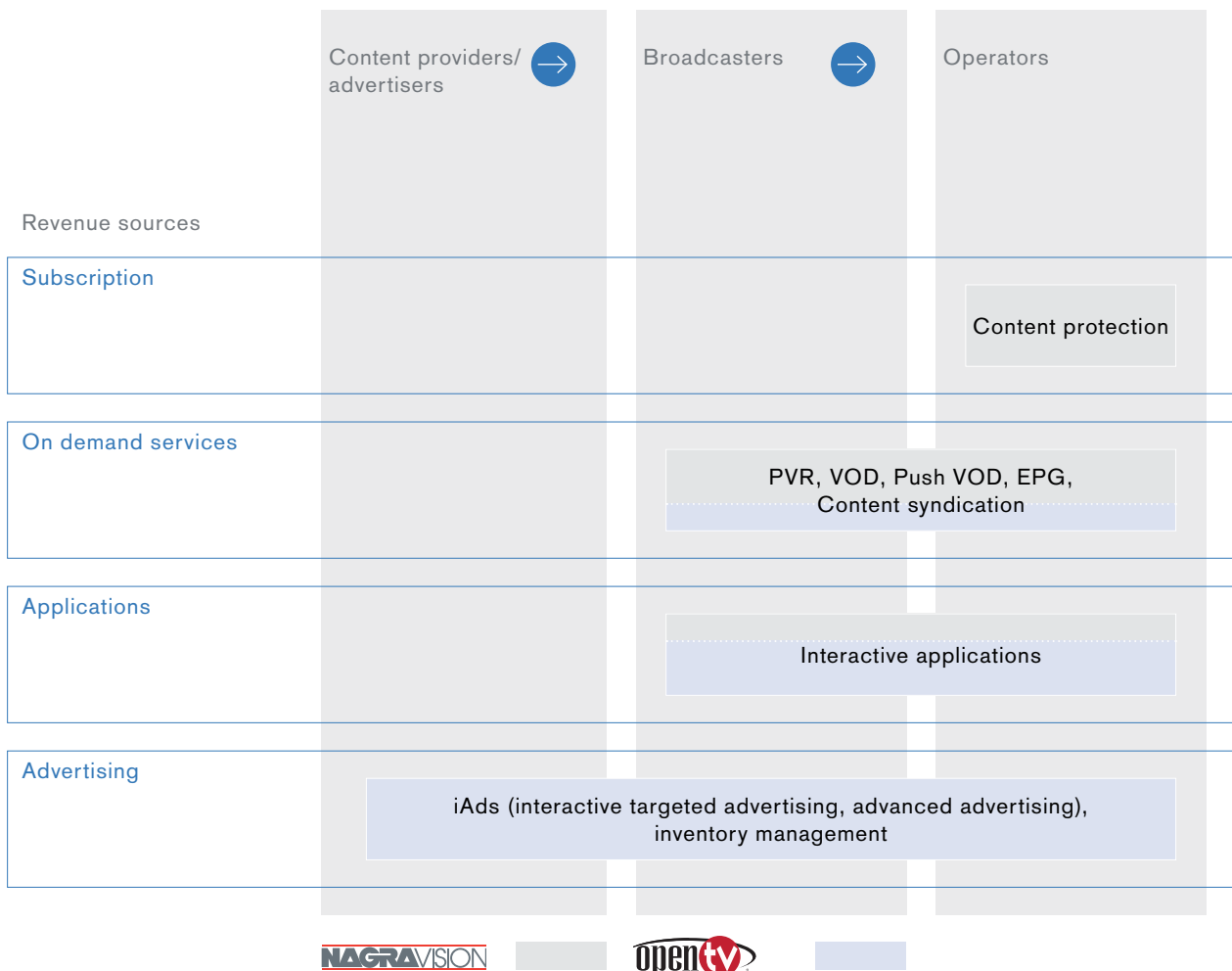
The following initiatives are underway:

- 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

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.

Nagravision/OpenTV complementarity in product offering



Nagra Audio strategy

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
--

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
