

**THE KUDELSKI GROUP ACHIEVES THE BEST EVER FIRST HALF YEAR OF ITS HISTORY WITH AN EXCELLENT OUTLOOK FOR THE WHOLE YEAR 2004.**

In thousand CHF	January / June 2004	January / June 2003	Variation %
<b>Total revenues</b>	275 173	176 882	+ 55.6%
<b>Margin on goods and components sold</b>	192 595	108 013	+ 78.3%
<b>OIBDA</b>	51 519	3 634	+ 1317.7%
<b>EBIT</b>	35 084	-6 361	n.a.
<b>Net Profit</b>	22 783	4 480	+ 408.5%

**Cheseaux, September 1, 2004 – The Kudelski Group achieved best ever revenues of CHF 275.2 million, up by 55% from the first half of last year, an operating profit of CHF 35.1 million and a net profit of CHF 22.8 million.**

**In addition to the significant improvement of its 2004 economics, the Group managed to strengthen its cooperation with existing customers and to secure contracts with several operators for their future deployments.**

**Building on these achievements, Kudelski expects the positive momentum in the first half of 2004 to continue for the whole of 2004 and for 2005.**

**The sustained efforts in R&D, the signing of strategic partnerships, the increase in market share and the winning of new customers are key enablers expected to ensure the development of the business of the Kudelski Group in 2006 and beyond.**

Half-year financial statements – a record first half year.

In the first half of 2004, the Kudelski Group realised best ever revenues of CHF 275.2 million up by 55%, an operating profit of CHF 35.1 million and a net profit of CHF 22.8 million. The operating cash-flow improved significantly to CHF 54.7 million (+592%). In addition to the strong first half growth, the Group managed to achieve a substantial reduction of receivables, down by CHF 26.6 million.

The integration of the Digital TV conditional access sector of MediaGuard (Nagra France) is progressing very well. Nagra France positively contributed to the growth of the Group for the first half year in line with expectations. Organic growth of Digital TV activities was over 40% and for Public Access activities at 17%.

The excellent figures for the first half are the result of an encouraging rise in the sales of high added value solutions, the success of the new rental model now applied to about 10 million subscribers, as well as the introduction of new business processes. As a result, margin on goods and components sold increases from 61% to 70%.

### A strengthening of the cooperation with the existing customers in Digital TV

#### A series of new orders :

One of the objectives of the Kudelski Group strategy defined in 2003 was the strengthening of the relations with existing customers through new solutions aimed at improving the attractiveness of the operators' services. Following new agreements or orders are particularly significant in this respect:

- Bell ExpressVu migration of 2.6 million smart cards to Aladin technology, with the systematic swap out of previously deployed smart cards.
- Premiere deployment of a « Digital Video Recorder » solution developed by Nagravision, allowing subscribers to locally record encrypted digital programs.
- Canal Satellite deployment of an ADSL content security solution.
- DigitalPlus (Spain) migration of 1.8 million subscribers to Aladin technology, with the swap out of all previously deployed smart cards.
- Sogecable (Spain) upgrade of around 800,000 analog subscribers to a new technology, with the swap out of all the currently deployed smart keys.

These new deals supplement the orders for the swap out of over 8 million smart cards at Echostar and for the swap out of 3 million smart keys for the analog decoders of CanalPlus in France, adding further volumes to the growing recurring sales.

All these orders will contribute to the revenues and the profitability of the Kudelski Group for the second half of 2004 and above all for the year 2005, thus strengthening the outlook for the next 12 to 18 months.

Moreover, negotiations aimed at enabling several other important clients of the Group to benefit from solutions at the leading edge of security technology are progressing well. Operators' migration to these new solutions will contribute to the growth of the Group in the medium term.

#### A new potential of development in the medium to long term

The ability to win new markets has been one of the key strengths of the Kudelski Group for over ten years. During the first half of 2004, the Group has announced that it had been selected by KDG in Germany for the securisation of its basic digital services for German cable, thus addressing with a potential 27 million subscribers. Moreover, Kudelski was selected by the main Brazilian cable operators for their digital TV conditional access .

Today, the Group announces several new agreements with a strong development potential:

- In China, Nagravision has joined forces with CITIC Technologies, a member of the market leading CITIC Group to jointly develop the Chinese market. The CITIC Group owns 23 cable TV networks covering a population of more than 200 million people, with over 10 million analog subscribers today. CITITEC will deploy Nagravision technology on all its networks, thus enabling Nagravision to accelerate the penetration of the Chinese market.
- The operator HKC in Hong Kong has chosen the Nagravision conditional access system for the extension of its Digital TV offering to a satellite platform.

- Digital broadcasting company DPC, now majority-owned by Astra, has selected Nagravision as a reference platform for the broadcasting of encrypted digital content via satellite in German speaking countries and in Central Europe. DPC currently ensures the transmission of Premiere's programs. This choice is expected to further accelerate Nagravision's growth in Europe.
- The German cable operator Ish has chosen Nagravision's technology for the protection of their own Pay-TV offering.
- Lysis has entered new contracts for the deployment of traffic and scheduling solutions with several operators including Arrivo (Netherlands) and CJ CableNet (Korea)
- Nagra Public Access has entered several agreements in Switzerland for the nation-wide distribution of electronic tickets, notably with the Swiss Federal Railways and the Swiss Post Office. These deals represent an important step towards convergence as they allow the set up of an effective infrastructure for electronic ticketing based on solutions developed by the Kudelski Group.
- Skidata has secured several new contracts : the French ski resort of Serre-Chevalier has chosen the latest Skidata access control system to be installed for the 2004-2005 winter season. The Skidata parking unit delivered eight systems for the city of Turin (total of 3000 parking spaces). The football stadiums of Blackburn Rovers (United Kingdom) and Ernst Happel (Austria) are now equipped with Skidata access technology.

These new deals and the development of new innovative technologies in areas such as digital terrestrial and video over P transmission will be among the medium to long term growth drivers of the Kudelski Group.

#### Good outlook for 2004 and 2005

The Group order book and the mid-term visibility will continue to develop beyond this first half year, reflecting the strong progress of the Group's teams. The Kudelski Group expects the positive momentum of the first half of 2004 to continue for the whole of 2004 and for 2005.

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Please find for your convenience the links to the press releases sent out in 2004 by the Kudelski Group

- 08-23-2004 The Kudelski Group and PostFinance launch innovative project for electronic tickets
- 08-13-2004 New publication date for 1H results 2004: September 1st
- 06-17-2004 Nagravision and Iowa network services offer an all digital cable pay TV system to cable operators throughout the state
- 06-17-2004 Kudelski Group's Livewire announces Tsunami™ set-top box software deployment in North America
- 05-12-2004 The Kudelski Group conquers the cable market in Brazil
- 05-12-2004 Kudelski Group's Nagravision Pay TV System selected by TVA, Brazil's second largest cable TV Operator
- 05-12-2004 Kudelski Group's Nagravision Pay TV System selected by Net Serviços, Latin America's and Brazil's largest cable TV operator
- 05-05-2004 Nomination at the Board of Kudelski S.A.
- 04-16-2004 Canal Satellite selects Kudelski's MediaGuard conditional access system for new ADLSL service
- 04-02-2004 SCM and Nagravision achieve DTV security module certification in Korea
- 03-12-2004 Kudelski Group: market share increase in digital TV, recovery completed and strong 2004 momentum
- 03-12-2004 Two new contracts for Lysis with key European broadcasters
- 03-12-2004 Top Up TV chooses Kudelski Group's MediaGuard conditional access
- 03-12-2004 Nagravision to provide conditional access and smart card solutions to PT Broadband multimedia "Kabelvision" and "Smart TV" in Indonesia
- 03-12-2004 Nagravision selected by Swisscom broadcast for the delivery of a complete digital TV platform in Switzerland
- 03-12-2004 Nagravision to provide smart card solution for ABS-CBN
- 03-03-2004 New appointed CEO at Skidata
- 03-03-2004 Galenica takes over e-prica Ltd
- 01-16-2004 Kudelski Group: new appointments
- 01-09-2004 Nagra exhibits at CES 2004 in Las Vegas
- 01-05-2004 Kudelski Group: acquisition of MediaGuard completed