

PRESS RELEASE

Kudelski reports record-setting 2005 first half results

<i>(in thousand CHF)</i>	January/ June 2005	January/ June 2004	Variation %
Total revenue	330'154	275'173	20.0%
Margin ACMS	223'951	192'595	16,3%
OIBDA	77'675	51'519	50,8%
EBIT	56'279	35'084	60,4%
Net income	48'443	22'783	112,6%

Cheseaux, 24th August 2005

The Kudelski Group announces the best-ever first semester in its history, with record-breaking top line and profitability. Total revenue increased by 20% compared to the first semester of 2004 to reach CHF 330.2 M. EBIT is at CHF 56,3 M, up 60.4%, and net income is at CHF 48.4 M, up 112.6%. Net cash from operating activities has more than doubled, reaching CHF 147.3 M.

For the full year 2005, the Group is increasing its revenue guidance from CHF 670-690 M to CHF 680-695 M and EBIT guidance from CHF 110-120 M to CHF 115-125 M.

Best-ever first half

In the first half of 2005, the Kudelski Group delivered the best-ever first semester in its history. Total revenues for the first half of 2005 have increased by 20% to reach CHF 330.2 M. Digital TV contributed most of the growth, increasing from CHF 205.1 M to CHF 258.2 M, a 25.9% growth compared to the first half of last year. The swap out of 4 M cards at EchoStar, 0.8 M at Bell ExpressVu and 1.4 M at Digital+ as well as the system roll-out and the subsequent deployment of prepaid cards at Mediaset strongly contributed to the growth of its Digital TV business.

The European Digital TV business in particular has shown an impressive momentum, with an increase of 32% to CHF 115.8 M. Within two years, the Group has more than tripled the size of its European business, significantly extending its footprint to cover, among others, major operators such as CanalSat in France, Premiere, KDG, Iesy, Ish, and Kabel-BW in Germany, Sogecable in Spain, Mediaset in Italy and TopUp TV in the UK. In particular, the Group is setting the industry innovation standard in the emerging terrestrial market.

Group profitability was also at record level, with an EBIT at CHF 56.3 M, up by over 60% from the first half of last year and a net income more than doubling to CHF 48.4 M compared to CHF 22.8 M in the first half of last year.

Cash generation in the first half of 2005 was strong. The total cash balance of the Group has increased by CHF 82 M to CHF 280.9 M, a particularly strong performance considering that the

Group purchased a further nominal USD 15 M worth of the outstanding convertible bond and distributed CHF 10.3 M in dividends. The outstanding operational performance of the Digital TV business and the strong working capital management have enable the Group to generate a net cash from operating activities of CHF 147.3 M. This compares to CHF 53.3 M in the first half of last year and CHF 3.2 M in the first half of 2003.

Delivering contract pipeline and winning new deals

The strong financial performance of the Group mirrors the ongoing improvement of the delivery capabilities of the Group. In the first half 2005, the Group has completed several key projects, setting the stage for future growth:

- The Group has set up a new Set-Top Box Center in Shanghai for the integration and certification of set-top boxes. A team including local engineers and expatriates already started integration and certification activities at the beginning of July.
- Nagravision has deployed the second release of the Mediaset pre-paid solution suite. Following a highly successful roll-out of the first pre-paid smart card-based digital environment early this year, Nagravision has developed and rolled-out a second release enabling Mediaset to expand its pay-per-view service with new features, such as adaptable packaging and pricing support, including for example season tickets, and flexible rechargeability and new content such as motor sports, reality shows and movies.
- The Group has completed the development of a second generation hybrid CAS solution suite, significantly upgrading MediaGuard through the combination of MediaGuard and Nagravision security features and capabilities. With this new solution suite, the Group is now in a position to materially enhance the depth of its offering to MediaGuard customers.

In addition to further strengthening organic developments, the Group entered a number of transactions with the goal to round out its offering and geographical footprint.

- Kudelski has acquired a minority stake of Korean-based Acetel. Acetel will use the proceeds to expand its development capabilities in the set-top box market and act as a distributor for the Kudelski Group in Korea. Moreover, Kudelski has entered an agreement with SCM for the deployment of PODs in the Korean market.
- Kudelski announces the acquisition of Geneva-based Abilis. The core of Abilis solutions are multimode semiconductors based on a single-chip 90nm CMOS supporting mobile digital TV and wireless data communication. Kudelski will combine Abilis highly integrated, low-power, small surface ICs with its security feature set to provide full fledged DRM solutions targeting the terrestrial and mobile TV markets.

Further, the Group announces the signature of new contracts.

- Following a successful roll-out with strong initial volumes at Neuf Telecom, Nagravision continues to expand in the IPTV market, announcing the signature of a new contract with leading Spanish broadband telecom operator Jazztel.
- Singapore's StarHub has selected Nagravision as the system integrator and key technology provider for the deployment of its state-of-the-art Digital Video Recorder. StarHub's DVR, twin-tuner interactive digital set-top box and DVR in one unit, is expected to be launched within the next six months. The DVR has a high capacity hard-disk and is integrated with StarHub's Onscreen TV Guide. It provides time shifting, two-way interactivity and easy navigation.

- Swiss leading cable operator Cablecom has entered a contract with Nagravision for upgrading its infrastructure to Nagravision's most recent conditional access release.
- Brazilian cable operator TVA has selected Nagravision to migrate its Wireless Cable Service from analog to digital. With this migration, TVA is now deploying a second Nagravision head-end. The migration is starting in Sao Paulo, where TVA today has 35'000 MMDS analog subs
- American satellite operator Globecast has entered an agreement to upgrade its entire subscriber base to Nagravision's most recent conditional access release.
- Nagravision was selected to secure broadcasting of the satellite radio stations of Japanese MusicBird on JSAT platform.
- SkiData announces in a separate press release the signature of major contracts with the three French top ski resorts Les Trois Vallées, Les Sybelles and L'Espace Killy. The resorts will deploy the newly introduced, leading edge FREEMOTION gate solution. Moreover, SkiData announces further contracts with two Beijing facilities for stadium access for the 2008 Olympic games, Skidome in Dubai, Allianz Arena in Munich, Fiera di Milano in Italy, as well as a large parking complex in Mexico.
- Polyright (formerly SportAccess) announces in a separate press release the signature of an important contract with the Federal Institute of Technology (EPFL) in Lausanne, for the deployment of a multi-application smart-card based solution.

Strengthening management team

Lucien Gani, currently partner of a law firm in Lausanne, has accepted to join the Group as a General Counsel, Head of Legal Affairs and member of the Executive Board. Lucien has an extensive legal background and an in-depth knowledge of the Group's business, having worked as an external counsel of the Group for several years, in particular on strategic projects. He will take over the responsibility of all Group's legal and Intellectual Property activities, starting on January 1, 2006.

Outlook

Business outlook for the second half of the year is favorable.

With the completion of significant swap out projects in the first half, we expect an atypical seasonality with Digital TV revenues front loaded towards the first half. Public Access, on the other hand, is expected to follow the historical seasonality patterns, with a material revenue growth in the second half compared to the first half and a positive contribution margin.

Overall, the Group is increasing its revenue guidance from CHF 670-690 M to CHF 680-695 M and EBIT guidance from CHF 110-120 M to CHF 115-125 M.

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