

## PRESS RELEASE

### Kudelski Group announces best-ever financial results in 2004

(in thousand CHF)	2004	2003	Variation %
<b>Total revenue</b>	619'046	412'392	<b>+50%</b>
Margin ACMS	426'326	250'807	<b>+70%</b>
OIBDA	141'137	32'229	<b>+337%</b>
EBIT	101'499	10'063	<b>+908%</b>
<b>Net Profit</b>	77'195	33'167	<b>+132%</b>

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Cheseaux (Switzerland), February 28<sup>th</sup>, 2005

**The Kudelski Group announces best-ever financial results in 2004, with record-breaking top line and profitability. The Group signed up new Digital Television operators and expanded its relationship with existing key customers by offering new value-added solutions.**

**Digital TV R&D spending increased to reach 29.5% of Digital TV revenues, enabling the Group to accelerate the development of new solutions. Within Public Access, the Group announces streamlining initiatives including the divestment of non-core activities and a cost reduction program.**

**Kudelski's guidance for 2005 is between CHF 670 and 690 million revenues and between CH 110 and 120 million EBIT.**

#### **2004 Results**

Total revenues for the Kudelski Group in 2004 increased by over 50% to reach CHF 619 million. EBIT reached the record level of CHF 101.5 million, a tenfold increase compared to the previous year. Net income followed the same growth path, more than doubling compared to 2003, to reach CHF 77.2 million, while net cash from operating activities was up to CHF 78.4 million.

Digital TV drove these record level results. Revenues went up 93% compared to 2003, thanks to a 50% organic growth and to the consolidation of MediaGuard. In particular, European sales more than tripled to reach CHF 196.8 million and sales in the Americas increased by 88% to CHF 177.4 million. The EBIT margin of the Digital TV unit was at CHF 116.8 million, 26.7% of the unit's revenues.

Last year, the Digital TV unit sold 22.4 million cards and benefited from 11.5 million cards in rental mode, resulting in a total number of revenue generating cards of 33.9 million, up 160% from the previous year. The total number of active cards/modules at the end of last year amounted to 53.5 million.

Revenues from Public Access activities went up 3%. This unit reached a negative EBIT of CHF 3.7 million. Public Access announces the divestment of non-core activities and an efficiency improvement program to restore profitability in 2005.

### **New Digital TV contracts**

Over the past few months, the Group has continued to strengthen its market leadership in the worldwide conditional access market, expanding the scope of the relationship with some of its most important customers and winning new operators.

The Kudelski Group entered an agreement with **EchoStar** to support Dish Network's newly introduced advanced VOD services. Based on a new cutting-edge DVR, these services feature advanced pause, reverse and fast forward capabilities providing subscribers with instant availability of up to 100 movies. Moreover, Kudelski technology will enable the integration of Portable Playback Devices into home networks, securing copy protection for valuable content as it is distributed between portable video recorders and decoders' hard disks.

**N9uf Telecom**, France second largest telecom operator, has selected Kudelski Group's content protection solution NagraIP to secure its Pay TV-over-DSL Service. N9uf Telecom's Pay TV channels service will be launched commercially next month in France.

Belgian cable operator **Telenet** has selected Nagravision's conditional access system to secure its TV service, having implemented Lysis' iDTV solution for content rights management. Telenet will offer state-of-the-art interactive applications such as video-on-demand on an MHP (Multimedia Home Platform) middleware platform.

**RCS&RDS**, the largest cable television and internet service provider in Romania, launched DigiTV, the country's first Direct-to-Home satellite service at the beginning of 2005. The service is secured by Nagravision's conditional access system. RCS currently serves close to one million analog subscribers on a network extending from Romania into Hungary and Slovakia.

**Melita Cable**, which serves more than 75% of TV households in Malta, has selected Nagravision to support the launch of a 77-channel digital TV package. Melita Cable started its analog TV services in June 1992 and is now available in over one hundred thousand homes.

In Africa, the Kudelski Group has agreed to supply an end-to-end digital television solution to Direct Broadcasting Service operator **NDTV**. The Group will act as a system integrator, providing a turnkey solution and integrating from the outset advanced capabilities such as Digital Video Recording.

In Portugal, **TV Cabo**, the country's leading operator, is about to upgrade its satellite subscribers to Nagravision's new generation of conditional access systems. Over 350,000 smart cards will be swapped in 2005. TV Cabo has also chosen Nagravision to secure its new digital cable TV service. This year, some 350,000 TV Cabo's premium analogue customers are expected to go digital.

In late 2004, Nagravision won a contract to secure the pay-per-view offerings of **Mediaset** Italian digital terrestrial platform. Following the launch on January 22, 2005, take up of the offering is exceeding expectations, with a CHF 10 million revenue generation from conditional access for the Kudelski Group by the end of the first quarter 2005. With Mediaset and Top Up TV, both major European DTT (Digital Terrestrial TV) operators have chosen Kudelski technologies to protect their content.

## **New Digital TV product launches**

In 2004, the Kudelski Group further strengthened its commitment to innovation, substantially increasing its R&D spending to reach 29.5% of Digital TV revenues. As a result, the Group has launched several advanced solutions and made significant inroads in key new market segments.

**Disposable smart cards** – Kudelski has completed the development of a ground-breaking disposable card. Digital Terrestrial TV operator Mediaset has successfully launched a pay-per-view service based on the first release of this technology.

**TV over IP networks** –Nagravision has launched Nagra IP, a set of solutions specifically designed for IP network operators. Nagravision's optimized solutions take full advantage of the IP two-way network, while augmenting many of the features that ensure unlimited scalability, efficient bandwidth usage and state-of-the art security.

**Sustainable security in DVR.** Nagravision has launched Nagravision DVR (Digital Video Recorder), an advanced security solution to protect content on decoders' hard-disk drives. Nagravision DVR can be further enhanced with Nagra **Push VOD**, a module created to secure content sent to subscribers in "push" mode. These solutions have been successfully deployed by Disney MovieBeam and will enable EchoStar's Dish Network and Premiere DVR offerings.

To address the needs of the **TV-over-Mobile** market, Nagravision has launched Nagra-Lysis Mobile DRM, securing rich content over next generation mobile networks.

## **Portfolio streamlining initiatives**

Over the last few months, the Kudelski Group has implemented further measures aimed at continuing to improve efficacy and freeing up resources to sustain core innovation initiatives.

The Group has sold its ownership stake in Logiways SA while maintaining a business partnership and keeping full control over all relevant intellectual property rights developed by the company. Livewire, a US-based subsidiary developing software for digital decoders, is now integrated into Nagra USA, Inc. to rationalize the cost base and to strengthen the Group level set top box strategy. The Group also exited from Nagra Futuris, a joint venture in the Digital Audio Broadcasting market while maintaining the property over a set of promising patents in the TV-over-mobile network market.

The Group announces the divestment of selected non-core Public Access activities. Following a streamlining of its operations, with a tighter integration with existing Group activities, AccessArena will put up for sale its business-to-consumers activities to refocus on the business-to-business market.

As a further cost reduction measure, the Group will sell its ownership stake in Tourist Data Shop. Finally, SkiData has initiated a program aimed at streamlining its cost base through the optimization of its sourcing strategy, following the development of a new platform aimed at further expanding its market leadership.

## **2005 Outlook**

In 2005, the Kudelski Group expects a continuation of the positive growth and profitability improvement trends experienced in the last two years. In 2005, the Group expects a growth in the volume of smart cards sold as well as smart cards rented, with further developments of the existing customer base and the addition of new customers with large volume potential.

Overall, the Group expects total revenues in the range of CHF 670 to 690 million with an underlying net sales growth between 11 and 15% compared to 2004. The Group expects a 2005 EBIT range between CHF 110 and 120 million.

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