

PRESS RELEASE

Kudelski Group maintains momentum with record level top line and profitability

(in thousand CHF)	2005	2004	Variation %
Total Revenues and other operating income	697'173	606'131	+15.0%
OIBDA	160'833	125'950	+27.7%
EBIT	121'142	92'221	+31.4%
Net Income	86'772	93'500	-7.2%

Cheseaux, 24 February 2006 - Under the newly introduced IFRS accounting standards, total revenues and other operating income for the year 2005 amount to CHF 697.2m, an increase of 15% compared to the previous year. EBIT reached CHF 121.1m, up 31.4% from 2004. Net profit at CHF 86.8m includes one-off, non-cash adjustments due to the migration to IFRS.

The pro forma reconciliation to Swiss GAAP FER shows total revenues at CHF 703.1m, EBIT at CHF 121.5m and net income at CHF 105.2m.

Cash generation capabilities in 2005 were exceptionally strong with a cash flow from operating activities at CHF 189.3m, a more than threefold increase compared to the previous year. At the end of the year, the Group had a cash balance of CHF 434.7m.

Digital TV was the main driver of these record level results. Revenues increased by 18%, due to a strong recovery of the Asian business (+38%), a continued strong momentum in Europe (+23%) and a further growth from a high revenue base in the Americas (+7%).

Public Access also strongly improved its performance compared to 2004, achieving 8.5% growth and a 5.1% EBIT margin. With a 74% revenues growth in Americas and 44% revenues growth in Asia, Public Access also demonstrates its ability to extend its geographical footprint.

Growing new business lines

The Kudelski investment in **IPTV** and its open standards-based approach is paying off and gaining a strong market acceptance:

- **neuf Telecom** (France) - NagralP ensures content protection for neuf's TV service. neuf's acquisition of Cegetel significantly increased the target subscriber base. Having passed the landmark of 50'000 subscribers in 2005, neuf Telecom's TV service plans to reach 200'000 subscribers in 2006.
- The Spanish broadband operator **Jazztel** has launched its DSL-based pay-TV service Jazztelia TV fully relying on NagralP for content protection.
- **PanAmSat** (US) - NagravisioN has signed a new contract to deliver an IPTV system including the NagralP content protection solution and set top boxes for a high-definition

MPEG4-based bouquet to be made available on a wholesale basis to cable and IPTV operators throughout the US.

- **Ish** (Germany) deploys an IPTV-based solution over cable fully relying on NagraIP for content protection.

As a further major extension of its IPTV offer, the Kudelski Group has formed a new UK-based subsidiary **Quative Ltd**, offering a next generation service delivery platform for IPTV, including content protection, content management & distribution and service delivery. Relying on a core team with an established track record in the roll-out of IPTV services, Quative will support IP-only and hybrid DVB-IP solutions. Quative IPTV is service-independent and focuses on a scalable, high performance service platform including IP EPG data server, VOD catalogue server, application download server, purchase transaction server and OSS/BSS gateway functions. Quative will be managed by Sebastian Kramer who worked for the last five years in the IPTV industry and who was a co-founder of Thirdspace, an Alcatel/Oracle JV.

The Kudelski Group continues to expand in the **mobile TV** sector. Following the partnership with T-Mobile in the Czech Republic, Nagravision further strengthens its presence in this sector through a new agreement with **3 Italia** (H3G) to secure the world's first mobile TV DVB-H commercial service.

3 Italia, the leading Italian mobile media company serving more than 5.5 million customers, has selected Nagravision to secure its mobile TV service to be launched prior to the FIFA World Cup in June 2006.

Nagra Mobile secures TV services through a SIM based approach enabling Mobile Network Operators (MNOs) to leverage their subscribers' relationships to generate additional revenues through a flexible set of online and offline business models. Nagra Mobile provides flexible subscriber management capabilities, integrating Lysis CMS and DRM advanced entertainment services. The solution supports live TV, content scheduling, ESG, on-demand content management and automatic content push to handsets in multi-DRM environments, including OMA v1, v2 and Microsoft DRM.

Nagravision continues to develop and extend the footprint of its **prepaid solution** originally deployed by Mediaset in Italy in 2005.

- **EchoStar Communications**, a Kudelski Group long-standing customer, announced last week its plan to launch its prepaid satellite TV service DishNow nationwide using technology supplied by NagraStar. DishNow comes in a number of packages including 60 channels with entertainment, sports, news and children's programming.
- **Mediaset** – Nagravision is to deploy the third release of the Mediaset rechargeable smart card solution suite, following a highly successful rollout of the first phases 2005. This new release enables Mediaset to expand its Pay-Per-View offering to include new features such as Pay-Per-Time and subscription services. This project is expected to be rolled out in late summer.

Nagravision continues to expand its early lead in **Push Video on Demand**. Following the recent announcement of a joint venture with Walt Disney Television International, Nagravision has completed the development of a next generation PVR with integrated Push VOD services. **MovieBeam**, a venture financially backed by Disney, Cisco and Intel, recently relaunched its Nagravision-secured movies-on-demand service in 29 major metropolitan areas across the U.S., including New York, Los Angeles and Chicago, reaching nearly half of all U.S. households. The MovieBeam movies-on-demand service provides instant access in HDTV to an ever-changing

lineup of new releases and other popular favorites from virtually every major Hollywood studio. Disney will release its films through the service on the same date they appear on DVD.

In addition to the above, Nagravision announces the following further new contracts:

- **Telefonica del Peru** – one of the largest telecom, Internet service and cable television providers in Peru, has selected Nagravision to supply a conditional access solution and Livewire OS software suite for its Cable Magico Digital TV network.
- **R** (Spain), the Galician fiber optic telecommunications operator, has selected Nagravision to supply a full conditional access suite for its digital TV network.
- In Brazil, **TVA** and **Net Serviços** are expanding their digital TV services using Nagravision technology by simultaneously launching new cities in Brazil and upgrading some networks to full digital.
- **StarHub Cable Vision**, Singapore's cable operator, is launching SmartTV, a new service that enables users to record their favourite TV programmes conveniently with their remote control. This new feature will be offered to subscribers through the deployment of Digital Video Recorders using Nagravision technology. An initial launch will take place end of February and full deployment is planned for the second quarter of the year. This will be the first deployment of a DVR project in Asia. Nagravision acts as a global integrator.
- **Premiere** (Germany) – in the last quarter of 2005, Premiere launched push PVR services using Nagravision turnkey solution.

2006 Outlook

The recent closing of the sale of a controlling stake in Ticketcorner to a Group of investors under the lead of Capvis has generated a material profit for the Kudelski Group. This profit will positively impact the Group's 2006 operating result. From 2006, Ticketcorner will no longer be consolidated.

The Group is currently negotiating with most of its largest Digital TV customers new rental-based agreements. If implemented, such agreements will generate recurring revenue streams substantially more stable than under the sales model, while deferring revenues to later years and thus negatively impacting the 2006 revenue and operating profit lines.

In addition to the above, the Group will reinvest a significant share of the proceeds from the Ticketcorner transaction to further grow new business areas, such as, in particular, Quative IPTV solution suites, Disney/Nagra Push VOD, Nagra Mobile TV and an advanced, customizable next generation security architecture for securing content distribution.

Following the high swap out volumes in 2005, the Group does not expect any material revenue contribution from card replacements in 2006, since most of the forthcoming swap outs is expected to take place under a rental model. However, due to the favorable structural development of the underlying business, the Group expects to compensate the revenue fall out from swap outs with additional underlying business.

Overall, 2006 total revenues (including other operating income) and EBIT are expected to be roughly in line with the 2005 results. The positive impact of the Ticketcorner transaction should compensate the one off migration cost to the rental model and the additional charges incurred from the accelerated development of new businesses. In light of the uncertain adoption of the rental model at large clients, the Group does not provide a numeric guidance for 2006.

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