

PRESS RELEASE

Kudelski Group with strong first half revenues and profits

(in thousand CHF)	January/June 2006	January/June 2005	Variation %
Revenues	305'085	334'445	-8.8%
Gain on sale of subsidiary/ other operating income	59'236	1'143	
Total	364'321	335'588	+8.6%
OIBDA	117'661	82'476	+42.7%
EBIT	97'339	64'459	+51.0%
Net Income	90'310	37'941	+138.0%

Cheseaux, August 24, 2006

The Kudelski Group announces revenues of CHF 305.1 million and a net gain from the sale of Ticketcorner of CHF 59.2 million. Total revenues, other operating income and net gain on sale amount to CHF 364.3 million, a growth of 8.6% compared to the first half of last year.

EBIT is at 97.3 million, up CHF 32.9 million from the first half of last year, while net income more than doubles from CHF 37.9 million to CHF 90.3 million. Cash flow generation remains strong with a CHF 70 million cash flow from operating activities.

The Group announces several agreements as well as the successful launch of Nagra Mobile in Italy with 110'000 subscribers after 5 weeks of operations.

For the full year, the Group expects total revenues plus net gain on sale of between CHF 730 and 745 million and an EBIT in the range CHF 135 to 150 million.

STRONG FIRST HALF RESULTS

Following a record year in 2005, the first half 2006 confirmed the strong momentum of the Group's digital TV business and a continued improvement of Public Access activities.

Digital TV economics in the first half of 2005 were driven by large volumes of swap out cards at customers such as EchoStar, Digital + and Bell ExpressVu. In the first half of 2006, Digital TV generated CHF 239.9 million of revenue. This represents a structural growth of 26.7% compared to the first half 2005 pro-forma revenue, net of the swap-out impact. The revenue-generating installed base of cards in the rental model increased by 14% to 14.2 million units, with a total number of active smart cards/modules now in excess of 66 million.

With the reduction of the Group's stake in Ticketcorner to 28%, Ticketcorner revenue of CHF 10.9 million is no longer consolidated in the Public Access segment. Public Access revenues with a constant perimeter of consolidation increased by 9% from CHF 59.8 million to CHF 65.1 million.

First half 2005 results were restated in the newly adopted IFRS standards.

BREAK-DOWN BY REGION

In absolute terms, Europe was the key driver of the Digital TV segment performance. Net sales increased by 19% to CHF 137.9 million. In addition to established customers, such as the Canal+ Group, Premiere, UPC and NTL/Telewest, the Group extended its footprint to several other operators. German cable operators are generating material volumes of new cards, including initial basic encryption cards. In Italy, Mediaset continues to develop very strongly both in terms of new cards and new system releases. Further customers generating a material number of cards in the first half include Eastern European operator RCS, currently in the launch phase, TV Cabo in Portugal and Polsat in Poland: in aggregate these three operators generated close to one million new cards in the first half year.

In the Americas, Digital TV generated CHF 65.9 million of sales, roughly in line with last year's revenues net of swap-outs. Brazilian operators Net and TVA developed particularly well both in terms of cards and equipment sales.

In Asia, Digital TV achieved a growth rate of 62% to CHF 35.4 million, reflecting in particular the positive development of Astro in South-East Asia as well as the deployment of a complete solution suite at Starhub in Singapore.

While Europe still represents the key driver of Public Access sales, both the American and the Asian markets continue to deliver a high growth rate, with a sales increases of 31% and 34% respectively compared to the first half of last year. Within two years, the share of sales from these two markets has increased from 8% to 18% of total Public Access sales.

NEW AGREEMENTS

In the first half, the Group continued to expand its Digital TV and Public Access footprint, securing the following new agreements:

- In the mobile TV market, **Telecom Italia TIM**, the largest Mobile Network operator in Italy, has selected Nagravision for its DVB-H (Digital Video Broadcasting - Handheld) MobileTV service. Targeting TIM's 26 million Italian subscribers, the TIM service secured by Nagra Mobile will be sold starting this fall on a subscription basis. TIM is the largest Mobile Network Operator to launch a commercial DVB-H-based MobileTV service.
- The Group further expands its leadership in the Italian digital terrestrial market with the signature of a new agreement with **Espansione TV**. Espansione TV will deliver pay-per-view services over the Italian DTT platform using a Nagravision conditional access solution. The service will be based on the proven Nagravision business model enabling secure, anonymous access to selected content through pre-paid smart cards.
- **Telefonica** has selected Nagravision to provide the conditional access solution for their **DTH** operations in Latin America. To ensure a fast time to market, Telefonica selected Nagravision to be the turn-key integrator for their platform, including the integration of head end equipment and set-top boxes. The multi-market approach of our solution will enable an offering targeting multiple countries throughout Latin America.
- The Group signed a new contract with **IPTV Americas** to launch the first MPEG-4 AVC IPTV service in Latin America. IPTV Americas will supply a head end platform for telcos supporting telephone, Internet and TV services, based on the company's extensive fiber optic network deployed throughout Latin America.
- **GTD**, a telecommunications operator in Chile, has selected a Nagravision turn-key solution, including the Nagravision conditional access and user interface as well as Livewire middleware. Like other operators in this region, GTD chose Nagravision because of its ability to deliver a pre-integrated, proven solution suite enabling a fast and reliable deployment.
- One of the biggest Eastern European telecom operator **RCS&RDS**, whose DTH DigiTV satellite services are available in Romania, Hungary, Slovakia and newly in the Czech Republic, has signed an agreement for the upgrade of its existing

Nagravision conditional access and subscriber management systems to provide RCS a fully redundant platform. With two million cards to be delivered in a 24 months timeframe, of which over one million in 2006, this agreement will enable RCS to fully handle its successful business expansion and broaden its DTH offering to new markets.

- In the Public Access segment, SkiData continues to expand its customer base, signing several new contracts in Europe, such as, for example, the ski resorts in **Branäs (Sweden)** and **Obertauern (A)**, football arenas in France (**Nantes**) and for several **UK clubs (e.g. Celtic Glasgow, Everton FC)** as well as prestigious car parks in Paris (**Champs-Élysées**) among others in Europe. Moreover, SkiData is increasingly successful beyond Europe, having signed among others agreements for a first skiing project in Korea (**Kangwoon Land**), seven parking projects in Australia (**Westfield**), HongKong Airport and several projects in the USA (e.g. in Baltimore and the Schermerhorn Symphony in Nashville).

MOBILE TV

Launched in 2005, Nagra Mobile solutions are gaining momentum within the mobile industry, emerging as the solution of choice of top tier Mobile Network Operators and technology partners. The Group has completed the integration of its conditional access with DVB-H mobile phone suppliers such as BenQ, LG, Motorola, Sagem and Samsung, and SIM card suppliers such as Gemalto, Giesecke&Devrient, Oberthur, Sagem Orga and ST Incard, providing already at this early market development stage an open platform supporting a wealth of devices.

Investments are now starting to pay off and the Group has taken the leadership in the DVB-H Mobile TV Conditional Access (CA) market, with the first CA adopted, massively deployed, and integrated with several mobile telephony technology partners.

In June 2006, the pioneer mobile network operator 3 Italia launched the world-first DVB-H commercial service, just in time for the FIFA WorldCup. 3 Italia offers top Italian content, from Mediaset, SKY Italia and RAI and has broadcast all 64 WorldCup matches to Italian mobile consumers. Initial adoption rates are promising as 3 Italia announced 111'000 MobileTV subscribers after 5 weeks of operations and targets to reach half a million subscribers by the end of the year.

With the TIM TV DVB-H service was announced this summer, Italy has become the flagship DVB-H MobileTV market, setting the benchmark for the rest of the industry.

IPTV

In the IPTV market, Jazztel (Spain) has initiated the country-wide roll-out of its Jazztelia TV service based on Nagra IP CAS, adding a further reference to the list of successfully deployed Nagra IPTV services. This deployment further demonstrates the reliability, openness, scalability and security of Nagra IP.

Further, Quative, another Kudelski Group company, has installed initial pilots of its Quative IPTV Service Platform. The platform is pre-integrated with Lysis content and DRM management and Nagra IP content protection systems and Quative Reference Application Suite, enabling a comprehensive set of base IPTV applications.

NEW BUSINESS LINE

Following the acquisition of the DTV division of SCM Microsystems, the Kudelski Group has set-up SmarDTV, a fully owned entity providing removable security solutions for digital media devices. SmarDTV products allow for wide-ranging, highly secure consumer access to authorized PayTV content, in the home and on the go. The company's main products are Conditional Access Modules such as DVB-CI (e.g., the well established WorldCAM DVB-CI and EuroCAM) and CableCards, working with a variety of conditional access systems.

Wherever possible, SmarDTV will continue to support already deployed SCM products, making sure that operators' and consumers' investments are adequately protected. SmarDTV will continue to maintain and further improve the recognized quality and durability of these products.

OUTLOOK

In the second half of the year, we expect to further increase our Digital TV revenues from the strong first half base, however with a revenue mix less favorable than in the first half year. Similarly to the first half, no material revenue contributions from swap-outs are expected in the second half.

Within Public Access, we expect the usual seasonality pattern with materially higher second half revenues, resulting in a positive full year result.

Overall, the Group expects total revenues plus net gain on sale of between CHF 730 and 745 million and an EBIT in the range CHF 135 to 150 million for the full year.

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