

**Kudelski Group**  
**Financial statements 2004**

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# Financial statements 2004

## Kudelski Group consolidated financial statements

# Kudelski Group

## Consolidated financial statements

### Consolidated balance sheets as of December 31, 2004 and 2003

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#### Assets

	Notes	31.12.04	31.12.03
in kCHF			
<b>Fixed assets</b>			
Intangible fixed assets	3.1	41 105	34 915
Financial fixed assets	3.2	24 985	32 787
Tangible fixed assets			
Land and buildings	3.3	39 980	30 643
Fixtures and fittings	3.4	89 142	74 205
<b>Total fixed assets</b>		<b>195 212</b>	<b>172 550</b>
<b>Current assets</b>			
Inventories	3.5	70 995	41 209
Work in progress		5 120	8 731
Trade accounts receivable	3.6	170 044	157 328
Other receivables	3.7	52 328	49 103
Marketable securities		8 776	0
Cash and cash equivalents	3.8	198 897	237 107
<b>Total current assets</b>		<b>506 160</b>	<b>493 478</b>
<b>Total assets</b>		<b>701 372</b>	<b>666 028</b>

#### Shareholders' equity and liabilities

	Notes	31.12.04	31.12.03
in kCHF			
<b>Shareholders' equity</b>			
Share capital		515 596	514 949
Share premium and reserves		-234 533	-324 290
<b>Total shareholders' equity, Group's interest</b>		<b>281 063</b>	<b>190 659</b>
Minority interests		21 721	15 194
<b>Total shareholders' equity</b>	3.9	<b>302 784</b>	<b>205 853</b>
<b>Long-term liabilities</b>			
Convertible bond	3.10	199 745	214 637
Provisions	3.11	9 527	22 342
Other long-term debt		12 625	22 157
<b>Total long-term liabilities</b>		<b>221 897</b>	<b>259 136</b>
<b>Current liabilities</b>			
Bank overdrafts		23 326	33 579
Trade accounts payable		71 566	68 448
Advances received from clients		5 130	10 436
Short-term provisions	3.11	16 468	9 465
Accrued liabilities and other payables	3.12	60 201	79 111
<b>Total current liabilities</b>		<b>176 691</b>	<b>201 039</b>
<b>Total liabilities</b>		<b>398 588</b>	<b>460 175</b>
<b>Total shareholders' equity and liabilities</b>		<b>701 372</b>	<b>666 028</b>

## Kudelski Group Consolidated financial statements Consolidated income statements for the years ended December 31, 2004 and 2003

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	Notes	2004	2003
in kCHF			
Sales	4.1	601 287	391 426
Capitalized developments and installations	4.2	17 759	20 966
<b>Total revenues</b>		<b>619 046</b>	<b>412 392</b>
Cost of goods and components sold	4.3	-192 720	-161 585
<b>Margin after cost of material sold</b>		<b>426 326</b>	<b>250 807</b>
Salaries and wages	4.4	-178 661	-131 154
Operating expenses	4.5	-41 687	-32 782
Sales and administration costs	4.6	-62 774	-47 267
Change in provisions		-2 067	-7 375
<b>OIBDA, operating income before interest, taxes, depreciation and amortization</b>		<b>141 137</b>	<b>32 229</b>
Depreciation and amortization		-36 889	-21 923
Impairment		-2 749	-243
<b>EBIT, operating income</b>		<b>101 499</b>	<b>10 063</b>
Financial income	4.7	30 841	72 690
Financial expenses	4.8	-39 863	-40 724
Extraordinary expenses	4.9	—	-3 208
<b>Net income before tax and minority interests</b>		<b>92 477</b>	<b>38 821</b>
Income tax	4.10	-8 017	-6 824
<b>Net income of the Group</b>		<b>84 460</b>	<b>31 997</b>
Minority interests		-7 265	1 170
<b>Net income</b>		<b>77 195</b>	<b>33 167</b>
<b>As a percentage of income</b>			
Operating income		16%	2%
Net income		12%	8%
<b>Earnings per share (in CHF)</b>			
Basic	4.11	1.50	0.65
Diluted	4.11	1.48	0.64

## Kudelski Group Consolidated financial statements Consolidated statements of cash flows for the years ended December 31, 2004 and 2003

	Notes	2004	2003
in kCHF			
<b>Net income</b>		<b>77 195</b>	<b>33 167</b>
Non cash items	5.1	64 079	-12 202
<b>Cash flow</b>		<b>141 274</b>	<b>20 965</b>
Change in net working capital	5.1	-59 610	20 372
<b>Operating cash flow</b>	5.1	<b>81 664</b>	<b>41 337</b>
Interest paid		-1 034	-1 096
Interest received		4 097	4 803
Taxes paid		-6 325	-5 698
<b>Net cash from operating activities</b>		<b>78 402</b>	<b>39 346</b>
Net investment in intangible assets		-19 333	-19 388
Net investment in tangible assets		-54 248	-57 835
Net investment in financial assets		-20 851	-23 370
Sale / acquisition of subsidiaries, cash inflow / outflow	5.2	-160	-366 748
<b>Net cash used in investing activities</b>		<b>-94 592</b>	<b>-467 341</b>
Change in bank overdrafts and long term loans		-14 513	-5 698
Employee share program – cash paid by employees		288	—
Repurchase of convertible bond		—	-54 371
Interest paid on convertible bond		-4 824	-6 319
Payments from minority interests		—	200
Dividends paid to minority interests		-2 264	-3 982
Acquisition of treasury shares		—	-380
<b>Net cash used in financing activities</b>		<b>-21 313</b>	<b>-70 550</b>
Effect of exchange rate changes on cash and cash equivalents		-707	-17 430
<b>Movement in cash and cash equivalents</b>		<b>-38 210</b>	<b>-515 975</b>
Cash and cash equivalents as of January 1		237 107	753 082
Cash and cash equivalents as of December 31		198 897	237 107
<b>Movement in cash and cash equivalents</b>		<b>-38 210</b>	<b>-515 975</b>

# Kudelski Group

## Consolidated financial statements

### Consolidated statements of changes in shareholders' equity in 2004 and 2003

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in kCHF	Notes	Share capital	Share premium	Other reserves	Treasury shares	Goodwill	Shareholders' equity, Group's interest	Minority interests	Shareholders' equity
<b>As of January 1, 2003</b>		<b>513 599</b>	<b>49 798</b>	<b>206 230</b>	—	<b>-209 319</b>	<b>560 308</b>	<b>20 602</b>	<b>580 910</b>
Shares issued for employees	3.9	746					746		746
Options given to employees	3.9			2 720			2 720		2 720
Shares issued for company acquisition	5.2	604					604		604
Treasury shares acquisition	3.9				-380		-380		-380
Adjustment on goodwill at acquisition	5.2					-401 697	-401 697	1 096	-400 601
Dividends paid to minority interests							—	-3 982	-3 982
Currency translation adjustment				-11 059			-11 059	-1 352	-12 411
Reverse of write-down on Swiss International Air Lines Ltd. shares				6 250			6 250		6 250
Net income				33 167			33 167	-1 170	31 997
<b>As of December 31, 2003</b>		<b>514 949</b>	<b>49 798</b>	<b>237 308</b>	<b>-380</b>	<b>-611 016</b>	<b>190 659</b>	<b>15 194</b>	<b>205 853</b>
Employees share program	3.9	127	252	8			387		387
Shares issued for employees	3.9	520	922				1 442		1 442
Impact of sale of subsidiaries	5.2					5 691	5 691		5 691
Adjustment on goodwill at acquisition (earn out and pension obligations)						2 388	2 388		2 388
Dividends paid to minority interests							—	-2 264	-2 264
Currency translation adjustment				3 301			3 301	-1 217	2 084
Effect of deferred consideration in favor of a joint venture							—	2 743	2 743
Net income				77 195			77 195	7 265	84 460
<b>As of December 31, 2004</b>		<b>515 596</b>	<b>50 972</b>	<b>317 812</b>	<b>-380</b>	<b>-602 937</b>	<b>281 063</b>	<b>21 721</b>	<b>302 784</b>

Statutory or legal reserves for the consolidated companies which cannot be distributed amount to kCHF 83 962 as of December 31, 2004.

#### Theoretical effect of the capitalization of goodwill

The total value of goodwill has been charged directly against reserves in accordance with the Group's policies. Capitalization of goodwill over the defined periods would have resulted in an additional amortization of kCHF 29 147 in the income statement for 2004 (2003: kCHF 8 617) while shareholders' equity as well as the balance sheet total would have increased by kCHF 456 868 (2003: kCHF 494 094). Impairment tests have been performed and have not generated any value adjustment.

# Kudelski Group

## Consolidated financial statements

### Notes to the consolidated financial statements

#### as of December 31, 2004 and 2003

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#### 1. General comments and principles of consolidation Joint-ventures

The consolidated financial statements for the years ended December 31, 2004 and 2003 have been prepared in accordance with Swiss GAAP FER and give a true and fair view of the financial position and results of the Group.

The consolidated financial statements have been prepared under the historical cost convention and on an accrual basis. All companies integrated into the scope of consolidation have a December 31 accounting year end.

The consolidated financial statements comprise those of Kudelski SA and of its affiliated companies including joint ventures and associates (the Group).

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

#### Subsidiaries

All the companies in which Kudelski SA exercises an exclusive or majority control either directly or indirectly are consolidated in accordance with the full consolidation method.

Assets, liabilities, as well as income and expenses are fully consolidated in the financial statements. The shares in net income and equity attributable to minority shareholders are set out separately in the consolidated income statement and balance sheet. Under the unity principle, minority interests are stated in the shareholders' equity.

The assets and liabilities and the related income and expenses within the Group have been eliminated by consolidation.

Newly acquired companies are consolidated from the effective date of acquisition, using the purchase method.

Full consolidation has been applied to the joint ventures in which Kudelski SA holds 50% of the capital, as the Group has direct management control.

#### Associates

Companies where the Group has a participation of 20% or more and a significant influence but does not exercise management control are accounted for by the equity method. The net assets and results are recognized on the basis of the associates' own accounting policies, where it is impractical to make adjustments to the Group accounting policy.

#### Scope of consolidation

Company	Location	Activity	Share capital	Percentage held		Consolidation method	
				2004	2003	2004	2003
Kudelski SA	CH Cheseaux	Holding	kCHF 515 596	—	—	—	—
Nagravision SA	CH Cheseaux	Solutions for Digital TV and audio products	kCHF 12 000	100	100	FC	FC
NagraCard SA	CH Cheseaux	Smart card prod. and sales	kCHF 100	100	100	FC	FC
Nagra Public Access AG	CH Zoug	Holding in physical access	kCHF 15 000	100	100	FC	FC
Lysis SA (previously Nagra Trading SA)	CH Cheseaux	No activity	kCHF 100	100	100	FC	FC
Nagravision Iberica SL	ES Madrid	Sales and support DTV	kEUR 3	100	100	FC	FC
Nagra France Sàrl	FR Paris	Solutions for Digital TV and audio products	kEUR 32 833	100	100	FC	FC
Nagra Kudelski (GB) Ltd	GB St. Albans	Sales and support	kGBP 1	100	100	FC	FC
Nagra Kudelski GmbH	DE Munich	Sales and support	kEUR —	L	100	FC	FC
Nagra USA, Inc.	US Nashville	Sales and support	kUSD 10	100	100	FC	FC
NagraStar LLC	US Englewood	Smart cards and Digital TV support	kUSD —	50	50	FC	FC
Nagra Plus	CH Cheseaux	Analog TV	kCHF 2 000	50	50	FC	FC
Nagra-Futuris SA	CH Neuchâtel	Digital broadcast solutions	kCHF 1 000	—	50	FC	FC
NagraID SA	CH Chaux-de-Fonds	Smart card production	kCHF 4 000	100	100	FC	FC
Nagravision GmbH	DE Hildesheim	Services	kEUR 25	100	—	FC	—
Nagravision Asia Pte Ltd	SG Singapore	Services	kSGD 100	100	—	FC	—
Kudelski Malaysia SDN. BHD.	MA Kuala Lumpur	Services	kMYR —	100	—	FC	—
Logiways	CH Cheseaux	Software solutions for DTV	kCHF 3 710	—	100	FC	FC
Logiways France SA (previously Soft Technology SA)	FR Brive	Development and sale of software for Digital TV	kEUR 1 137	—	100	FC	FC
Kudelski Financial Services Holding SCA	LU Luxemburg	Finance	kUSD 32 500	100	100	FC	FC
Kudelski Luxembourg Sàrl	LU Luxemburg	Finance	kEUR 13	100	100	FC	FC
Kud Sàrl	LU Luxemburg	Finance	kUSD 500	100	100	FC	FC
MediaCrypt AG	CH Zurich	Fundamental scrambling technology	kCHF 3 000	50	50	FC	FC
SportAccess SA	CH Sion	Multifunction chipcard systems	kCHF 5 000	100	100	FC	FC
SportAccess Kudelski SA en liquidation	CH Sion	No activity	kCHF —	L	100	FC	FC
SportAccess Kudelski AG	AT Bregenz	No activity	kEUR 5 508	100	100	FC	FC
Systems Ticketsysteme Vertriebs GmbH	DE Kaufbeuren	No activity	kEUR —	L	100	FC	FC
Systems Ticketing AG in Liquidation	CH Muri	No activity	kCHF 100	100	100	FC	FC

(FC: Full consolidation)

(L: Liquidated)

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### Notes to the consolidated financial statements

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#### Scope of consolidation

Company	Location	Activity	Share capital	Percentage held		Consolidation method	
				2004	2003	2004	2003
Livewire Communications, Inc.	US Gainesville	Software for set-top boxes	kUSD —	100	100	FC	FC
Leman Consulting SA	CH Nyon	Intellectual property consulting	kCHF 100	100	100	FC	FC
Ticketcorner Holding AG (previously Ticketcorner AG)	CH Rümlang	Holding	kCHF 2 000	100	100	FC	FC
Ticketcorner AG	CH Rümlang	Event distribution and ticketing	kCHF 2 000	100	—	FC	—
Ticketcorner GmbH	DE Bad Homburg	Event distribution and ticketing	kEUR 25	100	100	FC	FC
Ticketcorner Austria	AT Vienna	Event distribution and ticketing	kEUR 35	100	—	FC	—
Lysis Trading SA	CH Lausanne	Sales	kCHF —	F	100	—	FC
Lysis America Ltd	US Atlanta	Sales	kUSD —	L	100	FC	FC
Lysis UK Ltd	GB London	No activity	kGBP —	L	100	FC	FC
SkiData AG	AT Gartenau	Mixed holding, physical access control	kEUR 3 634	100	100	FC	FC
SkiData Benelux BV	NL Barendrecht	Physical access control	kEUR 91	100	100	FC	FC
SkiData Srl (Italie)	IT Bolzano	Physical access control	kEUR 46	100	100	FC	FC
SkiData Scandinavia AB	SE Kil	Physical access control	kSEK 1 000	100	100	FC	FC
SkiData (Schweiz) AG	CH Adliswil	Physical access control	kCHF 150	100	100	FC	FC
SkiData Computer GmbH	DE Landshut	Physical access control	kEUR 51	100	100	FC	FC
SkiData France Sàrl	FR Argenteuil	Physical access control	kEUR 982	100	100	FC	FC
SkiData France SA	FR Montmélian	Physical access control	kEUR 200	100	100	FC	FC
Medatec Computer GmbH	AT Hard	Physical access control	kEUR 73	85	85	FC	FC
SkiData Inc.	US Hillsborough	Physical access control	kUSD 110	100	100	FC	FC
SkiData Nippon Co. Ltd	JP Tokyo	Physical access control	kJPY —	L	100	FC	FC
Nagra France Holding SAS	FR Paris	Holding	kEUR 80 040	100	100	FC	FC
Nagra Thomson Licensing SA (previously Canal+ Technologies SA)	FR Paris	Intellectual property management	kEUR 240	50	50	FC	FC
TouristDataShop SA	CH Ollon	Tourism broker	kCHF 75	50	50	FC	FC
Labitzke Schaffner AG	CH Adliswil	Car park access	kCHF —	F	100	FC	FC
AccessArena SA	CH Cheseaux	Destination management	kCHF 2 567	90	90	FC	FC

(FC: Full consolidation)  
(L: Liquidated)  
(F: Merger)

#### Scope of consolidation

Company	Location	Activity	Share capital	Percentage held		Consolidation method	
				2004	2003	2004	2003
SwissAccessGroup AG in Liquidation	CH St. Gallen	Ticketing and access control for Expo.02	kCHF —	L	25	EM	EM
Digital-Elektronik GmbH	AT Gartenau	Physical access control	kEUR 182	25	25	EM	EM
APT-SkiData Limited	GB Middlesex	Physical access control	kGBP 10	26	26	EM	EM
SkiData Parking Systems Ltd	HK Hong Kong	Physical access control	kHKD 10	26	26	EM	EM
Kabushiki Kaisha SkiData	JP Tokyo	Physical access control	kJPY —	L	25	EM	EM

(EM: Equity method)  
(L: Liquidated)

In addition to the companies within the scope of consolidation, Kudelski SA also has a 100% interest in Nagra Travel Sàrl, which has not been consolidated according to the materiality principle, as well as immaterial minority investments in different companies.

# Kudelski Group

## Consolidated financial statements

### Notes to the consolidated financial statements as of December 31, 2004 and 2003

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#### Change in scope of consolidation

Over financial year 2004, the main transaction was the sale of Logiways Group, including companies Logiways, Cheseaux and Logiways France SA, Brive with effect on the scope of consolidation as of June 30, 2004. Moreover, the Group's interest in Nagra Futuris SA, Neuchâtel, was taken over by the partner, taking effect on December 31, 2004.

Over financial year 2004, the Group also created Nagravision Asia Pte Ltd, Singapore and Kudelski Malaysia SDN. BHD., Kuala Lumpur for its operations in Asia as well as Nagravision GmbH for those in Germany; these companies carry out support and services for their respective regions. Ticketcorner AG was divided into two companies, Ticketcorner Holding AG and Ticketcorner AG in order to optimize operational and financial management; in addition, Ticketcorner Austria, Vienna was created in order to expand business to Austria.

Lysis Trading SA, Lausanne was merged by absorption with Nagravision SA, Cheseaux and Labitzke Schaffner AG, Adliswil was also absorbed by SkiData (Schweiz) AG, Adliswil.

Furthermore, the following companies were removed from the scope of consolidation following their liquidation:

- Nagra Kudelski GmbH, Munich;
- SportAccess Kudelski SA en liquidation, Sion;
- Systems Ticketsysteme Vertriebs GmbH, Kaufbeuren;
- Lysis America Ltd, Atlanta;
- Lysis UK Ltd, London;
- SkiData Nippon Co. Ltd, Tokyo;
- SwissAccessGroup AG in liquidation, St. Gallen;
- Kabushiki Kaisha SkiData, Tokyo;

During the financial year 2003, the main change in the scope of consolidation concerned the "MediaGuard" transaction:

- Under the terms of this transaction, Kudelski Group acquired from Thomson Group 50% of Canal+ Technologies, Paris, a company which now focuses on intellectual property management. Nagra France Sàrl acquired the implementation and development activities for digital television security systems of Canal+ Technologies (the "MediaGuard" product line) through an asset deal. For this acquisition, a new holding company was formed and named Nagra France Holding SAS, Paris, which is fully owned by Kudelski Group. These companies were integrated in the scope of consolidation from December 31, 2003. This acquisition therefore has no effect on the income statement for 2003.

The scope of consolidation also changed as follows in 2003:

In 2003 the Group acquired the remaining balance of the minority interests in the following companies, bringing its share up to 100%:

- Logiways, Cheseaux and Logiways France SA (formerly Soft Technology SA), Paris, with effect from September 30, 2003. It formerly had a 51% share.
- SportAccess SA, Sion: share exchange offer with effect on August 25, 2003 (note 3.9). The Group formerly had a 78% share. Through this purchase, the Kudelski Group also holds 100% of the share capital of SportAccess Kudelski SA in liquidation, Sion, SportAccess Kudelski AG, Bregenz, as well as the subsidiaries of the Systems ticketing group, whose share was formerly 84%.

The acquisition of the remaining balance of minority interests of the above companies only has an effect on the minority interests and shareholders' equity (goodwill) of the Group, because these companies had already been consolidated under the full consolidation principle.

In addition, the Group acquired 100% of the share capital of Labitzke Schaffner AG, Adliswil, a company involved in the installation and servicing of car park systems, with effect on December 31, 2003, as well as 50% of Tourist-DataShop SA, Ollon, a company which operates a reservation system for hotel rooms using the Internet, with effect on September 1, 2003.

The Group also increased its share in AccessArena SA, Cheseaux, with effect on September 30, 2003, bringing it up to 90%, (from 41% in 2002).

The partner in the company e-prica AG, Lyss, bought the Group's share with effect on January 1, 2003.

Lepanto Technologies AG, Gartenau, Political rights SA (Polirights) in Liquidation and Systems Produktion AG left the scope of consolidation on December 31, 2003, following their liquidation.

#### Consolidation of capital / Treatment of goodwill

The book value of investments has been eliminated against the share in the net assets of the companies, valued at the time of acquisition or creation. The purchase method is applied.

The difference between the acquisition cost and the fair value of net assets acquired is booked directly against shareholders' equity in the year of acquisition. Each item is detailed in note (5.2).

In accordance with Swiss GAAP FER 9 relating to financial statement disclosures, information on the theoretical effect on the balance sheet and the income statement of the goodwill as an asset and its amortization over the specified period of use is explained in the footnote to the statements of changes in shareholders' equity.

#### Foreign currencies

##### Translation of financial statements

Financial statements of Group companies expressed in currencies other than Swiss francs (CHF) are translated at year-end exchange rates with respect to the balance sheet and at average exchange rates for the year with respect to the income statement. Adjustments resulting from application of the "year-end" method are included in the translation reserve in the consolidated shareholders' equity.

##### Foreign currency transactions

Transactions in foreign currencies are accounted for at the exchange rates prevailing at the transaction date. Other receivables and payables in foreign currencies are accounted for at year-end rates. The resulting currency translation differences are included in net income.

##### Foreign exchange rate

	Average rate		Year-end rates	
	2004	2003	2004	2003
1 USD	1.24	1.34	1.14	1.24
1 GBP	2.27	2.20	2.19	2.21
1 EUR	1.54	1.52	1.55	1.56
1 SGD	0.75	0.77	0.70	0.73
100 JPY	1.15	1.16	1.11	1.16
100 SEK	16.90	16.70	17.10	17.20



# Kudelski Group

## Consolidated financial statements

### Notes to the consolidated financial statements as of December 31, 2004 and 2003

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#### 2. Accounting policies and valuation methods

##### Intangible fixed assets

New developments engaged in by the Group comprise the internal costs directly attributable to them and are capitalized where it is likely that they will generate future economic benefit. Amortization is calculated on a straight-line basis over a useful life of 4 to 5 years from the date on which the development of a solution sold to clients is first invoiced.

Patents and software are capitalized at acquisition costs. Amortization is calculated on a straight-line basis over the estimated useful life of 4 to 8 years.

Goodwill is booked directly against shareholders' equity on the date of acquisition and the theoretical effects of accounting for goodwill as an asset are mentioned in the notes to the financial statement. The theoretical amortization period of goodwill is defined at the time of acquisition and generally varies from 10 to 20 years. A value adjustment test (impairment) is also performed in accordance with the Swiss GAAP FER 20 standard.

##### Financial fixed assets

The financial fixed assets primarily comprise long-term loans as well as other financial instruments such as equity interests and investments in companies over which the Group exercises neither control nor a determining influence.

These financial investments are recorded at their acquisition value after allowing for valuation adjustments necessitated by particular circumstances.

##### Tangible fixed assets

Land and buildings are stated in the balance sheet at acquisition cost less depreciation. Buildings are depreciated on a straight-line basis over 20 to 33 years. Building improvement costs are depreciated on a straight-line basis over 4 to 8 years.

The other tangible fixed assets are stated at acquisition cost. Depreciation is calculated on a straight-line basis over the useful life.

##### Technical equipment and machinery

	Useful life in years
Machinery and measurement instruments	4 – 7
Digital material and equipment	4 – 5
Computers and information networks	3 – 4
Fixed assets made available to clients	2 – 10

##### Other equipment

Office furniture and equipment	5 – 7
Vehicles	4

##### Leased tangible fixed assets

Assets acquired under long-term finance leases are capitalized and depreciated in accordance with the Group's policy on property, plant and equipment. The resulting financial commitments are reported as other short and long-term liabilities. Rentals payable under operating leases are charged to the income statement as incurred.

##### Fixed assets made available to clients

The Group makes equipment as well as smart cards available to clients as part of complete security solutions. The assets given to these clients remain the property of the Group and are valued at cost and disclosed in the balance sheet under fixtures and fittings.

These assets are depreciated over their economic life and the expense is disclosed under depreciation.

##### Inventories

Raw materials have been valued at cost price or replacement value, whichever is lower. Finished or semi-finished products have been valued at manufacturing cost or net realizable value, whichever is lower.

In the balance sheet, inventory is primarily valued at standard cost, which approximates the historical cost determined on a first-in-first-out (FIFO) basis.

Inventories no longer required in production and sales plans are directly deducted from the gross value of inventories.

Moreover, appropriate provisions have been made for inventories with a lower market value or which are slow moving.

##### Work in progress

Work in progress for long-term contracts is accounted for in accordance with the percentage of completion method, but not in excess of net realizable value.

The percentage of completion is generally calculated based on the cost incurred and the effective hours worked up to the measurement date. It is determined from specific log files of work performed.

##### Trade accounts receivable

Trade receivables are carried at anticipated realizable value. Regular estimates are made of potential bad debts, and provision made accordingly.

A provision is established to this end.

##### Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term deposits. Cash at bank consists of all funds in current accounts available within 48 hours. Short-term deposits include bank deposits and fixed term investments generally maturing within three months or less from the transaction date.

##### Financial derivative instruments

The Group uses derivative financial instruments to manage foreign exchange exposure relating to its operational activities and company acquisition activities. As a general rule, the Group does not enter into speculative derivative transactions.

Instruments used during the year include forward foreign exchange contracts, currency swaps and zero cost option strategies with terms not exceeding six months. Derivative financial instruments are mainly used to cover the currency exposure of existing and anticipated receivables or payables in foreign currency.

All currency derivatives are valued at the market value with changes in realized and/or unrealized gains or losses recognized in the income statement. Derivative financial instruments are contracted with high-ranking financial institutions, in compliance with specific approval, limitation and monitoring procedures.

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#### Convertible bond

Convertible bond is reported at its nominal value less issuing costs and after allowance for the reconstitution of its redemption value. The difference between the issue and the redemption value as well as the costs of issue are amortized over the term of the bond.

#### Provisions

Provisions are recognized when the Group has an effective legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Restructuring provisions are reported in the event of any necessary reorganization of activity sectors or newly acquired subsidiaries.

#### Deferred taxes

Some restatements made to the statutory accounts, in order to bring them into line with the accounting principles of the Group, may create temporary differences arising between the tax basis and the result stated for financial reporting purposes. These differences give rise to deferred taxes in the consolidated financial statements, which are recorded using the liability method based on the expected taxes at the time of the materialization of the debt or the liability. All changes in tax rate are reported in the income statement.

Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. The tax rate applied corresponds to the current tax rate of the company.

#### Pension scheme

Liability in respect of defined benefit pension plans is in all material cases the defined benefit obligation calculated annually by independent actuaries using the "projected unit credit method". The defined benefit obligation is measured at the present value of the estimated future cash flows. As permitted by Swiss GAAP FER, the Group has decided not to activate the pension funds surplus. The theoretical charge for such pension plans, representing the net periodic pension cost less employee contributions, is shown in note (3.14).

#### Sales

Sales comprise goods and services sold to third parties, net of sales taxes and discounts. The Group generates revenue from the sale of integrated hardware and software solutions in the field of pay TV and physical access. Sales of goods are recorded in the income statement upon transfer to the buyer of major risks and advantages inherent in ownership. Revenues are recognized using the percentage of completion method for the solutions sold under license, including integration, services and software development.

The Group provides complete security solutions by making assets available that remain the property of the Group. These sales are recognized monthly on invoicing in the form of rental.

#### Employee profit-sharing plan

##### Stock option plan

Options granted to employees are subject to valuation at their fair value at grant date. This fair value is determined using the Black & Scholes model. The value of the options is charged against the income statement at grant date. The estimated turnover of staff unable to exercise their options under the provisions of the plan has been factored in to the figures.

The stock option plan set up by the Group comprises options with vesting periods of 3, 4 and 5 years. Options may be exercised during a period of one year from the end of the vesting period.

##### Share purchase plan

In 2004, the Kudelski Group introduced a share purchase plan for employees of certain companies in the Group, enabling those employees to buy Kudelski SA bearer shares at preferential conditions. Each participant can subscribe each year to this plan for a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the SWX Swiss Exchange closing price the day of the subscription, with up to 42% discount. However, shares under this plan have a three-year blocking period starting from the date of purchase. This plan may be extended to other companies in the Group in the future.

The difference between the fair value of the shares underwritten by employees and their payments are reported as an expense in the income statement. The fair value of the shares corresponds to the stock market value minus an amount reflecting the blocking period.

#### Treasury shares

Treasury shares are valued at their acquisition cost and are reported as a deduction from shareholders' equity.

#### Deferred consideration

In some cases of company acquisition, the final purchase consideration is depending on the future financial performance of the company ("earn out"). Liability is determined according to the best management estimate of future performance.

These deferred considerations are reported under current and long-term liabilities according to their terms.

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### 3. Notes to the consolidated balance sheet

#### 3.1 Intangible fixed assets

Years ended December 31 in kCHF	Know-how	Development of new products	Patents, software and other		
				2004	2003
<b>Gross values as of January 1</b>	5 000	58 042	26 284	89 326	69 523
Additions	—	13 682	6 457	20 139	19 808
Disposals, transfers and retirements	—	—	-937	-937	-420
Change in scope of consolidation	—	-4 235	-231	-4 466	203
Currency translation	—	-12	-19	-31	212
<b>As of December 31</b>	5 000	67 477	31 554	104 031	89 326
<b>Accumulated amortization as of January 1</b>	5 000	38 037	11 374	54 411	46 790
Systematic amortization	—	5 908	4 661	10 569	7 706
Impairment	—	—	4	4	57
Recovery of amortization on disposals, transfers and retirements	—	—	-131	-131	-382
Change in scope of consolidation	—	-1 706	-203	-1 909	—
Currency translation	—	-1	-17	-18	240
<b>As of December 31</b>	5 000	42 238	15 688	62 926	54 411
<b>Net values on December 31</b>	—	25 239	15 866	41 105	34 915
Useful life in years		4 – 5	4 – 8		

#### 3.2 Financial fixed assets

in kCHF	31.12.04	31.12.03
Associates	5 399	5 119
Non-consolidated investments	6 286	16 772
Loans	11 238	2 815
Guarantee deposits and other financial fixed assets	2 062	8 081
	24 985	32 787

Non-consolidated investments primarily include an investment in the IndusInd Media & Communication Ltd, India. The Group has a share of about 3% in this company. This participation was the subject of an impairment during financial year 2004 (note 4.8).

The guarantee deposit was used at the beginning of 2004 as settlement with the plaintiff in litigation in the United States for a value of kCHF 7 508 (note 3.11).

#### 3.3 Land and buildings

Years ended December 31 in kCHF	Land	Buildings	Incomplete con- struction	Building impro- vements		
					2004	2003
<b>Gross values as of January 1</b>	9 807	31 298	—	8 623	49 728	47 916
Additions	2 300	1 914	8 311	491	13 016	1 963
Disposals, transfers and withdrawals	—	-2 012	74	-39	-1 977	-808
Change in scope of consolidation	—	—	—	-462	-462	—
Currency translation	—	-63	—	-30	-93	657
<b>As of December 31</b>	12 107	31 137	8 385	8 583	60 212	49 728
<b>Accumulated depreciation as of January 1</b>	—	12 673	—	6 412	19 085	15 598
Systematic depreciation	—	1 068	—	1 119	2 187	3 866
Impairment	—	—	—	56	56	—
Recovery of depreciation on disposals, transfers and withdrawals	—	-809	—	-118	-927	-808
Change in scope of consolidation	—	—	—	-111	-111	—
Currency translation	—	-42	—	-16	-58	429
<b>As of December 31</b>	—	12 890	—	7 342	20 232	19 085
<b>Net values on December 31</b>	12 107	18 247	8 385	1 241	39 980	30 643
Useful life in years		20 – 33		4 – 8		

Leased land and buildings included in the table above amount to:

in kCHF	31.12.04	31.12.03
Leased land and buildings	8 737	8 794
Accumulated depreciation	-6 429	-6 018
<b>Net book value</b>	2 308	2 776

in kCHF	31.12.04	31.12.03
Fire insurance value of buildings	46 859	50 343
Corporate buildings on land whose owner has granted a permanent and specific right of use	4 287	4 362

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#### 3.4 Fixtures and fittings

Years ended December 31 in kCHF	Technical equipment and machinery	Other equipment	2004	2003
	<b>Gross values as of January 1</b>	<b>117 947</b>	<b>8 714</b>	<b>126 661</b>
Additions	44 955	2 332	47 287	57 861
Disposals, transfers and withdrawals	-14 373	-1 158	-15 531	-1 181
Change in scope of consolidation	-739	-99	-838	3 220
Currency translation	-424	-107	-531	223
<b>As of December 31</b>	<b>147 366</b>	<b>9 682</b>	<b>157 048</b>	<b>126 661</b>
<b>Accumulated amortization as of January 1</b>	<b>46 833</b>	<b>5 623</b>	<b>52 456</b>	<b>40 555</b>
Systematic amortization	22 682	1 450	24 132	12 679
Impairment	2 681	8	2 689	186
Recovery of amortization on disposals, transfers and withdrawals	-9 503	-1 022	-10 525	-1 138
Change in scope of consolidation	-410	-35	-445	-379
Currency translation	-337	-64	-401	553
<b>As of December 31</b>	<b>61 946</b>	<b>5 960</b>	<b>67 906</b>	<b>52 456</b>
<b>Net values on December 31</b>	<b>85 420</b>	<b>3 722</b>	<b>89 142</b>	<b>74 205</b>
Useful life in years	2 – 10	4 – 7		

Technical equipment and machinery include assets made available to clients and generating monthly revenues.

#### Fire insurance value

in kCHF	31.12.04	31.12.03
Fixtures and fittings	53 033	46 242

#### 3.5 Inventories

in kCHF	31.12.04	31.12.03
Raw materials and components	9 557	10 130
Devices in production	2 900	3 963
Finished goods, smart cards and digital material	66 601	37 164
	<b>79 058</b>	<b>51 257</b>
Less: amortization	-8 063	-10 048
	<b>70 995</b>	<b>41 209</b>

#### 3.6 Trade accounts receivable

in kCHF	31.12.04	31.12.03
Trade accounts receivable	181 408	180 541
./. provision for bad debts	-11 364	-23 213
	<b>170 044</b>	<b>157 328</b>

#### 3.7 Other receivables

in kCHF	31.12.04	31.12.03
Other receivables	20 595	18 779
Accruals	18 540	18 738
Deferred tax asset	13 193	11 586
	<b>52 328</b>	<b>49 103</b>

#### 3.8 Cash and cash equivalents

in kCHF	31.12.04	31.12.03
Cash at bank and in hand	34 418	98 360
Short-term deposits	164 479	138 747
	<b>198 897</b>	<b>237 107</b>

#### Derivative financial instruments

The following table presents the contract or notional amount and the carrying values of derivative financial instruments as of December 31, 2004 and 2003, analyzed by contract type. The contract or notional amount shows the volume of the underlying transaction at the balance sheet date and not the total amount exposed to the risk. The carrying value shows the profit or loss, which these contracts could generate at the expiration date on the basis of the market value on December 31, 2004 and 2003.

Year ended December 31 in kCHF	Forwards and swaps	Options	2004	2003
<b>Contract notional amount</b>	<b>12 144</b>	<b>59 650</b>	<b>71 794</b>	<b>98 917</b>
Positive replacement value	—	650	650	2 680
Negative replacement value	-46	—	-46	-261
<b>Carrying value of assets (liabilities)</b>	<b>-46</b>	<b>650</b>	<b>604</b>	<b>2 419</b>

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#### 3.9 Shareholders' equity

##### Composition of share capital

	31.12.04	31.12.03
in kCHF		
46 929 580 / 46 864 936 bearer shares of CHF 10 each	469 296	468 649
46 300 000 / 46 300 000 registered shares of CHF 1 each	46 300	46 300
	<b>515 596</b>	<b>514 949</b>

##### Conditional share capital

	2004	2003
in kCHF		
<b>Conditional share capital as of January 1</b>	<b>68 988</b>	<b>69 734</b>
Share purchase plan	-126	—
Shares allotted to employees	-520	-746
<b>Conditional share capital as of December 31</b>	<b>68 342</b>	<b>68 988</b>

In order to authorize the issuance of convertible bonds, the shareholders of Kudelski SA met in an Extraordinary General Meeting on January 25, 2002 and approved the increase of the conditional share capital of kCHF 60 000 by means of 6 000 000 bearer shares with a nominal value of CHF 10, to be issued progressively upon the exercise of the rights to convert the bonds of Kudelski SA and its subsidiaries. The conditions of issuance of the Kudelski Group convertible bond at the end of January 2002 are explained in note (3.10).

In compliance with the Articles of Incorporation, the remaining balance of the conditional capital is reserved for the exercise of stock options granted to employees.

##### Authorized share capital

	2004	2003
in kCHF		
3 768 164 / 3 768 164 bearer shares of CHF 10 each	37 682	37 682
3 200 000 / 3 200 000 registered shares of CHF 1 each	3 200	3 200
<b>Authorized share capital as of December 31</b>	<b>40 882</b>	<b>40 882</b>
The change in authorized share capital is as follows:		
Authorized share capital at January 1	40 882	41 486
Shares allotted for acquisition purposes	—	-604
<b>Authorized share capital as of December 31</b>	<b>40 882</b>	<b>40 882</b>

In an exchange offer, in 2003, 60 468 Kudelski SA bearer shares were allotted to the minority shareholders of SportAccess SA, Sion, with the purpose of acquiring the entirety of the share capital.

The Board of Directors is authorized to increase the share capital in one or more stages until May 26, 2006, for the purpose of acquiring companies, parts of companies or for financing the full or partial acquisition of other companies.

##### Treasury shares

	Number of bearer shares	Book value
<b>As of January 1, 2003</b>	—	—
Transactions during the financial year:		
– acquisitions	20 155	380
<b>As of December 31, 2003</b>	<b>20 155</b>	<b>380</b>
Transactions during the financial year:		
– no transaction during the financial year	—	—
<b>As of December 31, 2004</b>	<b>20 155</b>	<b>380</b>

##### Major shareholders

	Voting rights		Shareholdings	
	31.12.04	31.12.03	31.12.04	31.12.03
Kudelski family	64%	64%	34%	34%

##### Employee stock option plan

In April 2003, the Kudelski Group set up a stock option plan for certain employees.

The Board of Directors and Executive Management determined the modalities and the conditions governing the grant of options.

The following options were granted:

Year of grant	Number of options	Vesting	Maturity	Ratio	Exercise price in CHF
2003	125 000	1.4.2006	1.4.2007	1:1	20
2003	125 000	1.4.2007	1.4.2008	1:1	20
2003	125 000	1.4.2008	1.4.2009	1:1	20

Altogether 375 000 options with a theoretical value of kCHF 3 023 were granted. This value was calculated and is disclosed in the financial statements in accordance with the accounting principles and valuation method set out in the notes.

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The following table summarizes the changes in stock options held by certain employees:

Changes in stock option plan	Number of options 2004	Average exercise price 2004	Number of options 2003	Average exercise price 2003
<b>In circulation on January 1</b>	<b>375 000</b>	<b>20</b>	—	—
– of which exercisable	—	—	—	—
New rights issued	—	—	375 000	20
Rights exercised	—	—	—	—
Rights cancelled / forfeited	-16 697	20	—	—
<b>In circulation on December 31</b>	<b>358 303</b>	<b>20</b>	<b>375 000</b>	<b>20</b>
– of which exercisable	—	—	—	—

The expense charged against the income statement for the financial year 2003 amounts to kCHF 2 720. The expense recorded assumes that on a weighted average, 10% of the beneficiaries will no longer be able to exercise their options in accordance with the provisions of the plan.

#### Employee Share Purchase plan (ESP)

As of financial year 2004, the Group set up a plan to allow employees of certain Group companies to buy shares, giving them preferential conditions to buy Kudelski SA shares. All such shares purchased and the additional shares and options obtained through this plan are subject to a three-year blocking period.

	2004 Shares Number	2004 Options Number
Shares underwritten by employees	10 804	—
Bonus shares and options from ESP	1 840	321
<b>Total ESP</b>	<b>12 644</b>	<b>321</b>
Amount paid in by employees	289	—
Booked corporate charges (excluding social charges)	90	8
	<b>379</b>	<b>8</b>

#### 3.10 Convertible bond

	2004 kUSD	2004 kCHF	2003 kCHF
Balance as of January 1	172 928	214 431	323 388
Repurchase and partial cancellation	—	—	-80 629
Exchange rate effect	—	-17 293	-28 328
<b>Convertible bond as of December 31</b>	<b>172 928</b>	<b>197 138</b>	<b>214 431</b>
Allocated issuing costs	-1 758	-2 004	-3 280
Reconstitution of the redemption value	4 046	4 611	3 486
<b>On December 31</b>	<b>175 216</b>	<b>199 745</b>	<b>214 637</b>

At the end of January 2002, Kudelski Financial Services Holding S.C.A., a 100% subsidiary of Kudelski SA, issued an unsubordinated convertible bond of kUSD 325 000. The conversion price was fixed at CHF 127.50 per ordinary bearer share of Kudelski SA. It was changed on July 31, 2003 to CHF 100.00 in conformity with the provisions of the bond public offering prospectus. Kudelski SA guarantees this issuance unconditionally and irrevocably.

Each bond has a nominal value of USD 1 000 and the issue price was 100%; the interest rate is 2.25% per annum, calculated on the nominal amount of the bonds and payable semi-annually (on January 31 and July 31), commencing on July 31, 2002. The yield to maturity is 3% per annum on a semi-annual basis.

On maturity on January 31, 2009, the issuer will redeem the bonds at 105.79% of their nominal amount. The issuer may redeem all of the bonds at any time after January 31, 2005 and before January 31, 2007. For the purposes of valuing the reconstitution of the redemption value in the financial statements, the redemption price considered is 104.01% assuming an early redemption on January 31, 2007.

#### 3.11 Provisions

Year ended December 31 in kCHF	Provision for reorganization and profit-sharing plan	Legal fees, lawsuits, and risks on contracts	Deferred taxes	Other	2004	2003
<b>At January 1</b>	<b>4 381</b>	<b>22 268</b>	<b>1 569</b>	<b>3 589</b>	<b>31 807</b>	<b>44 448</b>
Allocation	—	4 510	1 383	607	6 500	5 422
Reintegration into Goodwill	—	—	—	475	475	—
Utilization	-1 291	-8 834	—	—	-10 125	-15 233
Reversals	—	—	-1 142	-1 194	-2 336	-2 277
Conversion difference	—	-308	-18	—	-326	-553
<b>At December 31</b>	<b>3 090</b>	<b>17 636</b>	<b>1 792</b>	<b>3 477</b>	<b>25 995</b>	<b>31 807</b>
Long term portion	—	4 660	1 792	3 075	9 527	22 342
Short term portion	3 090	12 976	—	402	16 468	9 465
	<b>3 090</b>	<b>17 636</b>	<b>1 792</b>	<b>3 477</b>	<b>25 995</b>	<b>31 807</b>

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The provision for legal fees, lawsuits and risks on contracts covers all the costs relating to the legal actions taken against Group companies, mainly in the United States. Comments on the legal and arbitration proceedings under way are set out in note (3.16).

The other long-term provisions cover the commitments as laid out in Swiss GAAP FER 16.

The use of the provision for reorganization and profit sharing plan mainly covered costs related to personnel and other restructuring charges.

#### Deferred tax liability

	31.12.04	31.12.03
in kCHF		
Tax liabilities by category of temporary differences:		
– Investments	409	1 507
– Unrealized foreign exchange gains and provisions for inter-company loans	1 335	—
– Tangible fixed assets	48	62
	<b>1 792</b>	<b>1 569</b>

#### 3.12 Accrued liabilities and other payables

	31.12.04	31.12.03
in kCHF		
Income tax liabilities	4 395	3 250
Accrued liabilities	34 072	43 581
Deferred income	5 496	2 343
Other payables	13 717	26 465
Deferred consideration on acquisition of companies (earn-out)	2 521	3 472
	<b>60 201</b>	<b>79 111</b>

In 2003, accrued liabilities included the balance of kCHF 14 070 outstanding for the acquisition of MediaGuard. This was paid during financial year 2004.

#### 3.13 Other information

	31.12.04	31.12.03
in kCHF		
Guarantees in favor of third parties	12 990	2 811
Current assets pledged to secure own commitments	1 353	2 747
Pension fund liability	569	1 306
Off balance sheet lease commitments:		
– less than one year	1 877	1 354
– more than one year and less than five years	2 263	2 465
Employees (including Mediaguard)	1 439	1 400

#### 3.14 Employee benefits

Apart from the social security plans established by law, the Group in Switzerland sponsors two independent pension plans.

All employees in Switzerland are covered by these plans, which are defined benefit plans under Swiss GAAP FER 16. An independent actuary revises all liabilities and all assets periodically.

Abroad, the Group has liabilities resulting from benefits plans in accordance with Swiss GAAP FER 16 in Austria and France. An independent actuary has revised all the liabilities and assets.

In accordance with Swiss GAAP FER 16, pension plan assets have been estimated at market value and liabilities have been calculated according to the "Projected Unit Credit" method.

The following table sets out the financial position of the defined benefit pension plan as of December 31, 2004 and 2003, based on actual hypotheses, in accordance with Swiss GAAP FER 16:

	2004	2003
in kCHF		
Fair value of plan assets	50 026	42 010
Present value of funded obligations	-54 577	-38 837
<b>Funded status</b>	<b>-4 551</b>	<b>3 173</b>
Unrecognized transition asset	-357	-391
Unrecognized actuarial net (gains) / losses	4 756	-4 666
<b>(Net liabilities) / assets</b>	<b>-152</b>	<b>-1 884</b>
– or:		
Pension assets	2 925	598
Pension liabilities	-3 077	-2 482
<b>(Net liabilities) / assets</b>	<b>-152</b>	<b>-1 884</b>

The net liability recognized in the balance sheet as of December 31, 2004 is kCHF 3 077. In accordance with Swiss GAAP FER 16, the group decided not to state the recognized asset of kCHF 2 925 on the balance sheet as of December 31, 2004.

The main assumptions used for the calculation of the pension cost and the projected benefit obligation for the year 2004 are the following:

	Switzerland	Abroad
Discount rate	4.5%	5.0%
Rate of future increase in compensation	2.0%	1.5%
Rate of future increase in current pensions	1.0%	—
Interest rate credited on savings accounts	4.5%	—
Expected long-term rate of return on plan assets	5.0%	—
Retirement age: males / female	As agreed	62 average
Turnover (on average)	5.5% average	11% average

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According to Swiss GAAP FER 16, the following amount should have been recorded as the net pension cost in the income statement of the financial year 2004, respectively 2003:

	2004	2003
in kCHF		
Expected return on plan assets	2 044	1 894
Service cost	-3 586	-5 212
Interest cost	-1 696	-2 018
Amortization of gains / (losses)	46	-151
Amortization of transition asset	-438	34
Employee contributions	2 491	2 355
<b>Net pension (cost) / income</b>	<b>-1 139</b>	<b>-3 098</b>
<b>Employer contributions (cost)</b>	<b>-2 859</b>	<b>-2 663</b>

The net pension cost for financial year 2004 amounts to kCHF 1 139. A deduction of kCHF 11 must be made from this amount to account for exchange rate differences relating to obligations abroad. The effective return on equity was kCHF 1 927 for 2004.

#### 3.15 Related parties

	2004	2003
in kCHF		
<b>Purchases of goods and components</b>		
Digital-Elektronik GmbH	31 094	27 568
<b>Purchase of services</b>		
Easyplex software GmbH	1 278	—

These transactions have been recorded with the Group related parties in compliance with the provisions set out in Swiss GAAP FER 15. Digital-Elektronik GmbH is the main supplier of access control material for the SkiData Group. Easyplex Software provides engineering services for the SkiData Group. Transactions with related parties are carried out at arm's length.

#### 3.16 Legal and arbitration proceedings

In 2003, the Group was involved in three lawsuits – relating to the alleged infringement of intellectual property rights – before American and German courts.

The pending litigation between IPPV Entreprise, LLC Maast Inc. and Echostar Communication Corp., Nagravisio SA and Nagrastar LLC was settled during the first quarter 2004. The litigations with TV/Com and Irdeto in the United States and in Germany were settled on February 17, 2005. Due provision has been made for the full relevant amount, which will be paid in 2005.

The necessary provisions for current legal proceedings have been assessed by management.

#### 4. Notes to the consolidated income statements

##### 4.1 Segmental analysis

Income in 2004 by geographical area and by product category is as follows:

	Europe	Americas	Asia and Oceania	Africa	Total
in kCHF					
Pay television and broadband Internet	196 819	177 374	45 472	1 897	421 562
Physical access control and data access	164 931	7 983	6 770	41	179 725
	<b>361 750</b>	<b>185 357</b>	<b>52 242</b>	<b>1 938</b>	<b>601 287</b>

As compared to the financial year 2003:

	Europe	Americas	Asia and Oceania	Africa	Total
in kCHF					
Pay television and broadband Internet	61 504	94 452	62 033	787	218 776
Physical access control and data access	158 802	7 222	6 597	29	172 650
	<b>220 306</b>	<b>101 674</b>	<b>68 630</b>	<b>816</b>	<b>391 426</b>

##### 4.2 Capitalization of developments, installations and capitalized systems

This heading covers internal developments, installations and software, which were capitalized in the years 2004 and 2003. These are detailed as follows:

	2004	2003
in kCHF		
Internal development of new products for Group projects	13 618	10 865
Internal development of "ticketing" software	2 546	2 668
Internal development of specific installations made available to clients	1 595	7 433
	<b>17 759</b>	<b>20 966</b>

##### 4.3 Cost of goods and components sold

	2004	2003
in kCHF		
Purchase of goods and components	-223 256	-153 687
Change in inventories	30 536	-7 898
	<b>-192 720</b>	<b>-161 585</b>



# Kudelski Group

## Consolidated financial statements

### Notes to the consolidated financial statements

#### as of December 31, 2004 and 2003

Kudelski Group  
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#### 4.4 Salaries and wages

	2004	2003
in kCHF		
Salaries and wages	-178 661	-131 154

The 2003 figure includes costs relating to the stock option plan as well as social security costs.

#### 4.5 Operating expenses

	2004	2003
in kCHF		
Expenses on projects – external fees	-11 252	-10 104
Capital and other taxes	-3 896	-376
Other operating expenses	-26 539	-22 302
	<b>-41 687</b>	<b>-32 782</b>

#### 4.6 Sales and administration costs

	2004	2003
in kCHF		
Administration costs	-13 045	-10 142
Promotion and sales costs	-30 775	-23 437
Third party fees and other	-18 954	-13 688
	<b>-62 774</b>	<b>-47 267</b>

#### 4.7 Financial income

	2004	2003
in kCHF		
Interest income	4 259	5 445
Exchange gains	24 985	36 453
Gains on repurchase of the convertible bond and other gains	282	28 409
Result from associated companies	1 315	2 383
	<b>30 841</b>	<b>72 690</b>

#### 4.8 Financial expenses

	2004	2003
in kCHF		
Interest expense	-7 718	-8 785
Exchange losses	-19 428	-14 869
Write off on financial fixed assets	-10 500	-9 970
Other financial expenses	-1 117	-2 704
Result from associated companies	0	-1 681
Costs of issuance of the convertible bond	-1 100	-2 715
	<b>-39 863</b>	<b>-40 724</b>

#### 4.9 Extraordinary items

	2004	2003
in kCHF		
Extraordinary expenses	—	-3 208
	<b>—</b>	<b>-3 208</b>

Extraordinary expenses for 2003 correspond to adjustments in provisions for the purpose of covering interest post-judgment on the IPPV proceedings in the United States.

#### 4.10 Income taxes

	2004	2003
in kCHF		
Income taxes	-9 524	-5 698
Change in deferred taxes	1 506	-1 126
	<b>-8 017</b>	<b>-6 824</b>

Capital taxes disclosed under operating expenses amount to kCHF 3 896 (2003: kCHF 956).

#### 4.11 Earnings per share (EPS)

	2004	2003
Basic earnings per share (in CHF)	1.50	0.65
Net income (in kCHF)	77 195	33 167
Weighted average number of bearer shares outstanding (pro rata temporis)	46 898 894	46 737 595

Basic earnings per share are calculated by dividing the net income attributable to shareholders owning shares of a nominal value of CHF 10 by the weighted average number of bearer shares outstanding during the year, excluding from the issued shares the average number of shares purchased by the Group and held as treasury shares.

	2004	2003
in CHF		
Diluted earnings per share	1.48	0.64

Net income (in kCHF)	77 195	33 167
Weighted average number of bearer shares outstanding (pro rata temporis)	46 898 894	46 737 595
Adjustment for stock option plan	518 574	516 847
Weighted average number of bearer shares for diluted earnings per share	47 417 468	47 254 442

The diluted earnings per share calculation takes into account all potential dilutions to the earnings per share arising from the convertible bond and the employee stock option plan.

Share equivalents of 3 746 668 (2003: 3 746 668) relating to the convertible bond were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

# Kudelski Group

## Consolidated financial statements

### Notes to the consolidated financial statements

#### as of December 31, 2004 and 2003

Kudelski Group  
Financial statements 2004

#### 5. Notes to the consolidated statements of cash flows

##### 5.1 Operating cash flow

	2004	2003
in kCHF		
<b>Net income, Group's interest</b>	<b>77 195</b>	<b>33 167</b>
Financial income	-15 807	-29 733
Financial expenses	7 879	8 785
Current and deferred income tax	8 017	3 181
Profit on repurchase of convertible bond	—	-25 661
Amortization of costs and redemption value of convertible bond	2 631	4 268
Depreciation, amortization and impairment	39 637	22 166
Impairment on financial fixed assets	12 413	10 000
Net result on sale of subsidiaries	1 146	—
Use of lawsuit, restructuring and long term provisions	-2 641	-7 170
Minority interest in net income	10 009	-1 170
Net income associated companies	-1 315	-334
Dividends received from associated companies	911	—
Employee related non cash expense / income	1 199	3 466
<b>Cash flow</b>	<b>141 274</b>	<b>20 965</b>
Change in inventories	-30 536	8 147
Change in work in progress	2 007	280
Change in trade accounts receivable	-16 567	71 407
Change in other assets	-7 394	-12 875
Change in trade accounts payable	5 238	-34 364
Change in other liabilities	-16 033	-8 969
Change in short-term provisions	3 675	-3 254
<b>Operating cash flow</b>	<b>81 664</b>	<b>41 337</b>

##### 5.2 Sale / Acquisition of subsidiaries, cash outflow / inflow

The Group sold 2 companies in the course of the 2004 financial year for a total amount of kCHF 3 116. The Group bought or increased its participation in 6 companies or groups of companies in the course of the 2003 financial year for a total sum of kCHF 374 460 and sold one company for kCHF 0.

The fair values of the assets acquired / sold and debts taken in charge / transferred on the acquisition date are as follows:

	2004 Disposals	2003 Acquisitions	2003 Disposals
in kCHF			
Intangible fixed assets	-2 557	203	—
Financial fixed assets	-1	—	—
Tangible fixed assets	-744	3 664	-65
Net working capital (including short-term deferred consideration and projected restructuring costs)	9 373	-23 148	1 412
Long-term liabilities	928	-18 003	1 000
Cash and cash equivalents	-160	5 483	-2
Currency translation adjustment	63	—	—
<b>Fair value of net assets acquired / sold</b>	<b>6 902</b>	<b>-31 801</b>	<b>2 345</b>
Minority interests acquired / disposed of	-320	1 249	-2 345
Goodwill	-5 691	401 697	—
Deferred consideration (earn out) adjustments	2 225	—	—
<b>Total acquisition costs / sales proceeds</b>	<b>3 116</b>	<b>371 145</b>	<b>—</b>
Minus:			
Disposal consideration not paid up on 31.12	-3 116	—	—
Cash and cash equivalents acquired / disposed of	160	-5 483	2
Effect of full consolidation of a former associated company	—	1 688	—
Shares allotted	—	-604	—
<b>Acquisition / disposal of subsidiaries, cash outflow / inflow</b>	<b>160</b>	<b>366 746</b>	<b>2</b>
Details of acquisition costs / sales proceeds:			
Acquisition / disposal of subsidiaries, net of cash acquired	160	366 746	2
Cash and cash equivalents acquired / disposed of	-160	5 483	-2
<b>Liquidity</b>	<b>—</b>	<b>372 229</b>	<b>—</b>
Shares allotted (at nominal value)	—	604	—
<b>Total</b>	<b>—</b>	<b>372 833</b>	<b>—</b>
Average market value of shares allotted	—	2 231	—

## Kudelski Group Consolidated financial statements Report of the Group auditors

Kudelski Group  
Financial statements 2004

### Report of the Group auditors to the General Meeting of Shareholders of Kudelski SA, Cheseaux-sur-Lausanne

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statements of changes in shareholders' equity and notes) included on pages 4 to 35 of Kudelski SA for the year ended December 31, 2004.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Swiss GAAP FER and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PRICEWATERHOUSECOOPERS 



F. Roth



Th. Vigne

Lausanne, February 24, 2005

## Financial statements 2004 Kudelski SA statutory accounts

## Kudelski SA statutory accounts

### Balance sheets as of December 31, 2004 and 2003

Kudelski SA  
Financial statements 2004

#### Assets

	Notes	31.12.04	31.12.03
in kCHF			
<b>Fixed assets</b>			
Intangible fixed assets	3.1	76	50
Financial fixed assets			
Investments	3.2	336 367	297 069
Loans to Group companies		68 439	100 598
<b>Total fixed assets</b>		<b>404 882</b>	<b>397 717</b>
<b>Current assets</b>			
Loans to third parties		3 600	-
Loans to affiliated companies (short-term)		-	1 769
Accounts receivable from Group companies		294 198	236 951
Other accounts receivable and accruals	3.3	886	16 272
Treasury shares	3.5	380	380
Marketable securities		8 776	906
Cash and cash equivalents	3.4	78 859	133 712
<b>Total current assets</b>		<b>386 699</b>	<b>389 990</b>
<b>Total assets</b>		<b>791 581</b>	<b>787 707</b>

#### Shareholders' equity and liabilities

	Notes	31.12.04	31.12.03
in kCHF			
<b>Shareholders' equity</b>			
Share capital		515 596	514 949
General reserve		60 312	59 000
Reserve for treasury shares		380	380
Retained earnings		161 899	159 304
Net income		723	2 732
<b>Total shareholders' equity</b>	3.5	<b>738 910</b>	<b>736 365</b>
<b>Long-term liabilities</b>			
Provisions	3.6	1 856	1 856
Loans from Group companies		20 617	27 646
<b>Total long-term liabilities</b>		<b>22 473</b>	<b>29 502</b>
<b>Current liabilities</b>			
Short-term provisions	3.7	12 395	14 300
Short-term loans from Group companies		16 321	1 652
Other liabilities		554	3 139
Accruals		928	2 749
<b>Total current liabilities</b>		<b>30 198</b>	<b>21 840</b>
<b>Total shareholders' equity and liabilities</b>		<b>791 581</b>	<b>787 707</b>

## Kudelski SA statutory accounts

### Income statements and proposal for appropriation of available earnings

Kudelski SA  
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#### Income statements for the years ended December 31, 2004 and 2003

in kCHF	Notes	2004	2003
Financial income	4.1	7 226	19 376
Administrative and other expenses	4.2	-5 193	-3 419
Financial expenses and exchange result	4.3	-875	-2 600
Value adjustment of financial fixed assets	4.4	2 828	-9 634
Loss on sale of investments	4.5	-3 217	-751
Depreciation and amortization		-21	-240
<b>Net income</b>		<b>748</b>	<b>2 732</b>
Income tax		-25	—
<b>Net income</b>		<b>723</b>	<b>2 732</b>

#### Proposal for appropriation of available earnings for the year 2004

in kCHF	2004
Balance brought forward from previous year	161 899
Net income	723
<b>Total available earnings</b>	<b>162 622</b>
Proposal of the Board of Directors:	
Dividend:	
– bearer shares:	
CHF 0.20 sur 46 909 425* bearer shares	9 382
– registered shares:	
CHF 0.02 sur 46 300 000 registered shares	926
General reserve allocation	36
Balance to be carried forward	152 278
<b>Total available earnings</b>	<b>162 622</b>

\* This figure represents the numbers of bearer shares which are dividend bearing as of December 31, 2004. It may fluctuate due to the exercise of option and conversion rights between December 31, 2004 and the ordinary general meeting date.

## Kudelski SA statutory accounts

### Notes to the financial statements as of December 31, 2004 and 2003

#### 1. General comments

Kudelski SA is the ultimate holding company of the Kudelski Group, which comprises subsidiaries and associated companies. The financial statements are presented in accordance with the requirements of the Swiss Code of Obligations. They are also prepared under the historical cost convention and on the accrual basis.

#### 2. Accounting policies

##### Financial fixed assets

Investments and loans to Group companies are accounted for at acquisition cost less adjustment for impairment of value.

##### Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term deposits. Cash at bank consists of all funds in current accounts available within 48 hours. Short-term deposits generally include bank deposits and fixed term investments whose maturities are of three months or less from the transaction date.

#### Exchange rate differences

Transactions in foreign currencies are accounted for in Swiss francs (CHF) at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currencies are accounted for at year-end rates.

Any resulting exchange differences are included in the respective income statement caption depending upon the nature of the underlying transactions; the aggregate unrealized exchange difference is calculated by reference to original transaction date exchange rates and includes hedging transactions. Where this gives rise to a net loss it is charged to the income statement, whilst a net gain is deferred.

## Kudelski SA statutory accounts

### Notes to the financial statements as of December 31, 2004 and 2003

Kudelski SA  
Financial statements 2004

#### 3. Notes to the balance sheet

##### 3.1 Intangible fixed assets

This item includes brands registered by the Group as well as the capitalization of software licenses.

##### 3.2 Investments

Company	Location	Activities	Share capital	Percentage held	
				2004	2003
Nagravision SA	CH Cheseaux	Solutions for Digital TV and audio products	kCHF 12 000	100	100
NagraCard SA	CH Cheseaux	Secure smart cards	kCHF 100	100	100
Lysis SA (prev. Nagra Trading SA)	CH Cheseaux	No activity	kCHF 100	100	100
Nagravision Iberica SL	ES Madrid	Sales and support Digital TV	kEUR 3	100	100
Nagra France Sàrl	FR Paris	Solutions for Digital TV and audio products	kEUR 32 833	100	100
Nagra Kudelski (GB) Ltd	GB St. Albans	Sales and support	kGBP 1	100	100
Nagra Kudelski GmbH	DE Munich	Sales and support	kEUR —	L	100
Nagravision GmbH	DE Hildesheim	Services	kEUR 25	100	—
Nagra USA, Inc.	US Nashville	Sales and support	kUSD 10	100	100
Nagra Public Access AG	CH Zug	Physical access holding	kCHF 15 000	100	100
Nagra Plus	CH Cheseaux	Analog TV	kCHF 2 000	50	50
Nagra-Futuris SA	CH Neuchâtel	Digital broadcast solutions	kCHF 1 000	S	50
NagraID SA	CH Chaux-de-Fonds	Smart card production	kCHF 4 000	100	100
MediaCrypt AG	CH Zurich	Fundamental scrambling technology	kCHF 3 000	50	50
Kudelski Financial Services Holding SCA	LU Luxemburg	Finance	kUSD 32 500	100	100
Kudelski Luxembourg Sàrl	LU Luxemburg	Finance	kEUR 13	100	100
Leman Consulting SA	CH Nyon	Intellectual property consulting	kCHF 100	100	100
Logiways	CH Cheseaux	Software solutions for digital TV	kCHF 3 710	S	100
Nagravision Asia Pte Ltd	SG Singapore	Services	kSGD 100	100	—
Kudelski Malaysia SDN. BHD.	MA Kuala Lumpur	Services	kMYR —	100	—
Nagra Travel Sàrl	CH Cheseaux	Travel agency	kCHF 50	100	100

(S: company sold)  
(L: Liquidated)

##### 3.3 Other receivables

	31.12.04	31.12.03
in kCHF		
Other accounts receivable	592	9 790
Prepaid expenses and accrued income	34	433
Withholding tax	260	6 049
	<b>886</b>	<b>16 272</b>

##### 3.4 Cash and cash equivalents

	31.12.04	31.12.03
in kCHF		
Cash at bank and in hand	11 508	17 768
Short-term deposits	67 351	115 944
	<b>78 859</b>	<b>133 712</b>

##### 3.5 Change in shareholders' equity

	Share capital	General reserve	Reserve for treasury shares	Available earnings	Total Shareholders' equity
in kCHF					
<b>As of December 31, 2002</b>	<b>513 599</b>	<b>57 719</b>	<b>—</b>	<b>160 965</b>	<b>732 283</b>
General reserve allocation		1 281		-1 281	—
Share capital increase	1 350				1 350
Acquisition of Treasury shares			380	-380	—
Net income				2 732	2 732
<b>As of December 31, 2003</b>	<b>514 949</b>	<b>59 000</b>	<b>380</b>	<b>162 036</b>	<b>736 365</b>
General reserve allocation		137		-137	—
Share capital increase	647	1 175			1 822
Net income				723	723
<b>As of December 31, 2004</b>	<b>515 596</b>	<b>60 312</b>	<b>380</b>	<b>162 622</b>	<b>738 910</b>

## Kudelski SA statutory accounts

### Notes to the financial statements as of December 31, 2004 and 2003

Kudelski SA  
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#### Treasury shares

in kCHF	Number of bearer shares	Book value
<b>As of January 1, 2003</b>	—	—
Transactions during the financial year:		
– acquisitions	20 155	380
<b>As of December 31, 2003</b>	<b>20 155</b>	<b>380</b>
Transactions during the financial year:		
– no transaction during the financial year	—	—
<b>As of December 31, 2004</b>	<b>20 155</b>	<b>380</b>

Treasury shares are capitalized at the cost of acquisition or the stock market price, whichever is lower.

In compliance with Article 659 a para 2 of the Swiss Code of Obligations, the company allocated a total corresponding to the acquisition value of treasury shares to a separate reserve.

#### Composition of share capital

	31.12.04	31.12.03
46 929 580 / 46 864 936 bearer shares, of CHF 10 each	469 296	468 649
46 300 000 registered shares of CHF 1 each	46 300	46 300
	<b>515 596</b>	<b>514 949</b>

#### Conditional share capital (Article 6 of Articles of Incorporation)

in kCHF	2004	2003
Conditional share capital as of January 1	68 988	69 734
Employee Share purchase plan	-126	—
Shares allotted to employees	-520	-746
<b>Conditional share capital as of December 31</b>	<b>68 342</b>	<b>68 988</b>

In order to authorize the issuance of convertible bonds, the shareholders of Kudelski SA met in an Extraordinary General Meeting on January 25, 2002 and approved the increase of the conditional share capital of kCHF 60 000, through the issue of 6 000 000 bearer shares of a nominal value of CHF 10, to be issued as and when rights are exercised to convert the bonds of Kudelski SA and its subsidiaries. The conditions of the convertible bond issued by the Kudelski Group at the end of January 2002 are explained in note (3.10) of the consolidated accounts.

In compliance with the Articles of Incorporation, the balance of the conditional capital is reserved for the exercise of stock options granted to employees.

#### Authorized share capital (Article 7 of Articles of Incorporation)

	2004	2003
3 768 164 / 3 768 164 bearer shares of CHF 10 each	37 682	37 682
3 200 000 registered shares of CHF 1 each	3 200	3 200
<b>Authorized share capital as of December 31</b>	<b>40 882</b>	<b>40 882</b>
The change in authorized share capital was as follows:		
Authorized share capital as of January 1	40 882	41 486
Shares allotted for acquisition purposes	—	-604
<b>Authorized share capital as of December 31</b>	<b>40 882</b>	<b>40 882</b>

In an exchange offer in 2003, 60 468 Kudelski SA bearer shares were allotted to the minority shareholders of SportAccess SA, Sion, for the purpose of acquiring the entirety of the share capital.

The Board of Directors is authorized to increase the share capital in one or more stages until May 26, 2006, for the purposes of acquiring companies or parts of companies or financing the full or partial acquisition of other companies.

#### Major shareholders

	Voting rights		Shareholdings	
	31.12.04	31.12.03	31.12.04	31.12.03
Kudelski Family	64%	64%	34%	34%

#### 3.6 Provision

The provision on sale of an investment is a tax-free reserve arising from a gain realized from the transfer of NagraStar LLC to Nagra USA Inc. as on January 1, 1999. It can be dissolved with no tax impact on December 31, 2006 in accordance with article 207a LIFD.

#### 3.7 Short-term provisions

This item mainly records the unrealized exchange gains on loans from/to affiliated companies in foreign currency, kCHF 12 395 for the year 2004 (2003: kCHF 14 300).

## Kudelski SA statutory accounts

### Notes to the financial statements as of December 31, 2004 and 2003

Kudelski SA  
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#### 4. Notes to the income statement

##### 4.1 Financial income

	2004	2003
in kCHF		
Dividends received from Group subsidiaries	450	—
Financial revenues	—	2 933
Interest income third parties	1 047	635
Interest on loans to Group subsidiaries	3 353	3 189
Net currency exchange gains	2 225	12 382
Other income	151	237
	<b>7 226</b>	<b>19 376</b>

##### 4.2 Administrative and other expenses

	2004	2003
in kCHF		
Administrative expenses	-3 923	-2 842
Taxes other than income tax	-1 270	-577
	<b>-5 193</b>	<b>-3 419</b>

##### 4.3 Financial expenses

	2004	2003
in kCHF		
Interest on loans from Group subsidiaries	-857	-1 835
Interest expenses	-18	-212
Net exchange losses	—	-369
Other financial expenses	—	-184
	<b>-875</b>	<b>-2 600</b>

##### 4.4 Value adjustment of financial fixed assets

	2004	2003
in kCHF		
Reversal of / (allocation to) provisions on Group investments and loans	13 445	-5 884
Impairment of other long-term investments	-10 427	-3 750
Value adjustment on marketable securities and others	-190	—
	<b>2 828</b>	<b>-9 634</b>

##### 4.5 Losses on sales of equity interests

2004 losses on the realization of financial fixed assets are due to the sale of Logiways.

In 2003, losses were due to the sale of the holdings in e-prica.

#### 5. Commitments and contingencies

	2004	2003
in kCHF		
<b>Guarantee commitments</b>		
Guarantees for the repayment of the capital and interest of the convertible bond	199 745	214 431
Deposits and guarantees in favor of third parties	1 600	3 517
	<b>201 345</b>	<b>217 948</b>
<b>Other commitments</b>		
Penalty risk for non-completion of contracts	p.m.	p.m.
Subordinated loans in favor of Group companies	p.m.	p.m.
Support letters signed in favor of Group companies	p.m.	p.m.



## Kudelski SA statutory accounts Report of the statutory auditors

Kudelski SA  
Financial statements 2004

### Report of the statutory auditors to the General Meeting of Shareholders of Kudelski SA, Cheseaux-sur-Lausanne

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) included on pages 38 to 47 of Kudelski SA for the year ended December 31, 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PRICEWATERHOUSECOOPERS 



F. Roth



Th. Vigne

Lausanne, February 24, 2005