

PRESS RELEASE

Kudelski Group : refocus of activities in a difficult economic environment and new strategic contracts

(in CHF thousand)	2002	2001	Variation %
Total income	402'355	455'445	-11.7%
Gross Margin	250'033	269'794	-7.3%
Reorganization costs	-22'535	-	-
EBITDA	8'608	99'172	-91.3%
Amortization related to reorganization	-19'662	-	-
EBIT	-32'022	82'973	n/a
EBIT net of non-recurring Charges (reorganization)	10'421	82'973	-87.4%
Net Profit	10'031	72'086	-86.1%

Cheseaux, March 26th, 2003 – For fiscal year 2002, the Kudelski Group announces total income of CHF 402.4 M (-11.7%), EBIT net of non-recurring charges (reorganization) of 10.4 M and net profit of CHF 10.0 M (-86.1%) after consideration of reorganization costs of more than CHF 42 M.

Additionally, the Kudelski Group announces the conclusion of 9 new contracts, which include a strategic contract with Premiere (Germany), the second digital TV operator in Europe with 2.5 million subscribers. This deal opens the door to the largest European market.

The Kudelski Group had a difficult 2002 fiscal year due to the abrupt deterioration of its digital TV activity at the end of the summer 2002. The evolution of Nagravision's business (digital TV) has particularly suffered from the crisis of this sector in Europe. In America and in Asia, business has developed significantly more favorably, but has unfortunately been affected by the important drop of the US dollar against the Swiss franc. The combination of these two factors, as well as the failure of the EchoStar / DirecTV merger, have negatively impacted the results of the 2002 fiscal year.

Activities - reorganization

Based on an in-depth review of the digital TV structure and of the portfolio of medium and long term projects, the Kudelski Group has initiated a reorganization process costing more than CHF 42 M. This involved the discontinuation of projects that no longer corresponded to the new strategic development objectives.

New contracts

Despite the difficult environment surrounding the Kudelski Group's digital TV activity, Nagravision has shown its unique ability to win new deals. 26 new systems were installed in 2002 and Nagravision has added 22 new customers.

Nagravision is pleased to announce the following new contracts :

- **Premiere** : Nagravision and Premiere today announce the signature of a strategic long-term contract which enables the Kudelski Group to enter the German market through the front door. A large-scale deployment is already planned for 2003. This contract is a very important step to solidify Nagravision's future presence in Continental Europe.
- **Atlantic Telecom** has chosen Nagravision to launch its digital pay TV services on its network. This is the first deployment of Nagravision on the cable market in the US.
- **Comcast** has chosen Nagravision for a test e-Box (IP deployment in MPEG-4) on one of its cable networks. The presence of Nagravision with one of the principal cable operators in the US represents an important step in Nagravision's development strategy.
- **Qrix**, a Korean cable operator, has also selected Nagravision for the digital migration of its cable network. This is an important development for Nagravision on the Korean cable market.
- **Supercable (Venezuela)** has opted for a Nagravision system for the deployment of its digital TV network.
- **SVA (Shanghai, China)** has selected Nagravision for its DTH pilot project.
- **Raj TV in India** : thanks to this contract, Nagravision has installed a conditional access system on the Indian territory.
- **CBC Barbados** has selected Nagravision for its MMDS network.
- Additionally, Nagravision has won a few new digital TV deals in Switzerland, thus confirming its ability to address the needs of the market.

In addition to these new contracts, several other deals are currently being negotiated or have already been signed but are under confidentiality agreements. They will be announced in the next few months.

2003 perspectives

In 2003, the Kudelski Group plans to partially change its business model for digital TV conditional access. In addition to the sale of systems and smart cards, Nagravision now also offers a concept that includes the installation of a conditional access platform against payment of monthly subscriber fees. This concept has the advantage to reduce permanently the risks generated by revenue volatility in case of a drop in subscriber growth. However, compared to the traditional model, this leads to lower revenues as well as profitability in the first year of deployment.

The transition to this new business model for some selected Nagravision's customers is going to improve substantially the Kudelski Group's results as of 2004. However the costs to pay will be a negative impact on 2003. Therefore, the Group anticipates 2003 revenues in the same range as 2002, in spite of the business improvements due to the new contract wins.

The Kudelski Group sees 2003 as a transition year, principally due to the introduction of a new business model that offers the best long life guarantee for its core digital TV sector.

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