

## PRESS RELEASE

### **Kudelski Group first Half 2003 results : restored growth and improved profitability**

In CHF thousand	January / June 2003	January / June 2002	Variation %
<b>Total revenues</b>	176 882	165 736	+6.7%
<b>Gross Margin</b>	108 013	104 143	+3.7%
<b>Gross Margin in %</b>	61.1%	62.8%	
<b>EBITDA</b>	3 634	-4 196	n.a.
<b>EBIT</b>	-6 361	-14 160	n.a.
<b>Net Profit</b>	4 480	-17 895	n.a.
<b>Operating cash flow</b>	2 201	-27 854	n.a.
<b>EPS</b>	0.09	-0.35	

**Cheseaux, September 12, 2003 – Following a difficult 2002, the Kudelski Group restored growth and improved profitability in the first half of 2003. Total revenues grew by 6.7% compared to the first half of 2002, reaching CHF 176.9 million. Operating income (EBIT) was improved by CHF 7.8 million, reaching negative CHF 6.4 million. Net profit was improved by CHF 22.4 million to CHF 4.5 million.**

Compared to the first half of 2002, the Kudelski Group improved its performance on all dimensions, including sales, profitability and cash flows.

Total revenues for the first half reached CHF 176.9 million, representing a 6.7% increase over the first half of last year and a 12.7% improvement in local currency. Revenues grew in particular in the Digital TV sector, reflecting a strong development of US sales. At the same time, the Digital TV unit operated at lower cost levels, leading to a Group operating profitability improvement of CHF 7.8 million compared to the first half of last year.

Operating cash flow improved by CHF 30.1 million over 2002 to reach CHF 2.2 million, reflecting in particular a CHF 13.8 million cash flow improvement, a CHF 28.9 million reduction of trade accounts receivable and a CHF 9.1 million reduction of inventory. At the end of the first half of 2003, the Kudelski Group maintained a very solid balance sheet with a net cash position of CHF 374 million.

#### **Setting the stage for success**

The first half of 2003 saw a recovery of the digital TV market and the initial favorable impact of the recent new customer acquisitions. Productivity gains and cost savings obtained through ongoing consolidation and restructuring as well as the streamlining of the Group business portfolio led to an improvement of the operational performance of its

core digital TV business. However, the upfront expenditures on the development of solutions for newly acquired TV customers, subdued investment activities in the Physical Access sector, as well as the continued weakening of the USD partly offset the productivity gains.

In the first half year, the Group set the foundation for the successful development of its business. The restructuring process was accelerated : the Group assigned new responsibilities in the Digital TV, Physical Access and Finance units, completed the integration of acquisitions, defined and implemented new business processes and deployed a new rental-based business model.

From a market perspective, new customer wins exceeded internal strategic targets. Between March and August 2003, the Kudelski Group successively announced a number of major new contracts in Europe, Asia and the Americas. In Germany, Nagravision set the conditional access standard with the win of Premiere, KDG, ISH, iesy and Kabel Baden-Württemberg.

As a further achievement, the Group announced in August the acquisition of MediaGuard, the conditional access business of Thomson's Canal + Technologies, enabling Kudelski to become the worldwide conditional access leader. While closure is expected to take place during the fourth quarter of this year, the Group has already started to prepare the integration process.

The physical access market suffered from the slow down in investment activities; as a result, revenues were roughly at the same level as in the first half of 2002, despite a perimeter of consolidation now including Ticketcorner Germany. On the other hand, the restructuring process started to bear some fruit with a reduction of operational expenses enabling to soften the impact of the adverse market conditions.

## **Outlook**

Due to the seasonality of both the Digital TV and Physical Access activities, the Group expects further improvement in the second half of the year. For the full year 2003, revenues are expected to be in the CHF 400-430 million range and to break-even at operating income level.

Revenues and profitability for the full 2003 will not fully reflect the business performance of the Kudelski Group, since an important share of the smart cards shipped during the second half of 2003 will be in rental mode.

As from 2004, we expect strong growth on both revenues and EBIT levels due to the recurring revenues generated by the new contracts won in 2003, including the lease contracts.

For further information please contact Catherine Hugon on +41 21 732 01 54.

### 2004 Agenda

March 12, 2004

May 26, 2004

Results 2003

Annual General Meeting