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STMicroelectronics and the Kudelski Group Sign Framework Development and License Agreement for M-commerce Secure 3G Java™ SIM/USIM Card Solution

Combination of ST's leading-edge secure microcontroller technology with the Kudelski Group's smart card software know-how leads to state-of-the-art M-commerce Secure 3G Secure Java Card™ SIM and USIM solutions for 2.5G and 3G mobile markets

Geneva and Cheseaux, October 10, 2003 - STMicroelectronics (NYSE:STM) and the Kudelski Group (SWX:KUD) today announced the signature of a framework development and license agreement to provide a 3G Secure JavaCard™ system solution.

This system solution consists of an advanced background compatible 3G SIM/USIM card with a revolutionary design enabling telecom operators as well as third-party application providers to easily design and deploy new mobile services with the utmost security features.

The jointly developed solution represents a truly open and standard-compliant card in the telecom market. It will be deployed in the course of the first half of 2004.

The framework agreement brings together two market leaders: ST, a leading provider of secure microcontrollers for smart cards for more than 20 years; and the Kudelski Group, through its companies NagraCard/Nagravision, a leading developer of smart card solutions for security-demanding applications for more than 15 years.

The solution is expected to reduce time-to-market for card manufacturers and network operators supplying state-of-the-art mobile applications on 3G Java™ SIM/USIM solutions for the GSM, UMTS and W-CDMA markets. Java Card™ technology enables software applications, or applets, to be developed independently from the operating system in use and also allows multiple applications to co-exist securely on a single smart card.

The agreement between the two companies provides a global framework within which they will work closely together, sharing technical and marketing expertise to deliver secure smart card-based mobile solutions to the market place.

The combination of the ST22L128 secure microcontroller in ST's 0.18µm EEPROM technology with NagraCard's Smart JUIC software creates a highly advanced solution for the wireless market.

The system solution, which is WIM ready, incorporates powerful cryptographic functions to provide the critical mutual authentication of subscribers with networks, as well as to support encryption and the digital signatures essential for non-repudiation of commercial transactions with a full Public Key Infrastructure.

Card manufacturers and network operators can now deploy an M-commerce 3G JavaCard™ technology on a secure silicon platform at a competitive price.

“The Kudelski Group is pleased to bring to the mobile markets its leading expertise of smart card technology. Through this partnership, we are able to offer mobile operators and third party providers a new generation of end-to-end management and security solutions in their deployment of mobile services,” said Pierre Roy, COO of Kudelski’s Digital TV Division.

Carlo Bozotti, Corporate Vice President, Memory Products Group General Manager of STMicroelectronics, said: “By coupling NagraCard’s technology with the ST22L128, we will provide a ready-to-use M-Commerce 3G JavaCard™ solution, enabling the operator to roll out new services to customers in a time and cost effective manner.”

The ST22L128 product is the latest in the highly successful ST22 platform of products. The secure microcontroller benefits from the security features of the platform combined with state-of-the-art 0.18µm technology. The 128Kbytes of EEPROM, 246Kbytes of ROM and 8Kbytes of RAM combined with an enhanced 32-bit RISC CPU make the device an ideal platform.

NagraCard’s Smart JUIC features complete 2G/3G functionality on JavaCard and integrates a patented relational database mechanism pushing further the boundaries of application deployment and remote management for operators and third parties.

At ITU World Telecom 2003 in Geneva, Switzerland, ST and NagraCard are showing the system solution at the Kudelski Group’s exhibition stand 2228, Hall 2.

About STMicroelectronics

STMicroelectronics is a global leader in developing and delivering semiconductor solutions across the spectrum of microelectronics applications. An unrivalled combination of silicon and system expertise, manufacturing strength, Intellectual Property (IP) portfolio and strategic partners positions the Company at the forefront of System-on-Chip (SoC) technology and its products play a key role in enabling today's convergence markets. The Company’s shares are traded on the New York Stock Exchange, on Euronext Paris and on the Milan Stock Exchange. In 2002, the Company’s net revenues were \$6.32 billion and net earnings were \$429.4 million. Further information on ST can be found at www.st.com.

About Kudelski Group

The Kudelski Group is a world leader in the area of digital security. Its various companies are active in two main sectors: security of access to information (digital TV and broadband Internet) and physical access to sites. The Digital TV entity provides global security solutions to digital TV operators and content providers including conditional access and software tools to operate interactive broadband applications such as e-commerce and video-on-demand. The Nagra Public Access unit offers integrated smart-card based access control solutions for

public sites (car parks, stadiums, amusement parks, ski resorts) including a whole range of related products. Separately, the Nagra Audio sector develops and markets a range of products in the professional and prestige hi-fi sectors.

The Kudelski Group was founded in 1951. It is headquartered in Cheseaux-sur-Lausanne in Switzerland and has offices around the world employing a total of more than 1 200 staff. The Kudelski stock (SWX "KUD") is listed on the Swiss Market Index as well as on the Morgan Stanley Capital International Index. Further information can be found at www.nagra.com.

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