

PRESS RELEASE

Kudelski Group: First half 2002 results

Cheseaux, September 12, 2002 – During the 1st half of 2002, the Kudelski Group reached a total income of CHF 165.7 million, which represents an increase of 4.5% vs. the first half of 2001 (CHF 158.6 million). Due to higher costs, the operating income (EBIT) was negative and reached CHF -14.2 million in the 1st half of this year (CHF 19.6 million for 1H2001). The net result was also affected by higher costs and financial factors. The Kudelski Group recorded a net result of CHF -17.9 million compared with a net profit of CHF 21.8 million in the first semester of 2001. For the whole year 2002, the Group expects total revenues situated between CHF 400 million and CHF 450 million and a net profit (outside exceptional items) between CHF 5 million and CHF 25 million.

Difficult environment in Europe

In the 1st half of 2002, the Kudelski Group reached revenues of CHF 165.7 million (+ 4.5% vs the corresponding period 2001). While sales in America were in line with expectations, they grew very sharply in Asia, where Nagravision installed several new systems and won new clients, particularly in China, Taiwan, Japan and Indonesia. But revenues in Europe were disappointing. The first six months of 2002 were marked by much lower revenues from digital television operators in Europe in general - in the UK and Spain in particular. This evolution had been anticipated, though it proved to be more unfavourable than expected, particularly with regard to revenues generated by system upgrades.

In the physical access control sector, the evolution was in line with expectations. This activity is marked by a significant seasonable variation which also prejudiced the first half of the current financial year.

First half 2002 was penalized by several factors

For the 1st half of 2002, the operating income (EBIT) was negative at CHF -14.2 million (-172.3% compared with the corresponding period 2001) due to an increase in the costs relating to the digital TV sector and some additional integration costs. This increase was generated by the preparation of the acceleration in business then expected for the second half of 2002.

The net result was also negative in the first 6 months of 2002. The Kudelski Group reports a net result of CHF -17.9 million compared with a net profit of CHF 21.8 million in the first semester of 2001. The net result was affected by additional factors. The weakness of the American Dollar and of the Euro against the Swiss Franc did not only affect revenues negatively but also had a significant impact on the operational results. Revenues from deposits were also much lower than anticipated due to the market conditions.

Aside from these unfavourable elements, the Kudelski Group endeavoured to systematically reduce total outstanding receivables. Furthermore, a more refined credit management system that takes into account the specific financial situation of each operator client led the Group to forego some sales opportunities which were judged to

be too risky. A similar approach resulted in improvements in the quality of revenues, namely an increase in the relative gross margin.

Structure of the Group

Since the third quarter of 2001, Kudelski's management has worked on the integration of the various acquisitions within the Group. Lysis was integrated with Nagravision during the second half of 2001, while SkiData took over the entirety of the physical access control activities in the first semester of 2002. In 2001, the Kudelski Group decided to implement a new reporting system which has now been operational since the end of June 2002. In the next few months, an upgrade of this system will allow the automatic integration of the various management processes of the digital TV activities. Additionally, Nagravision's activity is being reorganized; this should be finalized by early 2003.

Convertible bond issue

At the end of January 2002, the Kudelski Group issued a convertible bond of USD 325 million with the aim of investing in the company EchoStar in view of the expected merger between EchoStar and Hughes (DirecTV). As at 30 June 2002, the Kudelski Group had not yet made any firm commitment as to the use of the funds raised.

Outlook

Contrary to initial expectations, the 2002 financial year will record a lower performance than the previous year. At the end of August 2002, the sharp deterioration in the short-term order book in the digital TV sector will have a disproportionately negative effect on the year 2002. In reaction to the new situation, the management of the Kudelski Group is taking all the steps needed in order to mitigate the negative consequences while at the same time safeguarding the growth opportunities of the Group in the medium and long term. It is totally determined to overcome this challenge.

In CHF thousand	1st Half 2002	1st Half 2001	Variation in %
Total Income	165'736	158'560	4.53%
Gross Margin	104'143	90'562	15.00%
EBITDA	205	26'868	-99.24%
EBIT	-14'160	19'595	-172.26%
Net result	-17'895	21'843	-181.93%

For further information please contact:

André Kudelski
President and CEO of the Kudelski Group
+41 21 732 01 03

2003 Agenda
March 26, 2003
May 23, 2003

Results 2002
Annual General Meeting