

## PRESS RELEASE

### CHALLENGING DIGITAL TV ENVIRONMENT AFFECTS KUDELSKI GROUP

**Cheseaux, August 29<sup>th</sup>, 2002 - Over the last few weeks, the Kudelski Group's incoming orders have been unusually low and several customers have requested delivery postponements. These elements will have a decisive impact on the Group's revenues for the period of September through December 2002. In view of this new situation, the Kudelski Group expects 2002 total income situated between CHF 400 million and CHF 450 million of which 35% to 45% will be generated by the physical access sector. Net profit, without exceptional items (restructuring, allowance for doubtful debts, etc.) should be between CHF 5 million and CHF 25 million. For the first half of 2002, the Kudelski Group has negative results due to increased operational costs, exchange rate losses, and financial income below expectations.**

Initially, the Kudelski Group expected a good 2002 financial year despite a difficult first half. The Group's management anticipated the situation to be tough in Europe during the first half of the year, while it was expected to go back to normal during the second half, the weakness of some clients being balanced by new identified opportunities.

Despite the unfavorable digital TV sector environment in 2002, the Group's management estimated that it should have been able to reach its objectives in the second half of 2002, like in the previous years. Over the last weeks however, incoming orders and delivery postponements have drastically modified year-end perspectives. In our view, this represents a transfer of high value-added revenues (smart card sales, upgrade of existing installations) to 2003, thus showing that the time-lag between development efforts and expected revenues has increased.

The negative evolution that one may observe at the moment is not uniform – it particularly concerns the European market (which represented 45% of the Group's television sector revenues in 2001), while revenues generated in North America continue to develop well, but are penalized by the persisting weakness of the dollar.

The current tumult in the digital TV market as well as the lack of visibility of this sector are leading the Kudelski Group's management to review its strategic approach for this activity. Recent events will have an impact on the structure, the competitiveness and the speed of reaction of the Group.

If the forecast for the second half of 2002 must be strongly revised downwards due to the particularly difficult and uncertain international economic situation, mid-term perspectives remain promising, both in terms of the evolution of existing customers and of new prospects with whom negotiations are progressing well. Additionally, despite the current difficulties, the Kudelski

Group has a particularly strong balance sheet which allows it to face with confidence the current adverse digital TV market conditions. A number of measures have been taken at the end of the first half in order to improve productivity. The effects of these measures will be seen as early as the end of 2002.

2002 half-year results as well as a summarized interim report will be released on September 12, 2002, as announced last July.

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