

PRESS RELEASE

Kudelski Group : market share increase in digital TV, recovery completed and strong 2004 momentum

(in thousand CHF)	2003	2002	Variation %
Total revenue	412'392	402'355	+2.5%
Margin ACMS	254'948	250'033	+2.0%
OIBDA	32'229	8'608	+274%
EBIT	10'063	-32'022	n/a
Net Profit	33'167	10'031	+230%

Cheseaux, March 12, 2004 – The Kudelski Group reemerges from the 2002 market downturn with a promising outlook. The Group has strengthened its competitive position in the digital TV landscape, both by winning a string of new customers and by acquiring Canal + Technologies' conditional access business. The Group has also completed the reengineering of its operations, putting in place a new organization.

2003 Results

Revenues in 2003 increased by 2.5% to CHF 412.4 million, including the short-term revenue gap from the switch to a newly introduced pricing model. Based on a pro-forma calculation using a comparable pricing model, the revenue increase amounts to 17.6%.

The digital TV market recovery in the second half of 2003 and the earlier than expected results of the restructuring program led to a CHF 10.1 million EBIT, up CHF 42.1 million compared to 2002, in spite of a weakening USD. Net income reached CHF 33.2 million, up CHF 23.2 million from 2002, including strong financial results.

Cash flow generation was robust : in 2003, the Group achieved the best ever cash flow from operating activities of its history at CHF 39.3 million, reflecting in particular a material improvement of the working capital situation.

New Organization

At the beginning of 2003, the Executive Board was strengthened with two newly hired executives, Mauro Saladini, CFO and Pierre Roy COO Digital TV. More recently, the Group announced the appointment of Adrienne Corboud Fumagalli to Head of Business Development and Nicolas Goetschmann to Corporate Secretary.

Over the past few weeks, the management team was further expanded with a newly hired Head of Product Development, John Lin formerly with Schlumberger, a new CEO of Nagra France, Philippe Alcaras joining from Thomson, and a new CEO of SkiData, Christian Dreyer formerly with Hansen Holding. The Group Finance organization was also strengthened by Hugo Rohner, the newly hired Head of Controlling and Laurent Kaeslin, the newly hired Head of Accounting.

New Contracts

In 2003, the Group substantially improved its position in the digital TV market, particularly in Europe, through several new customer wins. Early 2003 new wins include, among others, Premiere, the German cable operators KDG, Kabel Baden-Württemberg, ish and iesy, Spanish Sogecable (now merged into Digital+) and the cable business of TV Cabo. More recently, the Group has won new contracts introducing a new dimension of growth in Kudelski's business.

- **EchoStar swap.** This week, NagraStar has confirmed the first 4 million smart cards to be delivered as a replacement of existing cards at EchoStar. NagraCard has recently released a new generation of smart cards specifically conceived for the swap-out at EchoStar. The new smart card integrates advanced security attributes and an upgraded set of features. NagraCard will complete the delivery of the cards early in the second semester of this year.
- **KDG basic encryption.** KDG and NagraVision have entered into an agreement for the deployment of a basic encryption solution aimed at rolling out authorization and authentication functionalities into the full digital cable subscriber base. With this agreement, Kudelski will address a much larger subscriber base than the premium pay TV base. Currently, 18 million German households (out of 27 million homes passed) have a cable subscription; this compares to roughly 2 million households with a premium pay TV cable subscription.
- **Premiere Blue Movie Card.** Premiere and NagraVision have entered into a contract for the deployment of a pre-paid disposable card. The card will be pre-loaded with viewing rights enabling a time limited access to selected content. The card is fully compatible with the existing base of set top boxes. An initial few hundred thousand cards have already been delivered. The Blue Movie Card represents a striking example of an innovative new product development enabling a digital TV operator to provide innovative products into its subscriber base.
- **Disney's MovieBeam.** NagraVision signed a contract with Disney for the development of a comprehensive security solution for MovieBeam and has completed the deployment of the first release. MovieBeam uses terrestrial signals to deliver Video On Demand content to consumers. NagraVision has integrated a newly developed technology using non-real time encryption into custom-developed DVRs (Digital Video Recorders). With this deployment, the Kudelski Group goes one step up in the media industry food chain, directly addressing the needs of the studios with a solution integrating conditional access and DRM (digital rights management) features.

- **Top Up TV.** Nagra France and Top Up TV announce the signature of a contract for the deployment of MediaGuard in the UK terrestrial market. Top Up TV, a new service to be launched this month, will offer ten of the best UK TV channels for a no-ties month-to-month subscription fee. Top Up TV will leverage the fast growing Freeview subscriber base, using the former ITV Digital boxes still deployed in UK TV homes and integrating the additional Freeview set-top boxes in the coming months. With this contract, the Kudelski Group establishes a leading position in the emerging digital terrestrial market.
- **New wins in Asia.** As detailed in separate press releases, Indonesian cable and DTH operator **Kabelvision** and **Space Time Network**, Nepal's largest cable operator, have selected Nagra's conditional access solutions. Philippines based operator **ABS-CBN** will extend its cooperation with Nagra for the expansion of its operations to Europe. Moreover, Nagra has obtained from the Telecommunications Technology Association in **Korea** the Open Cable standard certification for conditional access.
- **Other contracts.** In a separate press release, the Kudelski Group announces the signature of a contract with **Swisscom** for the delivery of a complete digital TV platform in Switzerland. Other recent wins include a contract with **Globecomm Systems** for the delivery of a full conditional access solution. Globecomm will broadcast digital video channels from its uplink facility in New York to Nigeria. Further, European digital TV operator **Telenet** will install Lysis iDTV content system and German and Dutch operator **PrimaCom** a new Lysis video server solution. In addition to EchoStar, other operators have entered into firm contracts for a full swap-out, including the now merged Via Digital and Sogecable in Spain as well as Canal+ in France and in Spain for their analog cards.

Recent Developments in China

Nagra has completed the localization program required by the State Administration of Radio, Film & TV (SARFT). Furthermore, MediaGuard has successfully finalized the technical testing procedures required for SARFT certification. These achievements further illustrate Kudelski Group's long-term commitment to China.

Shanghai Cable Network, one of the largest city-wide networks in China, with over 3.5 million cable homes, is continuing to deploy the Nagra conditional access solution, recently extending its digital installed base to more than 20'000 set-top boxes, all of them exclusively Nagra-enabled.

Strong Results from Public Access

Public Access reversed the first half trend delivering a strong second semester both in terms of growth and profitability, leading to an overall 7.9% yearly revenue increase and a 5.4% EBIT margin.

SkiData in particular accelerated its customer win momentum adding several new customers in the parking segments (e.g., the seven main airports of Norway, Unique in Zurich, several large shopping centers), expanding its worldwide leadership in the ski segment to address the Japanese (Niseko), American (Aspen) and Eastern European markets and continuing the development of the events market.

Ticketcorner established a solid foundation for its international expansion, completing the integration of Qivive, deploying its new TicketSoft platform and establishing a strong foothold in the German market.

2004 Perspectives

Overall, the Kudelski Group expects 2004 to be a strong year. The smart card pipeline is stronger than ever, with a firm backlog of close to 27 million revenue-generating smart cards. For 2004, current estimates indicate that revenue-generating smart cards in rental model will more than double from current 4.5 million to 11.5 - 12.5 million. The volume of smart cards sold is expected to grow from 8.5 million last year to a range of 16 - 20 million.

These volumes translate into an economic guidance of total revenues between CHF 560 and 610 million (+36-48% compared to 2003) and an EBIT between CHF 65 and 85 million.

For more information, please contact Catherine Hugon, tel. +41 21 732 01 54.