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SCM MICROSYSTEMS AND NDS COMBINE TO PRODUCE FIRST WORKING PROTOTYPE OF OPENCABLE POD

Leading Conditional Access Supplier and Module Manufacturer Sign Licensing Agreement and Produce First Working Prototype of OpenCable POD

ANAHEIM, Calif./WESTERN CABLE SHOW (December 2, 1998) – SCM Microsystems, Inc. (Nasdaq:SCMM; Neuer Markt:SMY), the leading manufacturer of conditional access modules for digital TV services, has announced a licensing agreement with NDS, the leading provider of broadcast solutions, to provide next generations of conditional access modules incorporating VideoGuard®, NDS' conditional access technology, for the U.S. digital TV markets.

The two companies are anticipating strong demand for renewable and modular security as required by the FCC's 1998 Report and Order for cable operators and as identified by the current ATSC standardization process. This physical standardized separation between the navigation device (e.g. set top box, integrated TV set and PC) and the network security components guarantees availability and interoperability of set top boxes and other integrated TV sets in an open and competitive retail environment in the U.S., without undermining security of newly deployed services.

SCM Microsystems plans to manufacture OpenCable™-compliant point of deployment (POD) modules with NDS conditional access technology beginning Q4 1999, and to supply a terrestrial broadcast version beginning in Q1 2000. Both products will operate within any retail receiver, based on the Electronic Industry Association (EIA) renewable security interface standard, known as NRSS Interface (EIA-679 part B) and the extensions defined by OpenCable and ATSC. In addition to integrating the components for the current and future network security applications, these modules will provide strong cryptographic protection of programming copyrights. The adoption of these modules will result in the deployment of an open consumer platform for digital TV services. This will permit additional service providers, such as satellite DTH suppliers, to deploy modules from NDS and SCM Microsystems.

"Both the OpenCable initiative and the ATSC digital terrestrial markets are creating the need for new digital home receivers capable of protecting revenue and securing copy protection for the studio. These devices will require new removable security devices. By combining our proven conditional access technology with SCM Microsystems, NDS will be creating highly secure, fully featured removable security devices at the leading edge of technology," said Dr. Dov Rubin, vice president and general manager, NDS Americas Inc. "SCM Microsystems is a proven leader in removable conditional access modules for digital television broadcasts, and is a natural partner for us to deliver this component to the industry."

"This is a major step beyond prior generation devices," said Steve Humphreys, President and CEO of SCM Microsystems. "Having a standardized renewable and modular security architecture enables the design of consumer digital TV devices capable of receiving content from any provider. We have now reached this stage, opening the door to more creativity and value for our customers. SCM Microsystems is committed to enable this new market by providing advanced module technology. This license allows cable operators and broadcasters to benefit from NDS' security technology while taking advantage of the new wave of open digital entertainment platforms."

NDS and SCM Microsystems will jointly demonstrate the "Ease of Use of an Open Cable POD Module" at the Western Cable Show in Anaheim, Calif., December 1 to 4. A POD prototype will be used to demonstrate Pay-per-View (PPV) and subscription services using VideoGuard® in the form of a smart card hooked up to a headend that broadcasts three channels of video – one in the clear, one subscription and one PPV channel. Plugged and unplugged, the POD may be renewed, upgraded and even swapped over the lifetime of the receiver/set top box. It will allow upgrades and changes to cable network security and other features, such as interactive applications. SCM Microsystems and NDS are committed to provide cable subscribers with a user-friendly POD. This early prototype version already matches some of these requirements and is expected in June 1999.

About NDS

NDS, headquartered in the U.K., with operations worldwide, provides end-to-end solutions for digital broadcasting through the company's research, development and manufacturing activities. NDS is a recognized leader in digital video compression and conditional access, and has proven systems integration and global support capabilities. NDS is providing its advanced technologies products and services to many of the current and planned satellite and terrestrial broadcasting systems around the world. In addition, over 10 million subscribers around the globe use NDS conditional access systems to receive Pay-TV satellite and cable services.

NDS plays a major part in developing open systems and the intentional standards for the digital broadcasting arena, providing the technology and market know-how to implement standards such as MPEG-2, DVB, ATSC, SMPTE and DTTV. The company continues to make a major commitment to R&D, with over 700 of its 1,350 plus employees dedicated to its pioneering development work at research centers in Israel, the U.S. and the U.K. NDS is a subsidiary of News Corporation (NWS), a leading global media company. NDS has won many awards for technology including an Emmy from the National Academy of Television Arts and Sciences and three Queens' Awards, one for Technology and two for Export. NDS is on the World Wide Web at <http://www.ndsworld.com>.

About SCM Microsystems

SCM Microsystems Inc., with headquarters in Los Gatos, California and offices in Germany, France, Singapore, Japan, India and the U.K., is a leading provider of products and technologies which give individuals the ability to quickly and securely control, access and exchange digital information. By bridging smart cards and other secure devices with PCs and workstations, SCM Microsystems provides cost-effective solutions for conditional access to mobile and desktop computers, workstations, digital video broadcasts, virtual private networks, electronic files, e-mail and Internet firewalls. For additional information, contact SCM Microsystems at (408) 370-4888 or e-mail digitaltv@scmmicro.com.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include statements regarding SCM Microsystems' ability to provide a prototype version of the POD by the end of June 1999. The forward-looking statements included in this press release reflect management's best judgment based on factors currently known and involve risks and uncertainties. Actual results could differ materially. Factors that could cause results to differ include but are not limited to work stoppages, engineering and testing delays, and timely delivery of components. For a more detailed discussion of such risks, see SCM Microsystems' most recent SEC reports, including the Registration Statement filed on Form S-1 dated March 10, 1998, the Report of Form 10-K for the year ended December 31, 1997, and the Report on Form 10-Q for the quarter ended September 30, 1998.

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