KUDELSKI GROUP INTERIM REPORT 2013

NAGRA
KUDELSKI GROUP

KEY FIGURES FIRST HALF 2013 (UNAUDITED)

In CHF'000	January/ June 2013	January/ June 2012 (Restated)
Revenues and other operating income	390 196	388 285
Margin after cost of material	296 377	291 435
Margin after cost of material in % of revenues and other operating income	75.96%	75.06%
Operating (loss)/income	16 918	-2 449
Operating income in % of revenues and other operating income	4.34%	-0.63%
Net income	**10 293**	**-9 726**
(Loss)/earnings per bearer share (in CHF)		
– basic	0.1914	-0.1815
– diluted	0.1914	-0.1815

In CHF'000	30.06.2013	31.12.2012 (Restated)
Equity	427 819	418 415
Cash and cash equivalents	81 515	110 086
Market capitalization	577 587	352 631
Share price (in CHF)	11.75	7.20

FIRST HALF 2013 HIGHLIGHTS

- Stable revenue base with strong momentum in American markets
- Improved operating income and net income
- Solid cash flow generation
- Stream of new wins in Asian Digital TV market
- Internet TV gaining traction
- Kudelski Security expanding its footprint in cyber security market
- Confirmed full year guidance

LETTER TO SHAREHOLDERS

The total revenues and other operating income of CHF 390.2 million for 1H 2013 are comparable to the same period of last year. However, the operating income of CHF 16.9 million and the net profit of CHF 10.3 million achieved in 1H 2013 represent a material improvement over last year, primarily due to the absence of restructuring charges and – for the net result – lower financial expenses.

The stability of the Group's revenues in constant currencies over the last year is largely due to the following factors:

iDTV
- Continued expansion of the Group's business in both North and South America, with 10.7% growth compared to 1H 2012. After 10 years, the Americas region is once again the Group's largest market for iDTV in terms of revenues;
- 11% decrease in revenues from Europe as the European economic crisis continues to impact the Group's business; and
- 3.4% decrease in revenues from Asia/Pacific and Africa, largely reflecting the impact of the Group's divestment of its Abilis subsidiary at the end of 2012.

Public Access
- 8.2% decrease in revenues from Europe, primarily due to reduced sales in France and Italy;
- 44.4% growth in the Americas generated by business expansion in both North and South America; and
- 12.3% growth in Asia/Pacific and Africa.

The stability of the Group's operating income results from the combination of on the one side the improved profitability of the Group's core business and on the other side investments in new initiatives for iDTV, as well as investment in market expansion initiatives outside of Europe for Public Access.
The iDTV segment has found new growth opportunities outside of Europe:
- Ongoing business expansion in the Americas with the successful introduction of new technologies for Internet TV-related security for DISH, with the expectation of larger-scale deployments ahead, and of our next generation Middleware OpenTV 5 in South America;
- Continued success of our clients, including solid growth of the subscriber base in South America; and
- Successful traction of our new emerging market-specific solutions in Asia/Pacific and Africa, which have been adopted by a growing number of operators, including ones previously using a third party conditional access system. The rate of new contract wins is encouraging for our future in India, China and Africa.

In Europe, the iDTV segment has suffered from the continued economic crisis and the resulting weak consumer confidence. Nonetheless, the Kudelski Group has continued to strengthen its market position in Europe, for example by introducing Internet TV content protection for its current customer base as well as for new operators.
Since its foundation in 1977, SkiData (Public Access) has been European centric. For the last 10 years, the Kudelski Group has worked to grow SkiData's customer base internationally. This strategy has started to pay off, but we believe the pace must be faster. Currently, the percentage of SkiData's sales outside of Europe remains below our desired target level, so we are taking action to accelerate sales activity. To be successful internationally, we believe SkiData must expand its local presence in markets while also launching new market-specific software features for its product portfolio.

GROWTH INITIATIVES

After reducing its cost base by more than CHF 150 million from 2010 to end of 2012, the Kudelski Group is now selectively reinforcing teams to support growth initiatives, among others cyber security, Multiscreen & Internet TV security, iDTV solutions for emerging markets and SkiData software solutions for new markets.

CYBER SECURITY

During the last few months, cyber security has become a very hot topic around the world. Not a single week passes without having new questions raised about the security of the IT infrastructure and the capabilities of pirates.
With its unparalleled over 25 years of experience and technology leadership in the digital security arena, the Kudelski Group is a strong player in the new cyber security ecosystem. The Group can leverage its base of over 1'000 security experts for future expansion in cyber security, while also attracting and training new experts in this field.
In this fast moving environment, we see a number of new opportunities emerging. Since its introduction in November 2012, Kudelski Security has quickly gained traction in carefully targeted markets, including financial institutions, government and digital TV. The pace of development of this activity has convinced the management of the Kudelski Group to accelerate the ramp up of the Kudelski Security team in order to better address the identified opportunities and to be ready to address future opportunities as they arise.

OUTLOOK

With Kudelski Security and IP initiatives still in investment mode, much of the contribution to the Group's revenues and profitability will come from existing businesses. We expect moderate growth of our core business during the remainder of 2013, and we confirm our full year guidance, targeting total revenues and other operating income in the range of CHF 860 to CHF 885 million and an operating income in the range of CHF 60 to CHF 75 million.

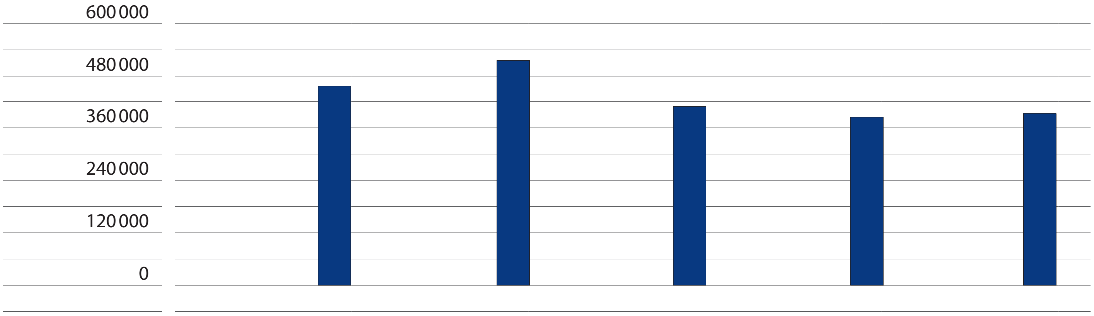
On behalf of the entire Kudelski Group, I would like to take the opportunity to thank our clients, partners, teams and shareholders for their continued trust during a challenging economic environment, where important effort and investment are required to deliver sustainable results for the future.

Sincerely,

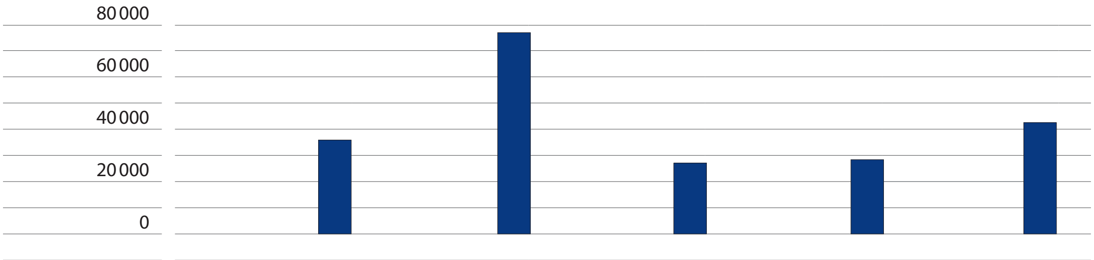
André Kudelski

KEY FIGURES FIRST HALF 2013

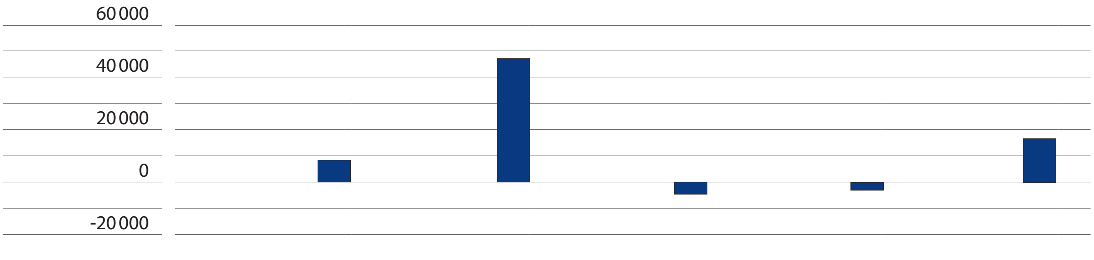
In CHF '000	2009	2010	2011	2012 (Restated)	2013
Revenues and other operating income	453 980	517 106	404 508	388 285	390 196



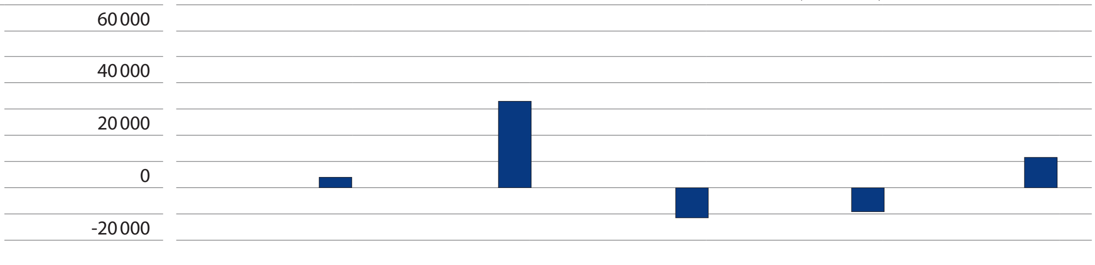
In CHF '000	2009	2010	2011	2012 (Restated)	2013
OIBDA	35 584	77 649	27 658	28 600	42 590



In CHF '000	2009	2010	2011	2012 (Restated)	2013
Operating income	8 456	47 518	-3 088	-2 449	16 917



In CHF '000	2009	2010	2011	2012 (Restated)	2013
Net income	483	31 999	-11 475	-9 726	10 293



2013 HALF YEAR RESULTS

Following the successful completion of the 2011-2012 restructuring program, the Group delivered a positive operating income and net income in the first half 2013. The Group also reported a revenue increase compared to the first half of last year, in spite of the divestiture of Abilis, a Group entity sold on December 13, 2012.

Group revenues in constant currency declined by 1.0% while reported revenues marginally increased by 0.6%, compared to the first half of last year, reaching CHF 382.7 million.

The Group reported a CHF 16.9 million operating income compared to the CHF 2.5 million operating loss in the first half 2012. In the first half of last year, operating expenses included CHF 19.8 million of restructuring costs. This first half's operating income was at approximately the same level as the first half 2012 operating income before restructuring costs.

GROUP REVENUES AND PROFITABILITY

Total revenues and other operating income for the first half 2013 increased by CHF 1.9 million to CHF 390.2 million. While revenues grew by CHF 2.4 million to CHF 382.7 million, a CHF 0.5 million decline in other operating income to CHF 7.5 million reflected a reduction of innovation incentives to our French operations ("Credit Impôt Recherche").

The "Margin after cost of material" (a pro-forma, non-IFRS item) increased by CHF 5.0 million to CHF 296.4 million. Relative to total revenues, margin after cost of material further increased from 75% to 76%, reflecting in particular a favorable first half revenue mix.

Personnel expenses decreased by CHF 2.9 million to CHF 185.5 million. Following the headcount reduction from 3068 FTEs at the end of 2011 to 2901 at the end of June 2012, the number of FTEs has grown to 2931 at the end of last year and 3037 as of end of June 2013. In Switzerland, Group headcount increased by 37 in the last six months, driven by the ongoing investment in the Group's cyber security business.

The Group further reduced other operating expenses by CHF 6.1 million to CHF 68.3 million. Administration expenses and marketing and sales expenses represented the two main items driving such cost reduction, with each declining by CHF 2.7 million compared to the prior year's first half. First half other operating expenses are at the lowest level since the Group started consolidating OpenTV in 2007.

The Group's operating income before depreciation and amortization was CHF 42.6 million, a CHF 14.0 million increase from the first half 2012. At CHF 25.7 million, depreciation, amortization and impairment are CHF 5.4 million lower than in the previous first half, reflecting the full depreciation of tangible and intangible assets made available to customers and generating recurring service revenues, as well as the reduced levels of capital expenditures over the last 18 months. Capital expenditures for tangible and intangible assets were CHF 38.2 million for the full year 2012 and CHF 12.7 million for the first half 2013.

Overall, the Group generated operating income of CHF 16.9 million in the first half 2013, representing a CHF 19.4 million increase compared to the same period of 2012 and comparable to the pro-forma first half 2012 operating income ex restructuring costs of CHF 17.3 million.

At CHF 4.3 million, interest expense for the first half 2013 was less than half the amount incurred during first half 2012, as the Group substantially reduced its indebtedness through the repayment of the CHF 350 million convertible bond in October of last year. The Group posted a positive net other finance income benefiting from the marginally positive impact of foreign exchange-related items. Income tax expense of CHF 3.8 million reflected the Group's return to profitability. Overall, the Group improved net profits by CHF 20.0 million over the last year, turning the CHF 9.7 million net loss for the first half 2012 into a CHF 10.3 million net income for the first half of this year.

INTEGRATED DIGITAL TV

Reported iDTV revenues increased marginally by 0.2% to CHF 303.0 million, in spite of the divestiture of Abilis, which was fully consolidated until its sale in December 2012. Sales of SmarDTV devices, as well as NagraID Security display cards, were among the key drivers supporting the segment's top line. In constant currency, segment revenues declined by 1.4%.

European crisis and weak consumer sentiment continued to affect the European Digital TV business in the first half 2013 resulting in a CHF 11.7 million revenue decline to CHF 121.6 million. In constant currency, this represented an 11.0% decline. The Italian market further lost momentum in the first half 2013, as this period's revenue base was less than half the level during the first half 2012. Segment revenues from the German market materially decreased compared to the first half of last year, as 2012 benefitted from the one-off effect of Astra switching off its analog satellite signal and the resulting increase in digital TV receivers and from higher deployments by Sky Deutschland.

The Americas business posted a 10.7% constant currency growth, reaching CHF 129.3 million in the first half 2013. For the first time since 2003, the Americas provide the largest revenue contribution of all regions to the iDTV segment. Both the South American and the North American markets contributed to the strong regional performance. In North America, a large number of new smart cards delivered to Dish Network underpinned the top line, while a further expansion of the Group's footprint in South America enabled continued strong performance in that region.

The Asia/Pacific and Africa region posted a 3.4% constant currency revenue decline due to the Abilis divestiture. Excluding the impact of this divestiture, the region has grown its revenues during the first half 2013. The region's highlights included further sales growth in Africa, as newly acquired customers such as Tanzania's BTL launched their digital TV services. Similarly, new launches in markets such as Indonesia translated in growing revenues. On the other hand, Indian revenues declined in the first half 2013 following a strong first half 2012.

The segment's operating income strongly recovered in the first half of 2013, increasing from CHF 11.7 million in the first half of last year to CHF 32.8 million. As in prior periods, the Group's early stage business units, such as cyber security, advanced advertising and display cards, negatively impacted segment profitability, as they generated an operating loss in the first half 2013. However, the reduction of operating expenses resulting from the 2011/2012 restructuring program substantially improved the cost base of the Group's core digital TV business, enabling the increase in reported profits.

PUBLIC ACCESS

Public Access posted a 0.5% revenue increase in constant currency.

In Europe, constant currency revenues declined by 8.2% reaching CHF 58.0 million. The French and Italian market suffered from a challenging environment, with revenues from these markets declining by CHF 3.8 million in the first half 2013, as compared with the same period in 2012.

In the Americas, SkiData performed well in the first half 2013, with constant currency revenues increasing by 44.4%. This increase was driven by growth in both its North American and South American markets, including in particular SkiData's first installations in Peru, Columbia and Uruguay, as well as new contracts for airport parking projects in Chile and Uruguay.

Finally, constant currency revenues for Asia/Pacific and Africa increased by 12.3%, reaching CHF 5.7 million in the first half 2013. This reflects improvements in the Japanese ski market, first installations in Angola and the company's first contract award in Nigeria.

Overall, the segment's operating income declined by CHF 2.1 million from the first half of last year, primarily reflecting an increase in its operating expense base.

BALANCE SHEET AND CASH FLOW

Total non-current assets decreased by CHF 8.6 million in the first half 2013, with tangible fixed assets decreasing by CHF 1.7 million and intangible assets by CHF 5.0 million. While higher USD and EUR period end exchange rates increased the value of relevant foreign assets, the Group's tight control of capital expenditures enabled the reduction of both balance sheet positions.

Compared to December 31, 2012, total current assets decreased by CHF 51.7 million. Seasonal fluctuations led to a CHF 9.1 million increase of inventories, mainly due to a CHF 6.5 million increase of SkiData stock and a CHF 5.0 million increase of SmarDTV stock. Trade accounts receivables continued to improve in the first half 2013, resulting in a CHF 39.6 million decrease compared to the end of last year. A CHF 7.2 million increase of accrued income due to the delayed receipt of certain royalty reports was the main driver of the CHF 7.4 million increase in other current assets. At the end of the first half 2013, cash and cash equivalents amounted to CHF 81.5 million, which reflected the Group's optimization of its debt and liquidity structure.

Total equity increased by CHF 9.4 million to CHF 427.8 million at the end of the first half 2013, as compared to the restated amount of CHF 418.4 million at the end of 2012. The Group retrospectively adopted IAS 19 (revised) in the current financial year, and as a result, total equity at the end of 2012 was restated resulting in a reduction of CHF 19.3 million. As of June 30, 2013, the impact of IAS 19 on the Group's equity was a reduction of CHF 21.0 million. Note 9 of the financial statements provides further details on the impact of the Group's adoption of IAS 19.

Total non-current liabilities declined by CHF 25.0 million in the first half 2013 due to a further reduction of long-term financial debt, which decreased by CHF 30.0 million to CHF 164.7 million. The Group reduced total current liabilities by CHF 44.7 million to CHF 192.3 million, mainly through a CHF 28.0 million reduction of short-term financial debt to CHF 46.1 million. Group financial debt at the end of the first half 2013 included the CHF 110 million straight bond maturing in 2016, CHF 50 million drawn under the CHF 145 million syndicated credit facility committed until 2015 and various bank debt positions.

The Group reduced trade accounts payable by CHF 7.0 million to CHF 33.1 million at the end of the first half 2013, with SkiData accounting for the majority of the reduction in line with its usual business seasonality. The CHF 8.1 million reduction of other current liabilities was due to the usual seasonality of payroll-related accrued expenses.

During the first half 2013, the Group generated CHF 51.9 million of cash from operating activities, compared to CHF 26.3 million in the first half 2012. The Group used CHF 11.3 million of cash for investing activities, compared to CHF 11.8 million in the prior year's first half, reflecting the Group's tight management of capital expenditures. Cash used for financing activities amounted to CHF 70.3 million. This included a CHF 61.1 million reimbursement of bank overdrafts, long term loans and other non-current liabilities, as well as the CHF 10.8 million dividend paid by Kudelski SA in 2013. The effect of changes in foreign exchange rates on cash and cash equivalents was marginally positive at CHF 1.1 million for the first half 2013.

OUTLOOK

For the second half of 2013, the Group expects favorable seasonality, similar to last year, in the Integrated Digital TV segment. In particular, the Group expects the positive momentum in the Asian Digital TV market to translate into a solid second half top line. In the Public Access segment, the Group expects that seasonality will be more pronounced than last year, resulting in a positive operating income and a growing top line for the full year.

CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013 AND 2012 (UNAUDITED)

In CHF'000	January/ June 2013	January/ June 2012 (Restated)
Revenues	382 653	380 315
Other operating income	7 543	7 970
Total revenues and other operating income	**390 196**	**388 285**
Cost of material	-93 819	-96 850
Employee benefits expense	-185 519	-188 449
Other operating expenses	-68 268	-74 386
Operating income before depreciation, amortization and impairment	**42 590**	**28 600**
Depreciation, amortization and impairment	-25 672	-31 049
Operating income/(loss)	**16 918**	**-2 449**
Interest expense	-4 342	-9 133
Other finance income/(expense), net	879	1 845
Share of results of associates	679	502
Income/(loss) before tax	**14 134**	**-9 235**
Income tax expense	-3 841	-491
Net income/(loss) for the period	**10 293**	**-9 726**
Attributable to:		
- Equity holders of the company	10 530	-9 772
- Non controlling interests	-237	46
	10 293	**-9 726**

EARNINGS PER SHARE (UNAUDITED)

In CHF	January/ June 2013	January/ June 2012 (Restated)
Earnings/(loss) per:		
- bearer share - basic and diluted	0.1914	-0.1815
- registered share (not listed) - basic and diluted	0.0191	-0.0182

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

In CHF'000	January/ June 2013	January/ June 2012 (Restated)
Net income/(loss)	**10 293**	**-9 726**
Other comprehensive income to be reclassified to net income/(loss) in subsequent periods:		
Currency translation differences	8 798	1 503
Cash flow hedges	-2	-153
Net gain on available-for-sale financial assets	6	15
	8 802	**1 365**
Other comprehensive income not to be reclassified to net income/(loss) in subsequent periods:		
Remeasurements on post employment benefit obligations	-109	-137
	-109	**-137**
Total other comprehensive income, net of tax	**8 693**	**1 228**
Total comprehensive income/(loss) for the period	**18 986**	**-8 498**
Attributable to:		
- Equity holders of the company	18 637	-8 559
- Non controlling interests	349	61
	18 986	**-8 498**

CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2013 AND DECEMBER 31, 2012 (UNAUDITED)

In CHF'000

ASSETS

	30.06.2013	31.12.2012 (Restated)
Non-current assets		
Tangible fixed assets	153 089	154 758
Intangible assets	183 195	188 167
Investment property	1 538	1 571
Investments in associates	5 021	4 398
Deferred income taxes assets	60 513	61 859
Financial assets and other non-current assets	72 947	74 145
Total non-current assets	**476 303**	**484 898**
Current assets		
Inventories	77 674	68 647
Trade accounts receivable	156 808	196 397
Other current assets	64 373	56 958
Financial assets (short term)	51	7
Cash and cash equivalents	81 515	110 086
Total current assets	**380 421**	**432 095**
Total assets	**856 724**	**916 993**

EQUITY AND LIABILITIES

	30.06.2013	31.12.2012 (Restated)
Capital and reserves		
Share capital	537 863	536 122
Reserves	-119 544	-126 841
Treasury shares	-253	-290
Equity attributable to equity holders of the parent	**418 066**	**408 991**
Non controlling interests	9 753	9 424
Total equity	**427 819**	**418 415**
Non-current liabilities		
Long-term financial debt	164 749	194 679
Deferred income tax liabilities	5 223	4 348
Employee benefits liabilities	64 105	60 233
Provisions for other liabilities and charges	418	504
Other long-term liabilities	2 093	1 852
Total non-current liabilities	**236 588**	**261 616**
Current liabilities		
Short-term financial debt	46 115	74 083
Trade accounts payable	33 125	40 073
Other current liabilities	86 549	94 663
Current income taxes	1 568	1 904
Advances received from clients	18 096	14 362
Derivative financial instruments	285	–
Provisions for other liabilities and charges	6 579	11 877
Total current liabilities	**192 317**	**236 962**
Total liabilities	**428 905**	**498 578**
Total equity and liabilities	**856 724**	**916 993**

CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013 AND 2012 (UNAUDITED)

In CHF'000	January/ June 2013	January/ June 2012 (Restated)
Net income/(loss) for the period	**10 293**	**-9 726**
Adjustments for net income non-cash items:		
- Current and deferred income tax	3 841	491
- Interest expense and other finance income/(expense), net	4 119	4 686
- Allocation of the equity conversion component and transaction costs of convertible bond and borrowings	130	3 190
- Depreciation, amortization and impairment	25 672	31 049
- Change in fair value of financial assets at fair value through profit or loss	237	-2 657
- Share of result of associates	-678	-502
- Dividends received from associated companies	–	496
- Non-cash employee benefits expense	3 964	2 989
- Additional provisions net of unused amounts reversed	-1 798	9 850
- Other non cash income/expenses	41	4 353
Adjustments for items for which cash effects are investing or financing cash flows:		
- Other non operating cash items	13	–
Adjustements for change in working capital:		
- Change in inventories	-7 682	-11 763
- Change in trade accounts receivable	43 276	43 099
- Change in trade accounts payable	-6 959	-13 855
- Change in deferred costs and other net current working capital headings	-21 299	-33 808
Interest paid	-1 233	-825
Interest received	583	965
Income tax paid	-618	-1 736
Cash flow from/(used in) operating activities	**51 902**	**26 296**
Purchases of intangible fixed assets	-2 788	-6 173
Purchases of tangible fixed assets	-9 920	-6 690
Proceeds from sales of tangible and intangible fixed assets	38	25
Investment in financial assets and loan granted	-170	-121
Divestments of financial fixed assets and loans reimbursement	1 539	1 159
Cash flow from/(used in) investing activities	**-11 301**	**-11 800**
Reimbursement of bank overdrafts, long term loans and other non-current liabilities	-61 142	-15 063
Increase in bank overdrafts, long term loans and other non-current liabilities	1 625	9 692
Proceeds from employee share purchase program	43	112
Dividends paid to non controlling interests	-21	-6 987
Dividends paid to shareholders	-10 757	-5 359
Cash flow from/(used in) financing activities	**-70 252**	**-17 605**
Effect of foreign exchange rate changes on cash and cash equivalents	1 080	207
Net increase/(decrease) in cash and cash equivalents	**-28 571**	**-2 902**
Cash and cash equivalents at the beginning of the period	110 086	289 591
Cash and cash equivalents at the end of the period	81 515	286 689
Net increase/(decrease) in cash and cash equivalents	**-28 571**	**-2 902**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

In CHF'000	Share capital	Share premium	Retained earnings	Fair value and other reserves	Currency translation adjustment	Treasury shares	Non controlling interests	Total equity
January 1, 2012 (restated)	**533 798**	**59 036**	**-148 554**	**30 115**	**-67 715**	**-326**	**16 905**	**423 259**
(Loss) / profit for the period			-9 772				46	-9 726
Other comprehensive (loss) / income for the period			-137	-61	1 411		15	1 228
Total comprehensive (loss)/income for the period	**–**	**–**	**-9,909**	**-61**	**1,411**	**–**	**61**	**-8,498**
Employee share purchase program	281	-124						157
Shares issued for employes	1 986	-1 160						826
Dividend paid to shareholders		-5 359						-5 359
Dividend paid to non controlling interests							-6 987	-6 987
Restricted shares granted to employees			-37			37		–
Restricted shares allocated over the vesting period			12					12
June 30, 2012 (restated)	**536 065**	**52 393**	**-158 488**	**30 054**	**-66 304**	**-289**	**9 979**	**403 410**
January 1, 2013 (restated)	**536 122**	**52 380**	**-104 277**	**-619**	**-74 326**	**-290**	**9 425**	**418 415**
(Loss) / profit for the period			10 530				-237	10 293
Other comprehensive (loss) / income for the period			-109	4	8 212		586	8 693
Total comprehensive (loss)/income for the period	**–**	**–**	**10,421**	**4**	**8,212**	**–**	**349**	**18,986**
Employee share purchase program	60	-14						46
Shares issued for employes	1 681	-536						1 145
Dividend paid to shareholders		-8 068	-2 689					-10 757
Dividend paid to non controlling interests							-21	-21
Restricted shares granted to employees			-37			37		–
Restricted shares allocated over the vesting period			5					5
June 30, 2013	**537 863**	**43 762**	**-96 577**	**-615**	**-66 114**	**-253**	**9 753**	**427 819**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013 (UNAUDITED)

1. GENERAL INFORMATION

Kudelski SA is listed on the Swiss stock exchange and incorporated and domiciled in Switzerland. Kudelski SA and its subsidiaries (together the "Group") are active in the digital TV and public access businesses. The principal activities of the Group are described in the 2012 annual report.

2. BASIS OF PREPARATION

These interim condensed financial statements for the six month ended June 30, 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2012.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations as of January 1, 2013 described below.

In the current financial year, the Group has retrospectively adopted IAS 19 (revised 2011). The revised standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. IAS 19R eliminates the previously applied 'corridor method', under which the recognition of actuarial gain and losses was deferred. Instead, the full defined benefit obligation, net of plan asset is now recorded in the balance sheet, with changes resulting from re-measurements recognized immediately in other comprehensive income.
The revised standard also requires net interest expense to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on plan assets. As a result, the Group decided to modify its accounting policy in order to treat this net interest expense as 'interest expense ' in the income statement instead of 'employee benefit expenses'. The Group believes that this treatment better reflects the nature of the expense following the revised standard.
In addition, unvested past service costs are now recognized in the income statement at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. The revised standard further enhances the disclosure requirements for defined benefit plans, requiring more information. Note 9 describes the financial effects of the adoption of the revised standard and change in accounting policy.

The following amendments to IFRS standards only had limited impact on the accounting policies, financial position or performance of the Group:
- IAS 1 (amendment) - 'Presentation of Items of Other Comprehensive Income' requires items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss an those that will never be reclassified, together with their associated income tax. It has been applied retrospectively and only impacted the disclosure of other comprehensive income;
- IFRS 7 and IAS 32 (amendment) – Offsetting financial assets and liabilities and disclosures;
- IFRS 10 - 'Consolidated financial statements' defines subsidiaries as all entities (including structured entities) over which the Group has control. The group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.
- IFRS 11 - 'Joint arrangements' implies that investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint ventures are required to be accounted for using the equity method of accounting only.
- IFRS 12 - Disclosure of interests in other entities;
- IFRS 13 - 'Fair value measurement' is applicable for the December 2013 year end. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement. The Group has included the disclosures required by IAS 34 para 16A(j).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SEASONALITY

In the Integrated Digital Television business, Christmas sales usually lead to higher volumes and therefore higher revenue in the last quarter for some customers where the sale model applies. Revenues generated under the service model have limited seasonality. This operating segment may also be subject to abnormal seasonality due to bulk orders of smart cards from large customers (e.g. for swap outs) and when new customers are gained and related products and services delivered.

The Public Access segment (SkiData) has strong seasonal revenue variations in particular in the ski access business as it earns most of its revenues in the fourth quarter.

5. SHARE-BASED PAYMENTS

EMPLOYEE SHARE PLAN

As of June 30, 2013, 6000 bearer shares have been underwritten by employees according to the articles of the Employee Share Plan. The attributable expense in the income statement is kCHF 4.

OTHER SHARE-BASED PAYMENTS

In 2010, following OpenTV Corp acquisition, 16752 bearer shares were granted to employees as retention with restrictions lapsing one-third on each of June 30, 2011, June 30, 2012 and June 30, 2013. These shares have been purchased on the stock

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013 (UNAUDITED)

market for an average consideration of CHF 29.20 per bearer share. The share-based compensation amounts to kCHF 489 and is allocated against the income statement over the vesting period. On June 30, 2013, 1 250 shares vested and were transferred to the benefiting employees out of the treasury shares representing a kCHF 37 amount.

6. IMPAIRMENT OF INTANGIBLE FIXED ASSETS

The Group impaired kCHF 2 202 intangible assets during the first half 2013 in connection with developed software technologies for which future cash flows became unsure.

7. BANK LOANS

CHF 50 million of the committed syndicated credit facility was reimbursed during the first half 2013.

8. DIVIDEND

On May 8, 2013, the Group paid a distribution of CHF 0.20 per bearer share and CHF 0.02 per registered share. The distribution amounts to kCHF 10 757.

9. IMPACT OF CHANGES IN ACCOUNTING POLICIES

The impact of changes in accounting policies relates to the adoption of IAS 19 revised.

Had the Group not adopted IAS 19 revised, the balance sheet would have been impacted as follows:

In CHF'000	30.06.2013	31.12.2012
Decrease in the defined obligation plan (non-current)	27 336	25 218
Decrease in deferred tax assets (non-current)	-6 333	-5 841
Increase in deferred tax liabilities (non-current)	-37	-37
Net impact on equity	**20 966**	**19 340**
Equity attributable to equity holders of the parent	20 966	19 340
Non controlling interests	–	–

Had the Group not adopted IAS 19 revised, the income statement would have been impacted as follows:

In CHF'000	30.06.2013	30.06.2012
Decrease in employees benefits expense	1 273	349
Decrease in interest expense	700	536
Increase in current tax expense	-456	-206
Impact on net profit for the year (continuing operations)	**1 517**	**679**
Attributable to equity holders of the parent	1 517	679
Non controlling interests	–	–
Increase in actuarial movements in OCI	145	183
Decrease in tax effect on actuarial movements in OCI	-36	-46
Effect of currency translation adjustments	–	-3
Net increase in OCI, net of tax	**109**	**134**
Attributable to equity holders of the parent	109	134
Non controlling interests	–	–

There was no material impact on the Group's interim condensed consolidated statement of cash flows or basic and diluted EPS.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013 (UNAUDITED)

10. FINANCIAL INSTRUMENTS - FAIR VALUE DISCLOSURES

The table below illustrates the three hierarchical levels for valuing financial instruments carried at fair value as of June 30, 2013. The transition provisions in IFRS 13 do not require comparative information for periods before initial application of IFRS 13. For additional information on the levels and valuation method, please refer to note 49 to the consolidated financial statement of the 2012 annual report.

In CHF'000	Level 1	Level 2	Total 30.06.2013
Financial assets:			
- marketable securities	310	–	310
- derivative financial instruments	–	52	52
Total	**310**	**52**	**362**
Financial liabilities:			
- derivative financial instruments	–	1 450	1 450
Total	**–**	**1 450**	**1 450**

During the first six-month period ended June 30, 2013, there were no changes in the valuation techniques, no significant transfer from one level to the other as well as no transactions associated with level 3 financial instruments.

Except as detailed below, Management considers that the carrying amount of financial assets and liabilities recorded at amortized cost is a reasonable approximation of fair value:

In CHF'000	Carrying amount 30.06.2013	Fair value 30.06.2013
Financial liabilities		
- CHF 110 million bond	109 042	113 410

11. PRINCIPAL CURRENCY TRANSLATION RATE

	Period end rates used for the consolidated balance sheets		Average rates used for the consolidated income and cash flow statements	
	30.06.2013	31.12.2012	30.06.2013	30.06.2012
1 USD	0.945	0.915	0.937	0.929
1 EUR	1.235	1.207	1.230	1.205

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2013 (UNAUDITED)

12. OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified based on internal reporting that is regularly reviewed by the chief operating decision maker.

Group operating segments represent strategic business units that offer different products and services for which internal reporting is provided to the chief operating decision maker. The chief operating decision maker reviews internal reports in order to allocate resources to the segment and to assess its performance.

The Group is organized operationally on a worldwide basis in 2 operating segments:
- Integrated Digital Television
- Public Access

These operating segments, which are reflected in internal management reporting, can be described as follows: The « Integrated Digital Television » division provides end-to-end integrated solutions including open conditional access solutions allowing digital TV operators and content providers to operate a wide range of high value-added pay TV services on a secure platform and middleware software solutions for Set-top-Boxes and other consumer devices, enabling an advanced user experience. Advanced advertising solutions are part of Integrated Digital Television.

The Public Access division provides access control systems and ticketing services for ski lifts, car parks, stadiums, concert halls and major events.

Income and expenses relating to Corporate include the costs of Group Headquarters and the items of income and expense which are not directly attributable to specific divisions. These elements are reported under the "Corporate common functions".

The measure of income statement presented to manage Segment performance is the segment operating income/(loss). Segment operating income/(loss) is based on the same accounting policies as consolidated operating income/loss except that inter-segment sales are eliminated only at the consolidation level.

Reportable segment assets include Total assets allocated by segment with the exclusion of Intersegment balances which are eliminated. Unallocated assets include assets that are managed on a central basis. These are part of the reconciliation to Balance sheet assets.

In CHF'000	Integrated Digital Television		Public Access		Total	
	January/ June 2013	January/ June 2012 (Restated)	January/ June 2013	January/ June 2012 (Restated)	January/ June 2013	January/ June 2012 (Restated)
Total segment Revenues	**303 993**	**303 452**	**79 649**	**77 909**	**383 642**	**381 361**
Inter-segment revenues	-983	-1 041	-6	-5	-989	-1 046
Revenues from external customers	**303 010**	**302 411**	**79 643**	**77 904**	**382 653**	**380 315**
Depreciation and amortisation	-20 104	-25 725	-3 366	-4 057	-23 470	-29 782
Impairment	-2 202	-1 266	–	–	-2 202	-1 266
Operating income - excluding corporate common functions	**32 803**	**11 654**	**-7 723**	**-5 567**	**25 080**	**6 087**
Corporate common functions					-8 163	-8 536
Interest expense and other Finance income/(expense), net					-3 462	-7 288
Share of result of associates					679	502
Income before tax					**14 134**	**-9 235**
	30.06.2013	31.12.2012 (Restated)	30.06.2013	31.12.2012 (Restated)	30.06.2013	31.12.2012 (Restated)
Total segment Assets	**721 231**	**745 550**	**124 527**	**139 873**	**845 758**	**885 423**

In CHF'000	30.06.2013	31.12.2012 (Restated)
Total Segment Assets	845 758	885 423
Cash & Cash equivalents	4 229	25 190
Other current assets	2 214	1 857
Financial assets and other non-current assets	4 523	4 523
Total Assets as per Balance Sheet	**856 724**	**916 993**

AGENDA 2014

Release of 2013 financial results	20 February 2014

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