

**Press Release**

**2014 HALF YEAR RESULTS**

- **Growth in first half revenues, operating income and cash flows**
- **With the Conax acquisition, the Kudelski Group is the leading provider of CAS solutions worldwide**
- **Optimized sourcing for smart cards with positive impact on operating income**
- **Increased guidance for full year revenues and profitability**
- **Continued expansion of customer footprint with focus on emerging markets**

**KEY FIGURES HALF YEAR 2014**

<b>(In million CHF)</b>	<b>1H 2014</b>	<b>1H 2013</b>	<b>Variation %</b>
<b>Revenues &amp; Other Operating Income</b>	<b>400.1</b>	<b>380.2</b>	<b>+5.2</b>
<b>Operating Income</b>	<b>27.7</b>	<b>15.4</b>	<b>+79.9</b>
<b>Net Income From Continuing Operations</b>	<b>18.3</b>	<b>10.3</b>	<b>+70.1</b>

**Cheseaux, Switzerland – August 21, 2014** - The Kudelski Group (SIX: KUD.S), a leading provider of media content protection and value-added service technology, announced today its 2014 first half results.

Group revenues in constant currency increased by 9.5% over the same period in 2013, primarily driven by a patent cross-license agreement with Cisco and by the consolidation of Conax starting in April 2014. Reported first half revenues increased by 6.1% to CHF 395.3 million. Through the recently announced sale of its NagraID subsidiary, the Group achieved another milestone in the process of streamlining its supply chain enabling a material reduction of smart card production costs. In addition, the Group announced on August 19 that it had signed an agreement with Oberthur Technologies for the divestment of its 50% equity stake in the display card provider NagraID Security.

During the first half, the Group’s Integrated Digital TV (iDTV) business started to realize cost savings from these transactions.

The Group reported operating income of CHF 27.7 million, representing growth of 79.9% over the first half 2013. Net income from continuing operations improved from CHF 10.7 million to CHF 18.3 million.

Cash flow generation further improved during the first half 2014, as the Group generated CHF 71.5 million of cash from operating activities, increasing by CHF 19.6 million as compared to cash flows generated during the first half 2013.

### **CONAX ACQUISITION CONTRIBUTING TO GROUP TOP LINE AND PROFITABILITY**

The Group's acquisition of Conax on April 7, 2014 further strengthened its position in the digital TV conditional access market. With this acquisition, the Group adds to its portfolio a highly efficient provider of flexible, cost-effective content security solutions for telcos, cable, satellite, IP, mobile and terrestrial operators, enabling the Group to offer a full spectrum of solutions across a broad range of markets and customers.

Operationally, several key initiatives with Conax have been launched to increase growth and realize cost savings, including for example improved sourcing arrangements for smartcards and better leveraging SmarDTV's solutions in the CAM business.

The highly complementary nature of the Group's content security portfolios and the respective positioning of the NAGRA and Conax brands provide a solid foundation for accelerated cross selling of products such as OpenTV5 connectware, MediaLive multiscreen solutions and SmarDTV devices.

### **NEW WINS AND DEPLOYMENTS IN INTEGRATED DIGITAL TV SEGMENT**

OpenTV5 deployments are progressing according to plan with the commercial launch by Starhub in April, which has been well-received by consumers in Singapore.

NAGRA continued to strengthen its cooperation with the rapidly expanding Altice Group by providing its latest content security solution to enable the introduction of a new generation STB at Tricom and Orange Dominica, two operators recently acquired by Altice in the Dominican Republic, as well as at HOT, the main cable operator in Israel.

NUMERICABLE Group, the French cable operator that is in the process of acquiring SFR, France's second largest telecom operator, selected NAGRA Media PRM and NAGRA Media Player SDK to enable its new Multiscreen application on Android and iOS. This new application will offer enhanced functionalities, such as the possibility to watch Live TV with a large selection of channels, PVR remote booking and access to VOD and Replay.

Euskaltel, the leading operator in Northern Spain, selected NAGRA MediaLive to launch its multiscreen service, called Edonon, which features a large number of live channels. The service, launched in June, enjoyed an impressive initial uptake and will progressively introduce more innovative content use cases enabled by the MediaLive platform throughout the coming months.

Cable & Wireless Panama selected NAGRA for its digital cable platform upgrade in Panama. NAGRA's QuickStart and MediaLive solutions provide a turnkey platform for rapid

deployment of multiscreen DTV services featuring a rich user experience across TV and companion screens.

TV Globo, Brazil's largest content owner and terrestrial broadcaster, is relying on NAGRA MediaAccess for a new retail launch of a pay TV service in 2014 on the SatHD platform currently serving 25 million free-to-air dishes.

Mexican operator Telecable has selected NAGRA for its next generation cable TV platform blending broadcast with advanced services such as catch-up TV, network PVR and TV Anywhere, relying on MediaLive and MediaAccess CAS/DRM and a state of the art user experience powered by OpenTV5 connectware.

Indonesia's Linknet, the country's leading cable TV provider, selected NAGRA for an end-to-end over-the-top (OTT) solution for offering PayTV on open devices powered by NAGRA MediaLive and NAGRA MediaAccess PRM.

NAGRA has signed a new deal with AzamTV, a new operator in Tanzania whose Pay TV service has seen a steady growth in the first half of this year making it the fastest growing Pay TV operator in East Africa with a confirmed plan to expand to the rest of East Africa starting in Uganda and Kenya as of September.

Conax won 13 new contracts, primarily in emerging markets. Conax continues to experience robust growth in Latin America, with material volume growth at customers such as Claro, Cablemas and Tigo, the Millicom-owned operator launching platforms across 6 countries. In Asia, the conditional access contract with DishTV, India's largest DTH MSO, was extended for 10 years, while K-Vision, a new Indonesian satellite platform, launched with Conax and significant orders were received from Vietnamese operators SCTV, AVG and VTVCab.

## **NEW FULL YEAR TOP LINE AND PROFITABILITY GUIDANCE**

For the full year 2014, the Group expects iDTV seasonality patterns for operating income to be different than in previous years because first half 2014 results include the positive one-time effect of the Cisco transaction. As the Group will consolidate Conax for the full second half, iDTV revenues are expected to grow compared to the first half. In the Public Access segment, the Group expects a similar seasonality pattern as experienced in previous years, resulting in higher top line revenues and operating income for the second half 2014 as compared with the first half. On this basis, the Group is updating its total revenue guidance from CHF 865 to 880 million to a new range of CHF 895 to 915 million. Similarly, the Group raises its operating income guidance from CHF 55 to 65 million to a new range of CHF 60 to 70 million.

The 2014 first half Financial Statements and MD&A are available in PDF format under: <http://www.nagra.com/investors/publications>.

## **Note to the editor**

### **About The Kudelski Group**

The Kudelski Group is listed on the Swiss Stock Exchange (SIX:KUD:S). It is a world leader in digital security; its technologies are used in a wide range of services and applications

requiring access control and rights management to secure the revenues of content owners and services providers for digital television. The Group also offers cyber security solutions and services focused on helping its customers to assess risks and vulnerabilities and protect their data and systems from cyber attacks and other threats. Through its SKIDATA subsidiary, the Kudelski Group is also a technology leader in the area of access control and management of people and vehicles to sites and events. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. For more information, please visit [www.nagra.com](http://www.nagra.com).

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