Press Release

2011 HALF YEAR RESULTS
PROFITABILITY HEAVILY IMPACTED BY EXCHANGE RATES

Highlights:

- **Strong Swiss Franc affects the Group's results**
- **Major new wins in Internet TV and Middleware**
- **Positive operating income expected for full year**
- **149 million active smart cards/modules**

Key figures half year 2011

(in million CHF)	1H2011	1H2010	Variation %
Total Revenues & OOI	**404.5**	**517.1**	**-21.8%**
Operating Income Before Depreciation and Amortization	27.7	77.6	-64.4%
Operating income	**-3.1**	**47.5**	**n/a**
Net Income / (loss)	**-11.5**	**32.0**	**n/a**

Cheseaux, Switzerland – August 23, 2011 - The Kudelski Group (SIX:KUD.S), the world's leading provider of media content protection and value-added service technology, announced today its 2011 half year results. Falling USD and EUR exchange rates heavily affected the Group first half results. Compared to the first half 2010, declining exchange rates against the Swiss Franc had a negative impact of CHF 67.0 million on Group's revenues and CHF 27.4 million on Group's operating income. Group total revenues in constant currency declined by 8.5%, while reported total revenues dropped by 21.9% compared to the first half of last year, reaching CHF 392.2 million, with the Digital TV segment driving most of the revenue inflection. As the aforementioned currency effects materially affected profitability, the Group posted a CHF 3.1 million operating loss for the first half year. In spite of the ongoing strengthening of the Swiss Franc, full year results are expected to be positive.

Lower Group revenue and cost base
Total revenues and other operating income for the first half year declined from CHF 517.1 million to CHF 404.5 million. The "Margin after cost of material" (a pro-forma non-IFRS item) decreased by CHF 80.3 million to CHF 312.9 million. Relative to total revenues, margin after cost of material continued to grow from 71.4% in the first half 2009 to 76.0% in the first half 2010 and 77.4% in this first half 2011. The high other operating income contributed to both last and this year's high margin, as the Group benefits from innovation subsidies ("Crédit d'Impôt Recherche") accrued to its French

operations. Moreover, the revenue mix was particularly favorable in this first half with a higher share of royalty-based revenues and less system business than in previous periods.

The Group reduced personnel expenses by CHF 11.9 million, 5.8% of the previous first half's cost, with currency effects driving most of the cost reduction. Overall, Group headcount at the end of the first half was at 3'010 compared to 3'068 at the end of 2010. The end of June headcount includes 50 employees in the newly set-up Group Indian operations. Net of India, the Group decreased its headcount by 108 units in the last six months. Most of the headcount reduction is due to portfolio measures. In the first half, the Group sold Nagra Thompson Licensing and liquidated Medioh and EmbedICs. The above headcount reduction also includes the effect of the sale of Polyright, completed at the beginning of this second half year. Personnel expenses include CHF 3.2 million pension-related charges.

The Group reduced other operating expenses by CHF 18.4 million, 16.7% of the previous first half's cost, with currency effects driving roughly half of the cost reduction. In particular, legal and consultancy costs are CHF 5.5 million lower, as the Group systematically reduced such costs in 2011. Moreover, the Group reduced all other operating expenses with the exception of research and development costs, which further increased compared to the first half of 2010.

Strong seasonality expected in 2011 for Digital TV
Digital TV revenues declined by CHF 92.1 million to CHF 257.6 million, while operating income declined by CHF 59.8 million to CHF 14.6 million. The strength of the Swiss Franc had a particularly strong negative impact on the Digital TV segment. Currency effects had a negative impact of CHF 46.5 million on segment revenues. While most of the segment revenues are denominated in USD and EUR, a large proportion of Digital TV's operations are based in Switzerland and as such are denominated in Swiss Francs. Hence, most of the CHF 27.4 million negative currency impact on operating income affects the Digital TV segment. Compared to an exceptionally strong first half 2010, Digital TV constant currency revenues were 13% lower. In the first half 2010, the Group reported an exceptional 21.4% constant currency growth as it posted material revenues from the replacement of the Virgin Media installed base of smart cards. As no such one-off revenues were booked in this first half, the number of smart cards delivered declined by 6.5 million units to 13.9 million.

The European Digital TV business experienced a severe slowdown in the first half year, with a 35.1% reduction of reported revenues to CHF 131.8 million. In constant currency, the revenue decline amounts to 25.2%. The main factor driving the lower revenue base is the base effect from the 2010 Virgin Media swap-out. The Group Italian and Spanish digital terrestrial delivered a particularly strong performance in the first half of last year, both in the core conditional access and in SmarDTV module businesses. In the second half of last year, these sales already materially slowed down and in this first half they remained at roughly the same levels as in the second half 2010. The newly launched German HD+ retail business was a strong contributor to the first half 2010 sales as distribution pipelines were filled to support the launch. As the base effect from the launch ceased, this business generated materially lower revenues in this first half.

Digital TV's American business maintained a strong momentum with a constant currency growth of 19.7%. Digital TV's revenues for the region amount to CHF 92.5 million. Once again, Latin American operations represented a particularly strong growth driver. Dish/Echostar-related revenues were lower as the first inactive cards are reaching the minimum period, for which all cards have to pay a service fee, and hence stop paying such fee.

Asian Digital TV revenues for the first half amount to CHF 33.2 million. In constant currency, regional revenues declined by 25.1%, as the system business as well as mobile TV volumes were materially lower than in the previous year.

For 2011, we expect the usual seasonality pattern with a Digital TV second half materially stronger than the first half, contrary to 2010 which had a reverse seasonality.

Recovering Public Access
Public Access posted a sales increase of 2.9% in constant currency, translating in an 8.3% reduction of reported revenues. Europe's constant currency growth was in line with the overall segment growth at 2.9%. The American region continues to deliver a strong performance, with a further 17.4% constant currency growth rate, following the 25% growth rate posted in the first half 2010. Asia Pacific /Africa, on the other hand, continue to fluctuate around a small revenue base: while constant currency revenues grew by 37.7% in the first half 2010, they now shrunk by 19.2% reverting to a level close to the first half of 2009.

Public Access's operating income recovered compared to the first half of 2010, improving by CHF 3.0 million to a CHF 6.7 million loss, mainly reflecting a careful cost management. As in previous years, Public Access has a strong seasonality resulting in low revenues and an operating loss in the first half and a higher, profitable revenue base in the second half year.

Stable Middleware and Advertising
With a 0.3% constant currency growth, middleware and advertising revenues were substantially stable. Europe posted a 2.5% constant currency decline, while the Americas grew by 1% and Asia/Pacific & Africa by 2.6%. At CHF 0.7 million, the segment operating loss is improving by CHF 5.3 million compared to the first half 2010. Cost cutting measures drove most of the improvement. In this second half, the Group will further rationalize the development portfolio with the goal of further reducing Middleware and Advertising's cost base.

Key success stories – increasing global footprint and major wins in the Internet TV
Over the last months, the Kudelski Group has continued to win new contracts and expand its global footprint. Whatever the devices used by consumers - TV, PC, mobile devices or tablets –, NAGRA is supporting service providers to integrate new technologies and turn them into successful revenue-generating and customer loyalty strategies.

NAGRA, the preferred technology vendor for Internet TV
While traditional TV growth has slowed, Internet-based TV continues to grow year after year. Many service providers, be them cable, satellite or telco, are turning to NAGRA for its expertise and innovation capabilities to address this growing trend. Many of the customers are leveraging NAGRA solutions to enable an Internet-connected environment for their viewers as a natural extension to their existing services. The number of Internet-connected TVs and set-top boxes is growing and is expected to continue to grow as operators see the opportunity to enable these services for their viewers, while maintaining secure access to all types of content. Customers using NAGRA's Internet capabilities include EchoStar, Telefonica, T-Com Croatia, Canal+, Numericable, SFR, Digital+, Zon, Mediaset, UPC, Virgin Media, Telenet, VOO, NET, Skylife, CNS Taiwan, Elisa, Hansenet.

Latin America: the successful business case for emerging markets
NAGRA's presence in Latin America continues to expand, notably in Brazil where our advanced technologies are proving critical to support the explosion of pay-TV in this market. Latin America and notably Brazilian operators have successfully reinvented the business model for their market

through innovation -- in the expansion of existing services and in generating new revenue streams, with limited investment. This demonstrates that the Kudelski Group has the capacity to address the needs of these and other emerging markets such as India, China and Russia.

Major wins in Middleware

Telefónica, one of the world's leading operators in the telecommunications sector and current NAGRA customer, has selected NAGRA to enable next generation services for the operator's global operations, extending our technology partnership beyond conditional access to include the next generation of middleware. This new agreement will allow Telefónica to deliver hybrid and Internet-based services to Telefónica's worldwide subscriber base. NAGRA's middleware will be used by Telefonica on multiple platforms supporting a range of broadcast, on-demand and interactive services and is expected to deploy in the first quarter of 2012.

T-Com Croatia (Hrvatski Telekom), Croatia's leading telecommunications provider offering triple-play voice/Internet/TV has selected NAGRA's turnkey end-to-end hybrid solution for its hybrid satellite/IP pay-TV platform. The end-to-end solution includes NAGRA latest generation conditional access and persistent rights management solution, Content Management, Service Delivery Platform, as well as OpenTV client middleware and applications. NAGRA's turnkey end-to-end hybrid solution allows subscribers to enjoy a virtually unlimited and seamless digital entertainment experience across multiple delivery networks and devices.

Further new contracts

a) Europe

Canal+, the historical NAGRA customer, has selected NAGRA's latest security solutions to secure Internet TV access.

Telenet, Belgium's leading cable operator serving more than 2.5 million subscribers, has selected NAGRA's latest generation conditional access (CA) technologies to secure its existing cable and new digital terrestrial (DTT) service.

VOO-Be tv. Wallon's leading cable operator, has selected NAGRA's latest generation embedded conditional access technologies be deployed on VOO's two-way cable service areas.

b) Asia

PT MAC, Indonesia's first and only DTT television operator, will roll-out advanced digital terrestrial services secured by NAGRA's next generation Conditional Access solution. NAGRA will act as lead integrator and be responsible for the delivery of the secure end-to-end DTV infrastructure.

c) Africa

MultiChoice South Africa launched South Africa's first DTH-based VOD service using NAGRA's OpenTV middleware. The VOD service positions MultiChoice as a front-runner in the VOD market in South Africa and aligns the country with global developments in on-demand video.

d) South America

Ecuador's CORPORACIÓN NACIONAL DE TELECOMUNICACIONES (CNT) selected NAGRA's conditional access for their new DTH platform. This new win follows the progress NAGRA is making in South America as we continue to support key customers in that market, including Embratel, NET Serviços, Oi and TVA.

Outlook
The ongoing turbulence in the foreign exchange market is likely to affect the Group second half results. Against this backdrop, the Group will intensify its cost savings program starting in this second half. Tangible results from this program are expected from 2012 on. Due to the evolution of exchange rates, the updated guidance for full year results based on current rates is as follows: Total revenues for 2011 are expected to be in the range of CHF 880 to 905 million and operating income between CHF 25 and 40 million.

Note
The 2011 first half Financial Statements and MD&A are available in PDF format under: www.nagra.com/investors-doc.html.

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Note to the editor

About the Kudelski Group
The Kudelski Group (SIX: KUD.S) is a world leader in digital security and convergent media solutions for the delivery of digital and interactive content. Its technologies are used in a wide range of services and applications requiring access control and rights management to secure the revenue of content owners and service providers for digital television and interactive applications across broadcast, broadband and mobile delivery networks. The Kudelski Group is also a world technology leader in the area of access control and management of people or vehicles to sites and events. It additionally offers professional recorders and high-end hi-fi products. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. For more information, please visit www.nagra.com.

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