Press Release

2012 HALF YEAR RESULTS

HIGHLIGHTS:

- **Resilient revenue base**
- **Strong momentum in emerging markets**
- **Ongoing progress with New Initiatives**
- **Beneficial effects of restructuring**
- **Recovering profitability and solid cash flow generation**
- **Revenue and operating profit guidance increase**

KEY FIGURES HALF YEAR 2012

(In million CHF)	1H 2012	1H 2011	Variation %
Revenues & Other Operating Income	388.3	404.5	-4.0%
Operating Income (ex-restructuring cost)	17.7	-3.1	n/a
Net Income	-9.0	-11.5	21.2%

Cheseaux, Switzerland – August 21, 2012 - The Kudelski Group (SIX: KUD.S), the world's leading provider of media content protection and value-added service technology, announced today its 2012 half year results.

RESILIENT REVENUE BASE

Stable revenues and a streamlined cost base drove first half 2012 Group results. Compared to prior periods, currency effects had a minor impact, as the USD rate increased from 0.905 in the first half 2011 to 0.929 and the EUR rate declined from 1.269 to 1.205.

Group revenues in constant currency declined by 1.8%, while reported revenues dropped by 3.0% compared to the first half of last year, reaching CHF 380.3 million. Public Access posted a sales increase of 2.9% in constant currency, while Digital TV Solution constant currency revenues declined by 3%.

Weak economic environment continued to affect the European Digital TV business generating revenues of CHF 133.3 million with; in particular, revenues from Italy, Spain, France and Portugal declining by CHF 25.4 million compared to the first half of last year. The American business, on the other hand, posted a 3.3% constant currency growth, reaching CHF 115.4 million in this first half. Asian segment revenues amount to CHF 53.8 million, roughly at the same level of the previous first half.

Considering last year's divestment of the audio business, Polyright, EmbedICs, Medioh and Nagra Thomson Licensing, constant currency revenues for the current perimeter of consolidation were roughly at the same level as the first half 2011.

STRONG MOMENTUM IN EMERGING MARKETS

Emerging markets sustained the Group's Digital TV business in this first half. Once again, a strong demand for the Group's products in Latin America drove first half's revenues, with Brazil delivering solid double digit revenue growth. Other South American markets are following the same path: at the beginning of June, Entel, a large telecom provider in Chile, has launched a solution based on Nagra advanced security solution. Furthermore, other markets, such as the Indian market, delivered a strong first half with, in particular, the shipment of half a million iDecode-based devices with embedded security in the cable market.

The Group continues to win new contracts, expanding into promising new market. Lippo Group, a new Indonesian satellite operator operating under the name IMTV, has awarded Nagravision with a Conditional Access contract. Lippo Group plans to soft launch its satellite operations in October of this year.

ONGOING PROGRESS WITH NEW INITIATIVES

New initiatives are progressing according to plan.

Following the appointment of Joe Chernesky to Senior Vice President of Intellectual Property in May 2012, the Group completed the set-up of the new Intellectual Property unit. The unit, managing a portfolio of over 4'000 patents worldwide, is now operational and has started engaging in licensing discussions with companies using patented Group technologies.

Cyber security set-up is on track. The Group will provide a comprehensive update with the official launch of this unit planned for November 2012.

Group's Internet TV solutions continue to gain traction. To sustain the momentum of its Internet TV business, the Group has consolidated the relevant teams into a single product unit. Mediaset has subscribed to the Content Delivery Service provided by Nagravision as part of its Multiscreen Cloud Service. Other lead customers such as PRISA TV and Abertis are deploying a Nagravision-based OTT (Over-the-Top) platform. PRISA TV has reached an installed base of 250'000 Nagravision-powered OTT HD devices providing live national football league events and premium content from the main studios. Furthermore, following the announcement of the strategic partnership with Abertis, the joint cloud-based service aimed at pay-tv service providers and free-to-air broadcasters is successfully on-air. Production trials with eight European broadcasters are currently on-going.

BENEFICIAL EFFECTS OF RESTRUCTURING

The Group is well on track in the implementation of the restructuring program announced in October 2011. In this first half, personnel expenses decreased by CHF 5.7 million. Group headcount at the end of the first half was at 2'901 full time equivalents compared to 2'999 at the end of 2011. Further, the Group reduced other operating expenses by CHF 17.1 million. Out of the total expected CHF 30 million restructuring costs for the full year, in this period, the Group booked CHF 19.8 million of restructuring costs, including a CHF 10.6 million provision for measures to be taken in this second half. Net of restructuring costs, recurring operating expenses amount to CHF 242.7 million, representing a CHF 42.6 million reduction compared to the first half of 2011.

RECOVERING PROFITABILITY AND SOLID CASH FLOW GENERATION

The Group reported a CHF 2.1 million operating loss for the first half. Net of restructuring costs, the Group posted a CHF 17.7 million operating income. The net loss for the period was at CHF 9.0 million, representing a CHF 2.5 million improvement from the prior first half.

In the first half, the Group generated CHF 26.3 million cash from operating activities. The Group used CHF 11.8 million cash for investing activities, due a tight control of capital expenditures. Cash used for financing activities amounts to CHF 17.6 million.

REVENUE AND OPERATING PROFIT GUIDANCE INCREASE

For the second half, the Group expects a favorable seasonality, yet less pronounced that in previous years, in the Digital TV Solutions segment. Furthermore, Digital TV Solutions results will benefit from the positive impact of the restructuring program. Public Access will experience a similar seasonality as in previous years, generating a positive operating income for the full year.

Solid Digital TV Solutions fundamentals and favorable currency effects are expected to result in a higher than expected Group total revenues and operating result. On this basis, the Group is updating its total revenue guidance from CHF 830 to 855 million to a new range of CHF 855 to 875 million. Similarly, the Group raises its operating income ex-restructuring costs guidance from CHF 35 to 50 million to a new range of CHF 50 to 65 million.

The 2012 first half Financial Statements and MD&A are available in PDF format under: www.nagra.com

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. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. For more information, please visit www.nagra.com/investors-doc.html.

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