

The Kudelski Group continues its transformation

- **Group transformation continues, with a progressive transfer of investments towards new growth areas**
- **Restructuring program associated with transformation progressing as planned, with material restructuring costs incurred**
- **Entered into a comprehensive patent license agreement with NFL Enterprises**
- **SKIDATA continuing to consolidate its market leadership, but with higher seasonality than in previous years**
- **Kudelski Security continuing to extend its footprint, especially in Swiss, Austrian, and German markets**
- **IoT establishing secure platform ecosystem and gaining traction**
- **Operating and net loss in first half 2018, and confirmation of full year 2018 guidance with operating income of USD 30 to 45 million before restructuring costs**

Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA, July 11th, 2018 – The Kudelski Group (SIX: KUD.S) is providing today a business update summarizing key developments of the first half year.

The Group transformation continues in line with the previously announced shift of revenues from legacy digital TV to new growth initiatives. In this first half, the Group has implemented the transformation measures outlined in the last annual results presentation, aligning its digital TV operations with the new market realities and realizing the initial cost reduction as planned while incurring material restructuring costs.

Conax and NAGRA organizations are now integrated. The two brands will maintain their specific go-to-market strategies, with NAGRA focusing on tailor-made solutions and complex integration projects for larger operators and Conax on lean, off-the-shelf standard solutions. The integration of the two organizations results in a stronger Group product portfolio and the elimination of duplicate positions.

Globally, the Group further streamlined its operations, with significant efficiencies realized, most notably in China, France, Norway, the USA and Switzerland.

The Group continues to expand in the intellectual property licensing space. It announced today that it has entered into a comprehensive patent license agreement with NFL Enterprises. Financial terms were not disclosed.

With about 300 new installations in this first half year, SKIDATA continues to consolidate its market leadership with an installed base of over 10'000 sites. Headlines of this first half include large parking installations such as Detroit Airport, City of San Jose (CA) and the University of Arkansas. SKIDATA continues to experience positive momentum, but with higher seasonality than in previous years.

In parallel, the Group's activities are increasingly expanding out of traditional pay TV into cybersecurity and Internet of Things (IoT) security, addressing increasing market demand.

In addition to its strong US footprint, Kudelski Security is gaining traction in Europe as well. In light of the increased demand for cybersecurity services, the Group has opened a new office in Zurich, to better serve the Swiss German, Austrian and German markets, and established additional partnership with key players in the industry, such as for example Claroty, to extend its managed services offering.

Regarding IoT, an emerging high potential market for Kudelski, the Group continues to invest heavily in establishing its security platform ecosystem. In this first half, it entered into significant partnerships, including in particular with U-blox, to provide tailored security solutions in the consumer, automotive and industrial IoT verticals.

The combination of high seasonality and material restructuring costs resulted in an operating loss and net loss in line with expectations for the first half 2018. The Group confirms its 2018 full year guidance with operating income of USD 30 to 45 million before restructuring costs.

About the Kudelski Group

The Kudelski Group (SIX: KUD.S) is a world leader in digital security and a provider of end-to-end convergent media solutions to the digital entertainment industry, including services and applications requiring access control and rights management to secure the revenue in digital television, internet, mobile and interactive applications. The Group also offers cybersecurity solutions and services focused on helping companies assess risks and vulnerabilities and protect their data and systems. It also supplies integrated solutions to manage access control of people and vehicles to sites and events. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA. For more information, please visit www.nagra.com

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