

2019 HALF YEAR RESULTS

Highlights:

- USD 10.0 million improvement of OIBDA ex-restructuring costs
- Adapted Group's management team to better address future opportunities
- Continuing transformation in Digital TV
- Shifting Cybersecurity business mix to higher value-added products
- Launched secure Internet of Things platform
- Transformation program in Public Access
- Confirmed OIBDA guidance at USD 80 to 95 million ex restructuring costs

KEY FIGURES HALF YEAR 2019

(in million USD)	1H2019	1H2018
Revenues & Other Operating Income	400.6	437.7
OIBDA* (ex-restructuring costs)	29.2	19.2
Net Loss	-20.4	-38.0

**As used herein, OIBDA refers to operating income before depreciation and amortization*

Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA – August 21st, 2019 – The Kudelski Group (SIX: KUD.S), a leading provider of media content protection and value-added service technology, announced today its 2019 half year results.

For the first half 2019, the Group generated USD 400.6 million total revenues and other operating income, representing a 6.0% constant constancy decrease from the previous first half. The Group reduced its first half operating expenses by USD 54.8 million compared to

the first half 2018. OIBDA ex-restructuring costs was USD 10 million higher at USD 29.2 million. Net loss for the period was USD 20.4 million, which included USD 13.7 million of restructuring costs.

Digital TV revenues reached USD 190.5 million, representing a constant currency decline of 12.0%. The legacy digital TV market continues to contract, as a number of established pay TV operators report lower subscriber numbers. In addition, the Group did not book any IP licensing revenues in the first half 2019. Digital TV generated USD 53.6 million of OIBDA net of restructuring costs, representing a USD 1.6 million improvement from the previous first half.

The Group's cybersecurity business generated USD 72.9 million of gross revenues in the first half 2019, a 3.3% decrease from the first half 2018, as the Group actively shifts its business mix from lower margin technology reselling to higher margin advisory services, managed security services and proprietary technology sales. Margin after cost of material relative to net revenues increased from 37.5% in the first half 2018 to 43.4% in this first half. The Cybersecurity segment generated a USD -10.7 million OIBDA, representing a USD 1.5 million improvement from the previous year.

In this first half, IoT generated revenues of USD 1.2 million, mainly from the IoT Center of Excellence, and an OIBDA of USD -11.5 million, reflecting the early development stage of this business.

Public Access revenues on a constant currency basis increased by 2.9% in the first half 2019 compared to the prior year period. Revenue development was driven by a strong European business, which grew by 9.6% in local currency, and the American business, which generated 12.2% growth from the previous first half. Public Access OIBDA increased to USD 4.7 million, a USD 6.6 million improvement from last year's period.

STRUCTURAL CHANGES IN DTV SEGMENT

In line with the rapid evolution of the digital TV market, the Group continued the transformation of the Digital TV division with a number of structural changes.

The Group merged its Conditional Access Solutions and User Experience product units into a consolidated DTV Product Unit to deliver a more consistent and complete offer to the market, with a focus on leveraging the power of the Cloud and IP connectivity, while realizing operational synergies.

In June, the Group announced the appointment of Nancy Goldberg as Chief Marketing Officer (CMO), in charge of the sales and marketing of the Kudelski Group's Digital TV division. She is joining the Group as Executive Vice President, succeeding Pierre Roy, who will retire after 25 years within the company.

While adapting to the challenges of the transforming video landscape, the Group continues to strengthen its partnership with market-leading operators. In Europe, the Group is deploying its Security Solution Platform across Vodafone, supporting set-top boxes as well as open devices. Vodafone extended this collaboration to include the cloud-based NAGRA

Device Authentication Service. In the United States, NAGRA continued to strengthen its relationship with Altice USA (NYSE: ATUS) to include NAGRA Protect, the leading broadcast content protection.

KUDELSKI SECURITY MOVING TO HIGHER MARGIN PRODUCTS

Kudelski Security continues to extend its customer footprint in the United States and to expand its European operations. In the first half 2019, Kudelski Security continued to shift its focus from lower margin technology reselling to the higher margin advisory, managed security services and proprietary technology business lines. The Group's managed security service portfolio continues to expand; in this first half, it added native integration of market leading cloud service providers, including Amazon Web Services (AWS), Google Cloud Platform and Azure. The Group's offering has been recognized in Gartner's Market Guide for the third consecutive year and was named one of the top 10 key players in Europe for managed security services.

In the context of this business evolution, the Group named Andrew Howard as the new CEO of Kudelski Security. Andrew was previously responsible for the definition and the development of the Group's cybersecurity product portfolio. He is the natural leader to leverage the existing commercial footprint and drive the development and commercialization of the Group's portfolio of proprietary cybersecurity products and solutions. Andrew Howard assumes the CEO role from Rich Fennessy.

LAUNCHED SECURE IOT PLATFORM

In the first half 2019, the Group further increased its investment in the development of a full IoT security platform, announcing a pre-integrated, end-to-end solution for a variety of devices and software-based clients. An initial launch was completed both on premise and on the AWS cloud platform. The Group has secured a portfolio of customers that is starting to generate early revenues and has built a funnel of prospects. On-boarding of these customers and the initial device ramp-up are expected to begin in the last quarter of this year.

TRANSFORMATION PROGRAM IN PUBLIC ACCESS

David Luken was appointed as the new CEO of SKIDATA, with the objective of improving both cash flow generation and profitability. David is launching a program to fundamentally transform SKIDATA's operations, drive operational excellence and enhance customer service and support.

In the first half 2019, SKIDATA completed over 250 installations. In the Car Access segment, SKIDATA's agreement with the leading airport in the Netherlands was extended until 2023. SKIDATA also secured its first projects with parking operators and municipalities in the Nordic countries to be installed in 2019. In the Mountains segment, SKIDATA entered into

agreements to deploy new solutions in Poland for the largest mountain resort management group in Eastern Europe. In France, SKIDATA will equip a mid-size ski resort that to date had no automated access management solution; both projects are expected to be installed in 2019.

SKIDATA won the Product Innovation Award for its NFC e-ticket solution at the 10th annual Stadium Business Summit with a solution already deployed at the Allianz Arena in Munich, Germany, the home of FC Bayern Munich, alongside the SKIDATA turnstile gates.

FULL YEAR 2019 GUIDANCE WITH OIBDA BETWEEN USD 80 AND 95 MILLION BEFORE RESTRUCTURING COSTS

For the second half 2019, the Group expects revenues in the Digital TV segment to be higher compared to the first half. The Group will incur further restructuring costs, resulting in a reported OIBDA that is in the same range as the first half.

In the Cybersecurity segment, the Group will continue to drive the development of higher margin product lines and expects margin after cost of material to grow compared to the first half. The Group is targeting an improvement of segment OIBDA compared to the first half.

Investment levels in the IoT domain are expected to stabilize in the second half, while revenues will continue to grow. For the full year, the Group expects IoT revenues to remain in the single digit million range.

In the Public Access segment, SKIDATA is expected to deliver higher revenues in the second half, in line with the seasonality patterns of the past years. Similarly, the Group expects a materially stronger OIBDA, resulting in a significant year-on-year improvement of segment profitability.

The Group expects a stronger second half in 2019 for all segments and confirms the initial guidance for 2019 OIBDA of between USD 80 and 95 million before restructuring costs. For the second half, we also expect stronger cash flow from operations, as compared to the first half.

NOMINATION OF A NEW INDEPENDENT REPRESENTATIVE

M^e Jean-Marc Emery, who was elected by the Annual General Meeting on the 9th of April 2019 as an independent representative, decided to retire. Consequently, the Board of Directors has appointed M^e Olivier Colomb to serve as a new independent representative until the end of the Annual General Meeting of April 15, 2020 (M^e Olivier Colomb, Notary, Place Dufour 3, 1110 Morges, etude@morgesnot.ch).

Note to the editors:

The 2019 first half Financial Statements and MD&A are available in PDF format under: www.nagra.com >> Investors >> Publications.

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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