

**PRESS RELEASE**

**2013 ANNUAL RESULTS**

- **Total revenues and other operating income stable at CHF 857.8 million**
- **Net income with 185% increase to CH 43.4 million**
- **Strong operating cash flow at CHF 120.9 million**
- **Solid revenue growth in the US**
- **15 new clients won in 2013 for iDTV**
- **Kudelski Security to see accelerating demand**
- **Licensing agreement with Cisco in early 2014**
- **SKIDATA growing at over 12% in constant currency**

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(in million CHF)	2013	2012	Variation %
Revenues & OOI	857.8	860.3	-0.3%
Operating Income	60.2	35.7	68.6%
Net Income	43.4	15.2	185.5%
Operating cash Flow	120.9	110.5	9.4%

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**Cheseaux, Switzerland – February 20, 2014** - The Kudelski Group (SIX: KUD.S), world's leading provider of media content protection and value-added service technology, announced today its 2013 annual results.

Total annual revenues and other operating income reached CHF 857.8 million. In spite of the divestiture of Abilis, an entity sold on December 13, 2012, the Group reported total revenues for 2013 at substantially the same level as in the previous year.

Operating income increased from CHF 35.7 million in 2012 to CHF 60.2 million in 2013, reflecting the benefits of an optimized product portfolio in iDTV (integrated Digital TV). Overall, the Group improved net profits in 2013 by CHF 28.2 million over the previous year, posting a net income of CHF 43.4 million. In 2013, the Group generated CHF 120.9 million of cash from operating activities, compared to CHF 110.5 million in 2012. The Group invested CHF 27.6 million in capital

expenditures, roughly the same amount as in the previous year, which reflects continued tight management of capital expenditures.

### **STRONG GROWTH IN THE US AND EMERGING MARKETS VOLATILITY**

The Americas iDTV business posted a revenue increase of 2.4% in constant currency, reaching CHF 248.5 million in 2013. The Americas provided the largest revenue contribution of all regions to the iDTV segment, driven by the strong performance in the US with 13% growth in constant currency and the extension of the Group footprint in South America, despite a second half slowdown in Brazil. Latin American telcos (American Movil in Central America, Entel Chile, CNT Ecuador and Oi Brazil) continued to expand their triple play offering by adding pay-TV subscribers using NAGRA technologies. Telefonica continued to grow its DTH subscribers in the region with new NAGRA products, in particular in Chile, Colombia and Venezuela. In Brazil, relying on MediaAccess content protection and OpenTV5 middleware, Unotel is launching a new pay-TV service which will enable their partners and shareholders to offer full triple play services to their existing 4 million broadband subscriber base.

The Asia/Pacific and Africa iDTV region posted a small growth at a constant scope of consolidation with volatile growth patterns in markets such as Africa and India. In Mongolia, Nagra's "Quick Start" pre-integrated solutions have enabled the rapid deployment of both an end-to-end cable (Sansar) and satellite (DDishTV) solution within three months. The region's highlights include the addition of new cable customers in India and the extension of the Group footprint into Indonesia, with PT First Media's cable and IMTV's satellite deployments. Winning both Guangdong Cable and Shandong Cable has significantly reinforced the company's growing geographic footprint in the Asia/Pacific region.

### **WINNING NEW CLIENTS**

The Kudelski Group has won 15 new iDTV clients worldwide in 2013 and continued to establish the basis for its future growth by securing 39 new projects with 32 operators. The Group has proven its capacity to extend its footprint, especially in the OTT and multiscreen environment. A growing number of digital TV operators have chosen Nagra's technology to extend their service from the classical TV to the Internet space, supporting PCs, smartphones and tablets.

Vodafone has selected an end-to-end OTT solution from Nagra for a launch in Spain of a hybrid Internet-terrestrial service, thus benefiting from a ready-to-launch bundle comprising OpenTV5, MediaAccess content security, MediaLive Multiscreen pre-integrated on an optimized SmarDTV device. The operational reliability and scalability of the MediaLive multiscreen solution has consistently been proven in PrisaTV's deployment which crossed the landmark of 1 million connected multiscreen clients, representing a threefold growth compared to 2012.

Operators like Voo in Belgium and Euskaltel in Spain are launching an innovative multiscreen OTT service leveraging the Nagra Cloud solution. ER Telekom, the 2<sup>nd</sup> largest Russian telco, will launch a multiscreen cable and OTT service enabled by MediaAccess content security and MediaLive multiscreen.

## **ONGOING INVESTMENTS IN DIGITAL TV**

In its core business technologies, the Group has continued to invest in order to fulfill its long-term mission as a privileged business partner of Digital TV and Telco operators. The Group has extended its footprint in its areas of core expertise, protecting the Digital TV ecosystem by offering a comprehensive suite of solutions for securing the delivery, distribution and content management of digital assets over broadcast networks and the Internet. The Group's Cybersecurity solutions also allow operators to further extend asset security beyond their own delivery networks.

The Group is also offering a family of middleware solutions based on OpenTV5 technology to support advanced use cases for in-home content consumption ranging from the simple "zapper" STB software up to the full "Home Edge" gateway platform. Furthermore, MediaLive Multiscreen cloud and client solutions are enabling both in-home and on-the-go media consumption on smart phones, tablets and computers. MediaLive Multiscreen supports all major OSs available in the market today.

To ensure a smooth interaction between the broadcast and the cloud ecosystems, the Group is introducing the Nagra "JoinIn" solution which integrates the MediaLive multiscreen cloud with the OpenTV5 ecosystem to enable the ultimate in-home experience.

In order to drastically reduce the time to market for operators, the Group is offering "QuickStart", a solution that includes content security, middleware, user experience and optimized hardware in a ready-to-deploy bundle.

## **PUBLIC ACCESS EXTENDS ITS FOOTPRINT**

Public Access posted a 12.6% revenue increase in constant currency, reaching CHF 230.5 million for the full year. This represents the highest ever constant currency growth for the Public Access segment.

In Europe, SKIDATA revenues recovered strongly in the second half, resulting in a year-on-year constant currency growth of 6.6%. In the Americas, SKIDATA increased its revenue base by 35.6% in constant currency, driven by growth in both North American and South American markets, including in particular SKIDATA's first installations in Ecuador, Peru, Columbia and Uruguay, as well as new contracts for airport parking projects in the US, Chile and Uruguay. Revenues for Asia/Pacific and Africa increased by 37.2% in constant currency, reaching CHF 15.4 million in 2013. This reflects improvements in the Japanese ski market and first installations in several African markets, including Nigeria, Kenya and Angola.

At CHF 13.7 million, the segment's operating income was CHF 4.1 million higher than in the previous year, reflecting a revenue acceleration in the second half of the year, which improved by CHF 6.2 million compared to the second half 2012.

## **NEW INITIATIVES ON TRACK FOR FUTURE GROWTH**

Overall the Group has continued to optimize its cost structure in its core business while materially increasing its investment in new initiatives including Cybersecurity and intellectual property:

- Kudelski Security (Cybersecurity): The Group has won new cybersecurity contracts with leading corporations in the financial and governments sectors, while actively investing for double digit growth in 2014 and 2015.
- Kudelski IP (Intellectual Property): The Group has set up a dedicated team for intellectual property. The focus is to extend the Group's IP by increasing the number of patent filing, to support the iDTV and SKIDATA businesses and to license to third party the Group's IP portfolio.

## **OUTLOOK AND PROPOSED DIVIDEND**

For 2014, management expects to report total revenues and other operating income between CHF 865 and 880 million and an operating income between CHF 55 and 65 million. While the revenue contribution from the Kudelski IP initiative is difficult to predict, a significant patent cross license agreement was signed with Cisco in January 2014 and will provide a positive contribution to the Group's 2014 P&L, supporting the increasing levels of investments in 2014. The Group expects its cybersecurity business line to maintain its positive momentum coming into 2014, further contributing to Group's top line growth. On the other hand, other operating income is expected to be lower in 2014. In the core Digital TV market, weak fundamentals in Europe will continue to affect volumes. Finally, in the Public Access segment, the Group expects a solid single digit revenue growth as well as further positive development of operating income.

Taking into account the improvement of the Group's profitability, the Board of Directors is proposing a CHF 0.10 increase in the dividend on bearer shares for approval at the 2014 Annual Shareholders' Meeting. This would bring the dividend to CHF 0.30 per bearer share. Of this amount, it is proposed that CHF 0.20 be treated as a return of capital and CHF 0.10 be paid from retained earnings. The distribution on each registered share will amount to CHF 0.03, with CHF 0.02 treated as return of capital and 0.01 paid from retained earnings.

### **Note to the editor**

The 2013 Financial Statements and MD&A are available in PDF format under: [www.nagra.com](http://www.nagra.com) >> Investors >> Doc Center. The 2013 Annual Report is also available in PDF format (English version) in the same section. The link is as follows: <http://www.nagra.com/cms/Investors-doc-center.html>.

## **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](http://www.nagra.com)

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