ANNUAL RESULTS 2016

Highlights:

- **Solid Group performance with Revenues & OOI up by +12.3% and Net Profit From Continuing Operations increase of 51.7%, driven by robust performance of the integrated Digital TV division**

- **In iDTV, consolidation of the customer footprint with major operators and new wins in developing markets and US cable**

- **Expansion of the iDTV product portfolio with new innovative offerings such as NexGuard (watermarking), TVKey in partnership with Samsung, Insight (analytics) and CAST Dongle (smart devices)**

- **Continued patent licensing momentum through new agreements with industry leaders such as Apple, Verizon, Hulu, Yahoo and RPX**

- **Executing on Kudelski Security's expansion strategy, focusing on the US and investing in proprietary solutions development**

- **Launch of the Group's Internet of Things Security Center of Excellence to address demand for increased protection of connected devices**

- **Revenue growth in Public Access with SKIDATA delivering strong organic results**

- **Outlook for 2017: Revenues of USD 1.150 to 1.200 billion and Operating Income of USD 60 to 80 million**

- **Proposing a dividend of CHF 0.35 per bearer share**

KEY FIGURES 2016

(In million CHF)	2016	2015	Variation (%)
Revenues & Other Operating Income	1,067.4	950.8	+ 12.3%
Operating Income	97.8	81.2	+ 20.4%
Net Income From Continuing Operations	74.8	49.3	+ 51.7%

Cheseaux, Switzerland, and Phoenix, AZ, USA – February 16, 2017 – The Kudelski Group (SIX: KUD.S), the world leader in digital security, announced today its 2016 annual results.

The Group restored its strong growth momentum in 2016, increasing its consolidated revenues and other operating income by 12.3% to CHF 1'067.4 million. Operating income increased to CHF 97.8 million, representing a 20.4% improvement over the previous year, while net income from continuing operations grew by 51.7% to CHF 74.8 million.

The Group generated CHF 122.6 million of cash from operating activities, representing a CHF 16.2 million improvement compared to cash flows generated in 2015.

Integrated Digital TV (iDTV) segment revenues increased by 10.5% in 2016, reaching CHF 730.2 million, and segment operating income increased by 19.3% to CHF 99.4 million.

Public Access maintained its strong momentum, achieving its best ever segment revenues and growing operating profits. Revenues grew by 14.4% to CHF 318.7 million and operating income grew by 9.0% to CHF 17.1 million.

CONSOLIDATING THE CUSTOMER FOOTPRINT WITH MAJOR OPERATORS AND INTRODUCING DISRUPTIVE INNOVATION

In iDTV, the most significant players in the industry have extended their partnerships with the Group, using some of the most innovative solutions:

- Altice USA, the fourth largest U.S. cable operator, selected NAGRA's content protection solution and multiscreen platform to launch its new 4K Ultra HD cable service, which enables an all-screen connected home environment. Altice USA provides digital cable TV and high-speed Internet, voice, WiFi and data products and services to more than 4.6 million customers across 20 states;

- NAGRA and Groupe Canal+ signed a multi-year framework agreement to secure Groupe Canal+ content in its subsidiaries (France, Poland, Caribbean, Africa, Vietnam, Madagascar and Mauritius), and deploy the NAGRA Insight analytics solution;

- In the United States, the deployment of NAGRA COMMAND content access at DISH is well under way with approximately 1.2 million total devices delivered since the inception of the project, including 800,000 devices in 2016;

- In Brazil, during the 2016 Olympics, NET was able to offer its customers 56 different channels of Olympic content, a robust line-up of content that beat the competition. This was achieved thanks to NAGRA's integration of 40 channels over IP into the current broadcast channel environment.

The Group added to its portfolio a number of new disruptive solutions, including:

- NexGuard (formerly Civolution), a highly-secured watermarking technology for content delivered to any device;

- TVKey, a USB dongle allowing consumers to enjoy pay-TV services directly on new generation smart TVs. This solution was developed in partnership with Samsung and MStar and has been deployed at Skylife and HD+;

- Insight, a one-stop shop platform for analytics that taps into a large number of data sources in order to create innovative ways to improve the business of content distribution;

- CAST Dongle, an HDMI-based module that allows Over-the-Top and IPTV service providers to move the mobile experience to the TV screen with a simple swipe.

NAGRA has also regrouped its entire portfolio of User Experience solutions as part of the OpenTV Suite, which will allow deeper integration with customers. The OpenTV Suite encompasses the operating system, the player, the user interface and the service platform.

GROWTH WITH NEW AND EXISTING CUSTOMERS

- In South Africa, Sentech partnered with NAGRA to launch its Satellite Gap Filler program in order to bring service to areas not covered by its DTT network. In the same market, Platco, Africa's fastest-growing DTH operator, switched from competition to NAGRA's cardless security technology for its new Openview HD service offering, which was successfully launched in November 2016;

- In Brazil, SatHD Regional's distribution of Globo's content countrywide saw substantial growth in 2016, more than doubling its user base using NAGRA's system;

- With the recent momentum of cable digitization in India, NAGRA crossed the 10 million digital cable subscriber milestone in less than five years, which is a significant achievement;

- The Taiwanese cable market continued to show strong growth with more than 5.5 million subscribers using NAGRA solutions. Taiwan Broadband Cable shipped close to one million OpenTV5 set-top boxes, making it one of the largest OpenTV5 deployments in Asia.

In 2016, Conax demonstrated continued strength by concluding 11 new customer contracts, encompassing 6 broadcast operations, 2 contracts for advanced services and contracts with 3 operators to deploy Conax's new cloud services platform. These comprise a variety of operators from Europe, Latin America and India. Conax also signed 20 additional contracts with existing customers for advanced services, cloud services, cardless technology and more.

CONTINUED PATENT LICENSING MOMENTUM

In 2016, the Group continued its successful execution on its strategic intellectual property and innovation plan by entering into patent license agreements with industry giants like Apple, Verizon, Hulu and Yahoo and with IP leaders like RPX Corporation.

The fact that leading technology players in the industry have chosen to license the Group's intellectual property further validates the quality and relevance of the Group's 5,300 strong patent portfolio as well as the continued investments the Group makes in R&D.

2016 also brought an increased focus in supporting the Group's growing cybersecurity business. The Intellectual Property organization is further expanding the Group's patent portfolio in this area with new patent filings and by developing patentable technology through industry partnerships.

GLOBAL PROVIDER OF CYBERSECURITY SOLUTIONS

In 2016, Kudelski Security, the Group's cybersecurity division, benefited from the creation of the Group's second headquarters in Phoenix, Arizona, which operates together with its existing Swiss location. This new dual structure enables Kudelski Security to be closer to the world's largest cybersecurity market while strengthening its position as a global provider of cybersecurity solutions.

To increase its footprint in the US market, the Group acquired two renowned US-based cybersecurity companies, Milestone Systems (in 2016) and M&S Technologies (in early 2017), both of which add a valuable list of clients, including several prominent Fortune 500 customers.

In addition, some of the industry's most prominent experts joined the team in 2016, including Andrew Howard as Chief Technology Officer and Ryan Spanier as Head of Cyber Research.

In 2016, Kudelski Security signed a global agreement with RSA, the security division of EMC, making Kudelski Security one of RSA's leading global solutions providers, and in early 2017, Kudelski Security launched its Phoenix-based Cyber Fusion Center to remotely manage and monitor client networks in conjunction with Kudelski Security's existing Swiss center.

WORLD LEADER IN PUBLIC ACCESS

In 2016, SKIDATA continued to strengthen its position as a world leader in the Public Access sector through organic growth. The company concluded significant new deals in 2016, including a contract with the City of San Francisco to manage 22 garages and 15,000 parking spaces, which represents the largest contract in SKIDATA's history, and the installation of access control solutions in 10 MGM hotels in Las Vegas. In total, SKIDATA deployed more than 900 new installations in 2016.

SKIDATA will also provide powered gate entry security for 10 parking garages in Miami Beach, covering more than 6,000 spaces, while additional parking garages are planned, including the new Miami Beach Convention Center by the end of 2017.

In the City of Amsterdam, SKIDATA will deliver a smart, integrated parking platform for off-street parking combined with on-street parking, which will include the most advanced parking and payment technologies. These contracts confirm SKIDATA's position as the global market leader in the off-street parking segment.

In the ski segment, in which SKIDATA is also the worldwide market leader, SKIDATA won 15 Japanese resorts in the Hakuba Valley, the main venue of the 1998 Winter Olympics in Nagano, as well as a new contract in Zermatt, Switzerland

LAUNCH OF THE INTERNET OF THINGS SECURITY CENTER OF EXCELLENCE

In early 2017, capitalizing on the expertise of Kudelski Security and decades of innovation in protecting digital TV content and devices, the Kudelski Group launched its Internet of Things (IoT) Security Center of Excellence to address demand for increased protection of connected devices.

The Group's Security Center of Excellence will focus on addressing demand for increased protection of connected devices, leveraging the Group's 25 years of innovation in the fields of digital content and device protection. The Group has an unparalleled ability to design ad hoc security specifications to develop and to operate certification programs. Its unique blended approach of hardware and software security in low-power environments is a strong asset, particularly where the challenge in IoT is to provide security over broadly deployed critical systems.

The Center provides guidance and technology to support companies across all industries secure their IoT innovations over entire product lifecycles. It offers developers the ability to focus on their core products while being assured that security is maintained over time, a strategy that can both accelerate time-to-market and enable and protect competitive advantages.

The relevance of this positioning has already been validated by several significant players in the IoT space, including Sigfox, the world's leading provider of IoT connectivity.

OUTLOOK FOR 2017: REVENUES OF USD 1.150 TO 1.200 BILLION AND OPERATING INCOME OF USD 60 TO 80 MILLION

The Group expects to continue growing in 2017, though it does not expect to achieve the same level of profitability as 2016. Operational excellence efforts will continue in order to better match the business environment, and significant investments will be made in areas of potential growth.

In digital TV, the Group will continue to leverage its customer footprint by anticipating the security and user experience needs while reinforcing new offerings, such as analytics, that are dedicated to increasing the value generated by customers in the content distribution ecosystem.

In security, the Group will continue the integration of NexGuard in its end-to-end security offering, addressing not only operators but also content owners, to deliver protection in a seamless manner for customers. The use of analytics will enable better user experience and more efficient operations while bringing additional monetization opportunities. The Group will continue to develop its offerings in this field.

In cybersecurity, the focus will be on further growing the business by taking full advantage of the footprint the Group has built in the US and EMEA. Proprietary solutions will be a pillar of the medium and long term profitability of Kudelski Security. The main areas of development are: secure communications, cloud security, convergence of physical and logical authentication, next generation managed security services and purpose-built chief information security officer tools.

In IoT, the focus will be to develop cutting-edge solutions for design and architecture assistance, attack lab analysis and bringing hardware-enabled security to previously unsecured devices. The Group expects to increase market reach with significant players in the device ecosystem.

In Public Access, revenue growth is expected in 2017 by further expanding SKIDATA's global footprint and enriching its portfolio with new services. The increasing digitization of operations, the more systematic use of data in day-to-day activities and the fact that SKIDATA's solutions are becoming easier to deploy and operate will all continue to support infrastructure operators in growing their businesses. The US market is expected to be a significant contributor to SKIDATA's future growth.

For 2017, the Group expects to report total revenues and other operating income between USD$ 1.150 and 1.200 billion and operating income between USD$ 60 and 80 million.

PROPOSING A DIVIDEND OF CHF 0.35 PER BEARER SHARE

Taking into account the Group's 2016 results and outlook, the Board of Directors is proposing a CHF 0.35 dividend per bearer share for approval at the 2017 Annual Shareholders' Meeting. Of this amount, it is proposed that CHF 0.25 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 0.035, with CHF 0.025 treated as return of capital and 0.01 paid from retained earnings.

Note to the editors:

The 2016 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. For more information, please visit www.nagra.com.

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