ANNUAL RESULTS 2018

HIGHLIGHTS:

- **USD 919.7 million total revenues and other operating income, with USD 32.9 million operating income ex restructuring costs, benefitting from comprehensive cost reduction program**

- **Strong free cash flow generation of USD 46.1 million in the second half**

- **Increased transparency with former integrated Digital TV segment now disclosed as three separate segments: Digital TV, Cybersecurity and IoT**

- **Strong Digital TV profitability at USD 111.9 million OIBDA ex restructuring costs**

- **SmarDTV divestment completed**

- **USD 151 million Cybersecurity gross revenues, with shift of business mix to high value-added advisory, managed security services and proprietary technologies, resulting in increasing gross profits**

- **Development of new secure IoT platform and establishing key partnerships to address market demand for new deployments**

- **Public Access confirming market leadership**

- **Outlook for 2019: Revenues slightly up, EBITDA in the USD 80-95 million range***

- **Proposing a cash distribution (dividend) of CHF 0.10 per bearer share**

- **Mr. Alexandre Zeller resigns from the Board of Directors of Kudelski SA following appointment as Managing Partner of Lombard Odier SA**

KEY FIGURES 2018

(In million USD)	2018	2017
Revenues and Other Operating Income	**919.7**	1'012.1
Operating Income Before Depreciation and Amortization (OIBDA) *	**76.0**	82.8
Operating Income *	**32.9**	44.3

* Ex restructuring costs

Cheseaux-sur-Lausanne, Switzerland, and Phoenix (AZ), USA – February 27, 2019 – The Kudelski Group (SIX: KUD.S), the world leader in digital security, announced today its 2018 annual results.

In 2018, total revenues and other operating income decreased from USD 1,012.1 million to USD 919.7 million, mainly driven by the Digital TV segment, which posted a USD 72.1 million net revenue decline. The Group implemented a comprehensive restructuring program resulting in a USD 74.9 million reduction of recurring Digital TV costs. The Group completed most of the restructuring measures related to its French operations in the second half of 2018, including the divestment of SmarDTV operations and the closure of a French R&D site. A further enabler of the 2018 cost

reduction was tighter integration of NAGRA and Conax operations. Operational excellence measures across the entire Digital TV organization allowed for material efficiency improvements. Similarly, the Group streamlined corporate functions supporting Digital TV activities through the simplification and digitization of key processes, the consolidation of the organizational structure and the migration of selected functions to lower cost locations. Finally, the Group consolidated its operational footprint, resizing underutilized locations and closing satellite offices.

Group OIBDA ex restructuring costs was USD 76.0 million, a USD 6.8 million decrease over the previous year. Overall, the Group generated an operating loss of USD 7.3 million for the year. Operating income ex restructuring costs was at USD 32.9 million in 2018 compared to USD 44.3 million in 2017.

Kudelski achieved strong free cash flow generation of USD 46.1 million in the second half of 2018.

BUSINESS SEGMENT PRESENTATION

With the publication of its 2018 financial statements, the Group commences presentation of its results based on four segments: Digital TV, Cybersecurity, Internet of Things (IoT) and Public Access. While Public Access has been disclosed in prior financial statements, the former Integrated Digital TV segment is now divided into three new segments.

The Digital TV segment provides secure, open, integrated platforms and applications for broadcast, broadband and mobile networks, enabling compelling and personalized viewing experiences. Such platforms allow digital TV operators and content providers to offer a wide range of high value-added pay TV services.

The Cybersecurity segment provides end-to-end cybersecurity solutions to a wide variety of customers across multiple sectors. The portfolio is based on four pillars: advisory services, technology, managed security services and proprietary R&D. The Cybersecurity segment leverages the Group's historical strengths in R&D to fuel a highly differentiated product and service offering across each of the four pillars.

With the IoT segment, Kudelski offers a resilient and easy-to-integrate and operate security solution. The Group's IoT offering includes the Kudelski IoT Security Platform, a pre-integrated, end-to-end solution providing device and data protection, and Kudelski IoT Security Services, such as advanced lab services and managed security services.

In the Public Access segment, SKIDATA, the Group's subsidiary, designs and delivers integrated solutions to provide seamless, user-friendly access for people and vehicles to sites and installations such as car parks, ski-lifts, stadiums, arenas and amusement parks.

DIGITAL TV: EXTENDING KEY CUSTOMER RELATIONSHIPS

In spite of decreasing revenues, Digital TV delivered OIBDA ex restructuring costs of USD 111.9 million, reflecting strong cost controls and the successful completion of 2018 restructuring program.

In 2018, the Group extended its partnerships with key players in the industry, securing a solid foundation for future revenues by offering the latest NAGRA content protection, multi-DRM, business intelligence and anti-piracy solutions:

- In the United States, NAGRA continued to strengthen its long-term relationship with Altice USA. Altice USA has selected OpenTV Player, NAGRA SSP and NAGRA Connect to power and secure its new multiscreen experience by providing a secure playout on a wide range of open devices. In addition, Altice USA has selected NAGRA Insight, the advanced digital TV data platform that leverages artificial intelligence to address a number of business opportunities.

- In France, NAGRA has expanded its digital security and convergent media solution partnership with SFR, a subsidiary of the Altice Group and one of France's largest telecom operators.

NAGRA is now providing SFR with anti-piracy services to fight illegal live streaming of the UEFA Champions league and English Premiere League.

- NAGRA has renewed and expanded its content protection partnership with Liberty Global, the world's largest international TV and broadband company. This new long-term agreement will benefit Liberty Global's affiliates in Europe and Liberty Latin America.

- CANAL+ and NAGRA jointly deployed anti-piracy services targeting major illegal streaming providers that impact Canal+. STUDIO Canal adopted NexGuard Pre Release in order to securely track movie distribution. CANAL+ adopted NAGRA GO Live in Myanmar, allowing Canal+ Myanmar to deploy Live OTT channels over mobile phones and tablets.

- Telefónica has deployed the NAGRA Security Services Platform (SSP) managing the NAGRA Connect client to secure its Movistar IPTV service and 4K Ultra HD content in multiple countries with advanced set-top boxes. Through its Connect and SSP solution, NAGRA powers Telefónica's deployment of Netflix in the new-generation set-top boxes deployed in Peru.

- Vodafone has selected and deployed the NAGRA Security Services Platform (SSP) to secure its multi-network TV service across the world.

CYBERSECURITY: SHIFTING BUSINESS MIX TO HIGHER MARGIN BUSINESS LINES

Cybersecurity has grown to be a meaningful contributor of revenues for the Group. 2018 gross revenues were at USD 151 million. In 2018, the business mix continued to shift from lower margin technology reselling to higher margin advisory services, managed security services and proprietary technology solutions. While net revenues declined year-on-year, the Cybersecurity segment managed to grow gross profit in 2018.

Kudelski Security continued to launch innovative products and services and expand geographically to drive new business. This includes a strong adoption of managed security services which feature multi-year service agreements for Kudelski Security's Cyber Fusion Centers in Switzerland and the US.

Kudelski Security has introduced the industry's first Cyber Business Management Platform, Secure Blueprint. This unique and proprietary solution launched in the United States in the third quarter of 2018 and in Europe in early 2019. The Secure Blueprint SaaS platform meets an important emerging need for cybersecurity leaders by providing a real-time tool that sits on the chief information officer's desktop to track the maturity and effectiveness of their security program, align security initiatives with business priorities, and help communicate the state of cybersecurity programs to business leadership.

In January 2019, Kudelski Security announced the launch of its Blockchain Security Center focused on extending Kudelski's encryption expertise through new products and services that secure blockchain-based solutions increasingly used by organizations across the world.

Kudelski Security continued to earn industry acclaim for its innovation, vision and ability to deliver for clients. It was recognized by Gartner for innovation in managed security services, by Forrester Research as a leader in emerging managed security service providers, by Frost and Sullivan as advanced player in threat detection and by MSSP Alert as leading international managed security service provider.

INTERNET OF THINGS (IOT): LAUNCHING IOT SECURITY PLATFORM

In 2018, the Group ramped-up investments in the IoT domain with the development of a full IoT security platform, providing a pre-integrated, end-to-end solution on a variety of hardware devices and software-based clients. The Group has secured an initial portfolio of customers that is starting to generate early revenues and has built a funnel of prospects. In addition to extending its collaboration with U-Blox, the Group announced further partnership agreements with IDEMIA in the connectivity domain, Pepper IoT for consumer data protection on connected devices and Voith in

the industrial IoT space. Kudelski's secure IoT platform offers customers the ability to manage the identity and authenticity of devices, enable secure access to data, control activation and revocation of devices and support long security lifecycles through countermeasures on a cellular narrowband network.

In 2018, IoT generated revenues of USD 2.0 million and an operating loss before depreciation and amortization of USD 19.5 million, reflecting the early development stage of this business.

PUBLIC ACCESS: SECURING MARKET LEADERSHIP

In 2018, SKIDATA continued to strengthen its position as a global leader in access and revenue management solutions. Public Access increase revenues by 1.9%, delivering, in particular, strong performance in Asia Pacific/Africa with a 23.1% growth. Operating income for the period was at USD 10.7 million. The company increased its international footprint by entering new markets and deploying close to 800 new installations worldwide during the past year.

Key installations include parking systems for airports in Fortaleza (Brazil), Riyadh (Saudi Arabia) and Raleigh-Durham (USA) and for large shopping centers including Parque Arauco Kennedy (Chile), Inorbit (India) and Deira Centre (UAE); large prime city parking such as Town Square Metepec (Mexico City), Highwoods Monarch Altanta (USA), Rouse Hill Town Centre (Australia), Beijing WangFu Central (China). Deployments also include Lighthouse people access such as Prince Karuizawa Ski Resort (Japan) and Everland Themepark (Korea).

The ski segment registered strong growth following the introduction of the new SKIDATA operating software Summit.Logic and the launch of the new payment and pick-up machine.

Among new innovative solutions, SKIDATA launched the first Apple NFC ticketing solution for stadia, deployed at Los Angeles FC and Alliance Arena in Munich.

OUTLOOK FOR 2019

The traditional pay TV business is expected to stabilize in 2019. While Digital TV revenues should continue to decline, the Group expects the pace of the top line regression to start tapering off. In 2018, the Group completed multiyear contract renewals with large pay TV customers, which is expected to secure revenues over a period of several years. The Group is implementing measures to further reduce Digital TV operating expenses.

With Cybersecurity, the Group will continue to drive the development of higher value product lines and expects continued growth of margin after cost of material. Cybersecurity is expected to continue adding new clients, expanding geographical coverage and, as a result, increasing profitability by leveraging strategic offerings and high-value services.

For 2019, the Group will to continue to invest in the IoT domain, with development costs increasing to reflect the current cost run rate and with revenues still in the single digit million range.

In 2019, Public Access will focus on improving cash flows and restoring a higher level of profitability.

For 2019, the Group expects a stable to slightly higher revenues base and an OIBDA ex restructuring costs in the range of USD 80 to 95 million.

PROPOSING A CASH DISTRIBUTION (DIVIDEND) OF CHF 0.10

Taking into account the Group's 2018 results and profitability outlook, the Board of Directors is proposing a CHF 0.10 "dividend" per bearer share for approval at the 2019 Annual Shareholders' Meeting. It is proposed that this cash distribution be treated as a return of capital.

BOARD OF DIRECTORS

On February 26th, Mr Alexandre Zeller resigned from the Board of Directors, following his decision to join Lombard Odier as a Managing Partner. In his new role, he will be restrained from serving on the board of a listed company. The Board of Directors thanks him for his contribution over the last 12 years and wishes him all the best in his new function.

Note to the editors:

The 2018 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 business efficiency 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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