PRESS RELEASE

2014 ANNUAL RESULTS

- **Growth in revenues, operating income and net income from continuing operations**
- **Stronger digital TV market leadership through Conax acquisition**
- **Patent license agreements with Cisco and two additional licensees**
- **Product relationship agreement with Netflix**
- **OpenTV5, anyCAST, MediaLive and QuickStart gaining momentum**
- **Further streamlining of Group portfolio through divestment of NagraID, NagraID Security and Traffic and Billing assets**
- **Strengthening international footprint in Public Access (US and Australia)**
- **Resilient 2015 results expected in spite of exchange rate developments**

(In million CHF)	2014	2013	Variation %
Revenues & Other Operating Income	895.1	836.2	+7.1
Operating Income	68.1	54.5	+24.9
Net Income From Continuing Operations	50.4	39.4	+27.9
Operating Cash Flow	109.3	120.9	-9.6

Cheseaux, Switzerland – February 19, 2015 - The Kudelski Group (SIX: KUD.S), the world's leading provider of media content protection and value-added service technology, announced today its 2014 annual results.

Total annual revenues and other operating income reached CHF 895.1 million in 2014, representing a 7.1% growth compared to the previous year. The Group reported operating income of CHF 68.1 million, representing growth of 24.9%. Net income from continuing operations improved from CHF 39.4 million to CHF 50.4 million.

In 2014, the Group generated CHF 109.3 million of cash from operating activities. Continued tight management of capital expenditures enabled the Group to support its strong cash generation, with cash used for purchasing tangible and intangible assets representing less than CHF 30 million in 2014.

CONAX ACQUISITION

In 2014, the Group embarked upon a fundamental restructuring of its business portfolio, realigning and further strengthening its position in the digital TV markets. With the acquisition of Norway-based Conax in April, the Group added to its portfolio a highly efficient provider of standardized, cost-effective content security solutions for telco, cable, satellite, IP, mobile and terrestrial operators optimized for entry-level markets. This acquisition further strengthens the Group's emerging market footprint. The Conax integration is fully on track, already enabling complementary brand positioning globally that provides the basis for both technology synergies as well as cross-selling opportunities for products like OpenTV5 connectware, MediaLive multiscreen solutions and SmarDTV devices.

PATENT AND PRODUCT RELATIONSHIP AGREEMENTS

In January, the Group signed a significant patent cross license agreement with Cisco, which provided a positive contribution to the income statement in the first half and supported the increasing level of investment in the Group's intellectual property efforts. Two smaller patent license agreements were completed in the second half of the year, including an agreement with VEVO LLC. Earlier this year, Netflix and Kudelski also announced the dismissal of all pending patent litigation and a comprehensive product relationship enabling the Kudelski Group to pre-integrate its NAGRA anyCAST content protection and OpenTV connectware products with the Netflix service for the benefit of Kudelski's customers and prospects.

DIGITAL TV GAINING MOMENTUM

OpenTV5 connectware continues to set the benchmark as an enabler for an engaging user experience and is enjoying increasing market traction as evidenced by successful deployments with a growing number of operators, including Telefonica, NET Serviços do Brasil, StarHub, Vodafone and Unotel. Already in 2015, new deployments are being launched with Cable & Wireless Panama, TBC in Taiwan and VTV Cab in Vietnam.

StarHub TV is the perfect illustration of how OpenTV5 embodies the true notion of connectware by effectively enabling a wide range of use cases both in terms of devices – from a simple zapper to a full blown media gateway – and in terms of delivery networks where any combination of IPTV, OTT and broadcast can be seamlessly supported by a single client software suite.

NAGRA has also introduced anyCAST, a family of content security solutions that comprehensively addresses the challenge of monetizing any content on any network and any device. anyCAST COMMAND, NAGRA's latest security offering, is the highest end-to-end security solution in the market today and is expected to be deployed with Dish Network in 2015. The uniquely diversified approach of the anyCAST family has enabled NAGRA to achieve large-scale deployments around the world, including Guangdong Cable who is expected to deploy the technology across the entire province, AzamTV, the fastest growing payTV operator in East Africa, and several large cable operators in India, including DEN Networks.

The MediaLive multiscreen solution continues to see solid market adoption and is currently enabling over 20 deployments. Extensively proven in services like PrisaTV's Yomvi, Medialive has recently enabled leading players like Numéricable-SFR Group and Canal+ to enrich their multiscreen offer with innovative download-to-go applications. In Belgium, BeTV has successfully launched an OTT service to a variety of devices including the Xbox One powered by a MediaLive cloud solution. MediaLive is also deployed in Australia as a cornerstone of Foxtel's new connected STB platform due for launch in 2015. Beeline, a major telco operator, has recently selected MediaLive to deliver OTT services to smartphones and tablets.

The QuickStart solution, a ready-to-deploy bundle for OTT, broadcast or hybrid services featuring anyCAST content security, OpenTV5 connectware with an integrated user experience, MediaLive multiscreen and optimized SmarDTV hardware, has been successfully deployed with Vodafone for an OTT service in Spain and has been selected by Cable & Wireless Panama to enable rapid deployment of a rich user experience across TV and companion screens in 2015.

Conax continues to grow with 22 new contracts signed in 2014 primarily in emerging markets. Strong growth was achieved in Latin America with operators like America Movil, Cablemas and Claro while the Xtend multiscreen solution has seen continued expansion with Columbus in the Caribbean region and Nuevo Siglo and Montecable in Uruguay. In Asia, significant orders were received in Vietnam and from K-Vision in Indonesia. Conax celebrated 10 years of strategic partnership with Star Times China which also includes content securing significant and fast growing pan-African DTH and DTT operations. In Europe, Primacom, a large cable operator in Germany deployed Conax Contego content security.

OPTIMIZED SOURCING AND PORTFOLIO STREAMLINING

In the first half of 2014, the Group optimized its smart card sourcing and completed the sale of its NagraID subsidiary, achieving a key milestone in its effort to streamline supply chain management and further reducing its cost structure. In August, the Group sold its interest in NagraID Security, a provider of display cards securing the access to e-banking and e-commerce services through two-factor authentication, to Oberthur Technologies. This transaction includes an earn-out component, which will allow the Group to share the prospective upside in the display card market. These entities' results are presented as "net result from discontinued operations" in the consolidated income statements for 2014, and the 2013 income statements have been restated accordingly.

In October, the Group completed the sale of its traffic and billing product line to Imagine Communications, further streamlining and focusing its business portfolio.

PUBLIC ACCESS: STRENGTHENING INTERNATIONAL FOOTPRINT

SKIDATA continued its growth momentum in 2014 with revenues reaching CHF 231.4 million, a 2.8% increase in constant currency. In the previous year, SKIDATA delivered an exceptional 12.6% constant currency growth.

Overall, SKIDATA completed 650 installations in 50 countries during the year, including 20 new airport projects. SKIDATA continued to upgrade its product portfolio, with the next generation Power-Gate, Lite-Gate and Barrier-Gate solutions establishing a strong foundation for higher expected volumes in 2015. In addition, SKIDATA will benefit in 2015 from the consolidation of Sentry Control Systems, the newly acquired US distributor, and from the operations of new affiliates in Australia, Turkey, Malaysia and Uruguay.

At CHF 14.8 million, Public Access operating income was CHF 1.1 million higher than in the previous year, reflecting strong cost controls in spite of continued investment in the development of new products and the expansion into new markets.

OUTLOOK AND PROPOSED DIVIDEND

On January 15, 2015, the Swiss National Bank discontinued the EUR/CHF 1.20 exchange rate floor. As a result, the Swiss Franc significantly appreciated compared to most currencies. In addition to a translation effect, this appreciation will have a materially negative impact on the Group's 2015 revenue and operating income, as over 90% of the Group's revenues are denominated in USD or EUR, while 25% of its total costs (aggregate cost of material and operating expenses) are in Swiss Francs. Furthermore, the one-time contribution of the patent license agreement with Cisco in 2014 will affect the year-on-year comparison of revenues and profits in 2015. The Group has initiated measures to mitigate the negative impact of the above developments, in particular through the ongoing optimization of its operations. Furthermore, the 2015 income statement will consolidate an additional quarter of Conax's results, and new Group business initiatives, including in particular cybersecurity, are expected to maintain their positive momentum and increase their contribution to the Group's top line.

For 2015, management expects to report total revenues and other operating income in the range of CHF 845 to 875 million and operating income in the range of CHF 50 to 65 million.

Considering the improvement of the Group's profitability, the Board of Directors is proposing a CHF 0.30 dividend 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 would 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 2014 Financial Statements and MD&A are available in PDF format at: www.nagra.com. >> Investors >> Publications.

About the Kudelski Group

The Kudelski Group is listed on the Swiss Stock Exchange (SIX:KUD:S). It is a world leader in digital security; its technologies are used in a wide range of services and applications requiring access control and rights management to secure the revenues of content owners and services providers for digital television. The Group also offers cyber security solutions and services focused on helping companies assess risks and vulnerabilities, and protect their data and systems. The Kudelski Group is also a 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.

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