

Press release

**FOCUS ON REDEFINED CORE ACTIVITIES
AND CHF 90 MILLION COST REDUCTIONS**

- **Strengthening Internet TV focus and acceleration of convergence with Digital TV**
- **Creation of a Cybersecurity unit**
- **Simplification of Security and Middleware roadmaps**
- **Adjustment of the Group's structure**
- **Annual cost reduction program of CHF 90m implying workforce reduction of 270 positions**

Cheseaux, Switzerland – 31 October 2011 – The Kudelski Group (SIX:KUD.S) - the world's leading provider of media content protection and value-added service technology, announced today a major transformation of its structure.

In the universe resulting from the convergence between digital TV and Internet, special emphasis will be placed on developing new technologies integrating connected networks. Additionally, by creating a Cybersecurity unit, the Kudelski Group addresses the demand for security and data protection in the Internet sphere. As from January 1st, 2012, the Executive Management of the Group will be simplified and reduced to four members in order to better address challenges of the future. The Nagra Audio activity will be taken over by the Kudelski family through a spin-off which will become effective as from the beginning of 2012. As a consequence of the new strategy, the Group will launch a cost reduction program involving a workforce reduction of some 270 positions and targeting net savings of CHF 90 million per year, which will become fully effective from the second half of 2012.

The objective of the Group is to be able to face the economic crisis impacting several regions where it operates as well as the strengthening of the Swiss franc, and to address the changing needs of the new television and Internet markets. The Group has initiated this strategic review in the context of a global and sustainable evolution of content distribution technologies and a new balance between developed and emerging economies in the world.

As a consequence of the new strategy, the Group has planned measures leading to a net annual cost reduction of CHF 90 million. The initial effects will show in late 2011 and the cost reductions will become fully effective in the course of the second half of 2012. The various entities of the Group will implement the restructuring measures in compliance with local legal and consultation procedures. A workforce reduction of some 270 positions is expected, out of the Group's current 3'000 employees worldwide,

particularly in high-cost locations. Switzerland is expected to account for about a third of the headcount reduction.

Reducing costs to invest in high-potential sectors

The Group's restructuring program will also ensure that the Group frees up sufficient resources to invest in new opportunities to generate sustained, profitable growth.

In adapting its structures to this fundamental trend – the convergence between digital TV and Internet TV – the Group is laying the foundation for its future growth while consolidating its solid core business.

This significant change also implies that OpenTV's teams and solutions, as well as those in the conditional access sector, will be fully integrated into one single Digital TV structure within the Group. As a result, the Group's organization – including R&D, production and support – will be simplified to become more efficient, rapid and cost-effective.

Creation of a Cybersecurity unit

For more than 20 years, the Kudelski Group has been expert in protecting high value-added content against various forms of piracy, securing a leadership position globally in this area. This unique experience has allowed the Group to acquire exceptional know-how in fighting pirate attacks, capitalizing on its technological, operational and legal competencies. In today's environment - where Internet security and privacy protection have become global issues - the Kudelski Group has decided to offer its expertise in the area of cybersecurity to third parties, beyond the pay-TV sector, through the creation of a specific Cybersecurity unit.

Simplification of the Security and Middleware roadmaps

With the latest generation conditional access and middleware platforms, customer deployments and operations can be simplified as the number of different platforms can be reduced.

The required security diversity will continue to be granted and will allow covering high performance hybrid networks as well as low-cost networks.

Simplified Senior Management structure

In implementing the new Group strategy, Group Executive Management will be simplified to better focus on Digital TV and Internet TV activities.

From January 1st, 2012, the Group Executive Management will consist of:

- André Kudelski : CEO
- Mauro Saladini : EVP Finance (CFO)
- Pierre Roy : EVP Sales and Operations (COO)
- Alex Osadzinski : EVP Strategy & Business Development

Long-term commitment in the Public Access sector

The Kudelski will continue to develop the Public Access activity worldwide over the mid and the long term. Perspectives in the sector are looking good and SkiData benefits from strong positioning in this market.

Nagra Audio spin-off

In order to enable the Group's management to focus on high-potential activities reaching a critical mass, the Kudelski family has decided to acquire the Nagra Audio business through a spin-off as from the beginning of 2012. This activity will remain based in Suisse Romande.

During the first half of 2011, the Group sold Nagra Thompson Licensing, liquidated Medioh and EmbedICs and sold its participation in Polyright. With today's announcements, the Group is laying the groundwork to restore long-term profitability in line with its ambitions and its true potential.

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Note to the editor

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. It additionally offers professional recorders and high-end hi-fi products. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. For more information, please visit www.nagra.com/investors-doc.html.

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