NAGRA
KUDELSKI GROUP

Press Release

2011 ANNUAL RESULTS

MACROECONOMICS IMPACTING PROFITABILITY
TURNAROUND PROGRAM ON TRACK

- **2011 highlights:**
  - **Kudelski posts total revenues of CHF 897 million and an operating income ex-restructuring charges of CHF 35.3 million**
  - **Strong Swiss Franc and economic slowdown in traditional markets affect the Group's results**
  - **CHF 90 million savings program on track**
  - **DTV business with sound fundamentals, lighthouse customer wins, growth prospects in emerging markets and promising new product areas**
  - **Middleware & Advertising reverts to profitability**
  - **Public Access: continued growth and improved profitability**

- **Board of Directors Kudelski SA**
  - **Joseph Deiss proposed as new Board member**

- **Guidance for 2012:**
  - **Total revenues => CHF 830 to 855 million**
  - **Operating income ex-restructuring costs => CHF 35 to 50 million**

Key figures 2011

(in million CHF)	2011	2010	Variation %
Total Revenues & OOI	**896.6**	**1'069.3**	**-16.2%**
Operating Income Before Depreciation and Amortization	91.0	173.0	-47.4%
Operating income **(ex-restructuring costs)**	**35.3**	**110.0**	**-67.9%**
Net Income / (loss)	**-17.7**	**66.7**	**n.a.**

Cheseaux, Switzerland – February 23, 2012 - The Kudelski Group (SIX:KUD.S), the world's leading provider of media content protection and value-added service technology, announced today its 2011 annual results. Group revenues in constant currency declined by 3.8%. Total annual revenues and other operating income declined from CHF 1'069.3 million in 2010 to CHF 896.6 million in 2011, with the Digital TV segment driving most of the decline.

The continued fall of USD and EUR rates affected the Group's 2011 financial results, with a negative impact of CHF 121.7 million on full-year revenues and CHF 46.5 million on operating income. Operating income for the year amounts to CHF 25.4 million compared to a CHF 110 million in 2010. Net of restructuring costs, the Group's 2011 operating income was CHF 35.3 million. 2011 cash flow generation was strong, with an operating cash flow for the year at CHF 86.7 million.

Structural developments in the Digital TV segment remained positive, with new customer wins, a positive traction for the Group's latest generation of products, and selected regions, such as Latin America, continuing to deliver strong growth in constant currency.These developments could only partially compensate the economic slowdown in Southern Europe. Furthermore, 2010 was positively impacted by certain one-off contributions, which were not available at the same levels in 2011, including revenues from a card replacement program at Virgin Media and a one-off other operating income from government grants. In 2011, operating income for the Digital TV segment declined by CHF 100.5 million to CHF 28.9 million.

The Public Access segment continued to grow its revenue in local currency and, as it was less affected by currency fluctuations, it raised its operating income to CHF 12.5 million.

2011 also saw the turnaround of the Middleware and Advertising segment reach another important milestone, with the segment reverting to profitability on a full year basis.

RESTRUCTURING PROGRAM WELL ON TRACK

The Group's restructuring program announced late last year has already delivered its first tangible results, with CHF 15.8 million in savings realized in 2011. The series of measures aimed at reducing the Group's total annual operating expenses by CHF 90 million are progressing according to the Group's original plan.

Personnel expenses decreased by CHF 26.0 million in 2011, primarily due to currency effects. Compared to the end of 2010, total headcount decreased by 69 to 2'999 FTEs at the end of 2011. This headcount includes 100 FTEs in the Group's newly organized operations in India. However, this figure does not reflect the impact of the restructuring announced by the Group late last year, which is being implemented during the first months of 2012.

The Group reduced other operating expenses by CHF 44.9 million in 2011, a 19.2% reduction from the prior year. In addition to the currency-driven reduction, the lower cost base reflects initial efforts undertaken by the Group as part of its overall cost-reduction program. Compared to the previous year, aggregate development, engineering, legal, expert and consultancy expenses in 2011 were reduced by CHF 24.9 million. The ongoing systematic replacement of external resources with lower cost internal resources has helped drive this cost reduction.

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GAINING TRACTION IN INTERNET TV

Cable, satellite and telco service providers are increasingly turning to NAGRA for its expertise and innovation capabilities to enable an Internet-connected environment for their viewers as a natural extension to their existing services.

Latest developments at customers integrating NAGRA's Internet TV capabilities include:

- Dish/Echostar is deploying NAGRA solutions to up-coming Internet TV (OTT) projects and Sling DVRs
- Canal+ in France is extending NAGRA PRM (Persistent Rights Management) to additional devices
- APS/HD+ in Germany introducing NAGRA PRM
- PRISA TV has launched new devices working on the deployed Internet TV platform
- Jazztel – the PRISA TV platform has been extended to support pure Internet TV set-top boxes with both live and VOD content

With the new deployments of the last few months, NAGRA PRM - a key element of the Group's Internet TV solution suite - is now implemented at leading service providers around the world including: Telefonica, UPC, T-Com Croatia, Numericable, SFR, Digital+, Zon, Mediaset, Virgin Media, Telenet, VOO, NET, Embratel, Skylife, CNS and kbro (Taiwan), Elisa, Hansenet, Naxoo.

Furthermore, NAGRA and abertis telecom, the leader in Spain in infrastructure and telecommunications services, signed a strategic partnership to launch a cloud-based service aimed at pay-TV service providers and free-to-air broadcasters seeking to deploy affordable multiscreen services, integrating broadcast TV with on-demand Internet TV services, with fast time-to-market.

CONTINUED STRONG MOMENTUM IN EMERGING MARKETS

In the established pay TV segment, the Kudelski Group has continued to win new contracts and expand its global footprint, benefitting in particular from new wins in emerging markets.

The Latin American market is showing a sustained momentum and remains an important growth vehicle for the digital TV segment. Besides significant growth with established customers like NET, Embratel and Telefonica, some important additions were made in 2011 like CNT of Ecuador who selected Nagra for DTH, ClaroTV (American Movil) selecting OpenTV middleware, Oi in Brasil getting additional middleware modules.

Further, major wins were achieved notably in India, Bangladesh and Taiwan where NAGRA advanced technologies are proving critical to support the ongoing local networks digitalization and soaring demand for pay-TV.

IMCL, a NAGRA customer since 2003 and India's leading cable MSO with around 8 million homes under the brand name InCableNet, has selected NAGRA's fully integrated end-to-end solution to be initially deployed in 500'000 set-top-boxes with a further potential 500'000 devices. NAGRA will act as the system integrator.

Bengal Communications Ltd (BCL), one of the largest cable MSO in Bangladesh, has selected NAGRA's latest generation conditional access (CA) and middleware technologies for its upcoming digital cable services.

In Taiwan, NAGRA will drive the country's cable digitalization deployment with the four major services providers, kbro, TBC, CNS and HYA, having selected NAGRA Media Access DLK (cardless) technology.

In parallel, NAGRA continues to build a strong revenue and R&D base in fast developing economies (R&D centers in India and China).

CYBERSECURITY BUSINESS LINE LAUNCHED

The CyberSecurity business line setup is progressing according to plan, with an initial launch of new CyberSecurity services targeting pay TV customers and prospects and addressing security in over the top delivery environments, cloud hosting, managed security services as well as reputation management services. The initial industry focus beyond the digital TV markets covers financial services with a "security as a service" offering for cloud based solutions, including security assessment, security monitoring services, as well as identity and access management.

Similarly, the Intellectual Property has initiated a new licensing scheme addressing an initial set of identified targets.

MIDDLEWARE AND ADVERTISING PICKS UP

Following the R&D investment ramp-up aimed at accelerating the development of the next generation Group middleware solutions in 2010, initial deployments of such solutions took place in 2011. Thus, additional resources were released resulting in a lower cost base that enabled the middleware and advertising segment to revert to a positive operating income for the year.

The targeted effort in next-generation middleware has yielded it first promising results in the market. OpenTV4 has been successfully launched to power an internet TV solution for the Spanish ISP Jazztel. The flexibility of the middleware has been proven by the fast roll-out of an innovative user experience. Building on this innovative approach, OpenTV5 is progressing according to plan with its lead deployment customer Telefonica, positioning it as its global middleware solution across TV services.

PUBLIC ACCESS: POSITIVE TREND CONTINUES

Public Access posted a sales increase of 4.2% in 2011 on a constant currency basis, in spite of the deconsolidation of Polyright from July 2011 on.

Public Access operating income recovered in 2011, improving by CHF 3.7 million to CHF 12.5 million as compared with 2010, which reflects careful cost management.

SKIDATA announces two major management changes. Charles Egli, SKIDATA's CEO since 2004, will become President of the Supervisory Board (Aufsichtsrat) effective July 1st, 2012. Hugo Rohner will take over as CEO of SKIDATA as from July 1st, 2012. Mr. Rohner developed a large part of his career within the Kudelski Group. He is currently CFO for the Group's activities in the US.

PROPOSALS TO THE ANNUAL GENERAL MEETING

Mr. Joseph Deiss, former Swiss Federal Councillor and President of the sixty-fifth session of the United Nations General Assembly, will be proposed as new Member of the Board of Directors of Kudelski SA at the next Annual General Meeting of shareholders to be held in Lausanne on May 15, 2012. Mr. Deiss has been a member of the Board of Directors of OpenTV until the full acquisition of this company by the Kudelski Group in March 2010.

The Board of Directors of Kudelski SA will also propose to the Annual General Meeting of May 15, 2012, the payment of a dividend of CHF 0.10 per bearer share and CHF 0.01 per registered share. The ex-date will be May 18th, 2012.

OUTLOOK

On October 31, 2011, the group announced measures targeting a net annual cost reduction of CHF 90 million, with initial effects expected in late 2011 and the cost reductions becoming fully effective in the course of the second half of 2012. The implementation of these measures is progressing as planned. As part of this program, Digital TV and Middleware and Advertising operations have been fully integrated as of the beginning of 2012. Accordingly, these activities will be reported as a single segment, called Digital TV, as of January 1, 2012.

The new Digital TV segment is expected to continue to benefit from favorable fundamentals and a solid Group competitive positioning. However, Group top line is expected to decrease from 2011 to 2012, as the Polyright, Medioh, Embedics and Nagra Audio businesses are fully deconsolidated, government grants are expected to be lower and the expected expiration of a contract provision with a large customer will result in the application of a lower base of paying smart cards for the purpose of license fee calculations.
Public Access is expected to maintain its momentum both on the top line as well as from a profitability perspective.

The contribution of new business sectors such as Internet TV, Cybersecurity and Intellectual Property will remain marginal in 2012 while materially contributing to the Group's growth in the following years.

On this basis, management expects to report 2012 total revenues between CHF 830 million and 855 million. Further, management guides for an operating income ex-restructuring costs between CHF 35 and 50 million.

Note
The 2011 Financial Statements and MD&A are available in PDF format under:
www.nagra.com => Investors => Doc Center

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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. The Kudelski Group is headquartered in Cheseaux-sur-Lausanne, Switzerland. For more information, please visit www.nagra.com

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