

Kudelski Group transformation is accelerating in H2 2017

- **New initiatives, including Kudelski Security and IoT, developing strongly while Digital TV is increasingly challenged**
- **Digital TV division widely transformed with a new structure, as of January 1st 2018. Nagra and Conax will be fully integrated**
- **IoT Security center of excellence fully operational, led from Cheseaux, Switzerland**
- **Settlement agreement with Comcast ending patent litigations**
- **Morten Solbakken will join Kudelski Group Management as Executive Vice President**
- **As of January 1st 2018, Pierre Roy becomes DTV Chief Marketing Officer and Morten Solbakken is appointed DTV Chief Operation Officer**
- **Added restructuring efforts to the ongoing transformation in Q4 2017**

Cheseaux-sur-Lausanne, Switzerland and Phoenix (AZ), USA, December 20, 2017 – The Kudelski Group (SIX: KUD.S) is presenting today a year-end business update following up on the half year conference last August.

In 2017, the Kudelski Group has undertaken a deep transformation of its structure, processes and business, with the objective of ensuring the Group's growth and success over the long term.

The Group has continued its efforts to align its digital TV operations with the new market realities. The Group activities are increasingly expanding out of traditional pay TV into cybersecurity and Internet of Things (IoT) security, addressing growing market demand.

Both domains, in which the Group is investing substantially, are developing well and expanding as planned, with stronger positioning in the United States and Europe and increasing market achievements. Concerning Intellectual Property licensing, the evolution of these initiatives continues to be marked by high volatility, which is to be expected for this type of business. In this context, the Group entered into a settlement agreement with Comcast Corporation and Comcast Cable Communications LLC pursuant to which all pending patent litigations between the companies have been dismissed. The terms of the settlement were not disclosed.

Over the past months, the Group has executed on the measures announced last August, involving the streamlining of Digital TV core operations, the full integration of its Conax subsidiary and accelerated investments in the development of cybersecurity and IoT proprietary solutions.

Specifically, the Group has reviewed the geographic distribution of its activities with the goal of consolidating operations into core locations by having each of the Group's activities focus on specific sites. New cybersecurity and IoT solutions were launched, including IoT chip-to-cloud security and White Noise (a secure mobile communication solution) and the cybersecurity CxO Performance Solution that aims to improve planning, management and reporting for Cyber Executives.

In a changing environment, Digital TV is continuing its own transformation to cloud-based solutions with new deployments planned for 2018.

The measures undertaken by the Group have involved changes in operations management responsibility, with the role of DTV Chief Operating Officer (COO) being split into two positions focusing on sales and marketing on the one hand and on operations on the other hand.

Pierre Roy is now focusing on digital TV marketing and sales as DTV CMO, in addition to his role of Group Executive Vice President, underscoring the strategic priority that the Group is placing on commercialization of the digital TV product portfolio.

Morten Solbakken is now also heading the newly created operations team as DTV COO, including strategic portfolio management, customer developments and system integration, services and supply chain. Morten Solbakken will be joining the Group's Executive Board as Executive Vice President as of January 1st, 2018.

These organizational changes are essential for the Group to adapt successfully to new market realities and seize new opportunities more effectively. An additional restructuring effort has been initiated in Q4 2017 and will continue into 2018. Costs incurred by this transformation will be accounted for partly in 2017 and, to a larger extent, in 2018. Material impact of restructuring is expected for 2017 and 2018 as well.

Operating income from recurring operations (i.e. ex restructuring costs) for 2017 is expected to remain in the USD 45-65 million guidance.

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. 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 and Phoenix (AZ), USA. For more information, please visit www.nagra.com

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