

THE KUDELSKI GROUP TAKES STRATEGIC DECISION TO ESTABLISH A SECOND HEADQUARTERS IN PHOENIX, ARIZONA (USA)

Cheseaux-sur-Lausanne, Switzerland – June 1, 2016 - The Kudelski Group (SIX:KUD.S) announced today its decision to establish a second headquarters IN Phoenix, Arizona. By taking this step, the Group will become closer to the North American market and be able to better leverage growth opportunities that are developing there. At the same time, the Group will be able to mitigate the effects of the strong Swiss franc by progressively shifting its center of gravity and by reporting its financial results in US dollars as of its 2017 fiscal year.

Historically, the Group was able to generate a substantial proportion of its business from Switzerland and Europe due to its margin structure and the strong dynamics of the European markets. Since 2011, the situation has changed dramatically, and a number of challenges have emerged.

Today, the Group's key growth opportunities are primarily outside of Europe, particularly in the US. The outlook in Switzerland and Europe in respect of the Group's core business and for new technology is less promising, as demonstrated for instance by the weaker dynamics of the European cybersecurity market compared to the US. Moreover, the strength of the Swiss franc continues to affect the profitability of the Kudelski Group and more specifically its capacity to invest over the long term, as the Group has less visibility of its future results due to the fact that the majority of the Group's revenues is generated in currencies other than the Swiss franc.

Although the Group's worldwide HQ will remain in Cheseaux, Switzerland, several high-level Group management and support functions will be relocated to Phoenix. Cheseaux will develop further as an excellence center in the field of security technologies. Additionally, the Group's financial results will be reported in US dollars as of its 2017 fiscal year, which is expected to better reflect its results from operations. While no impact on profitability is expected in 2016, these actions are expected to improve the Group's cost structure over the longer term. The Kudelski Group will continue to be listed on the SIX Swiss Exchange.

By taking these measures, the Kudelski Board of Directors wishes to establish a strong foothold in the US, providing the Group with better access to the world's largest market while showcasing the high-quality innovation and engineering of its Swiss teams. A stronger presence in the US will also enable the Group to recruit the appropriate profiles for the development of new business activities.

André Kudelski, Chairman and CEO of the Group, explained: "The Group continues to grow mainly outside of Europe. The timing is therefore appropriate to adapt our organization to the new market paradigm in order to ensure sustainability in a changing geographic and commercial environment."

Establishing a second headquarters in the US will also help expedite the commercial deployment of the Group's innovation activities, such as its cybersecurity and intellectual property initiatives. At the same time, Cheseaux's center of excellence for security technologies is expected to grow over the long term, helped by the Group's expected overall reduction in exposure to the Swiss franc exchange rate. Positions linked directly or indirectly to security expertise will remain in Cheseaux. Phoenix was chosen as a complement to Cheseaux; the aim is not to clone the current HQ.

As a consequence of the transformation, a number of employees will be invited to move to Phoenix. Internal transfers between the two sites will be favored, in order to preserve the company's unique DNA. Several Group support functions will be transferred to Phoenix as of this summer, in particular management positions within the Group finance and legal teams.

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 service 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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