KUDELSKI GROUP
2022 ANNUAL REPORT

NAGRA
KUDELSKI GROUP

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LOOKING AHEAD AND BEYOND

From the legendary first portable audio recorder that revolutionized the world of media to artificial intelligence, data science, cybersecurity, access control, online ticketing and asset tracking, the Kudelski Group has, over the course of the last 70 years, brought to market groundbreaking innovation and smart solutions.

With its track record of continuing investment in the solutions of the future, the Kudelski Group is committed to be a world leader in digital security.

Since its creation in 1951, the Group has always stayed true to its spirit of innovative prowess and technological progress, which today is demonstrated by state-of-the-art solutions such as contactless access to venues and ski resorts, connected lifestyle protection, media and entertainment secure broadcast, online security programs and stolen vehicle recovery systems.

Such innovation enables millions of people worldwide to enjoy their daily activities and live their most entertaining experiences securely, safely and simply.

And this is what epitomizes the mindset of the Kudelski Group: always looking ahead and bringing solutions, for today and tomorrow.

SOLUTIONS MAKING LIFE SIMPLER AND SAFER

At the convergence of real and virtual worlds, the Kudelski Group's solutions make daily activities easier and bring people together to live their experiences with peace of mind.

From patient security solutions for healthcare organizations to expanded support for critical infrastructure, such as power plants facing cybersecurity risks, the Group provides market leading digital security solutions to help customers address their problems.

These solutions also help end-users directly in their daily activities, whether it is for leisure, sports or professional reasons. Watching the latest movie at home or on the move, reaching the ski slopes using contactless solutions, attending a football game or a concert, accessing car parks by just waving your hand, safely driving and charging your electric vehicle or following live sports events on your phone.

Behind all these activities are efficient and agile solutions made possible by the Kudelski Group. Discreet yet efficient, they ensure comfort and peace of mind, providing smooth and secure access to a wide variety of essential moments. These are the key reasons the employees of the Kudelski Group work with passion and know-how.

INTERVIEW WITH ANDRÉ KUDELSKI

Chairman and Chief Executive Officer of the Kudelski Group

What are your key reflections about the Group's performance in 2022?
Overall, 2022 was a challenging year for the Kudelski Group with revenues and profitability lower than originally planned. The main drivers for this performance were weak sales for Digital Television in EMEA during the fourth quarter and higher-than-expected operating costs in our Public Access division. On a positive note, the Group was able to grow organically in three of its four business segments. The continuing positive evolution of Kudelski Security, Kudelski IoT and Public Access positions the Group for future growth.

How did geopolitical issues impact the activities of the Group over the past year?
The direct impacts on the Group of the war in Ukraine were relatively limited, negatively affecting the business activities of our Digital Television and Public Access divisions in Russia, a market the Group decided to exit, and in Ukraine. However, the indirect impacts have been more significant, especially in Europe, with the combination of uncertainty, high energy costs and changing market priorities complicating the business environment.

This has resulted in delayed investment decisions by our clients and consumers, who are looking to reduce their discretionary spending, with a negative impact on our revenues, especially in Europe. On the other hand, Kudelski Security's business, particularly in Europe, and Kudelski IoT have benefitted from rising market demand for products and solutions that improve the security of digital infrastructure.

What is your view on the evolution of Digital Television?
Despite a challenging environment for discretionary spending, the Kudelski Group's Digital Television business has demonstrated resilience, especially in its capacity to generate recurring revenues. New market challenges are also creating new business opportunities for the Group. One of the more significant changes in the market recently has been the increasing interest of large subscription-based streaming operators in tackling content piracy, as their addressable market for paid subscriptions has become saturated due to the impact of significant levels of ongoing piracy, including password sharing. This provides new opportunities for our digital protection technologies, including conditional access, DRM and watermarking.

In terms of innovation, one of our most exciting new products for Digital Television is Insight, our artificial intelligence-powered solution that uses proprietary data analytics to enable customers to assess the effects of business actions, such as changes in pricing, on subscriber behavior and to optimize those actions prior to implementation. This technology uses the concept of a subscriber's digital twin to help operators make better decisions to improve their service offerings and ultimately their financial results.

What is the future of Public Access?
Post-Covid, we see a number of new opportunites for our Public Access division, as demand increases for access solutions that leverage contactless technologies for payment and for enabling entry and exit rights. This is a global trend for stadiums, fairs, parking facilities and mountain destinations. Our SKIDATA solutions are able to use mobile devices to make reservations and payments and to grant access rights.

Going forward, we also see a growing role for our Public Access business in supporting the management of smart cities by offering smarter access to urban areas that can help manage traffic flows more efficiently and reduce a city's environmental footprint.

> "The continuing positive evolution of Kudelski Security, Kudelski IoT and Public Access positions the Group for future growth."

“New market challenges are also creating new business opportunities for the Group.”

What are the key developments in the area of Cybersecurity ?
With the rapid digitalization across virtually all elements of society, it is increasingly more critical that individuals, companies and governments have access to a safe and reliable digital infrastructure. Kudelski Security has a key role to play here, as the opportunities for bad actors to disrupt infrastructure are growing even faster than the digitalization itself. The surface of potential vulnerabilities is increasing exponentially with the number of connected users, new services offered and the interactions between people, organizations and connected devices.

In such a fast moving environment, Kudelski Security is developing and deploying new technologies that include artifical intelligence and automation in order to identify and address new threats at the accelerated pace necessary to protect our clients and the digital ecosystem.

How will Kudelski IoT capitalize on its momentum ?
Short-term, we plan to grow Kudelski IoT’s revenues by accelerating the market penetration of solutions already deployed in the market, including RecovR, and expanding the footprint of our proprietary core IoT security platform. We also plan to expand our advanced IoT offerings to new verticals, such as indoor zoning, new applications for outdoor asset tracking and medical applications.

What are the most important trends in 2023 ?
In 2023, we see some important new opportunities in the markets in which we operate, but there is also significant market volatility due to global economic uncertainties. In this environment, the Group must be able to assess and address new opportunities and adapt to market realities quickly, knowing that some projects will not materialize as expected. To operate in this challenging environment, we must remain extremely agile by being able to allocate Group resources dynamically to the most promising of new opportunities and to retain flexibility as those opportunities evolve, while at the same time keeping costs firmly under control.

How do you expect the Group to perform in 2023 ?
As we have announced, we do not expect a strong 2023 performance in terms of revenues and profitability. However, we see the Group making important strides in 2023 towards profitable growth for Kudelski Security, Kudelski IoT and SKIDATA, while Digital Television should continue to deliver a strong EBITDA contribution.

How do you expect the Group’s business segments to evolve in the future ?
Medium-term, the Group expects to realize the fruits of its investments in Kudelski Security and Kudelski IoT. We expect these two businesses to continue growing, with combined revenues representing about 25% of the Group’s total revenues by the end of 2024 and contributing to the Group’s operational profitability. Digital Televison is expected to continue delivering profits for the Group, and we expect SKIDATA to futher increase both its revenues and profits.

What is your view on the Group’s ESG commitments ?
Since its foundation in 1951, the Kudelski Group has often considered as important issues that were not necessarily on the agendas of other companies. The first Nagra recorders were designed to operate with very low power consumption and were built to last for decades, even in the field. When the Group built its first headquarters in the late 1960s, Stefan Kudelski, the founder of the Kudelski Group, ensured that real thermal insulation was used, and he rejected the use of asbestos, which was a popular insulating material at the time.

Over our 72-year history, the Kudelski Group has worked to reduce the environmental footprint of our products and solutions and to respect the principles of fairness and equal opportunities for all of our employees. We believe the best way to advance ESG issues is to live by conviction rather than by compliance.

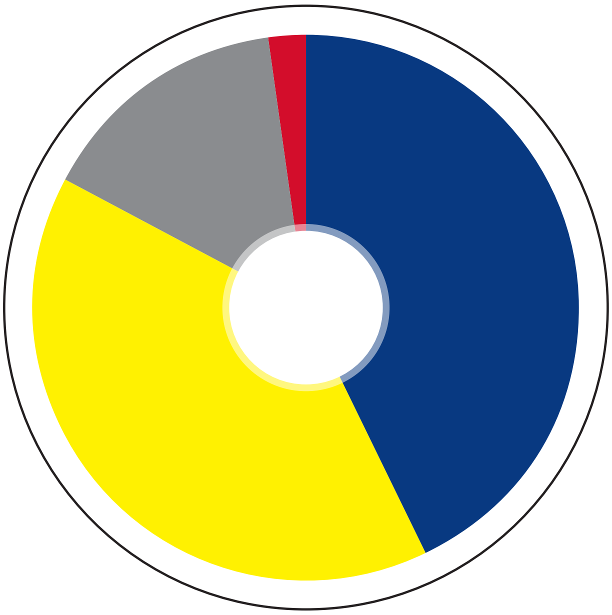
Do you have any closing thoughts ?
Currently, there is no shortage of challenges facing the world, our markets and our customers. This makes our life as a Group more difficult, but it also creates opportunity to challenge the status quo and find new ways to build our future. This is what motivates us everyday.

"To operate in this challenging environment, we must remain extremely agile by being able to allocate Group resources dynamically to the most promising of new opportunities and to retain flexibility as those opportunities evolve."

KEY FINANCIAL DATA 2022

		31.12.2022	31.12.2021	Change
Total revenues and other operating income	**USD million**	**715.9**	778.8	-8.1%
Operating income before depreciation, amortization and impairment (OIBDA)	**USD million**	**33.20**	72.4	-54.2%
in % of total revenues	%	4.6%	9.3%	
Operating income (EBIT)	**USD million**	**0.9**	30.2	-97.1%
in % of total revenues	%	0.1%	3.9%	
Net income from continuing operations	**USD million**	**-16.3**	21.5	
Earnings per share	**USD**	**-0.3704**	0.2834	
Money returned to shareholders (proposed per bearer share)	**CHF**	**0.00**	0.10	
Cash flow from operating activities	**USD million**	**1.5**	103.1	
Cash and cash equivalents	**USD million**	**62.2**	284.5	
Number of employees at December 31 (headcount)		**3233**	3225	

Revenues per segment



Digital Television
43%

Public Access
40%

Cybersecurity
15%

Internet of Things
2%

Digital Television

550 operators
400 million subscribers

Public Access

7 400 customers
11 300 installations worldwide

Cybersecurity

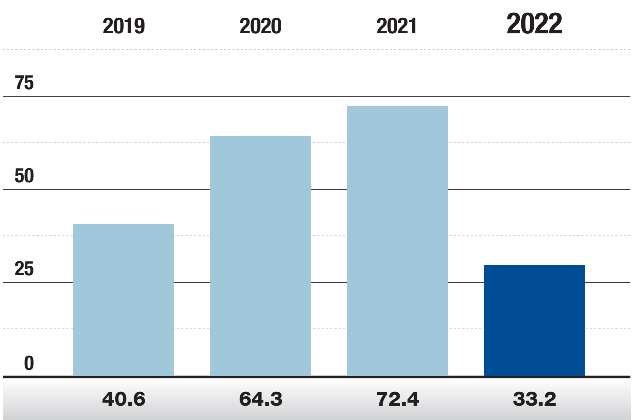
1 000 customers
24 billion alerts per day

Internet of Things

283 customers

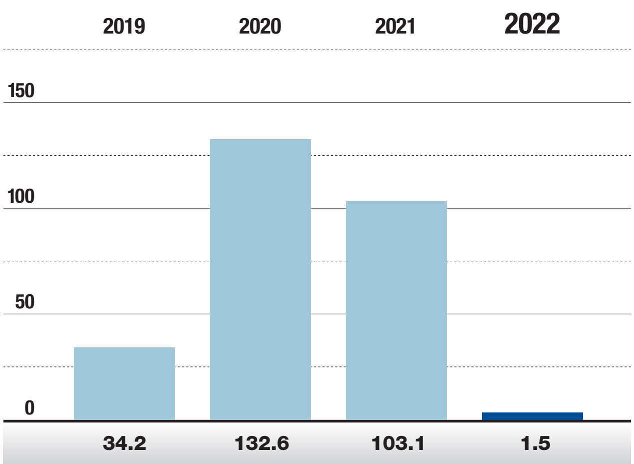
OIBDA*

In million USD



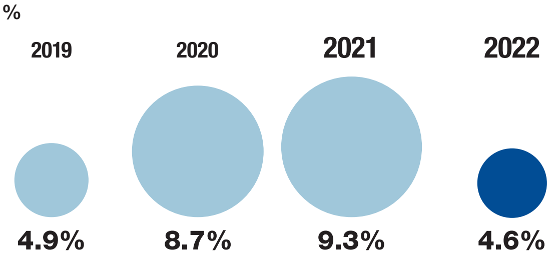
Operating cash flow

In million USD



OIBDA*/Total revenues

In %



** Operating Income Before Depreciation, Amortization and Impairment*

THE GROUP

A world leader in the design and delivery of secure state-of-the-art technology solutions

Consumer focus

The Kudelski Group's solutions simplify the lives of more than 500 million consumers in the world every day, thanks to highly advanced technologies that enable intuitive and contact-free interactions.

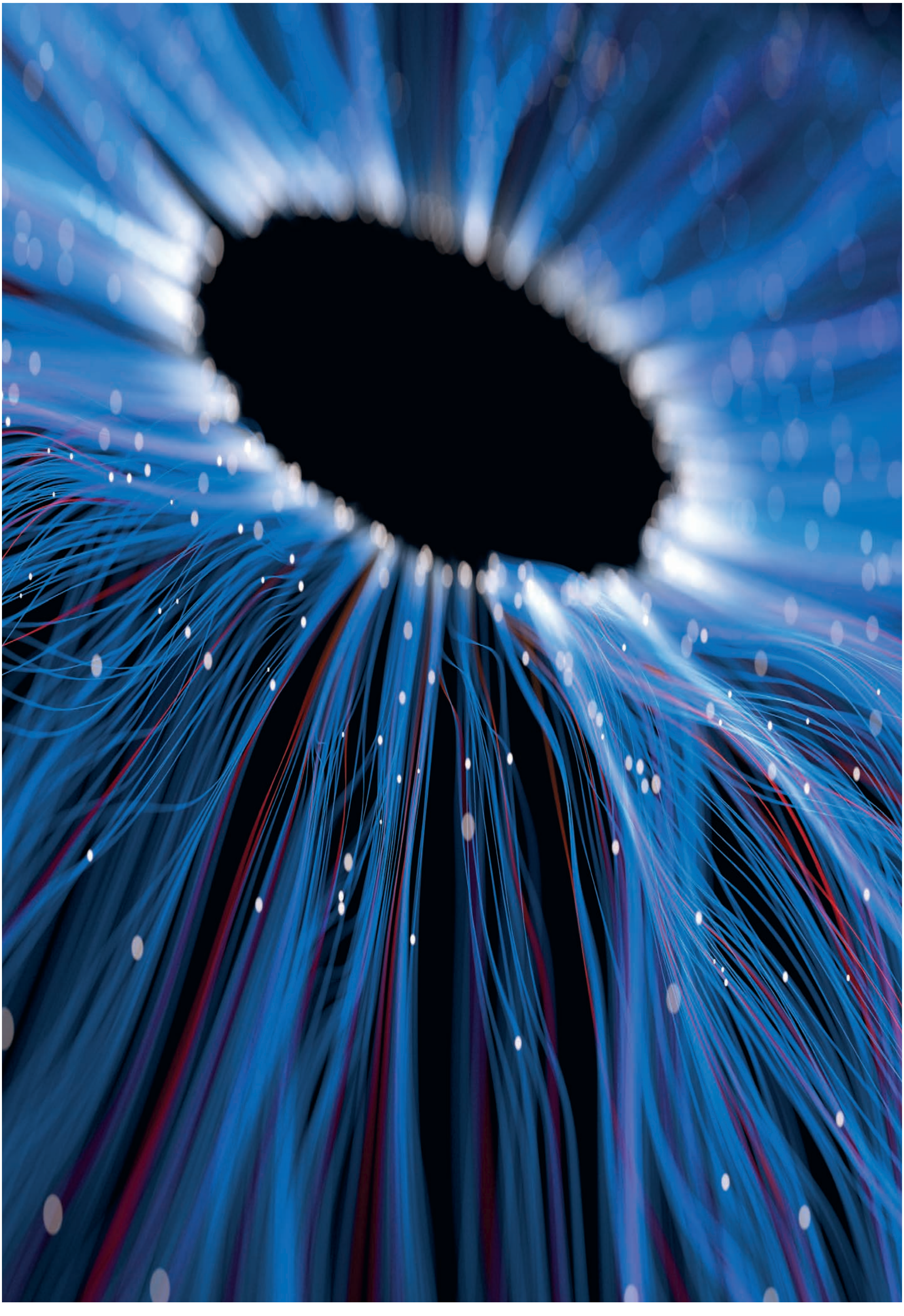
Technology pioneer

The Kudelski Group has been a pacesetter for decades. Every day, passionate and talented people develop state-of-the-art, innovative solutions that fuel the Group's intellectual property portfolio and address the world's new challenges in the smoothest and most secure way.

Engineering excellence

The Kudelski Group is an undisputed expert in securing data, content and assets around the globe with the utmost reliability. The Group's solutions enable customers to grow in their markets with the necessary confidence.

Every day, over 500 million users worldwide enjoy Kudelski Group's solutions.



COMPANY PORTFOLIO

› THE KUDELSKI GROUP

Digital Television

NAGRAVISION

The Kudelski Group is the world leader in the design and delivery of state-of-the-art technologies to secure the revenues of content owners and service providers for digital television and interactive applications across a diversity of network types. The Group's solutions enable consumers to access content seamlessly over any device through a compelling viewing experience.

Public Access

SKIDATA

The Group is a global leader in Public Access solutions. The world's leading parking facilities, stadiums and mountain resorts use its people and vehicle management solutions featuring the latest in contactless access solutions to improve performance and safety.

Cybersecurity

KUDELSKI SECURITY

Leveraging its long-standing expertise in securing digital content as well as fighting piracy, the Group is a provider of cybersecurity solutions and services focused on protecting data, processes and systems for companies and organizations around the world, safeguarding their assets at a time of increasingly remote communications.

Internet of Things (IoT)

KUDELSKI IOT

The Group designs and delivers security technologies and services to support companies across the IoT value chain in creating sustainably secure innovations. In addition, it delivers asset tracking solutions for automotive retail and other industries.


Over 70 years
of innovation and evolution
500 million
users
3233
employees
Worldwide
presence

HISTORICAL MILESTONES

1951

Stefan Kudelski founds the company.

Launch of the first professional portable recorder, NAGRA I, the start of a series of world-famous recorders that revolutionized sound recording.

1960

First NAGRA SN recorder, a miniature device that will be used secretly by public agencies.

1989

First encryption systems for television and entry into the pay-TV sector.

1991

André Kudelski becomes Chairman and Chief Executive Officer.

1995

First digital TV access solutions.

2001

Entering the Public Access sector with the acquisition of SKIDATA.

2009

Acquisition of 100% of OpenTV: the Group's solutions manage the entire pay-TV ecosystem.

2012

Entering the cybersecurity sector with the creation of Kudelski Security.

2016

Opening of a second headquarters in Phoenix, Arizona.

Launch of Insight, the Group's artificial intelligence and big data business performance platform.

2017

Launch of the Group's Internet of Things (IoT) Security Center of Excellence to address demand for increased protection of connected devices.

2020 / 2021

The Group proactively adjusts to the COVID-19 pandemic, developing highly secure remote communications and contactless access solutions.

2022

The Group strengthens its presence in fast-growing markets, such as cybersecurity for healthcare and critical infrastructure, IoT device protection, asset tracking, mobile solutions for public access and Web3 technologies.

Healthcare organizations are among the fields of activity where cybersecurity and IoT are crucial.

FOUR RESILIENT BUSINESS PILLARS WITH STRONG SYNERGIES

	NAGRA KUDELSKI **Digital Television**	SKIDATA KUDELSKI GROUP **Public Access**
DESCRIPTION	Long-standing expertise in content value chain with a robust product portfolio and value-added services. Enabling clients to securely expand and transform their business.	World leader in public access and revenue management solutions for ski resorts, off-street parking and events.
MAIN FOCUS	Secure platform for broadcast, broadband and mobile networks, providing personalized viewing experiences. Technology, data and expertise to improve the monetization of premium content. Flexible solutions for every kind of enterprise **Secure by design**	Integrated solutions to provide seamless, user-friendly access for people and vehicles to sites and installations such as car parks, ski lifts, stadiums, arenas and amusement parks. SKIDATA solutions allow infrastructure operators to maximize their revenues. **Secure by design**
MARKET	Worldwide	Worldwide
SINCE	1951 (audio) 1995 (digital)	1977 (since 2001 in the Group)
MATURITY	High, with further development expected	High, with further development expected

Cybersecurity

Leading pure play cybersecurity business supporting enterprises to accelerate secure transformation, innovate and reduce risk.

End-to-end solutions to remove complexity and build board-level confidence.

Highly differentiated managed security services prevent, detect and respond to threats more effectively.

R&D capacity provides actionable early insight to emerging client needs.

Switzerland / USA / Europe

2012

In development

Internet of Things

Strong skillset and services to design, implement, validate and manage secure IoT products as well as to create and deliver end-to-end IoT solutions.

Training, design, assessment and pre-certification services to ensure products are secure.

Secure lifecycle technologies and services for semiconductor and device manufacturers.

End-to-end IoT solutions like asset tracking and passive keyless entry.

Secure by design

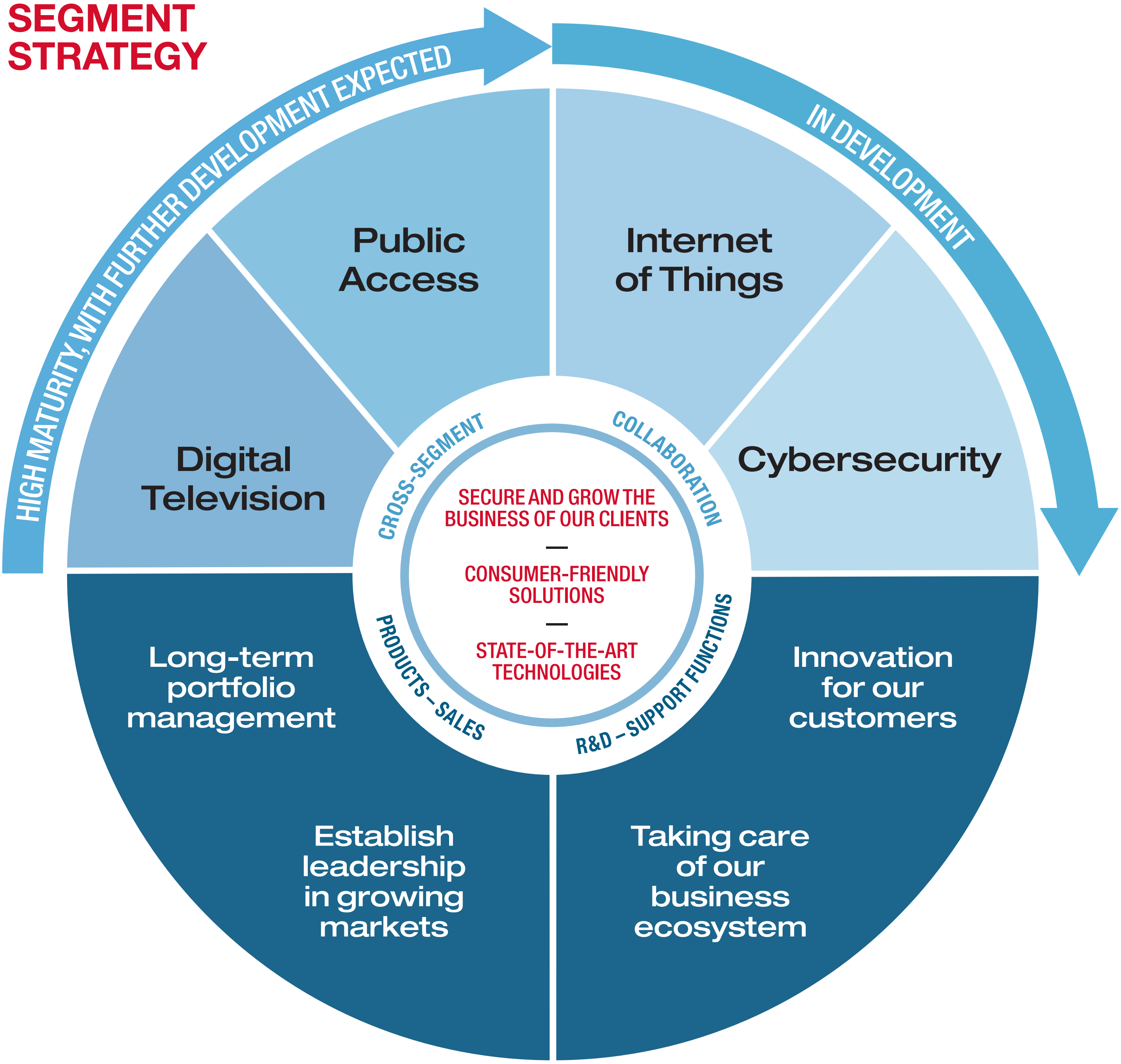
USA / Europe

2017

In development

STRATEGIC FOCUS

SEGMENT STRATEGY

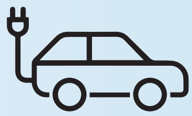


KUDELSKI GROUP PRINCIPLES

Capture more value in growing domains

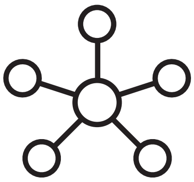
Core businesses

Smart cities and buildings



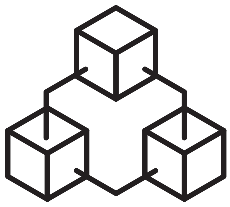
Automotive industry

Targeted technology categories



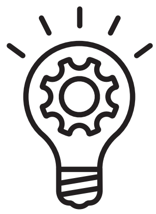
Digitization

- Asset tracking devices
- Transition to mobile



Blockchain

- Decentralized finance (DeFi)
- Non-fungible tokens (NFT)



Artificial intelligence

- Business and security optimization
- Consumer behavior

IMPROVING OUR PRACTICES TO BETTER OUR SUSTAINABILITY PERFORMANCE

› THE KUDELSKI GROUP

As a company renowned since its creation for its reliable and sustainable products, the Kudelski Group is fully aware of its impact on society and the environment. Through our actions and services as well as the products we create, we aim to make this impact as positive as possible.

ENVIRONMENTAL

Reducing our overall environmental footprint

We aim to reduce the environmental footprint, induced by our activities, through various initiatives related to energy and water consumption as well as waste management.

- Optimizing energy and water consumption with well-designed solutions and products.
- Continuously optimizing energy efficiency and promoting the use of renewable energy in the buildings owned by the Group and in our other locations by improving thermal insulation, installing solar panels and ensuring natural lighting where possible, resulting in a significant decrease in energy and water consumption. For example, at the Group's Swiss headquarters in Cheseaux-sur-Lausanne, energy consumption has been reduced by 27% from 2017 to 2022, while in the same period water consumption has dropped by 26%.
- Enabling access to green energy for employees and clients through the installation of electric charging stations.
- Providing advanced video conferencing tools to optimize corporate travel.
- Promoting sustainability in the workplace by actively engaging employees and advising our customers with the most sustainable and energy-efficient solutions in mind.
- Working with local suppliers where possible in each country the Group is present, including for company restaurants.
- Replacing aging equipment and vehicles with newer and more energy efficient options.
- Optimizing the use of energy in our data center premises by reducing the size and number of servers and improving their efficiency.
- Reducing waste with a focus on lowering disposable material consumption and on recycling waste through selective sorting.

Embedding sustainability and high-added value in our products

NAGRA's products have been sustainable by design for more than 70 years. This is a core value of our company.

- Since 1951, the Group's historical products, the NAGRA recorders, are designed in a way that optimizes lifecycle and recycling. They are renowned for their low power consumption, robustness and durability. Decades-long owners of such devices are still using them today.
- Our digital TV solutions have been adopted by professionals, with unparalleled efficiency, for twenty to thirty years.
- Sustainability is built into our product design, enabling devices and solutions to be maintained easily over time and to have a minimal environmental footprint. For example, promoting the use of cloud-based solutions, conditional acces modules and USB devices for digital television solutions guarantees a longer lifecycle, lower energy consumption and smaller quantities of materials, with a significant impact on the millions of consumers using such products worldwide and every day.
- The Group's products are designed with high quality and reliability in mind as well as a secure by design approach and optimal product lifecycle, extending

the limits of obsolescence. Offering maintenance and support services across its product lines, the Group also enables long-term use by customers.

- With the implementation in 2022 of its Supplier Code of Conduct, the Group strives to ensure that all its suppliers respect environmental standards in the components they produce and deliver.

- To address market needs in the most efficient manner, the Group is expanding its product portfolio to include sustainable cloud-based solutions.

- Through its Public Access business, the Group supports cities in their continuing effort to become more efficient and sustainable. The Group is a pioneer in parking management solutions offering charging stations for electric cars that are completely integrated into the operator's global-management platform, also allowing users to connect to additional mobility options. It also actively promotes the use of e-commerce and mobile solutions in its parking and venue access activities, substantially reducing waste linked to tickets and receipts.

SOCIAL

Taking care of our employees and suppliers

We seek to foster optimal conditions in day-to-day life at work and we strive to increase our employees' skillsets in order to better grow together.

- The Kudelski Group's values, notably integrity and respect, promote fairness in personal and business dealings.

- The Group promotes personal and environmental health and safety by identifying, controlling and monitoring risks, adapting safety processes to best practices and ensuring appropriate response and crisis management systems are in place.

- The Group expands its training programs to develop its talent pool, promote self-development and address market needs. The Group maintains the Learning Hub, a digital learning platform for employees that boosts the sharing of knowledge and the development of high-level expertise. And in partnership with the platform Digital Switzerland, the Group gives its employees the possibility to follow continuous learning courses on digitalization.

- In 2022, the Group implemented Amplify, an internal labor market tool for all its employees. This platform enables employees to upgrade their career, assess their professional skills, apply for positions within the company and share projects they want to develop.

- The Group promotes apprenticeship programs in Switzerland, Austria and the USA by hiring and training apprentices through their graduation. As Switzerland's apprenticeship system is renowned as a model in vocational training internationally, the Kudelski Group is a signatory to a Memorandum of Understanding between the Swiss Confederation and the US Department of Labor to develop apprenticeship programs in the USA. This initiative promotes Swiss-style apprenticeships to other companies and educational institutions as a viable approach to developing talent, and supporting workforce, economic development, professional growth, and personal prosperity.

- The Group welcomes interns to provide them with hands-on training within its various divisions.

- The Group cares about a good work/life balance, enabling flexible working hours and supporting healthy living through the promotion of sports and cultural activities. Employees are therefore encouraged to organize their work time in accordance with their personal activities.

- A company with a rich international heritage and strong family roots, the Kudelski Group promotes equity and avoids exclusion at the workplace, taking into account the local demography to respect its diversity.

- With the implementation in 2022 of its Supplier Code of Conduct, the Group strives to ensure that its suppliers respect the working conditions of the people they hire.

- Each year, the Group updates its Modern Slavery Statement in order to better identify and prevent any actual or potential involvement in modern slavery in its supply chain and to stay aligned to any changing regulations.

Supporting local communities

We get involved in the communities where we operate around the world including volunteering and supporting various social initiatives.

– In terms of recruitment, the Group remains as close as possible to its markets, where the local talent is.

– The Group maintains close relationship with local universities and high schools on both the scientific and recruitment fronts, and also supports Master's and Ph.D. programs from local universities and engineering schools. It is one of the founding members of the Center for Digital Trust (C4DT) of École polytechnique fédérale de Lausanne (EPFL), fostering research in trust and cybersecurity.

– Through its partnership with TrustValley, the Group takes part in the Trust4SME program built to help Swiss small and medium businesses to address lack of knowledge and ressources to face cyber-threats.

– Through its partnership with Digital Switzerland, the Group works together with educational institutions in Switzerland to promote STEM and digital professions among young students.

– Volunteer time-off policies encouraging employees to be active members of their community are in place at selected locations.

– The Group supports charitable organizations serving the communities in which we operate.

– The Group is a partner of the Greater Phoenix Economic Council, the World Economic Forum and the Montreux Jazz Festival.

GOVERNANCE

Structure

We privilege a human approach to management and promote open-minded relations at all levels of the company.

– Effective and transparent governance is central to the success of the company. The Kudelski Group implements lean and efficient governance structures at all levels. While the Board of Directors is responsible for executive management, the Executive Board is responsible for operational management tasks. The Board of Directors is made up of eight members and has an Audit Committee, Strategic Committee and a Compensation Committee.

– The Group has organized the appropriate departments internally to monitor sustainability and energy management of its buildings, products and services.

– Quality management, risk management, data protection and information security are among the key focus areas of the Group's management.

– The Group has its own department dedicated to intellectual property protection.

Building trust and responsibility

We actively promote fair business practices internally and with clients and partners.

– The requirement for uncompromisingly ethical behavior is fundamental for the Group.

– A fundamental responsibility of employees is to adhere to Group values, policies and procedures and to respect the appropriate legislation and local laws.

– The Group takes care of its employees by providing them with the appropriate work environment. It seeks to ensure that the performance and results of the Group are aligned with responsible HSE (Health, Safety and Environment) awareness and action.

– The Group favors long-term relationships with partners rather than a short-term opportunistic approach.

– The Group actively supports its customers and the media industry in fighting illegal media distribution that harms content creators. It is a founding member of Latin America-based Alianza contra Piratería de Televisión Paga, an industry association launched in 2013 that aims to fight pay-TV piracy in Latin America. The company is also involved in several anti-piracy alliances such as IBCAP (International Broadcaster Coalition Against Piracy, USA), CAOVP (Coalition Against Online Video Piracy), CAP (Coalition Against Piracy, APAC), AAPA (Audiovisual Anti-Piracy Alliance, Europe), ABTA (Brazil), Convergence (Africa), Broadcast Satellite Anti-Piracy Coalition (MENA) and Sygnal (Poland).

- As a key global player in digital security and a pioneer in patent protection, the Group plays an essential role in respecting and protecting content creation, copyrights and international regulations while helping people and companies preserve their reputation and develop their business.

- The Group promotes architectures that enable security and data privacy by design and fully support GDPR policies.

- Working closely with government agencies and critical infrastructure providers, the Group helps protect against cyber-attacks that would impact the general public.

- Implementing responsible procurement processes is an essential task that the Group is continuously reviewing.

- The Group takes appropriate measures to prevent corruption and to anticipate and avoid conflicts of interest.

- The Group seeks to abide by applicable rules regarding competition, protection of information and confidentiality and to act in accordance with national and international legal provisions.

Demonstrating continuous efforts and improvements in sustainability performance, the Kudelski Group has been rated Bronze for 2022 by EcoVadis, the sustainability ratings services.

The EcoVadis ratings measure organizations' activities to ensure and promote respect on the environment, human rights, ethics, sustainable procurement, and more.

We remain committed to evolving our practices in order to better our sustainability performance in the years to come. To achieve this, the Group has structured its ESG commitment in the coming years around 6 of the Sustainable Development Goals set by the United Nations. These goals are: Good Health and Well-Being; Quality Education; Affordable and Clean Energy; Decent Work and Economic Growth; Industry Innovation and Infrastructure; Sustainable Cities and Communities.

Aware of its impact on society and the environment, the Kudelski Group will continue efforts to improve its sustainability performance.

WORLD-CLASS INTELLECTUAL PROPERTY PORTFOLIO

› THE KUDELSKI GROUP

The Kudelski Group has a long tradition of strategically building a strong global intellectual property (IP) portfolio, spanning 70 years of innovative and award-winning products and services.

With an annual investment in research and development of more than USD 130 million, the Group's IP portfolio is a critical asset of the company. The Group's IP organization is responsible for setting the overall IP strategy, with a focus on protecting, developing, managing and licensing its worldwide patent portfolio and supporting the overall innovation of its award-winning products and services.

Creating valuable patent assets
The Kudelski Group and its subsidiaries hold a substantial worldwide portfolio comprised of thousands of patent assets in a variety of technology areas, including cybersecurity, chipset security, blockchain, access control, watermarking, digital television and rights management, digital content distribution, user interface, and secure communication management, among other areas. Many of these patents relate to fundamental and valuable technologies with broad impact across many businesses and markets.

The Group's IP strategy, like the strategies of its core business units, continues to adapt to evolving technology trends, new product opportunities and changing market conditions. The Group regularly reviews its IP portfolio and pipeline with the goal of optimizing the strategic value of its IP assets to better align with the Group's core businesses and provide the best return on the Group's IP investment.

Realizing impactful value from intellectual property
In 2022, the Kudelski Group made further progress in licensing its IP in new business segments related to social media, interactive fitness, and retail. As it has effectively done in the past, the Kudelski Group remains willing and able to enforce its IP rights when either competitive or market conditions warrant. The Kudelski Group also seeks to leverage its IP business relationships beyond IP licensing. When appropriate, the Group's IP-based agreements will continue to incorporate product relationships, technology transfers and cross-licenses into the engagement, including in 2022 licensing agreements with several large social media companies. The Group's IP portfolio will also continue to serve strategic defensive needs deterring competitive threats when appropriate.

Supporting the Group's emerging businesses
In 2022, the IP organization continued to support the Group's growing Cybersecurity and Internet of Things (IoT) divisions, by filing new patent applications covering promising technologies being developed by the Group in these areas, including asset tracking, keyless entry, threat hunting and detection, and quantum resistant encryption. It will also support innovation across segments such as artificial intelligence, the metaverse or alternate reality. Going forward, the Group will continue to execute its plans to strategically invest in innovation as well as protect and license its IP portfolio.

World-class licensing
By having established cross licensing with the most advanced players in the digital space, the Kudelski Group has not only demonstrated the quality of its R&D-generated IP but has gained access to the most valuable third-party IP needed for the future of its business.


ΟΡΓΑΝΙΣΜΟΣ ΒΙΟΜΗΧΑΝΙΚΗΣ ΙΔΙΟΚΤΗΣΙΑΣ
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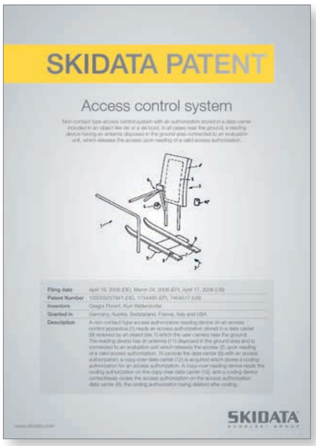
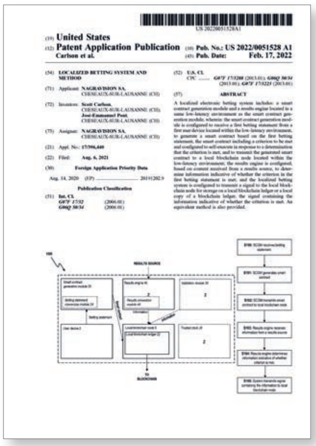

SKIDATA PATENT
Access control system
SKIDATA


РОССИЙСКАЯ ФЕДЕРАЦИЯ
ПАТЕНТ
НА ИЗОБРЕТЕНИЕ
№ 2692546
ПЛАСТМАССОВЫЙ СЛОЙ ДЛЯ СМАРТ-КАРТЫ


The United States of America
The Director of the United States Patent and Trademark Office
United States Patent


United States
Patent Application Publication
Pub. No.: US 2022/0051528 A1
Pub. Date: Feb. 17, 2022


THE UNITED STATES OF AMERICA
Andrew Goodman & Jean Rene Menand
MODULE MANAGER FOR INTERACTIVE TELEVISION SYSTEM

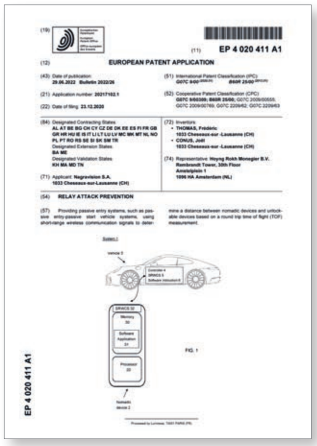

CERTIFICATE OF PATENT
Patent Number 10-1665140
Application Number 10-2010-0129580
Filing Date 2010. 12. 17.
Registration Date 2016. 10. 05.
METHOD OF MANUFACTURING ELECTRONIC CARDS
NAGRAVISION SA
This is to certify that, in accordance with the Patent Act, a patent for the invention has been registered at the Korean Intellectual Property Office.
2016. 10. 19.
COMMISSIONER, KOREAN INTELLECTUAL PROPERTY OFFICE


State of Israel
Patent Office
מדינת ישראל
רשות הפטנטים
תעודת פטנט
CERTIFICATE OF PATENT
Patent No: 226445
Date of Application: 07/12/2011
International Application No: PCT/EP2011/072138
International Publication No: WO2012/076627
ELECTRONIC CARD HAVING AN EXTERNAL CONNECTOR
Date of Publication: 30/04/2017
Date of Grant: 31/07/2017


United States of America
The Director
Patent


TÍTULO DE PATENTE NO. 330395
SOLICITUD
PRIORIDAD
LA DIRECTORA DIVISIONAL DE PATENTES
NAHANNY CANAL REYES


Brevet canadien / Canadian Patent
2,654,878
Canada


EP 4 020 411 A1
EUROPEAN PATENT APPLICATION
RELAY ATTACK PREVENTION

Our IP organization continues to support the Group's growing Cybersecurity and Internet of Things businesses by filing new patent applications covering promising technologies.

DIGITAL TELEVISION

Boosting digital transformation solutions for content distribution

DRIVING CHANGE IN A DYNAMIC MEDIA AND ENTERTAINMENT INDUSTRY

› DIGITAL TELEVISION

Through its industry guidance, technology solutions and strategic services, Nagravision gives content creators, developers, distributors and service providers the efficient, advanced tools to address the challenges brought by increasingly advanced consumer digital lifestyles.

Thus equipped, organizations across the content distribution chain are more agile and can better adapt to increasingly diverse consumer demands. They are also better positioned to face the threats of content piracy and cyber-crime. Setting the trends that shape the industry and create value for our customers, Nagravision has strengthened its market leading position.

Securing digital lifestyles
2022 has seen new direct-to-consumer services enter the market and continue to fragment the industry, offering new choices and increasing the competition for eyeballs. Emerging from this fragmented industry and increased competition is a renewed battle for the home, a concept that now includes a heavy focus on digital lifestyles, including connectivity, gaming, communications and the digital wallet.

Existing customers, including the largest and most sophisticated operators, are moving forward with transformation initiatives that position themselves as central figures in the future of the digital home. New competitors and emerging players are also entering the fight, bringing innovation and differentiation while complementing the core systems, processes and subscribers of existing operators.

As consumers adopt increasingly connected lifestyles and their houses become home to a multitude of IoT devices, new threats appear. With risks that include identity theft, data loss and illicit data mining, consumers are looking to trusted suppliers who can offer them new services that help them navigate always-on worlds and secure their devices and lifestyles.

New opportunities for pay-TV operators
By contrast, consumers are populating apps with personal data as part of everyday living. These include purchasing transport tickets, integrating home automation technologies, booking leisure and holiday experiences, managing electric vehicles and receiving remote healthcare. As more “islands of identity” are created, consumers are becoming increasingly concerned about the risks linked to their connected digital lifestyles.

Solutions that address these concerns provide established operators with new opportunities, helping them to create differentiation and deliver value by providing reassurance to subscribers. Strengthening its market leading position, Nagravision has built a comprehensive strategy to define the future of the media and entertainment industry in terms of security and has brought to the market smart solutions that create value for customers and that are designed to be open, flexible, fast to deploy and capable of addressing differing regional requirements around the globe.

Bringing security to the streaming market

Active Streaming Protection
Nagravision solutions allow operators to benefit from the industry's most powerful technology, with the flexibility to customize solutions that are best suited for their client, market and cost structure. This flexibility, while offering high performance, also enables streaming operators to focus on deploying technologies that are relevant to their business goals, directly protecting their bottom line. The result is the ability to effectively deliver compelling consumer offerings in an industry where every subscriber matters and where margins are in sharp focus.

With our Active Streaming Protection solution, we have brought to the streaming market a holistic approach to address security gaps open to pirates, and cover a wide variety of devices, applications, service platforms and content delivery networks, ensuring end-to-end protection. Using data-fueled intelligence to understand content and service consumption patterns, Active Streaming Protection allows operators to maximize revenues by reducing the number of active pirate users.

In 2022, this flexible solution framework was applied to a number of global clients, bringing them the right tools to meet their business and financial objectives. As the market continues to consolidate, the technical advantages of the comprehensive Nagravision security platform provide the additional cost and efficiency needed to profit and thrive in the new media economy.

Streaming providers significantly gain in security
Thanks to our market-leading Active Streaming Protection solution, major streaming service providers around the world can now provide quality entertainment via a secure streaming service that protects consumers against threats such as malware and distributed denial of service (DDoS) attacks.

Active Streaming Protection is an efficient solution for a streaming market that is now fully aware of the importance of providing security to its consumers. Leveraging more than 30 years of Nagravision's digital security expertise, operators are able to fight service fraud such as credential sharing and content theft, but also to shield consumers, apps, and brands from cyber-attacks and to limit the loss of revenues due to piracy. And unlike other market solutions, Active Streaming Protection also provides intelligence from multiple sources that helps identify threats and recommends actions to address any potential gaps.

Flexible and powerful, Nagravision's Active Streaming Protection provides a range of options to secure content, service and revenue.

Smartness pays off in a competitive market

NAGRA Insight Smart Pricing
With its award-winning Smart Pricing platform, NAGRA Insight revolutionizes the world of subscriber behavior analysis for operators, providing them a unique data-driven approach to implementing their strategy. Smart Pricing is a Digital Twin platform that simulates the future behavior of subscribers and recommends the optimal actions that make a difference. By anticipating individual subscriber reactions to an intervention, such as a price change or an outbound call, operators can implement actions to further optimize their key performance indicators such as maximizing revenue, while minimizing churn and OPEX.

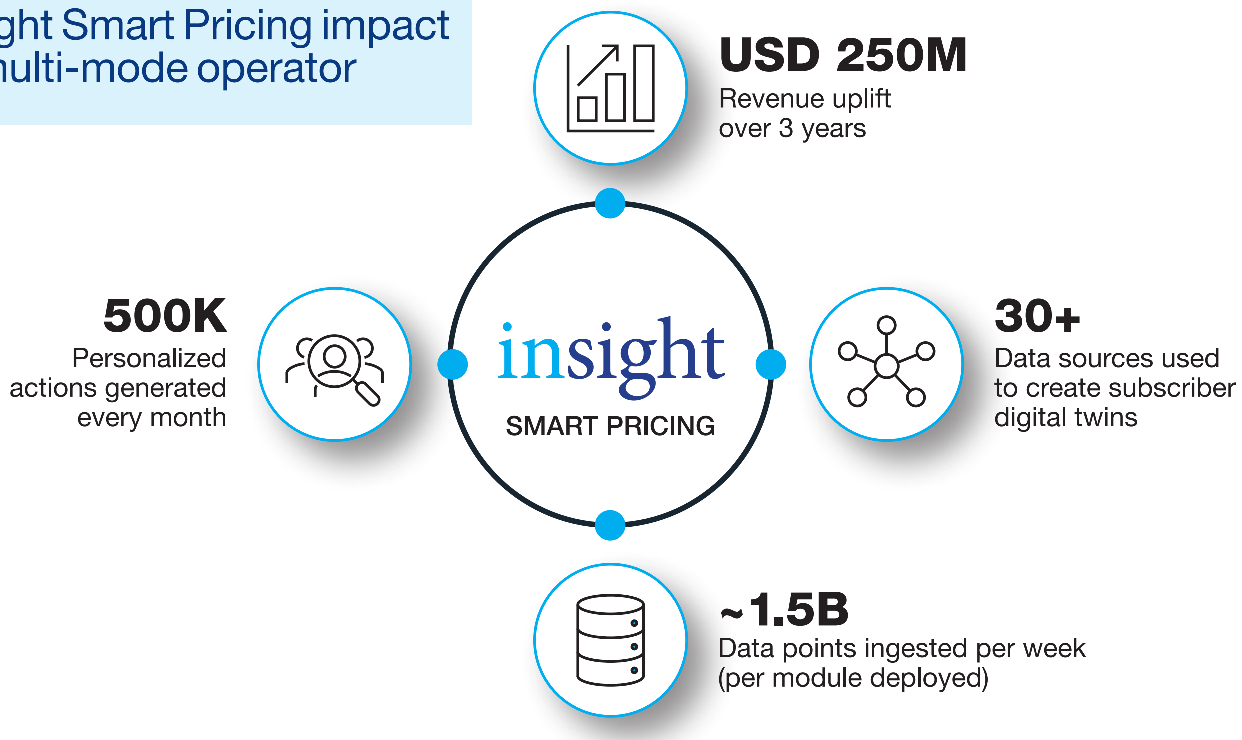
The Smart Pricing engine creates one Digital Twin for each subscriber using artificial intelligence and machine learning algorithms trained on historical data. These subscribers' digital images enable operators to simulate the impact of any action on the chosen key performance indicators and only select the ones that predict an optimal outcome. Digital Twins open a completely new way of thinking for operators and allow them to make number-based decisions by simulating subscribers' behavior preventively with a new level of personalization.

Operators know the impact of their actions beforehand
Operators have always been focused on retention but have not had the necessary tools that, with a high degree of certainty, can predict likely subscriber reactions to proposed pricing interventions. With NAGRA Insight Smart Pricing, they directly benefit from a decade of research into the specific field of consumer behavior within the media and entertainment sector, to provide them with realistic illustrations of such pricing interventions.

Used by major operators around the globe to help manage increasingly complex sets of subscribers, Smart Pricing has already been proven to dramatically improve key performance indicators of Nagravision customers. A frequent use case considered is when commercial promotions come to an end. This can have a big impact on revenue, churn and retention costs, so optimizing this process is key. This is where NAGRA Insight Smart Pricing comes in, computing the optimum price for all affected consumers individually, ensuring the perfect balance between revenue and churn.

This level of business performance demonstrates the power of NAGRA Insight Smart Pricing and shows it to be an innovative use of digital twin technology that delivers a substantial return on investment for operators providing services in highly competitive markets.

Example
of Insight Smart Pricing impact for a multi-mode operator



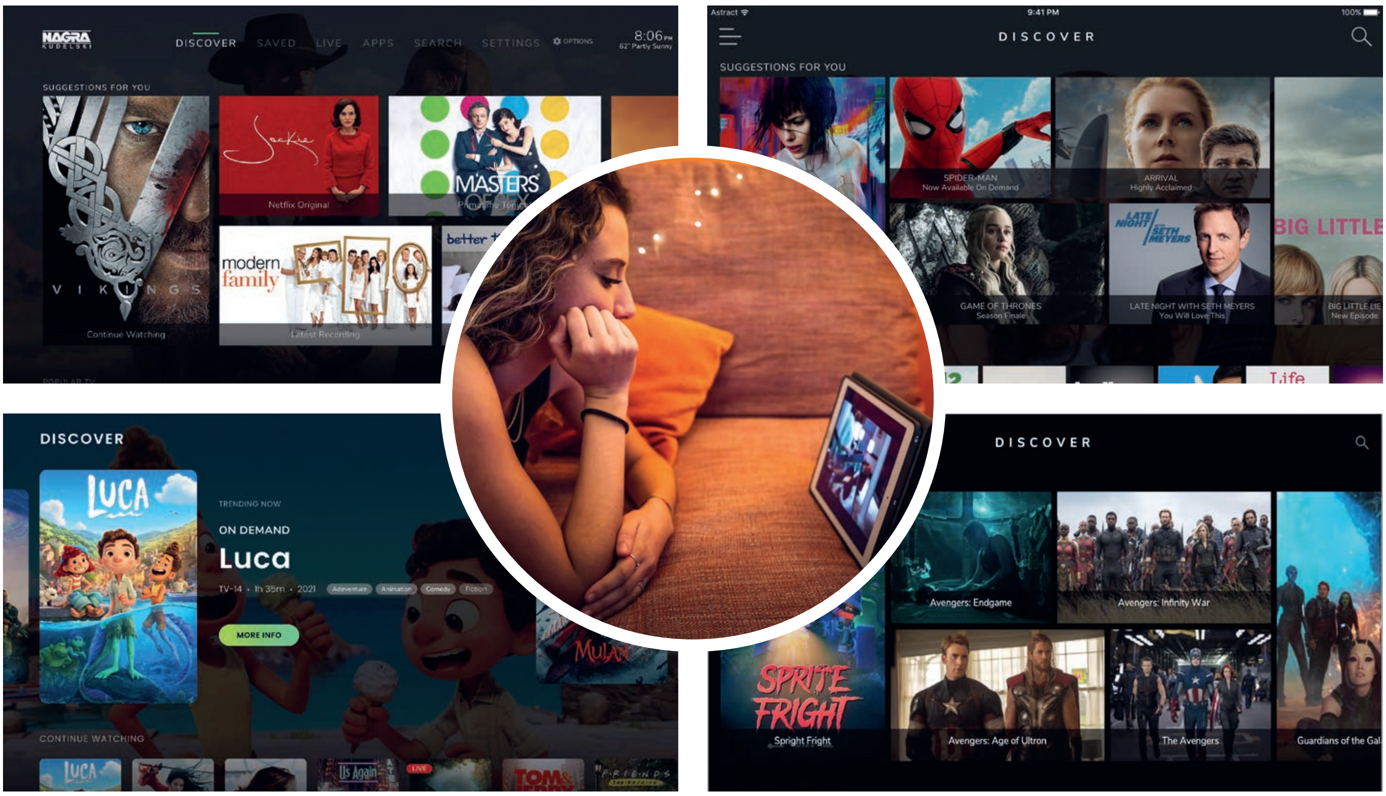
One platform for multi-access to content

OpenTV Video Platform
Through its cloud-based OpenTV Video Platform, Nagravision enables operators to compete and win in the battle for the living room and beyond. The comprehensive solution provides operators the ability and flexibility to aggregate TV channels with a large variety of video service apps. With this solution, subscribers access their favorite content through one user interface. This user centricity is at the heart of the platform's design, and a key part of the value proposition. Further, its rich combination of voice control, intuitive search, program discovery and recommendation features are enhanced with personalized layouts and menus across live and video-on-demand content. The OpenTV Video Platform offers an easy-to-use experience that simply makes sense to the consumer.

Video service providers can also increase their brand's relevancy by bundling their own content packages combined with other streaming providers content. With additional capabilities, such as the option for direct billing to be added for third-party services like Netflix, the OpenTV Video Platform is market-smart and allows operators to compete in dynamic markets with feature-rich propositions.

Addressing the content convergence challenge
To remain competitive in an increasingly fragmented market, with direct-to-consumer services offered by content owners and new entrants producing their own original content, video service operators are returning to their playbook staple: aggregating content to deliver value. However, this is not about creating bundles from existing content catalogues but addressing the paradox of choice by offering aggregated solutions that deliver frictionless access across a variety of streaming services. This creates value, drives usage and in turn engenders loyalty.

With OpenTV Video Platform, operators benefit from a solution that enables them to compete in a way that simplifies the business of streaming and makes innovation accessible to all types of media and distribution businesses, helping them gain market share and stay ahead in a fast-moving market. Operators are also well-equipped to move beyond the limits of their own set-top box offerings to other platforms such as Apple TV, Google TV and Fire TV. These features create value for subscribers, which translates into lower churn and lasting revenue for operators.



Addressing the content convergence challenge: with Nagravision's OpenTV Video Platform, operators can rely on a market-smart solution that creates consumer value.

NEW MARKETS FOR NEW AND EXISTING SOLUTIONS

As other areas of the media and entertainment industry become increasingly intertwined with video propositions, new opportunities emerge for Nagravision to provide well-proven solutions and to bring its know-how to the fast-evolving industry.

Online video gaming

The growth in online video gaming has seen the company's NexGuard forensic watermarking used to protect pre-release content from unauthorized disclosure. During the launch of new gaming titles, the role of influencers is key in promoting the new release as a valuable advertising channel. Any unauthorized content disclosure prior to the agreed release schedule can adversely affect the release, disrupt planned marketing activities, negatively affect the gamer experience, and restrict the potential to monetize the new release.

In sharp contrast to the movie industry, influencers are permitted to edit pre-release content to promote the game to their followers. Using the same market-leading forensic watermarking solution as video content owners and distributors, gaming studios are now protecting their valuable content from leaks. No matter how the influencers edit this content, the imperceptible watermark remains, and the protections persist.

Gaming titles have also improved thanks to Web3 technologies, providing gamers with a different experience. As assets are not just purchased but can also be sold thanks to the accountability that comes with combined digital and e-wallet identities, the need for increased security is apparent. In collaboration with Kudelski Security, Nagravision is exploring the use of technologies core to conditional access systems to secure these new ecosystems. Our teams are working with our gaming partner Star Atlas to jointly define the best security approaches for Web3 gaming that enables safe onboarding and digital safety in the metaverse.

New opportunities linked to Web3

With growing interest in Web3, opportunities arise, not only for Nagravision but for integrated solutions across the wider Kudelski Group. While the metaverse, blockchain and Non-Fungible Tokens (NFTs) are still in various stages of infancy, the Group has already worked with a number of innovators in the space where our solutions have value. One such example for Nagravision is around NFT piracy. Today, the company offers its anti-piracy intelligence and investigation services to several leading video service operators but in the future, as consumers engage with and purchase NFTs, the specter of piracy will continue to loom.

In readiness, Nagravision teams are working with new and existing partners to tune their intelligence technology to spot trends of likely NFT and metaverse pirate behavior. This includes work with a Swiss start-up that is focused on product authentication technology for digital products such as NFTs which is supplemented by Nagravision anti-piracy intelligence. Other initiatives include the integration of cryptocurrencies to enable secure cross-platform commerce.

Connected lifestyle solutions

Today's consumers are hyper connected, with a recent market study citing that the average US home has 25 connected devices. But for each device connected to home networks, there is a corresponding increase in the cyber-attack surface area. Savvy subscribers have identified that such connectivity doesn't come without risk, a fact that is further compounded by a heavily fragmented device landscape where many manufacturers have given scant attention to strong security or efficient connectivity.

Ensuring a secure connected lifestyle provides broadband service providers a new service opportunity – and a new channel for building subscriber loyalty. For Nagravision, it has allowed us to combine 30 years of experience in home media and entertainment security with the Group's secure IoT device and cybersecurity expertise – to create new capabilities for our global operator customer base.

NAGRA Scout

Our innovative NAGRA Scout solution provides connected lifestyle security for consumers whether they are inside or outside of the home. Working with a broad partner ecosystem across home automation, consumer hardware, AI-based fault diagnosis and consumer identity protection, NAGRA Scout is designed to protect consumers whilst they continue to broaden their use of connected lifestyle technologies.

Direct-to-consumer sports market

Sports on the fringes of pay-TV portfolios may exist on sub-channels but are typically not shown at primetime or cannot get a TV deal. Nevertheless, they still have sizable fan bases who are eager to watch the action and engage with their favorite teams. As a consequence, many sports leagues and federations are looking to go direct-to-consumers (D2C) with offerings that enable live and recorded playback, combined with stats, bios and backgrounds to keep fans entertained.

Anticipating this, Nagravision has adapted its SaaS streaming and OTT portfolio to provide a complete service to the sports industry. As part of the adaptation, we added new business transformation options so that fan engagement and monetization are featured prominently. The sports solution also benefits from input from across the wider Kudelski Group. This includes technologies from the SKIDATA and Kudelski IoT portfolios to complement the offer.

Our sport-as-a-service partnership with the International Hockey Federation shows we can deliver a true media and entertainment solution in a direct-to-consumer market befitting a tier-one sport.


From top to bottom:
Star Atlas online video gaming, some NFT art, NAGRA Scout solution and Nagravision's Watch.hockey application.

SECURING DIGITAL FUTURES

Nagravision provides resilience in a challenging world leveraging Kudelski Group cross-business synergies.

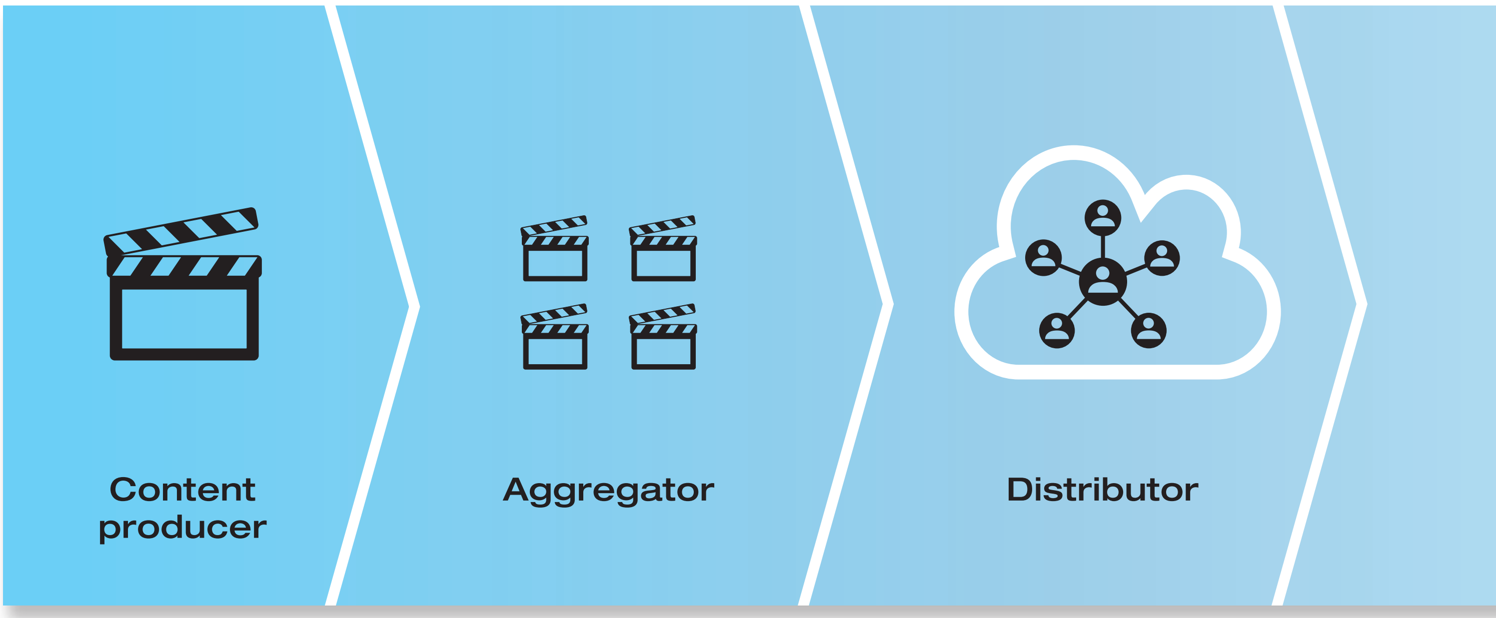
Anti-piracy intelligence services

NexGuard forensic watermarking

Active Streaming Protection Hybrid and streaming platforms

Insight, consumer behavior and loyalty

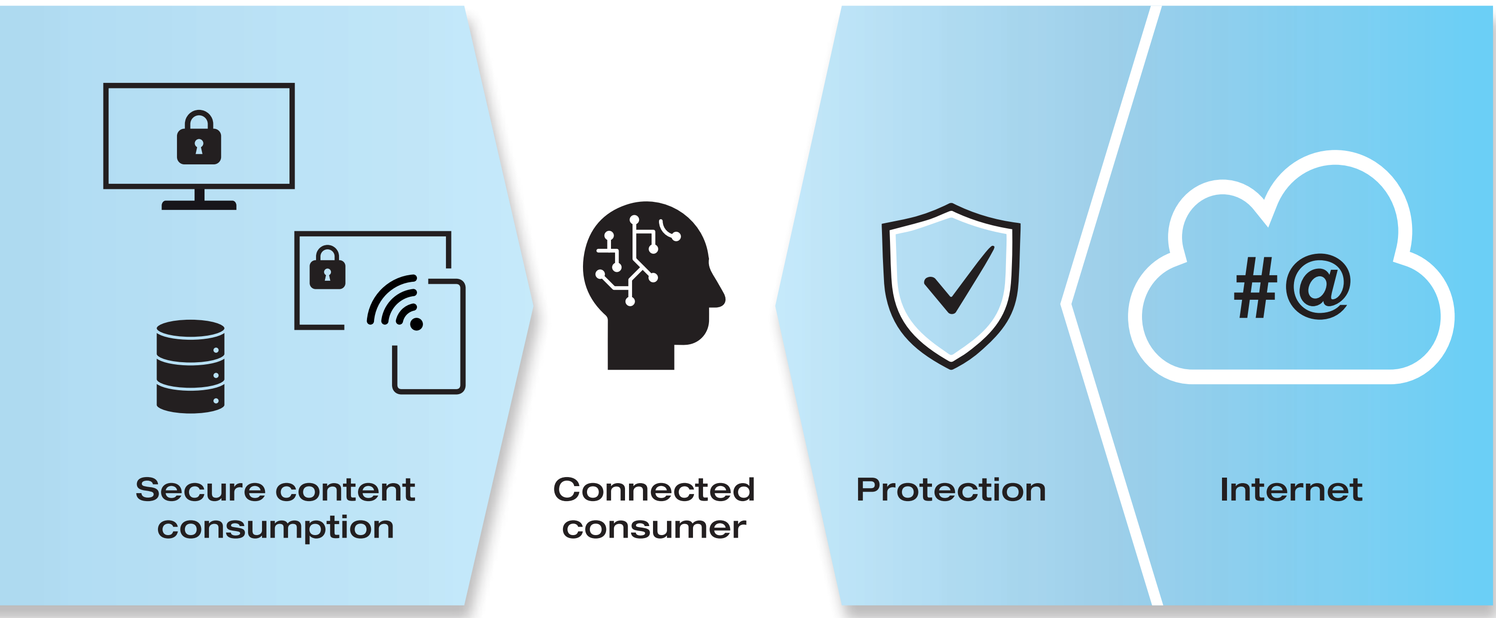
Broadcast security



Protecting infrastructure

Kudelski Security

A comprehensive portfolio designed to secure the entire content consumption chain.



Privacy and protecting from cyber threats

NAGRA On-Chip Security (NOCS)

NAGRA Scout for home

Americas

CineSend adopted Nagravision's NexGuard forensic watermarking solution to protect movies delivered through its streaming platform
CineSend OTT is a white-label streaming platform widely used by the Media & Entertainment space to host online screening events, virtual festivals, and premium direct-to-consumer offerings. The customer-branded streaming platform is trusted by hundreds of customers across the globe, including Lionsgate, A24, Cineplex, Tribeca and HBO, to keep their high-value content secure. The integration of Nagravision's NexGuard watermarking solution enables user-specific forensic watermarks wherever video is consumed – across web, mobile, and native TV apps for AppleTV, Roku, FireTV, AndroidTV, and Tizen. It also serves as a strong deterrent against copying or restreaming valuable content.

To ensure the protection of our customer's content, we required a partner who not only understood our business but also had a strong track record as a trusted market leader in this space. Nagravision met that need, immediately understanding the challenges we faced and knowing what was required to solve those challenges.

Colin Carter
Founder and CEO, CineSend
Canada

Claro Colombia bolstered its media offering through a SaaS-based video aggregation service
Claro Colombia, part of the America Movil group, is the largest mobile telecommunications provider in Colombia. Eager to improve both subscriber satisfaction and time to market, the company was also looking to become more cost-efficient. Adopting Nagravision's OpenTV Video Platform solution, they unified the management of their content, packages and accounts to deliver a fully aggregated solution, including the option of direct billing for Netflix through a new and compelling user experience.

Our clients' satisfaction is our prime concern. We want them to enjoy the latest in innovation and technology. Our Claro Box TV is the evolution of the entertainment experience ensuring all Colombians can enjoy our comprehensive offering in one place.

Walter Borda
Corporate Director, Strategic Planning & Innovation
Claro Colombia
Colombia

Hispasat enabled local video distributors in Peru to offer a high-quality OTT experience
Hispasat, the Spanish satellite, solutions and services provider of the Red Eléctrica Group, began offering its customers a turn-key OTT solution powered by Nagravision that supports linear channels via Hispasat's teleport in Peru along with on-demand content. Hispasat customers are now able to promote, curate and monetize secure content and distribute it to a variety of devices.

This opens a new branch of our offer as a wholesale video service provider and strengthens our leading position in the region. We can now complement our satellite services with a product that provides a solid response to the growing demand for linear streaming and on-demand solutions in the region.

Javier Izquierdo
Managing Director, Hispasat
Peru

Asia-Pacific

GTPL Hathway Ltd secured OTT services to over 11 million connected homes in India

As the largest multiple-system operator in India, GTPL wanted to expand their content offering by launching a new OTT app on multiple device types. Providing an optimized user experience for new and existing subscribers, GTPL sought a vendor who could provide the highest level of security. Nagravision was the perfect choice for GTPL, with our Active Streaming Protection framework, that is designed to protect against streaming piracy.

As a long-time partner of Nagravision, GTPL now has the peace of mind that we are ensuring the highest level of security for the high-value content we bring to our subscribers through various devices and platforms.

Anirudhsinh Jadeja
Managing Director, GTPL Hathway Ltd
India

In Vietnam, VTVCab used a direct-to-TV approach to expand their addressable consumer market

VTVCab, one of Vietnam's largest pay-TV providers, sought to extend its services to a new addressable market: consumers purchasing a new smartTV. Enabling consumers to become subscribers of VTVCab through an intuitive service activation in just a few clicks of the remote control, TVkey Cloud, a joint innovation with Samsung, delivers VTVCab's HD service securely and without the need for a set-top box.

We can effectively exploit TVkey Cloud to optimize VTVCab's investment costs. The unique cloud-based solution not only helps us to develop services, but also simplifies the process to reach our clients and provide them with access to advanced services.

Bùi Huy Năm
Director General, VTVCab
Vietnam

Europe

Vodafone rolled out Vodafone TV globally and securely

Vodafone, one of the largest operators in the world, selected Nagravision to support the launch and global rollout of their new Vodafone TV service. Looking to deploy a cloud-based solution, they wanted to centrally manage all their security needs – including those that extend beyond traditional content protection. Using Nagravision's Active Streaming Protection framework, several content and service protection technologies holistically work together to provide a robust and integrated security approach.

Nagravision, our incumbent and also future security partner, went with us through a transformation from on-premises into the cloud in a giant effort that paid off massively, for us but also for Nagravision; it's a very future proof solution.

Wolfgang Zeller
Head of Video Centre of Excellence, Vodafone
Germany

United Group leveraged forensic watermarking to shutdown piracy in real-time at the source

United Group, the leading multi-play telecoms and media provider in south-east Europe, sought a watermarking solution that could protect all their assets. Incorporated into the United Group's OTT distribution chain, NexGuard forensic watermarking helps shut down piracy at the source, in real-time.

After performing a series of due diligence tests, where we determined the imperceptibility of Nagravision's watermarks, we were also impressed with the speed of leak detection and ease of client-side integration in our device footprint, along with the fast integration of NexGuard with our own, in-house Gladiator anti-piracy platform. Nagravision was the obvious choice to fill our OTT security needs now and in the future.

Sergej Berišaj
Chief Technical Officer, United Cloud
Slovenia

PUBLIC ACCESS

Innovative solutions to manage access and optimize revenues

CHANGING THE WORLD OF WELCOMING PEOPLE

› PUBLIC ACCESS

SKIDATA, the Group's public access specialist, connects clients, partners and visitors at the heart of the customer experience. With its digital management platform, SKIDATA offers customer-oriented access solutions for people and vehicles. SKIDATA is a global leader for "mobile first" public access digital solutions and is driven by delivering a compelling end-user experience. The customers' visitors and guests benefit from a convenient access experience in a simple, secure and sustainable way.

Enhancing digitalization in every environment

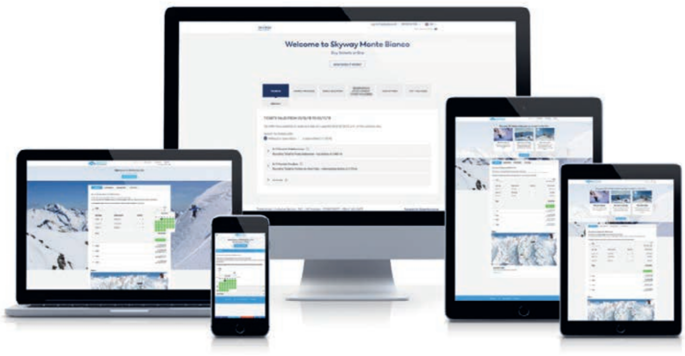
SKIDATA's comprehensive and overarching solutions meet and exceed customers' demands for integrated visitor management to ensure smooth business operations, whether in cities or shopping malls, at airports, hotels, offices, universities or hospitals, as well as at mountain destinations, in stadiums and attraction parks. Consultation, implementation and service are always precision-tailored to the needs of SKIDATA's customers and their visitors and geared towards maximum convenience, cost-effectiveness, and profitability.

Not least due to the changed conditions caused by the pandemic, SKIDATA accelerated the development of well-rounded digitalized platform business solutions that allow customers to accurately plan their business development and related marketing strategies. SKIDATA provides digitalized solutions for all customer segments adapted to customers' needs and acts as a single-source provider.

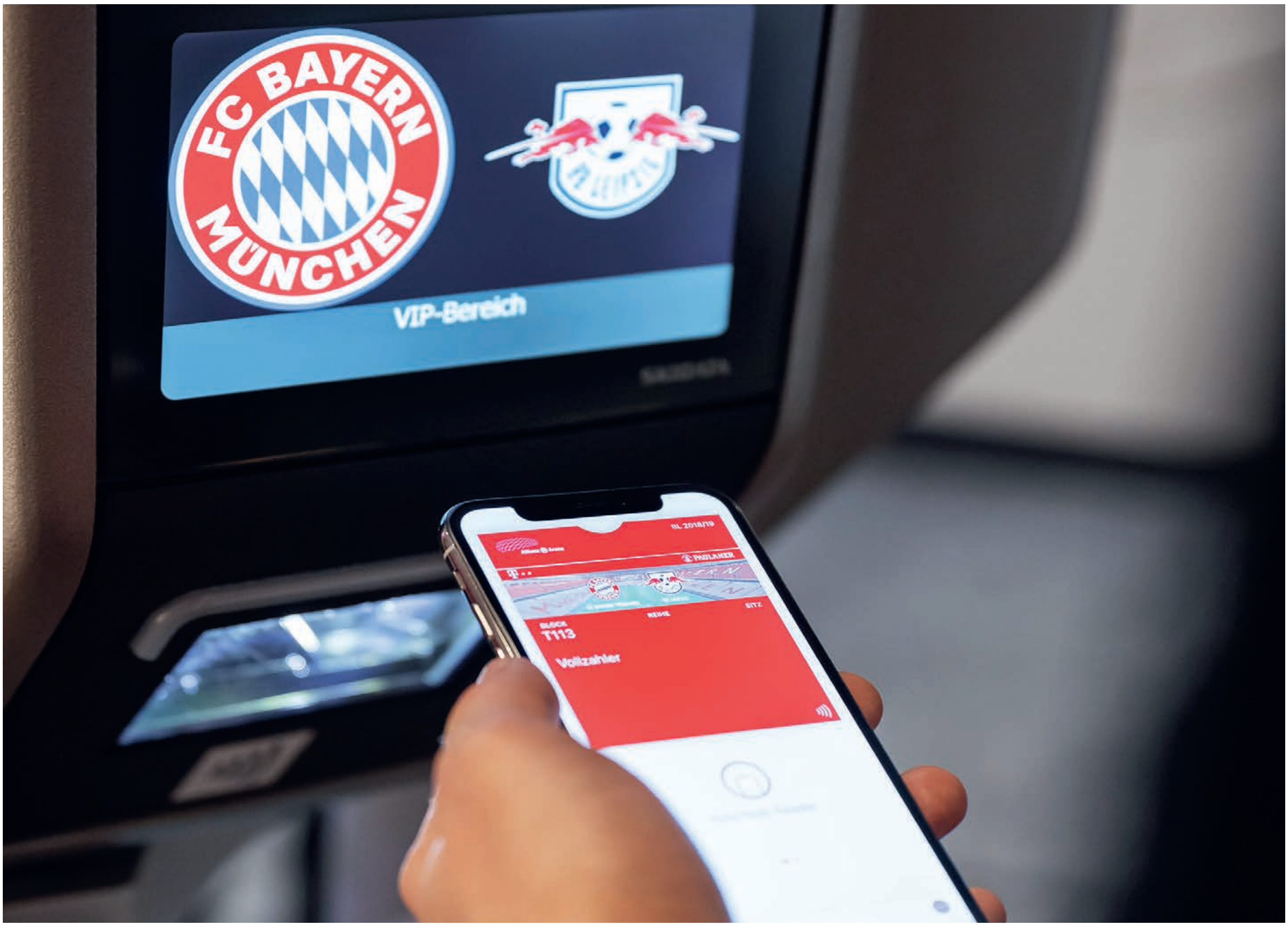
"Mobile first" spurs digitalized access solutions in collaboration with Kudelski Security

People use apps and websites for all sorts of booking and payment services: SKIDATA's agile development makes access a mobile welcoming experience. A prime example is the development of "mobile first" applications and e-commerce solutions for mountain destinations. Our customers benefit from a sharp rise of digital bookings resulting in increased efficiency.

The close teamwork with Kudelski Security in terms of cybersecurity allowed SKIDATA to leverage synergies for cyber-hardening digitalized access solutions. SKIDATA's customers benefit from a new level of security in the area of future-oriented infrastructure connectivity solutions. This is yet another perfect example of how the unified organization benefits from the individual strengths of every single business line in the Kudelski Group for the benefit of customers.



SKIDATA's digital management platform offers customer-oriented access solutions to welcome people.



SKIDATA is focused on providing relevant solutions for parking, ski and event facilities.

A friendly digital journey
for an enhanced user experience.

Comprehensive customer-focused access
solutions and revenue management.

Global expertise and technologies
with local representation.

DIGITAL TRANSFORMATION SUPPORTS ENVIRONMENTAL PROTECTION

SKIDATA offers digital solutions for every touch point along the visitors' journey and supplements the ecosystems for smart and sustainable city management.

Sustainable solutions for environmental protection
The global expertise of the Kudelski Group and SKIDATA, together with the development of technologies for turnkey mobile car and people access solutions, support environmental protection in every application situation. The demand for a climate-conscious approach has accelerated the development of cloud-based solutions, one of SKIDATA's unique propositions.

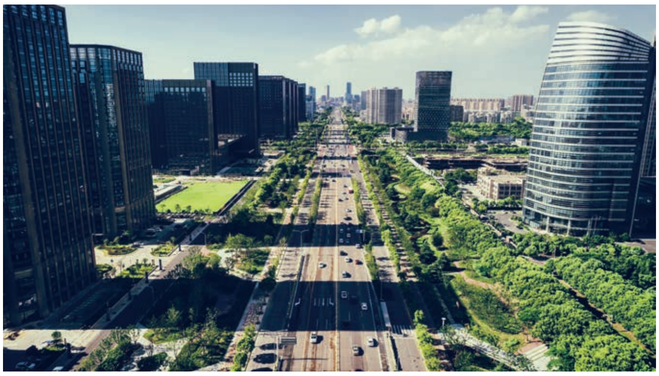
In the parking market, SKIDATA offers complete management solutions, including digital car park access, e-payment and EV-charging solutions. The transition to online-only payment transactions opens up all-new business models for car park operators worldwide.

In the mountain business, SKIDATA is spearheading the development of e-commerce solutions and mobile access to the ski lifts. The stadium and event sector benefits from accreditation and e-ticketing solutions that boost stadium security and offer significant cost reductions for operators.

Smart cities benefit from digital parking solutions to supplement their ecosystem
Mobility and parking is a vital part of the city experience in tomorrow's smart cities. The goal is for cities to optimize their traffic flow while reducing their climate footprint.

SKIDATA's large installed base of parking facilities in cities all over the world, together with the digital parking management solutions, provide a perfect basis for contributing to the ecosystem and making cities "livable and attractive" for visitors and inhabitants. SKIDATA's cloud-based solutions deliver advanced information for cities that supports them in their continuing effort to become more efficient, more sustainable and more resilient.

Environmentally friendly service concepts
SKIDATA supports their customers every step along their way, and technology is just one piece of the puzzle. This is why they have developed a system for staging efficient logistics. "Remote first" assistance as well as the digital delivery of software updates complete the environmentally friendly support concept. SKIDATA puts great emphasis on predictive maintenance for ensuring stable and reliable systems with longer lifecycles to save valuable resources.



SKIDATA's digital parking management solutions help make cities livable and attractive.

SKIDATA's e-commerce solution provides users with optimal payment and access options.

Touchless solutions for parking facilities

EV CHARGING AT CAR PARKS

SKIDATA's EV-charging solution seamlessly integrates into the parking management system. Parking and charging fees can be paid in one go using the same identifier, with no extra ticket required. Ad-hoc charging is also supported and requires no additional app or subscription. This opens additional revenue streams for operators as all revenues from EV-charging add to their bottom line.

SOLUTION SUBSCRIPTION FOR CAR PARK OPERATORS

SKIDATA's customers can subscribe to convenient solutions for a transparent and plannable monthly fee. The parking management system is always up to date, offering the latest features and running on the highest digital security levels. Optional add-ons that come with the SKIDATA solution subscription help to grow the customers' business.

Touchless solutions for ski destinations

E-COMMERCE FOR MOUNTAIN DESTINATIONS

The e-commerce solution provides users with payment and access options for parking tickets, ski passes, event tickets and many other services. Skiers can collect their pre-purchased tickets at on-site vending machines. Mountain destinations thus develop revenues 24/7 and increase efficiency while saving on staff at the ticket window. For SKIDATA, more transactions are being sold along with more hardware for ticket pick-up machines.

SAFE2SKI FOR MOUNTAIN DESTINATIONS

For lift operators, it was a quantum leap towards ensuring the opening and safe operation of their destination during the European winter season 2021/22: SKIDATA provided digital ski pass checks plus green pass inspection right at the turnstile - without the need for extra staff or an additional app.

The Safe2Ski solution integrates seamlessly into the SKIDATA access system. Guests can enjoy unrestricted skiing fun and smooth access to the lifts without endless queues in front of the turnstile. The 3G certificate is automatically linked to the ski pass and thus acts as a "virtual 3G wristband" for access to the lifts. Already at the beginning of the winter seasons 21/22, several millions of registrations were counted by December 2021 and January 2022, generating additional revenue for SKIDATA.

Touchless solutions for event venues

E-TICKETING FOR IN-STADIUM SPORT CLUBS

SKIDATA's eTicketing solution integrates QR codes and NFC tickets directly into the Apple and Google wallets that many stadium visitors have on their smartphones, with no additional app necessary. This solution offers sports clubs, among which prestigious ones, the opportunity to reduce costs and increase revenue. SKIDATA also provides a special accreditation system for employees, security staff, catering services, VIPs and the press.

2022 MARKET HIGHLIGHTS

› PUBLIC ACCESS

CITY OF LINKÖPING, ÖSTERGÖTLAND, SWEDEN

A real-life example of a Smart City approach

Together with SKIDATA, the municipality of Linköping is taking steps that include fully digital parking navigation, automatic ticketless parking access and city-wide integration of EV-charging in 14 parking facilities. Accessible via mobile phone, all parking is available on the same platform, also allowing users to connect to additional mobility functionalities.

The digitalization of such services increases convenience and saves time for end users, but also improves traffic flow on streets, reduces work for operators, eliminates paper waste and reduces CO_2 emissions.

ROYAL ASCOT RACECOURSE, ASCOT, UNITED KINGDOM

Bringing safety and convenience to a prestigious event

SKIDATA provided the Royal Ascot Racecourse with a new people access solution, including a special intelligent accreditation system, for convenient access and secure accreditation control to the world's most popular horse racing venue.

Accurate personal identification and proper accreditation of employees, security staff, catering services, VIP and journalists for controlled access to assigned sections help to maintain the high level of safety that is essential at a venue of worldwide renown. Visitors benefit from a quick, secure and convenient admission to the venue.

WORLD ECONOMIC FORUM, DAVOS, GRISONS, SWITZERLAND

Tight security restrictions managed flawlessly

The World Economic Forum Annual Meeting 2022 brought together over 2 000 leaders and experts from around the world. The "health & safety" module of SKIDATA accreditation system has been linked to the access control system of Kudelski, simplifying the management of COVID-19 testing and vaccination requirements jointly with delegates accreditation and badges.

As a result, the assignment of persons to specific sections of the venue worked flawlessly. Saving time and raising the level of security supports large-scale events, especially when they are subject to stringent safety restrictions. SKIDATA provided the accreditation solution for the 2023 event as well.

LEEDS UNITED FC, LEEDS, YORKSHIRE, UNITED KINGDOM

Kicking off a new era of welcoming fans

The English Premier League club has rolled out SKIDATA's digital-only NFC ticketing for the 2022/23 season, allowing the operators of the Elland Road stadium to save time and money.

The fans of Leeds United Football Club will be able to gain entry to home matches at Elland Road stadium by scanning a digital NFC season pass or match ticket stored on their smartphone or smart watch at stadium turnstiles without rummaging for a paper ticket. Supporters can shop and pay with their smartphone and load NFC tickets directly into the Apple and Google wallets.

SKI AMADÉ, SALZBURG, AUSTRIA

The simplest way to purchase ski-passes

The largest pool of ski resorts in Austria has been a SKIDATA customer from the beginning. The pool now offers an e-commerce solution as the most rapid and simple way for guests to purchase their ski passes: one-stop shopping anytime, anywhere.

Operators achieve earlier revenue recognition and provide convenient collection of pre-purchased tickets at an on-site vending machine, saving staff resources and labor costs along the way. In case of restrictions related to Covid-19, the verification of the vaccination certificate is directly linked to the ski pass on the keycard.

KAPRUN-KITZSTEINHORN, SALZBURG, AUSTRIA

A fast and secure access to the slopes

In early 2022, it became inevitable for mountain destinations in Austria to check the Covid certificate of their guests. Kaprun and SKIDATA's joint "Safe2Ski" pilot project for the 3G check went ahead in time, enabling a good start to the winter season 2021/22.

It allowed guests unrestricted skiing enjoyment and smooth access to the mountain lifts while preventing endless queues at the turnstile. Guests were able to provide their certificate either when purchasing the ski pass or at any time after purchase, automatically linking the certificate to the ski pass.

CYBERSECURITY

Solutions that position clients for secure and successful business transformation in uncertain times

CHANGING CYBER LANDSCAPE REQUIRES SPECIALIZED SOLUTIONS

› CYBERSECURITY

Kudelski Security continued to expand its focus on providing best-in-class cybersecurity solutions, enabling large organizations around the world to be ahead of the game in a changing market.

This included powerful managed security solutions to improve clients' ability to rapidly identify and remediate cyber-attacks as they occur, as well as high-value services targeting security programs to help solidify defenses against a range of cyber-threats.

Basic security attacks continued to be the most effective and lucrative cyber-threats
Throughout 2022, traditional cyber-threats continued to pose serious risk to organizations of all sizes, driving disruption, financial loss and reputational damage. Business e-mail compromise, active directory attacks, ransomware and phishing attacks continue to be the most effective and lucrative cyber-attacks for cyber-criminals. Always one step ahead, Kudelski Security anticipated increasing activity by expanding its managed detection and response capabilities with new technologies and innovative tools that allow clients to score their defense posture and visualize where risks may exist, based on their industry, size and geography.

Specialty environments require special attention
With the return of war as a reality in Europe and with an ever-expanding network of cyber-crime, what has increasingly come into focus was the need to prepare cyber-defenses against newer threats, specifically targeted attacks against Operational Technologies such as sensors and industrial control systems, where disruptions could potentially impede energy, water, manufacturing and distribution. Kudelski Security's unique ability to actively manage these types of networked devices saw a dramatic increase in new clients with manufacturing, food production and critical infrastructures worldwide, a trend we expect to increase in the coming years.

"Zero trust" architectures are progressively replacing VPN to secure a distributed workforce
The work-from-anywhere economy is here to stay, and traditional network borders will never look the same for organizations around the world. While employees access most work applications remotely, IT and security teams are hesitant to inherit the risk of home networks. Mistrusting every device is the key to supporting and securing remote workforces. We believe "zero trust" architectures will eventually replace virtual private networks as security teams adjust to a more dispersed workforce. Kudelski Security's Advisory consulting teams are working with clients around the world to ensure that systems, architectures, processes and procedures are optimized to ensure secure access, while also supporting business priorities ensuring that regulatory compliance is documented, business to business communications remain effective and that employee efficiencies stay in focus.

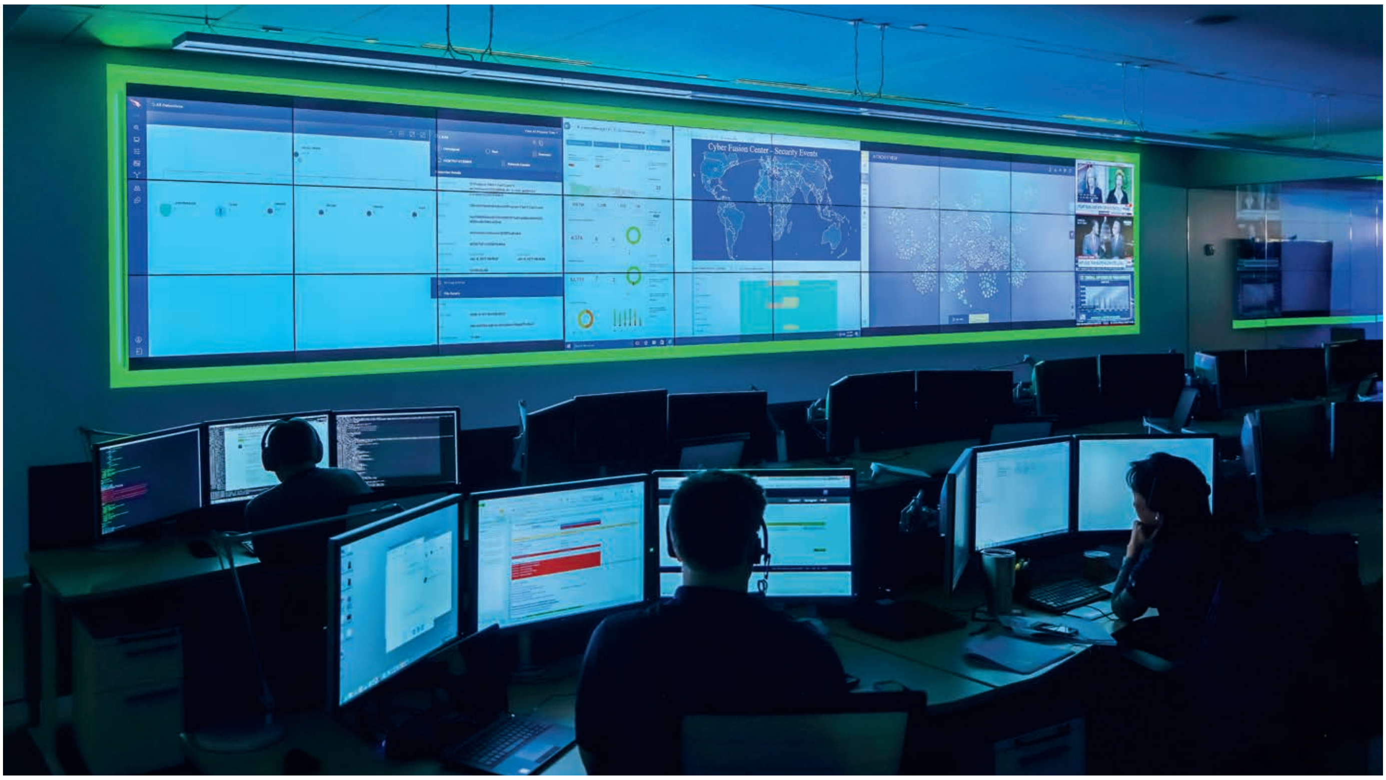
Security unlikely to take a hit in recessionary times
Companies of all sizes and in every industry are making cuts to account for the expected economic downturn. Fortunately, cybersecurity programs have largely remained untouched – a trend we predict will continue. The risks are simply too high to relax the focus on an ever-evolving threat landscape. American privacy laws are expecting to better protect consumers, meaning that boardroom stakeholders and the c-suite will heed security strictness and compliance more carefully. We believe that more countries will require cybersecurity labels on products, especially hardware products. This will further emphasize the importance of security for company product teams – and create great opportunities for Kudelski Security to work with other segments of the Group to deliver collaborative solutions to customers.

Kudelski Security business portfolio

Kudelski Security has continued to expand its portfolio of cybersecurity capabilities, building on its focused approach that leads with research and innovation to deliver outcome driven solutions for clients around the world. Key capabilities include:

- Strategy and advisory – High value services that help senior security and business leaders define their security needs at a strategic level – taking into account business, regulatory and environmental concerns.
- Managed security – Led by our market leading Managed Detection and Response solutions, Kudelski Security monitors client environments to identify and remediate threats across any technology.
- Technology optimization – Focused on making clients more effective, our teams regularly review tools, technologies, processes and procedures to ensure clients always have best-in-class solutions, optimized to their needs.
- Applied security – Our strength is our ability to leverage our R&D expertise to solve hard client problems. This has resulted in the origination of Kudelski IoT, as well as the Blockchain security center of excellence.

Across each of these areas of expertise, the key is to focus on where the clients are in their cybersecurity journey and deliver solutions that drive the desired outcomes. From Assessments to Design, Implement, Operate, or Innovate, Kudelski Security's aim is to protect client systems and data, wherever these may reside.



Kudelski Security's Cyber Fusion Centers (here in Phoenix) are at the forefront of identifiying and remediating cyber-attacks.

Throughout 2022, Kudelski Security continued to introduce new offerings and capabilities to expand its reach across its primary lines of business. In addition to the following, we continued to expand the ranks of seasoned Advisory consultants.

Acting as the tip of the spear with large enterprise clients, these teams continued to drive growth with services that ranged from single frame consulting engagements to multi-year "as-a-service" offerings addressing complex topics such as compliance and vulnerability management.

New differentiation for Managed Detection and Response

Building on the successful 2021 launch of FusionDetect, Kudelski Security continued to release new capabilities to expand the total addressable market and improve the effectiveness of the service.

In May, we launched MDR One, which includes proprietary technology combined with an attractive service agreement that allows a broader segment of clients to leverage advanced MDR services for cyber-protections. Using MDR One allows the Cyber Fusion Center to natively ingest any data feeds, eliminating the need for costly SIEM technology to aggregate log files. In addition to potentially lowering the total cost for clients, MDR One allows us to sell to a larger pool of prospects.

November saw the launch of Threat Navigator, a powerful new tool that provides clients visibility to gaps in their security protections, rates their coverage levels against the MITRE Attack Framework and provides actionable advice for improving their security posture. Included in every MDR client's service, comments from industry analysts have defined Threat Navigator as a key differentiator against our competition.

Continued differentiation for innovation investments

Based on the continued investment in innovative MDR features and managed security services capabilities, in 2022 Kudelski Security added to the impressive array of recognitions that includes industry analysts such as Gartner, Forrester, IDC, Frost and Sullivan, and Bloor:

- MSSP Alert recognized Kudelski Security as the '#25 MSSP' of the world's Top 250 managed security services providers. This is the fourth consecutive year that we have been rated in the top 50 of all the service providers reviewed.

- CSI, an industry advocate for Pay-TV, recognized Kudelski Security and Nagravision as the best cybersecurity service for the combined 'Holistic Cyber Protection' offering that includes cyber-monitoring with Nagravision's antipiracy services for the media and entertainment industry.

- Bloor Research, a UK-based cybersecurity analyst firm, recognized Kudelski Security as an 'Innovative Champion' in its most recent MDR market analysis of the top service providers around the world.

- Knowledge Solutions, an India-based analyst firm focusing on technology service providers, rated Kudelski Security as a 'Technology Leader' in their SPARK Matrix for both MSS and MDR services in Q4 2022.

Expanding Microsoft relationship

Seeking to keep up appealing to enterprise organizations using Microsoft business and security technology, Kudelski Security continued to expand integration and product support for security tools. Microsoft has the unique classification of being both the largest business technology company as well as the largest security technology company, with more than USD 5 billion in annual security investment. Throughout 2022, we expanded our investment in Microsoft technologies, integrating core security tools into the foundation of the CFC technology stack.

These investments in time, technology and talent will have long lasting impact, with clients centralizing on Microsoft enterprise management tools. This commitment also resulted in Kudelski Security being invited to join the Microsoft Intelligent Security Association (MISA), an ecosystem of independent software vendors (ISV) and managed security service providers (MSSP) that have integrated their solutions with Microsoft's security technology to better defend against a world of increasing threats. Inclusion in this small network of security suppliers will provide important distinction with clients who have invested heavily in Microsoft technology.

Talent-driven geographic expansion

Kudelski Security has continued to leverage a purposeful approach to geographic expansion, responsibly growing teams and personnel in line with client acquisitions across Europe, including Switzerland, Germany, France, and the United Kingdom.

New to the European expansion in 2022 was the launch of a Cyber Fusion Center in Madrid, Spain. Madrid was selected for its geographic location in Europe and its high number of qualified cybersecurity professionals. Of further benefit is the addition of native Spanish and Portuguese language skills, which will help as Kudelski Security continues to expand in Europe and as prospective accounts in Latin America mature.

Staying warm through the crypto winter

Over the past several years, Kudelski Security has developed a strong market position in blockchain, providing security expertise to major chains, cryptocurrency exchanges and enterprise organizations developing blockchain based business applications for the new digital economy. In addition to developing a strong business with substantial backlog, we instituted the business processes necessary to allow clients to transact with us using cryptocurrencies – establishing a safe and responsible way for blockchain start-ups and new market entrants to engage and pay for our market-leading expertise.

In 2022, as the crypto winter descended on the world, Kudelski Security's expertise continued to be in demand. However, the market dynamics changed from engaging with highly leveraged start-ups to more mature industries looking to use blockchain and distributed ledger technology for real world business applications. Further, we expanded our engagement with Web3 businesses such as StarAtlas as blockchain-based gaming and the metaverse continued to grow in popularity. The result is a still growing business segment for our high-value services.

In line with the client requests for blockchain security services, we have had increasing number of engagements with Nagravision's more traditional media and entertainment customers. These organizations see blockchain, Web3 and the metaverse as an opportunity to change the scope of services they provide to their subscribers.

By working with forward-leaning operators and ISPs globally, the collective team of Kudelski Security and Nagravision are helping them craft new offerings to reverse declining subscriber communities, manage the multitude of entertainment choices now available and increase their relevance in homes around the world.

INTERNET OF THINGS

Where the digital world becomes the real world

DELIVERING THE IOT FROM CHIP TO SOLUTION

With massive advances in connectivity, processing power and miniaturization, connected devices and ecosystems are now the norm, with most new devices across every industry being connected in some way to the cloud. This is done to generate business benefits like efficiency, cost savings, new business models and new use cases that didn't exist before.

At the same time, security is becoming increasingly important as well. New IoT security regulations and standards from governments and industry bodies are further driving companies to create IoT devices that are secure by design. By leveraging more than 30 years of innovation in the fields of digital business models, device protection, solution architecture and service excellence, Kudelski IoT has unparalleled ability to create, enable, manage and protect connected devices and ecosystems.

Security accountability drives new opportunities
Kudelski IoT was an early security advocate in the industry, and as companies increasingly wake up to the importance of security by design, our overall strategy is proving to resonate well. With the need to ensure the protection of consumer privacy, corporate assets and critical infrastructure, demand for security is increasing throughout the value chain from silicon manufacturers to end-user companies, which is driving greater interest in our services and systems.

Special focus on semiconductor manufacturers
With demand for security increasing, device manufacturers are calling on their semiconductor suppliers to help them deliver on customer expectations and regulatory requirements. Though semiconductor manufacturers are experts at providing highly functional products to their customers, they are not accustomed to providing the full-lifecycle security services a robust, state-of-the-art IoT requires. Ahead of the game, Kudelski IoT has launched a variety of specific technologies and services that have already seen adoption by silicon vendors and will help semiconductor manufacturers meet security demands.

Enabling asset tracking at scale addresses global value chain challenges
One of the fastest-growing IoT applications globally is asset tracking, which is used in many industries to track the location and condition of goods and equipment. Trillions of dollars in losses are caused by theft, misplacement and destruction of assets worldwide.

IoT sensors and digital visibility solutions are increasingly successful at preventing this from happening. Having developed extensive experience in vehicle asset tracking through its RecovR product in 2021, Kudelski IoT continues to expand the industries and use cases it can address with that core product and expertise.

Major focuses

END-TO-END IOT SOLUTIONS
Asset tracking, inventory management and secure vehicle access
Using its extensive experience in designing, securing and operating complex solutions, Kudelski IoT continues development and deployment of its portfolio of advanced asset tracking and inventory management solutions which were initially targeted at the U.S. automotive dealership industry but are being expanded to other geographies and verticals.

In addition, Kudelski IoT's Passive Keyless Access solution provides keyless access to vehicles using a smartphone or NFC cards and is being deployed at American EV manufacturer Canoo in the United States, and has also been adopted by a European electric truck manufacturer. Both these solutions are part of a wider portfolio of automotive solutions from across Kudelski Group business units being marketed to vehicle manufacturers and retailers.

KUDELSKI IOT KEYSTREAM
Provision, manage, update and control IoT devices
The Kudelski IoT keySTREAM system enables companies to securely onboard and manage new devices on networks, securely update them over the air and ensure the data they provide is confidential and authentic. Used by device manufacturers and end-user companies, keySTREAM is also increasingly becoming a solution of choice for silicon manufacturers to create more secure – by design – chipsets for their customers.

Increased interest in keySTREAM is being driven by security guidelines, standards and regulation efforts, including the introduction of the Matter standard for consumer electronics, ISO 21434 and WP.29 for automotive and many others.

KUDELSKI IOT LABS
Training, design and evaluation services
Kudelski IoT trains companies on IoT security, designs secure IoT devices and ecosystems to their specific requirements, analyzes and understands cybersecurity threats to their IoT business and quantifies their potential impact. It can create tailored security designs to prevent those threats as well as evaluate the security of existing products in its advanced IoT Security Labs in Switzerland.

EXPANDED SERVICE OFFERING AND KEY PARTNERSHIPS

End-to-end solutions – RecovR

RecovR was launched in 2021 and began deployment to car dealers across the USA. During 2022, Kudelski IoT's RecovR vehicle tracking business continued its development, enabling car dealerships to manage their fluctuating inventories while also giving them a valuable theft recovery product for them to sell to consumers.

New U.S. government regulations may pressure car dealers to stop selling some of their profitable but non-physical products, causing them to focus more on products like RecovR that offer a tangible value. In parallel, the IoT division successfully entered adjacent markets with RecovR for trailers and recreational vehicles as well as beginning development of a new solution for tracking vehicle keys.

Expanded security labs services and revenue

Starting to offer services outside of the Group in 2017, the Kudelski IoT Security Labs continue to draw new customers who wish to leverage Kudelski's extensive expertise in hardware and software security as well as security architecture and design. In 2022, the Labs completed more than 100 client projects.

Increasing regulation and standardization incorporating security standards or guidelines is driving more and more interest in threat assessments, security architecture reviews, device evaluations, and trainings, causing the Labs to exceed both their 2021 revenue as well as their 2022 revenue target to close off their most successful year in history, having seen 30% growth year over year.

New customer and partner announcements

We continued to serve a large number of customers in our IoT Security Labs, offering primarily device security assessments that provide an independent report on their products' security posture and opportunities for improvement.

Clients included developers of crypto wallets, manufacturers of Zoom-enabled devices seeking security certification, pay-TV set-top box manufacturers, as well as aeronautics and defense contractors. Our security labs also conducted advanced security testing of Microchips CE1736 Trust Shield Controller, used in critical data centers and connected systems.

In fact, semiconductor manufacturers are becoming a major customer segment for the company, which now serves many chipset companies with its security services.

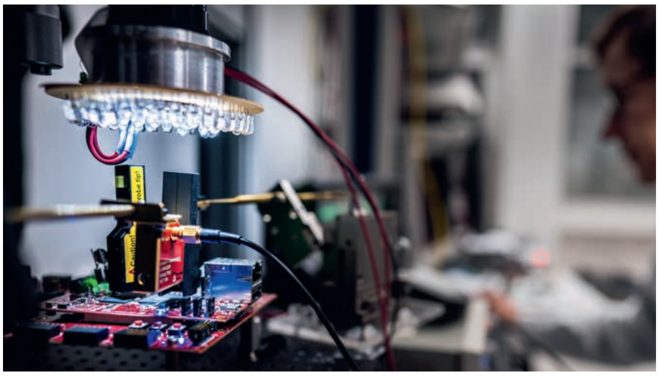
In addition, a growing number of major chipset manufacturers are adopting Kudelski IoT's newly announced Secure IP portfolio, assisting them in creating secure IoT chipsets for their customers, and the company continued its long-standing relationship with fellow Swiss company, u-blox, a major manufacturer of cellular modem and GPS modules.

Kudelski IoT also signed an agreement to provide its keySTREAM security system to a major U.S. critical infrastructure equipment manufacturer, enabling it to ensure the protection of its equipment from threats throughout its lifecycle.

At the end of 2022, the RecovR solution has been adopted by more than 250 vehicle dealerships across the United States and Canada and is poised to win major new contracts in 2023.

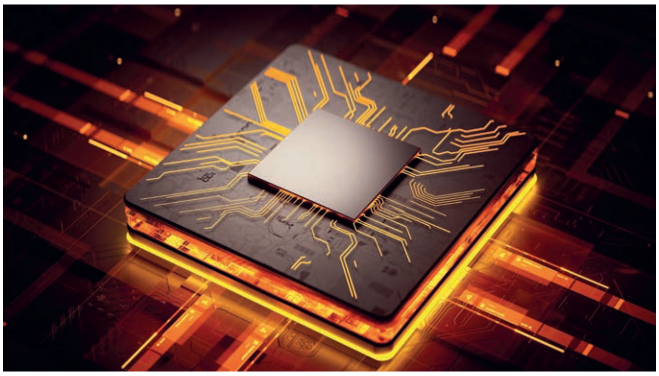
Asset tracking solutions

RECOVR AND BEYOND
Based on RecovR's Kudelski-designed locator hardware and flexible backend systems and applications, the solution is being expanded to additional use cases for fleet management, construction vehicles and other applications where knowing the location and condition of valuable goods is important to companies and government organizations.



Security design and testing services

EXPANDING LABS BUSINESS
The Kudelski IoT Security Labs experienced another year of record growth in 2022, helping its customers evaluate the threats to their connected devices and businesses, as well as analyzing the security of IoT devices for business-impacting gaps before they are launched to market. The labs continued to provide services across many different industries, but experienced substantial growth in the semiconductor, defense and blockchain sectors.



Semiconductor solutions

SECURING THE IOT FOR CHIP MANUFACTURERS
Kudelski IoT expanded its relationship with the semiconductor industry in 2022, launching and successfully selling a portfolio of new solutions. Driven by demand from their customers for more secure solutions, Kudelski IoT is providing them with technology tools and services to help them create more chips, enable simpler provisioning of devices in the field, and offering the ability to securely update those devices over the air.

Enabling lifecycle security

KEYSTREAM POWERS NEW SERVICES
Driven by the need to create, provision and manage unique identities for IoT devices, Kudelski IoT began offering a number of new services based on its powerful keySTREAM security system in 2022. These services enable chipset and device manufacturers to establish and validate secure identities for new devices joining communication networks, ensure the integrity and privacy of their data, and keep them updated over time.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

This report was prepared in compliance with the directive on information relating to corporate governance issued by the SIX Exchange Regulation and in compliance with Swiss corporate law reform. Unless otherwise stated herein, the information provided in this report reflects the situation as of December 31, 2022.

1. Group structure and shareholders

1.1. Group structure

Kudelski SA has its registered offices in Cheseaux-sur-Lausanne. The company has been structured as a holding company since 1999 and its shares have been listed on the SIX Swiss Exchange since August 2, 1999.

The structure of Kudelski SA and its affiliated companies (the "Kudelski Group" or the "Group") is shown below – sections 1.1.1 to 1.1.3.

1.1.1. Description of the issuer's operational Group structure

From an operational point of view, the Group's activities are split into four divisions: Digital TV, Public Access, Cybersecurity and Internet of Things (IoT). The Finance, Legal, Human Resources, Business Development and Innovation and Corporate IT departments support the entire organization.

Each division is responsible for defining and managing its research and development, sales and marketing, services, support and operations functions, except the Internet of Things (IoT) division, which is supported by the research and development team of the Digital TV division.

The Digital TV division is organized under a Chief Marketing Officer (CMO) and a Chief Operating Officer (COO), with sales, marketing and product management reporting to the CMO and R&D, operations, and business transformation reporting to the COO.

The Public Access division, SKIDATA, is organized with 5 regional, customer-facing businesses managing sales and operations, supported by functional teams in product management, R&D, technical operations, and supply chain.

The Cybersecurity division is organized around four pillars of activity: managed detection & response services, applied security, advisory services, as well as technology sale and optimization.

The Internet of Things (IoT) division is organized around IoT Secure Solutions, IoT Security Technology & Systems and IoT Security Services (Lab & Design).

Results by sector are presented in note 4 to the Kudelski Group's 2022 financial statements.

Main operating companies held directly or indirectly by Kudelski SA

The list of the Group's main operating companies is provided in note 54 to the 2022 financial statements.

Additional information is also included in the 2022 Annual Report's key figures.

1.1.2. All listed companies belonging to the issuer's Group

Kudelski SA, the parent company of the Group, is a Swiss holding company based in Cheseaux-sur-Lausanne in the canton of Vaud. Kudelski bearer shares are listed on the SIX Swiss Exchange (Ticker: KUD; Sec. No. 001226836/ ISIN: CH0012268360). As of December 31, 2022, the market capitalization of Kudelski SA bearer shares was CHF 121 294 929.

Kudelski SA and its subsidiaries did not hold any bearer shares of Kudelski SA.

1.1.3. The non-listed companies belonging to the issuer's consolidated entities

Information about the company name, registered office, share capital and holdings owned by non-listed Group companies included in the scope of consolidation is shown on pages 160 and 170 of the Kudelski Group's 2022 financial statements.

INTERNATIONAL PRESENCE*

** Indicates countries in which the Group maintained a representation.*

Region	Country	DIGITAL TV	PUBLIC ACCESS	CYBERSECURITY	IOT
EUROPE	Germany	■	■	■	□
	Austria	□	■	□	□
	Belgium	□	■	□	□
	Spain	■	■	■	□
	France	■	■	■	■
	Ireland	□	■	□	□
	Italy	■	■	□	□
	Norway	■	■	□	□
	The Netherlands	■	■	■	□
	Portugal	■	■	□	□
	United Kingdom	■	■	■	□
	Sweden	□	■	□	□
	Switzerland	■	■	■	■
	Turkey	□	■	□	□
AMERICAS	Argentina	■	□	□	□
	Brazil	■	■	□	□
	Chile	■	■	□	□
	Colombia	■	□	□	□
	Mexico	■	■	□	□
	Peru	■	□	□	□
	USA	■	■	■	■
AFRICA	South Africa	■	■	□	□
	Tunisia	□	■	□	□
MIDDLE EAST	United Arab Emirates	■	■	□	□
ASIA / PACIFIC	Australia	■	■	□	□
	China	■	□	□	□
	South Korea	■	□	□	□
	Hong Kong	□	■	□	□
	India	■	■	■	■
	Indonesia	■	□	□	□
	Japan	■	■	□	□
	Malaysia	■	■	□	□
	Singapore	■	□	□	□

1.2. Significant shareholders

As of December 31, 2022, Kudelski SA has two significant shareholders. The first one consists of a group of shareholders related to the Kudelski family ("Family Pool") with a total of 58.70% of the voting rights of Kudelski SA (see the table below). The Family Pool comprises Mr. André Kudelski, Mrs. Marguerite Kudelski, Mrs. Isabelle Kudelski Haldy, Mrs. Irène Kudelski Mauroux and their respective descendants. Members of the Family Pool own the shares of Kudelski SA directly or through an investment structure of which they are the beneficiaries.

The second significant shareholder ("Kudelski Family outside the Pool*") is composed of two discretionary and irrevocable trusts, whose beneficiaries are members of the family of Mr. André Kudelski.

As of December 31, 2022, the Kudelski Family outside the Pool held a total of 4.10% of the voting rights of Kudelski S.A. (see below). In its capacity as a protector of these trusts, Mr Antoine Foetisch in Singapore, freely exercises the voting rights of the shares held by these trusts. To the Group's knowledge, no other shareholder or group of shareholders holds more than 3% of the voting rights.

All announcements made by Kudelski SA to the SIX Exchange Regulation can be found on the SIX Swiss Exchange website at the following address: https://www.six-group.com/fr/products-services/the-swiss-stock-exchange/market-data/shares/share-explorer/share-details.html?valorId=CH0012268360CHF4#/ and then clicking on the "Significant shareholders" link.

1.3. Cross-shareholdings

The Group has no knowledge of the existence of any cross-shareholdings.

AS OF DECEMBER 31, 2022	REGISTERED SHARES	BEARER SHARES	SHARE CAPITAL HELD	VOTING RIGHTS
Family Pool	46 300 000	10 922 923	27.87%	58.70%
Kudelski Family outside the Pool*		4 000 000	7.17%	4.10%

** On January 28, 2022, the ad hoc publicity of the SIX Swiss Exchange has advised that the trustee beneficiaries are not required to report positions held by trusts.*

2. Capital structure

2.1. Amount of ordinary, authorized and conditional capital as at 31.12.2022

Ordinary capital

The share capital of Kudelski SA is CHF 446 052 624. It is divided into 51 126 578 bearer shares with a nominal value of CHF 8.00 per share and 46 300 000 registered shares with a nominal value of CHF 0.80 per share. Each share confers the right to one vote. All shares are fully paid up. Articles 6 and 7 of the articles of association of Kudelski SA, which can be found on the company's website at the following address: https://www.nagra.com/investors/publications, also contain an authorized capital clause and two conditional capital clauses (see section 2.2 below).

2.2. Specific information concerning authorized and conditional capital

Authorized capital

According to Article 7 of the articles of association of Kudelski SA, the Board of Directors is authorized to increase the share capital in one or more stages until April 21, 2024 by a maximum amount of CHF 32 705 312 (representing 7.33% of the existing share capital) through the issuance of 3 768 164 bearer shares with a nominal value of CHF 8.00 per share and 3 200 000 registered shares with a nominal value of CHF 0.80 per share to be fully paid up. The issuance price, the nature of the contributions, the date from which new shares shall give entitlement to dividends and other modalities of any share issuance shall be determined by the Board of Directors.

The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or abroad. The statutory restrictions on the transfer of shares apply to new registered shares issued on the basis of the authorized capital.

Conditional capital

The articles of association of Kudelski SA (Articles 6 and 6bis) provide two clauses related to conditional capital for a total amount of CHF 85 497 424 (19.15% of the existing share capital) structured as follows:

– according to Article 6 of the articles of association (conditional capital for option or subscription rights), the share capital of Kudelski SA can be increased by a maximum amount of CHF 5 497 424 (1.23% of the existing capital) through the issuance of a maximum of 687 178 bearer shares with a nominal value of CHF 8.00 per share, to be fully paid up, as and when the option rights or share subscription rights that will be granted to the employees of the company and of affiliated companies are exercised. There are no preferential subscription rights for shareholders. Share option or subscription conditions are determined by the Board of Directors. Issuance at a price below market conditions is authorized; and

– according to Article 6bis of the articles of association (conditional capital for conversion rights), the share capital of Kudelski SA can be increased by a maximum amount of CHF 80 000 000 (17.92% of the existing capital) through the issuance of a maximum of 10 000 000 bearer shares with a nominal value of CHF 8.00 per share, to be fully paid up, as and when the conversion rights related to the convertible bonds of the company or its subsidiaries are exercised.

There are no preferential subscription rights for shareholders. The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or excluded by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily in markets outside Switzerland, or (b) if the issuance proceeds contribute (i) to the financing or refinancing of acquisitions of companies or firms, (ii) to the financing of other strategic investments of the Group, or (iii) to financing the redemption of all or part of convertible bonds previously issued by the company or its subsidiaries.

If the convertible bond is not offered preferentially to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within a period of seven years from the day of issuance of the respective bond, and (c) the conversion price must be at least equivalent to market conditions at the time of the issuance of the bond.

As of December 31, 2022, Kudelski SA had issued 65 850 bearer shares on the basis of conditional capital for option or subscription rights. These new bearer shares will be entered in the commercial register in accordance with Article 653g of the Code of Obligations. As of December 31, 2022, the available amount of contingent capital for option and subscription rights was therefore CHF 5 075 688, representing a maximum of 634 461 bearer shares with a par value of CHF 8.00 each.

As of December 31, 2022, Kudelski SA had not issued any option rights within the meaning of Article 6 of the articles of association and no conversion rights related to debt obligations within the meaning of Article 6bis of the articles of association. The conditional capital for option or subscription rights under Article 6 of the articles of association may, however, be used in the context of the employee share purchase plan (see section 2.7 below).

2.3. Changes in the capital of Kudelski SA

IN THOUSAND CHF	31.12.22	31.12.21	31.12.20
Registered share capital	37 040	37 040	37 040
Bearer share capital	409 434	405 896	402 981
Legal reserve	90 000	90 000	110 000
Capital contribution reserve	65 914	68 702	71 467
Net profit	-22 371	11 004	-28 845
Retained earnings	-3 728	21 429	-6 810
TOTAL SHAREHOLDERS' EQUITY	**598 661**	**623 067**	**614 679**

For information relating to changes in capital which have taken place in 2022, 2021 and 2020, please refer to the Group's corresponding financial statements. These reports can be found on the Kudelski SA website at www.nagra.com/investors/publications. Information regarding the capital contribution reserve can be found under note 3.4 to the Kudelski SA financial statements in the Kudelski Group's 2022 financial statements.

2.4. Shares and participation certificates

The structure of the share capital of Kudelski SA is described in section 2.1 above.

In compliance with section 18 3rd paragraph of the articles of association, class A and B shareholders are represented on the Board of Directors.

Kudelski SA does not have participation certificates.

2.5. Dividend-right certificates

Kudelski SA does not have dividend-right certificates.

2.6. Limitations on transferability and nominee registrations

Shares of Kudelski SA that are listed on the stock exchange are issued to the bearer. For these shares, the exercise of shareholder rights does not depend on an entry in the share register. There are therefore no statutory restrictions on their transfer or the exercise of shareholder rights through nominees.

The registered shares of Kudelski SA are not listed on the stock exchange. As of December 31, 2022, they were all owned by the Kudelski "Family Pool" (see section 1.2 above). Pursuant to the articles of association of Kudelski SA, subject to the provisions of the Swiss Federal Act on Intermediated Securities, registered shares may be transferred upon delivery of the endorsed share certificate, subject to the approval of the Board of Directors and registration in the share register.

Article 9 of the articles of association of Kudelski SA allows the Board of Directors to refuse the approval of the transfer of registered shares in one or more of the following cases:

a) If there exists good cause within the meaning of Article 685b paragraph 2 of the Swiss Code of Obligations, i.e. if admission of the acquirer as a shareholder would be incompatible with the objective of Kudelski SA or could jeopardize the economic independence of the company. This would in particular be the case if the acquirer could prejudice the company directly or indirectly, or if transfer of the shares could jeopardize the existing majorities.

b) If the company offers the seller of the shares to acquire the shares at their fair value at the time of the request for its own account, for the account of other shareholders or for the account of third parties.

c) If the acquirer does not expressly declare that he is acquiring the shares in his own name and for his own account.

Article 9 of the articles of association also provides that if the shares are acquired by inheritance, division of an estate, marital property rights or as a result of debt enforcement proceedings, the company may only refuse its consent if it offers to acquire the shares at their fair value.

In the event of a dispute, the fair value is determined by the court having jurisdiction in the place where the company has its registered office. The company bears the costs of such valuation. The purchase offer is deemed accepted if the acquirer does not reject it within one month of having been informed of the fair value.

2.7. Convertible bonds and options

Convertible bond

The Kudelski Group has no outstanding convertible bond.

Options

The company has no outstanding options.

Share purchase plan

In 2004, the Kudelski Group introduced a share purchase plan for the employees of certain companies of the Group, enabling those employees to buy Kudelski SA bearer shares on favorable terms. Each participant can subscribe annually to this plan up to a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the closing price of the Kudelski SA share listed on the SIX Swiss Exchange on the day of subscription with a discount of up to 42%. However, the shares are subject to a three-year blocking period from the date of purchase.

A chart showing employee participation in this plan for the year 2022 can be found in note 39 to the consolidated financial statements.

3. Board of Directors

The Board of Directors is the highest executive body of the company. It has the non-transferable and inalienable responsibilities set forth by the law and the articles of association. As of January 1, 2023, the Board of Directors consisted of eight members elected at the Annual General Meeting of Shareholders.

Three Committees, an Audit Committee, a Strategy Committee and a Nomination and Compensation Committee, have been created by the Board of Directors and are responsible for specific tasks (see sections 3.5.1to 3.6).

Mr. Mark Beariault, who is not a member of the Board of Directors, was appointed as Corporate Secretary by the Board of Directors.

3.1. Members of the Board of Directors

	YEAR OF BIRTH	NATIONALITY	EDUCATION	FIRST ELECTION	END OF TERM OF OFFICE
ANDRÉ KUDELSKI* Chairman of the Board and Chief Executive Officer Executive Board Member	1960	Swiss	**DEGREE IN PHYSICAL ENGINEERING** École polytechnique fédérale de Lausanne (EPFL), Switzerland	1987	20.04.2023
CLAUDE SMADJA Vice Chairman of the Board and Lead Director Non-Executive Board Member	1945	Swiss	**DEGREE IN POLITICAL SCIENCE** University of Lausanne, Switzerland	1999	20.04.2023
PATRICK FOETISCH Non-Executive Board Member	1933	Swiss	**DOCTORATE IN LAW** University of Lausanne, Switzerland **BAR EXAM**	1992	20.04.2023
LAURENT DASSAULT Non-Executive Board Member	1953	French	**DEGREE IN BUSINESS LAW** **DEGREE FROM ESLSCA** École supérieure libre des sciences commerciales appliquées, Paris, France	1995	20.04.2023
PIERRE LESCURE Non-Executive Board Member	1945	French	**DEGREE IN LITERATURE AND JOURNALISM** Centre de formation des journalistes, Paris, France	2004	20.04.2023
MARGUERITE KUDELSKI Non-Executive Board Member	1965	Swiss	**ENGINEERING DEGREE IN MICROTECHNOLOGY** **DOCTORATE IN MICROTECHNOLOGY** École polytechnique fédérale de Lausanne (EPFL), Switzerland **EXECUTIVE MBA** IMD Lausanne, Switzerland	2006	20.04.2023
ALEC ROSS Non-Executive Board Member	1971	American	**DEGREE IN HISTORY** Northwestern University, USA	2014	20.04.2023
MICHAEL HENGARTNER Non-Executive Board Member	1966	Swiss and Canadian	**DOCTORATE IN BIOLOGY** Department of Biology, MIT, Cambridge, USA **EXECUTIVE MBA** IMD Lausanne, Switzerland	2020	20.04.2023

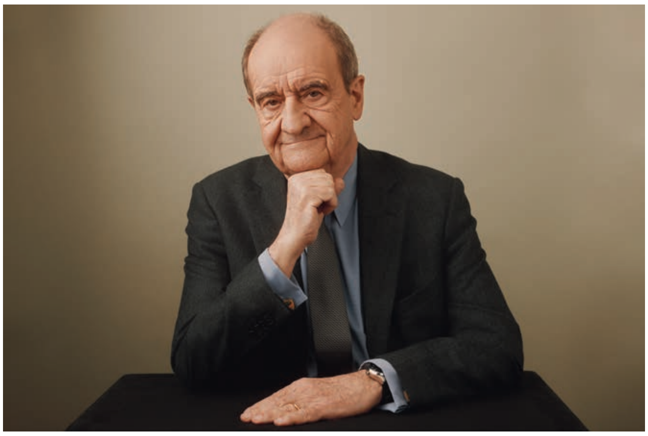
* *André Kudelski is the only member of the Board of Directors to combine his Board duties with an executive function within the Group (Chief Executive Officer). Apart from Mr. Kudelski, no other member of the Board of Directors performed any executive function within the Group during the past three years.*

ANDRÉ KUDELSKI

CLAUDE SMADJA

PATRICK FOETISCH

LAURENT DASSAULT



PIERRE LESCURE

MARGUERITE KUDELSKI

ALEC ROSS

MICHAEL HENGARTNER

ANDRÉ KUDELSKI

André Kudelski began his career in 1984 as a Research & Development (R&D) engineer with Kudelski SA. In 1986, after a short-term assignment in Silicon Valley, he returned to work in the family business firstly as Pay-TV Product Manager, then as Director of Nagravision SA, a company in charge of the Pay-TV sector. Mr. Kudelski then took over from his father Stefan Kudelski and from 1991 became Chairman and Chief Executive Officer of the parent company Kudelski SA.

Current mandates in the Kudelski Group:

- Kudelski Corporate, Inc., in USA, Chairman and Chief Executive Officer
- Kudelski Security, Inc., in USA, Executive Chairman and Chief Executive Officer
- Kudelski Security Holdings, Inc., in USA, Executive Chairman and Chief Executive Officer
- Nagravision Sàrl, in Switzerland, Board Member and Chief Executive Officer
- Nagra USA, LLC., in USA, Executive Chairman and Chief Executive Officer
- NagraStar LLC, in USA, Co-Chairman
- OpenTV, Inc., in USA, Executive Chairman and Chief Executive Officer
- SKIDATA GmbH, in Austria, Member of the Supervisory Board
- NAGRA PLUS SA, in Switzerland, Chairman and Chief Executive Officer (until December 20, 2021)
- SmarDTV SA, in Switzerland, Chairman (until January 31, 2019)
- Nagravision AS, in Norway, Chairman (until September 2018)

Important mandates outside the Kudelski Group:

- Comité d'economiesuisse, in Switzerland, member
- École polytechnique fédérale de Lausanne (EPFL), in Switzerland, Strategic Advisory Board member
- Fondation du Festival de Jazz de Montreux, in Switzerland, Chairman
- Foundation Bilderberg Meetings, in Netherlands, member of Steering Committee
- Foundation Swiss Digital Initiative, in Switzerland, member of the foundation board
- Greater Phoenix Economic Council (GPEC), in USA, member of the Executive Committeee
- Innosuisse, Swiss Innovation Agency, Chairman
- Publicis Groupe, in France, member of the Supervisory Board, Chairman of the Remuneration Committee, member of the Nomination Commitee and of the Audit Committee
- Swiss-American Chamber of Commerce, in Switzerland, Vice-Chairman
- Swiss Board Institute (Swiss foundation), member of the Strategic Advisory Board
- Aéroport International de Genève, in Switzerland, first Vice-Chairman (until November 30, 2018)

CLAUDE SMADJA

After fifteen years with Télévision Suisse Romande (TSR) as Deputy Editor of the Information Department, Claude Smadja joined the management of the World Economic Forum in 1987, a position that he held until 1992. He then returned to TSR as Director of Information until 1996, in which year he was appointed Managing Director of the World Economic Forum. In June 2001, Claude Smadja set up his own strategy consultancy Smadja & Smadja, a strategic advisory firm that collaborates on strategic issues with multinationals and government bodies and organizes international events.

Current mandate in the Kudelski Group:

- Nagravision Sàrl, in Switzerland, Board member

Main mandate outside the Kudelski Group:

- Smadja & Smadja Strategic Advisory SA, in Switzerland, Board member

Neither Mr. Smadja nor any organization he represents has any material business relationship with Kudelski SA or any of its subsidiaries.

PATRICK FOETISCH

Patrick Foetisch is an independent lawyer specializing in contracts and finance at an international level. He acts as legal counsel to Group companies as and when required, bringing to bear his in-depth knowledge of their activities to provide assistance and legal advice.

Current mandates in the Kudelski Group:

- Nagravision Sàrl, in Switzerland, Chairman
- Nagra France SAS, Chairman
- SKIDATA GmbH, in Austria, member of the Supervisory Board
- SmarDTV SAS, in France, Chairman
- NAGRA PLUS SA, in Switzerland, Board member (until December 20, 2021)

Main mandate outside the Kudelski Group:

- AMRP Handels, in Switzerland, Chairman

LAURENT DASSAULT

After a career spanning thirteen years in the banking sector, Laurent Dassault joined the Dassault Group in 1992 where he holds important positions. Today he assumes around thirty mandates, including those of the Dassault Group, mainly in the financial, industrial and wine-producing sectors.

Current mandate in the Kudelski Group:

– SKIDATA GmbH, in Austria, Chairman of the Supervisory Board

Current mandates in Groupe Industriel Marcel Dassault SAS (France)[1]:

– Arqana SAS, in France, advisor to the Directoire (Managing Board)
– Artcurial Développement Sàrl, in France, Co-manager (Co-gérant)
– DASSAULT BELGIQUE AVIATION S.A., in Belgium, Board member
– DASSAULT INVESTISSEMENTS Sàrl, in France, Managing Director
– Financière Louis Potel & Chabot SAS, in France, Censor
– Immobilière Dassault SA, in France, Chairman of the Supervisory Board
– Groupe Industriel Marcel Dassault SAS, in France, Supervisory Board member
– Les Amis de la fondation Serge Dassault, in France, Chairman
– Rond-Point Immobilier, in France, Supervisory Board member
– MIDWAY AIRCRAFT CORPORATION, in USA, Chairman
– SITAM America Corp., USA, Board member

Other important mandates outside the Kudelski Group:

– Vivendi SE (European Company, listed at Euronext Paris), in France, member of the Supervisory Board and member of the audit committee
– 21 Centrale Partners SA, in France, member of the Supervisory Board
– Catalyst Investments II L.P., in Israel, Chairman of the Advisory Board
– FLCP et Associés SASU, in France, member of the Supervisory Board
– LA MAISON SA, in Luxemburg, member of the Supervisory Board
– Laurent Dassault Rond Point (LDRP) SCI, in France, Associé gérant
– Laurent Dassault Rond Point II (LDRP II) SAS, in France, Chairman
– Lepercq, de Neuflize & Co. Inc., in United States, Board member
– L. REAL ESTATE SCA SICAR, in Luxemburg, Chairman of the Investors Committee
– WARWYCK Private Bank Ltd, in Mauritius, Board member
– Amis du FRAC (Fonds Régional d'Art Contemporain en Aquitaine), in France, Chairman
– Amis du Centre Pompidou Association, in France, Board member
– Association pour la Diffusion Internationale de l'Art Français (ADIAF), Board member
– Association pour la Mémoire des Enfants cachés et des Justes (AMECJ), Board member and Treasurer
– Comité des Champs-Elysées, association, in France, Board member
– Fonds pour Paris, association, in France, Board member
– Fondation Maeght, in France, Board member
– Société des Amis des musées d'Orsay et de l'Orangerie, in France, Vice President
– Cercle Abravanel, in France, Chairman

Neither Mr. Dassault nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

[1] *As per section 18 of the articles of association and as described below in section 3.3, mandates for legal entities under common control are deemed to constitute a single mandate.*

PIERRE LESCURE

Save for a two-year period (1972-1974) as a television news presenter for Antenne 2, Pierre-Lescure spent the first fifteen years of his professional career with the RTL, RMC and Europe 1 radio stations where he successively occupied a variety of positions, in particular Deputy Editor and Director of Programs. In 1981 he returned to television as News Director of Antenne 2. From 1984, he worked with André Rousselet on the launch project for the Pay-TV channel CANAL+ where he was appointed Director and then Chief Executive Officer. From 1993 to 2002, he was Chairman and Chief Executive Officer of the CANAL+ Group. From 2000 to 2002, Pierre Lescure was also co-Chief Executive Officer of Vivendi-Universal. Since 2002, he has been Chairman and Chief Executive Officer of AnnaRose Production SAS, a company active in audio-visual and cinematographic production as well as in communication consultancy services. From 2008 to 2014, he directed the Théâtre Marigny in Paris. Since July 1, 2014, Pierre Lescure has served as President of the Cannes Festival. Since September 2014, Pierre Lescure has been a regular TV columnist for the daily show "C à vous" which is broadcast on France 5, the French TV channel. Since January 2023, Pierre Lescure has presented the weekly cinema program "Beau geste" on the French television channel "France 2".

Current mandate in the Kudelski Group:

– Nagra France SAS, in France, CEO

Other important mandates outside the Kudelski Group:

– ANNAROSE PRODUCTIONS Sàrl, in France, Chairman and CEO
– Mediawan SAS, in France, Supervisory Board Member
– Mediawan Holding SAS, in France, Supervisory Board Member
– Association française du festival international du film (known as "Le Festival de Cannes"), in France, Chairman (until June 30, 2022)

Neither Mr. Lescure nor any organization he represents has any material business relationship with Kudelski SA or any of its subsidiaries.

MARGUERITE KUDELSKI

From 1991 to 1999, Marguerite Kudelski had her first professional experience with the electromechanical and electrical machinery laboratory of EPFL and worked in parallel as an R&D engineer within the Nagra Audio division of the Kudelski Group. In 1999, she became R&D manager with Précel SA in Neuchâtel (then a Kudelski Group company) before being appointed CEO and managing director of this company in 2000, a position she held until the end of 2002. After various marketing and financial analysis jobs for NagraID in 2003, she took responsibility for key projects for the Group within the finance department from 2004 to 2006. In 2007, Marguerite Kudelski became an independent consultant (business development and management) before taking over, in December 2011, the management of the historical activity of the Kudelski Group, audio, which was transferred to the company Audio Technology Switzerland SA. Within this company, she exercises the function of Chairman of the Board of Directors. Until the end of 2014, Marguerite Kudelski was also responsible for the R&D department. Since 2017, Marguerite Kudelski has been a member of the boards of directors of Wire Art Switzerland SA and of Bovay & Partenaires SA, of which she is the president in 2020. She is also a member of the committee of experts for Switzerland Innovation and joined, in 2022, that of of the Mobsya association. Since 2017, Marguerite Kudelski has been a member of the boards of directors of Wire Art Switzerland SA and Bovay & Partenaires SA, of which she became the president of the latter in 2020. She is also a member of the committee of experts for Switzerland Innovation (2017) and treasurer of the committee of the Mobsya association (2021).

Main mandates outside the Kudelski Group:

- AudioTechnology Switzerland SA, in Switzerland, Chairman
- Bovay & Partenaires SA, in Switzerland, Chairman
- Wire Art Switzerland SA, in Switzerland, Board member
- Switzerland Innovation, Foundation, in Switzerland, member of the Expert Committee
- Association Mobsya, in Switzerland, Board member

Apart from the mandates and functions mentioned above, neither Mrs. Kudelski nor any organization she represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

ALEC ROSS

Alec Ross began his professional career in 1994 as a teacher with the Teach for America program in underprivileged neighborhoods of Baltimore. He joined Enterprise Community Partners (formerly Enterprise Foundation) two years later, a non-profit organization based in Columbia, Maryland, which develops affordable housing throughout the USA, where he held the position of Special Assistant to the Chairman. In 2000, Alec Ross co-founded the One Economy Corporation, a non-profit organization that organizes programs to help low-income people worldwide, for which he worked for eight years. In parallel, he joined the presidential campaign of President Barack Obama in 2007 as the Coordinator of the Technology, Media & Telecommunications Policy Committee and then as Project Manager and member of the Technology, Innovation and Government Reform Policy Group. From April 2009 to March 2013, Alec Ross was Senior Advisor for innovation to US Secretary of State Hillary Clinton. Since then, he has been Senior Fellow at the School of International and Public Affairs of Columbia University and a Distinguished Senior Fellow at John Hopkins University, and he is the author of the New York Times bestseller “The Industries of the Future” (Simon & Schuster) published in February 2016. He also advises investors, enterprises and government officials, helping them to understand the influence of factors located at the crossroads of geopolitics, markets and disruptive technologies. He is a Board Partner at Amplo, a global venture capital fund and since September 2020, Alec Ross is a Distinguished Visiting Professor at Bologna Business School of l’Universitá di Bologna, in Italy. He is most recently the author of the book “The Raging 2020s” (Henry Holt) published in September 2021.

Main mandates outside the Kudelski Group:

- Amplo, in USA, Board partner
- Jobbatical Inc., in Estonia, Supervisory Board member
- Pelliconi, in Italy, Supervisory Board Member
- Telerivet Inc., in USA, Board member
- Il Sole 24 Ore, In Italy, Supervisory Board member
- Baltimore Community Foundation, in USA, Board of Directors
- Bologna Business School Foundation, in Italy, Board of Directors
- Truman Center for National Policy, in USA, Board of Advisors

Mr. Ross has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

MICHAEL HENGARTNER

Michael Hengartner obtained a Ph.D. in Biology in 1994 from the Massachusetts Institute of Technology (MIT) in USA, where he studied with Nobel laureate H. Robert Horvitz. Following his Ph.D. and for seven years he led a research group at the Cold Spring Harbor Laboratory in the USA. In 2001, he became the first occupant of the Ernst Hadorn Endowed Chair for molecular biology at the Institute of Molecular Life Sciences at the University of Zurich (UZH). From 2009 to 2014, he was dean of the Faculty of Science, and from 2014 to 2020 president of UZH. From 2016 to 2020, he also served as president of Swiss universities, the Rectors' Conference of Swiss Higher Education Institutions. From 2020, Mr. Hengartner has served as President of the ETH Board (Swiss Federal Institutes of Technology) and Chairman of the Executive Committee of the ETH Domain. Mr. Hengartner holds an Executive MBA from IMD, Lausanne obtained in 2008 and is the recipient of several awards for his research on the molecular basis of apoptosis, among them the Swiss National Latsis Prize, Josef Steiner Cancer Research Award, and an honorary doctorate from the Sorbonne University. In 2010, Mr. Hengartner received the Credit Suisse Award for Best Teaching at UZH. He founded and/or was a member of the board of directors of a number of start-up companies, including the biotech company Devgen NV, in Belgium (co-founded in 1997) and the scientific consultancy company EvalueSCIENCE SA, in Switzerland (co-founded in 2008).

Main mandates outside the Kudelski Group:

- Novalis Biotech Incubation Fund, in Belgium, Scientific Advisor and Advisory Board member
- Aseptuva AG, in Switzerland, Advisory Board Member.
- Swiss National Science Foundation, in Switzerland, member of the Foundation Board
- Switzerland Innovation, Foundation, in Switzerland, member of the Foundation Board
- Cogito Foundation, in Switzerland, member of the Foundation Board
- World.Minds Foundation, in Switzerland, member of the Foundation Board
- Swiss Study Foundation (Schweizerische Studienstiftung), in Switzerland, Chair of the Education Board and Vice-president of the Foundation Board
- digitalswitzerland, association, in Switzerland, member of the Steering Board
- IMD- International Institute for Management Development, Lausanne, in Switzerland, member of the Foundation Board
- Europa Institut at the University of Zurich, association, in Switzerland, member of the Board
- Avenir Suisse, foundation, in Switzerland, member of the board of trustees
- GESDA (Geneva Science Diplomacy Anticipator), foundation, in Switzerland, member of the foundation board
- Ludwig-Maximilians-Universität München, in Germany, Member of the University Council
- University of Heidelberg, in Germany, member of the Academic Advisory Council
- Stiftschule Einsiedeln, in Switzerland, member of the Advisory Board
- Swiss Institute of International Studies, association, in Switzerland, member of the Board of Trustees
- Verein Forschung für Leben, in Switzerland, honorary member
- International Cell Death Society, in USA, member of the Advisory Board
- Quartierverein Oberstrass, in Switzerland, member of the Steering Committee
- Swiss Science Center Technorama, in Switzerland, member of the Foundation Board

Mr. Hengartner has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

3.2. Other activities and vested interests
Please refer to the individual profiles of Board members under section 3.1 above.

3.3. Articles of association provisions on the number of permitted activities
In compliance with section 18 of the articles of association, members of the Board of Directors may exercise no more than five mandates in senior management or administrative bodies of third-party legal entities whose shares are listed on a stock exchange and no more than ten mandates in other third-party legal entities. They may also exercise up to ten mandates in senior management or administrative bodies of non-profit or charitable third-party legal entities.

A company is not considered a third-party legal entity according to this provision, and is therefore not taken into account when calculating the maximum number of mandates mentioned above, if:

1. it controls another company directly, indirectly or jointly with third parties for which a mandate is being carried out, or is controlled by such company; or
2. it does not have to be entered in the Commercial Register or in a corresponding foreign register (e.g. corporations and public entities, non-profit associations, religious foundations or family foundations); or
3. the mandate is carried out at the company's request.

Mandates carried out for legal entities directly or indirectly controlled by a single individual or legal entity, or by a single group of individuals or legal entities acting in concert, or at the request of one of these individuals or legal entities, are deemed to constitute a single mandate for the purposes of this provision.

Members of the Board of Directors must notify the Chairman of positions they hold at third-party legal entities.

3.4. Election and terms of office
The Board of Directors is composed of one to ten members. Board members are individually elected at the Annual General Meeting for a period of one year. The term of office ends on the day of the next Annual General Meeting. All members may be reelected. The year of the first election as well as the end of term of office for each member are mentioned under section 3.1 above.

The articles of association of Kudelski SA do not contain any special provisions regarding the election of the Chairman.

3.5. Internal organization structure

The Board of Directors performs inalienable and nontransferable duties prescribed by the law (see section 3.6 below) with the support of its three committees: Audit, Strategy, and Nomination and Compensation. The internal organization of the Board of Directors is defined in the articles of association and in the bylaws. The bylaws are available on request to the Corporate Secretary of the Kudelski Group by calling +41 21 732 07 31 or by post at the following address: Route de Genève 22-24, 1033 Cheseaux-sur-Lausanne.

3.5.1. Allocation of tasks within the Board of Directors

Except for the Chairman who is elected at the Annual General Meeting, the Board of Directors establishes itself by appointing its Vice Chairman. The Board of Directors may delegate the management of the company to one of its members who shall act as Chief Executive Officer of the company. If the Chairman is elected to exercise the function of Chief Executive Officer, the Board of Directors shall also elect a "Lead Director" from among its members. The management of the company is delegated in full to the Chief Executive Officer or to the Executive Board. A Corporate Secretary may be appointed from outside of the Board of Directors.

The Chairman of the Board of Directors leads the discussions of the Annual General Meeting, ensures that the minutes are taken, is in charge of the protocol and directs meetings of the Board, informs the Board members of the business development and the company's financial results, represents the company with administrative and/or judicial authorities, subject to mandates granted by the Board of Directors to a third party, an officer or one of its members.

The Vice Chairman may call meetings of the Board of Directors. He or she shall chair Board meetings and the Annual General Meeting if the Chairman is absent.

According to Article 25 of Kudelski SA's articles of association, the Board of Directors may delegate the management of the company to the Chief Executive Officer, unless otherwise stipulated by the law. In his or her management, the Chief Executive Officer acts according to the directives issued by the Board of Directors and in the interests of the company. He or she also provides before each meeting of the Board of Directors a report outlining key aspects of the current business situation.

In the Group's current structure, Mr. André Kudelski holds the positions of Chairman of the Board of Directors and Chief Executive Officer. This situation guarantees a rapid and fluid information and decision-making process, enabling the company to respond operationally and strategically at the pace required by developments in the sectors of activity pursued by the Group. As the functions of Chairman and Chief Executive Officer are held by the same person, the Board of Directors has appointed Mr. Claude Smadja as Lead Director.

The Lead Director ensures the independence of the Board of Directors vis-à-vis the Chairman and Chief Executive Officer as well as the management of the company; he or she also chairs the Board of Directors' meetings if a conflict arises between the interests of the Chairman and Chief Executive Officer and those of the company. The Lead Director may independently call and lead a meeting of the independent members of the Board of Directors if the interest of the company requires an independent deliberation. He or she ensures a process for evaluating the performance of the Chairman of the Board of Directors and the Chief Executive Officer.

3.5.2. Members list, tasks and area of responsibility for each committee of the Board of Directors

With the exception of the Nomination and Compensation Committee, whose members are elected individually at the Annual General Meeting, the Committees are constituted by the Board of Directors which appoints their members and chairpersons. The Board Committees meet as often as is necessary. The Board of Directors delegates to its committees supervisory and preparatory tasks within their sphere of competence, subject to the provisions of the articles of association. The Committees report on a regular basis to the Board of Directors. Committee reports are used as a decision-making tool by the Board of Directors.

Audit Committee

The Audit Committee is composed of at least three non-executive members of the Board of Directors. At least one of the Committee members must have proven accounting experience. All members have knowledge or practical experience in the field of financial management.

The Audit Committee meets at least three times a year. The Audit Committee may at any time request detailed risk analyses of the Group's various sectors of activity or in any specific area of its choice.

The Committee calls on experts outside the Board of Directors where this is deemed necessary for the successful completion of its tasks.

President (black) / *Member* (grey)

	AUDIT COMMITTEE	STRATEGY COMMITTEE	NOMINATION AND COMPENSATION COMMITTEE
André Kudelski		Member	
Claude Smadja	President	Member	Member
Laurent Dassault		Member	
Patrick Foetisch			President
Marguerite Kudelski	Member		
Pierre Lescure		President	Member
Alec Ross	Member	Member	Member
Michael Hengartner		Member	

The Audit Committee supervises the company's internal financial reporting process and ensures its integrity, transparency and quality. It ensures the relevance and consistency of the company's accounting methods. It reviews reports of the company's internal audit department and makes appropriate recommendations to the Board of Directors.

It assesses the quality of work of external auditors. The Audit Committee reviews the auditing fees, ensures execution of the yearly audit plan and assesses the efficiency of the auditors in identifying and solving issues related to the Group or to the financial statements. The Audit Committee provides appropriate recommendations to the Board of Directors concerning renewal of the engagement of external auditors or, where necessary, their replacement. The Committee ensures that the recommendations of external auditors are monitored and ensures their independence.

The Committee provides regular reports offering its recommendations to the Board of Directors with regards to the adequacy, effectiveness and accuracy of accounting procedures.

<u>Strategy Committee</u>

The Strategy Committee is composed of at least four members of the Board of Directors, including the Chairman and Vice Chairman. It meets at least twice a year.

The purpose of the Strategy Committee is to review and define Group strategy. It develops strategic options with a view to ensuring the long-term enhancement of the Group's competitive position and its shareholder value. To this end, the Strategy Committee examines market trends and the Group's competitive position, considers and proposes future growth initiatives, especially through investments, divestments and reorganization.

To define strategic choices, the Strategy Committee relies upon information supplied by the management, the members of the Board of Directors and, if deemed necessary, by external advisors.

The Strategy Committee periodically reviews the appropriateness of the Group's objectives, structure and organization designed to achieve the strategic objectives. The Strategy Committee makes proposals to the Board of Directors, which has ultimate decision-making power on strategy. It reviews also research and development projects and evaluates the competitiveness, value and coherence of such projects in relation to the strategic objectives.

<u>Nomination and Compensation Committee</u>

The Nomination and Compensation Committee is composed of at least three non-executive members of the Board of Directors, who are elected individually at the Annual General Meeting upon recommendation of the Board of Directors. It meets at least twice a year.

The Nomination and Compensation Committee assists the Board of Directors in setting up and periodically reviewing the company's compensation policy and strategy, its guidelines and its performance criteria. The Committee is responsible for setting the compensation for each member of the Board of Directors and the Executive Board. The exception to this principle is the compensation of the members of the Nomination and Compensation Committee, which is fixed by the Board of Directors itself.

The Nomination and Compensation Committee also assists the Board of Directors in making proposals at the Annual General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board (refer to section 5: Compensation, shareholdings and loans). The Committee presents proposed director nominations to the Board of Directors, which submits them to the Annual General Meeting. At the request of the Chief Executive Officer, the Committee reviews applicants for Executive Board positions or promotions and may interview candidates if desired.

3.5.3. Working methods of the Board of Directors and its Committees

The cooperation and allocation of competencies between the Board of Directors and its Committees are described in section 3.5.2.

The Board of Directors meets at least four times a year, but as often as is required for the proper conduct of business. In 2022, the Board of Directors and its Committees met as follows:

Board of Directors	8 times
Strategy Committee	4 times
Audit Committee	3 times
Compensation and Nomination Committee	3 times

The participation of members of the Executive Board to the discussion and decisions of the Board of Directors are described in section 3.7 below. Average attendance at Board meetings was 97%. Meetings of the Board of Directors lasted on average four hours. Most Committee meetings lasted on average three hours. Both the external auditors of the company from PricewaterhouseCoopers SA and the company's internal auditor attended the portions of the Audit Committee meetings that were relevant to them.

3.6. Definition of areas of responsibility

Please see also section 3.5.1 for details of the internal organization of the Board of Directors and the position of Chief Executive Officer.

Board of Directors

The Board of Directors:

- is responsible for the overall management of the company and issues all necessary directives;
- determines the organization of the company;
- determines the organization of the accounting, financial control and financial planning systems as required for management of the company;
- appoints and dismisses persons entrusted with managing and representing the company;
- exercises overall supervision of the persons entrusted with managing the company, in particular with respect to compliance with the law, articles of association, regulations and directions given;
- prepares the Compensation report;
- compiles the annual report, prepares the Annual General Meeting and implements its resolutions; and notifies the court in the event that the company is overindebted.

Executive Board

The Board of Directors has delegated full management of the company to the Chief Executive Officer, subject to legal requirements and the above-mentioned internal organizational structure. The Chief Executive Officer therefore coordinates the operations of the Group companies.

3.7. Information and control instruments vis-à-vis the Executive Board

Because of the nature of the industry, mechanisms for controlling Group management and information feedback systems are very important. The Kudelski Group has therefore put in place information and control instruments, at different levels, which it improves on a continuous basis. These instruments concern strategy, operations, finance, legal, intellectual property, human resources and information management.

Supervision

- The Chief Executive Officer submits a report to the Board members prior to each meeting highlighting key aspects of the current business situation (e.g. key contracts, sales trends, market trends and human resources matters) for each Group entity and activity.

- Board members receive weekly or quarterly press digests concerning the Group, depending on the amount of relevant news flow; they may also receive other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the CEO deems it necessary.

- At least once a year, members of the Executive Board are invited to present their activities to the members of the Board of Directors. Members of the Board of Directors may also ask questions directly to company executives as and when they see fit.

- At each Board meeting, if justified by the business situation and depending on the agenda, members of the Executive Board, top managers of the companies of the Group or in charge of specific areas, as well as outside experts, are invited to present specific subjects to the Board of Directors.

Operations and strategy

- Executive Board members coordinate their actions and take decisions related to the management of the Group during "Executive Board Committee" meetings, the frequency and duration of which are tailored to the needs of the Group. Other senior members of management are invited to attend such meetings as may be necessary to provide input on topics discussed. This committee generally met once every two weeks for an average of three hours in 2022.

- Management of the Digital TV, Cybersecurity and IoT divisions is supported by an "Executive Board Group Operations" committee composed of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Marketing Officer (CMO), the Chief Operating Officer (COO), as well as senior members of each division. This committee meets in principle twice a month for 2.5 hours and reviews in particular selected relevant topics for each division. In addition, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the General Counsel, Head of Legal Affairs and Corporate Secretary, the Senior Vice President, Head of Human Resources and the Senior Vice President, Chief Information Officer meet once a month for at least one hour as part of the "Executive Board Group Functions" committee to discuss selected relevant topics relating to these functions. Other senior members of management are invited to attend such meetings as may be necessary to provide input on topics discussed. Finally, synchronization between the Executive Board and the "Executive Board Group Operations" and the "Executive Board Group Functions" committees is achieved within the "Executive Board Group Management" committee which meets every month for at least one hour.

- Management of the Public Access division is supported by a Supervisory Board, which includes one or more members of the Board of Kudelski SA, the Chairman and CEO of the Kudelski Group and the CFO of the Kudelski Group. Currently, Mr. Laurent Dassault is Chairman of the Supervisory Board. The Supervisory Board supervises the whole division. The Supervisory Board meets at least four times a year for an average of 3.5 hours and reviews the specific and pertinent topics for the Public Access division. Senior Managers of the Public Access division establish regular reports for the Supervisory Board and, depending on the topics, are invited to take part in Board meetings.

- Strategy of the Group is discussed among the members of the Executive Board and the senior members of management of the Group, including senior managers from the business units and corporate support functions, who meet on a quarterly basis to review key trends, product and market developments and other relevant matters relating to the strategy of the Group and its business lines.

- For certain specialized activities of the Group, ad hoc committees composed of a cross-disciplinary team of internal experts may be created to evaluate market, strategic, operational, legal and financial risks and opportunities. These ad hoc committees manage processes relating to the evaluation of such risks and opportunities, propose actions and monitor implementation of their decisions. There are several committees such as the security committee, privacy committee, intellectual property and innovation committee. Decisions, activities, information and comments arising from these committees are conveyed to the Executive Board members and other top managers of the Group as appropriate.

Finance

- The Controlling group conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the various activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This group makes available a platform of analytical data and analysis tools to the Executive Board and departments within the company.

- Every month, the Controlling group prepares a number of reports that are made available to the management. Those reports are then adapted and made available to each regional head and business unit with the corresponding analytical metrics. The reports include: a report providing an overview of the Group's profit and loss broken down by activity and showing profit trends and budget over-runs/shortfalls, with adaptations based on quarterly revisions of the annual forecast by entity, as well as their operational indicators; a sales report including region, client and sales type-specific analysis as well as their respective margins; a report on the operational cost trends broken down by cost center, and a monthly and quarterly report on the cash-flow situation and projections for the Group and for each segment for the current year and the coming year.

- In addition, the Group has an internal control system based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) reference system. This system aims at providing "reasonable assurance" as regards the performance and efficiency of operations, the reliability of financial information and reporting, and compliance with laws and regulations in force. A team is in charge of internal controls. The various processes are periodically reviewed and analyzed by the external auditors (PricewaterhouseCoopers SA).

Legal

- The Legal department provides advice and consultation as part of the Group's decision-making processes and as part of the activities of all Group departments in order to better mitigate and manage legal risks as well as to ensure appropriate levels of compliance with the Group's policies.

- The Legal department is involved with the negotiation and approval of contracts entered into by Group companies and maintains contract management and electronic archiving tools to ensure efficient tracking of contracts.

- The Legal department is responsible for overseeing litigation, government investigations and other regulatory matters for Group companies and supports the company's privacy committee, which is responsible for ensuring compliance with the various data privacy laws and regulations in the countries in which the company operates.

- The Legal department includes the intellectual property team that is responsible for protecting, developing and managing the Group's intellectual property portfolio. In addition, the Legal department works in close collaboration with the Business Development and Innovation department to monetize the Group's intellectual property portfolio.

Business Development and Innovation

- The Business Development and Innovation department, in close collaboration with the intellectual property team of the Legal department, works to monetize the Group's intellectual property portfolio.

- The Business Development and Innovation department identifies and spearheads multiple business development initiatives to expand beyond the Group's current product and services portfolio. The department also manages the launch of these new products and services, such as Sporfie and Insight, into new markets.

- The Business Development and Innovation department manages a company-wide innovation process and maintains a positive innovation momentum in the organization to further boost motivation and institutionalize the innovation process.

- The Business Development and Innovation department is responsible for managing strategic transactions involving the companies of the Group, including mergers and acquisitions (M&A), joint ventures, equity investments and divestments as well as key partnerships in support of the Group's business strategy.

Human Resources

- The Human Resources department is responsible for recruiting and hiring the talent necessary for the Group to achieve its business objectives, developing and promoting high-performing employees and ensuring succession planning. The department manages training programs and supports other educational opportunities for employees that are tailored to the needs of the Group.

- The Human Resources department oversees the processes designed to assist managers with the evaluation of employee performance against objectives of the Group and individual employee objectives. In addition, the department has implemented an employee engagement survey platform that provides management with regular employee feedback concerning relevant topics.

- In respect of the Group's values, the Human Resources department advises employees and managers from all Group departments on a daily basis in employment-related matters.

Information Management

- The Corporate IT department has developed and implemented a series of policies and procedures concerning IT security (for the use of computer systems, data protection, monitoring, systems management back-up, etc.) to set appropriate risk limits and to provide a reliable Information System environment.

- The Corporate IT department regularly reviews the infrastructure of its systems to ensure their evolution in accordance with the new standards and rules that apply to them.

- The information systems infrastructure is monitored 24/7 by the teams of the Cyber Fusion Center of Kudelski Security.

Main identified risks and treatment

- The main identified risks are listed below. The various information and control instruments of the Board of Directors with respect to the Executive Board described above in section 3.7 are used and allow monitoring of each risk appropriately and according to its criticality for the Group. The communications of the Chairman and Chief Executive Officer to the Board of Directors ensure regular and appropriate information flow and the activities of the committees of the Board of Directors guarantee appropriate supervision by the members of the Board of Directors of the decisions of the Executive Board.

- The business segments in which the Kudelski Group's Digital TV division operate are evolving rapidly and constantly require the Kudelski Group to offer products and services that are flexible enough to respond quickly to the commercial and technological changes of the digital media industry. Management assumes that segment's revenue decline will taper off, as emerging product lines (e.g., AI/analytics platform, anti-piracy activities) will gain traction. However, there is no assurance that such new products will be successful in the market.

- The Public Access business demonstrates significant seasonality, including for example within its mountain segment, with the highest revenues typically generated in the last two months of the year. Many of the factors that impact the timing of the segment's revenue generation are outside the control of the Group, including factors such as the impacts of the pandemic, weather conditions, changes to project scope and customer budget decisions. To the extent these factors impact the timing of customer orders and projects, particularly in the last quarter of the year, the results of operations of the Public Access business for the year can be materially impacted.

- The two newest divisions (Cybersecurity and Internet of Things) are still in varying degrees of development and as such both fields of activities generate substantial losses. The Group has identified attractive opportunities in these markets. However, while the Group believes it has unique assets to profitably address these fields of activities, it will take an extended period of time for these activities to reach break-even. Given the nature and degree of maturity of these activities, there is no assurance that the relevant strategies will be successful.

- The markets in which the Group operates and the customers to whom the Group sells its products and services are subject to significant regulation by governmental agencies around the world, particularly in the areas of data privacy, consumer protection, media content distribution and cybersecurity. Significant changes to or uncertainty regarding government regulations may affect our business, our product development decisions and the willingness of market participants to adopt our products and services. In addition, political instability and war affecting the markets in which the Group operates may disrupt the Group's business operations, supply chain and customer demand.

- The Group provides its products and services in many countries with different currencies, but payments are made mainly in US dollars and Euros. The Group's suppliers are paid in different currencies. Fluctuations in foreign exchange rates may affect the Group's results of operations and financial position.

- Kudelski Group's results could be impacted if the security provided by its products is compromised and if the Group fails to put in place adequate countermeasures.

- The operating results and growth of the Kudelski Group could decrease if the customer base of the Group's customers does not continue to increase.

- As of December 31, 2022, the Group has outstanding short-term financial debt of USD 76.9 million, and long-term financial debt of USD 182.2 million including an outstanding CHF 145.9 million bond maturing in 2024. The Group may not generate enough cash to repay such debt and may not be able to raise sufficient funds to refinance such debt.

- The Group's success depends on its ability to attract and retain qualified personnel. Competition for hiring and retaining highly qualified personnel is high.

- A leak of confidential, proprietary or personal information held by the Group could adversely affect the Group's activities.

4. Executive Board
4.1. Executive Board members

	DATE OF BIRTH	NATIONALITY	POSITION	EDUCATION
ANDRÉ KUDELSKI	1960	Swiss	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO) OF THE GROUP**	**Degree in Physical Engineering** École polytechnique fédérale de Lausanne (EPFL), Switzerland
MAURO SALADINI Executive Vice President of the Group	1966	Swiss	**CHIEF FINANCIAL OFFICER (CFO)**	**Degree in Electrical Engineering** Swiss Federal Institute of Technology, Zurich (ETH Zurich), Switzerland **MBA,** INSEAD, France
MORTEN SOLBAKKEN Executive Vice President of the Group	1970	Norwegian	**CHIEF OPERATING OFFICER (COO), DIGITAL TV**	**Master of Science** Norwegian University of Science and Technology (NTNU)
NANCY GOLDBERG Executive Vice President of the Group	1964	American	**CHIEF MARKETING OFFICER (CMO), DIGITAL TV**	**High School Diploma** Glendora, CA, USA

ANDRÉ KUDELSKI (CEO)

Please refer to section 3.1 above

MAURO SALADINI (CFO)

Mauro Saladini started his professional career in 1990 as a financial services consultant with Accenture. In 1995, he joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash-flow and risk management activities. In 1997, he joined McKinsey & Co, where he became a partner in 2001. He worked in particular on corporate finance and strategy projects relating to various industries, mainly media and telecommunications. In addition, Mauro Saladini was in charge of the Swiss Media Practice and was joint-head of the European Media Practice. He has been the Chief Financial Officer and Executive Vice President of the Kudelski Group since February 1, 2003.

Current mandates in the Kudelski Group:

- Nagravision in Norway, Board member and General Manager
- Kudelski Corporate, Inc., in USA, Board member and CFO
- Kudelski Norway AS, Board of Directors, Chairman and General Manager
- Kudelski Security Inc., in USA, Board member and Executive Vice-President
- Kudelski Security Holdings Inc., in USA, Board member and Executive Vice-President
- Nagra Media Beijing Ltd., in China, Supervisor
- Nagra Media Germany GmbH, in Germany, Managing Director
- Nagra Media UK Limited, in United Kingdom, Director
- Nagra USA, LLC., in USA, Executive Vice-President
- OpenTV, Inc., in USA, Board member and Executive Vice-President
- SKIDATA GmbH, in Austria, Vice-Chairman of the Supervisory Board
- SKIDATA, INC, in USA, Director
- Nagra IP, Inc., in USA, Board member (until March 28, 2019)
- Kudelski Corporate Holding, Inc., in USA, Board member (until February 19, 2019)
- iWedia SA, in Switzerland, Chairman of the Board (until July 18, 2019)

MORTEN SOLBAKKEN (COO)

Morten Solbakken started his professional career in 1995 as a satellite system engineer in Telenor International. From there on, he held numerous positions in the Telenor structure dealing in particular with strategy and business development around the pay TV assets as well as the management of Telenor's ownership in international satellite organizations. From 2007 to 2011, he was Chief Strategy Officer in Telenor Broadcast Holding AS (owner of Canal Digital, Telenor Satellite, Norkring and Conax). In March 2011, Mr. Solbakken was appointed COO at Telenor Broadcast Holding, and Chairman of the Boards of Conax, Telenor Satellite and Norkring. Morten Solbakken joined Conax as acting CEO in September 2011 and was made CEO from December 2011 – driving a transformation of the company including the process which led to the acquisition of Conax by the Kudelski Group in April 2014. He became COO, Digital TV and Executive Vice President of the Kudelski Group on January 1, 2018

Current mandates in the Kudelski Group:

- iWedia S.A., in Switzerland, Chairman of the Board
- Kudelski Corporate, Inc., in USA, member of the Board of Directors and Executive Vice-President
- Nagravision AS, in Norway, Chairman of the Board
- Nagravision Sàrl, in Switzerland, Executive Vice President, Chief Operating Officer
- Nagravision Italia Srl, in Italia, Chairman of the Board
- NexGuard Labs B.V., in Netherlands, Director
- NexGuard Labs Netherlands B.V., in Netherlands, Director
- SmarDTV SA, in Switzerland, member of the Board of Directors
- Nagravision Iberica SLU, in Spain, Board member
- NexGuard Labs France S.A.S., in France, Director (until December 13, 2018)
- Open TV, Inc., in USA, member of the Board of Directors (until July 31, 2019)
- Digital Video Norge Holding AS, in Norway, Chairman of the Board (until August 20, 2020)
- Digital Video Health AS, in Norway, Chairman of the Board (until September 23, 2020)
- Techno Venture AS, in Norway, Chairman of the Board and Managing Director (until July 30, 2020)
- Kudelski Norway AS, in Norway, executive Board member and Managing Director (until August 31, 2020)
- Digital Video Norge Drift AS, in Norway, Chairman of the Board (until February 16. 2023)

Other mandates:

- Telenor Satellite AS, in Norway, member of the Board of Directors

NANCY GOLDBERG (CMO)

Nancy Goldberg started her professional career in 1982 as an independent athlete (Rock Climber and Snowboarder) and pursued this competitive life until 1992. Nancy Goldberg then started a new and challenging career path in the media & entertainment industry ("M&E industry"). For 6 years she worked in different companies, starting as a line producer and an investment analyst. In 1999, Nancy Goldberg joined Technicolor Inc. as a financial analyst for the Home Entertainment division. During her 5-year tenure, she became VP Operational Finance, Creative Services and negotiated strategic acquisitions and partnerships in the US and Europe for the post-production market within the M&E industry. From 2004 to 2008, Nancy Goldberg was with Ascent Media Group LLC where, in her final role as VP, Corporate Development, she had global responsibilities that included integrated digital service offerings, negotiating strategic partnerships and developing market opportunities with the major film studios, production companies and sports franchises. After 18 months as a VP Strategic Business Development for RealNetworks, Inc., Nancy Goldberg worked for Technicolor, Inc. from 2010 to 2015 as SVP Global Strategic Accounts where she was responsible for all sales and marketing activities for her major studio customers and developed business models enabling new technologies and services for content protection, distribution and consumption activities. In 2015, Nancy Goldberg joined Deluxe Entertainment Service Group Inc. as SVP Head of Global Strategic Accounts where she served as primary account manager for Warner Bros and 21st Century Fox, as well as OTT providers such as Netflix, Amazon, Apple and Google. Additionally, Nancy Goldberg had oversight for the transition of a portion of Warner Bros technical in-house operations to Deluxe. In 2017, Nancy Goldberg decided to become a Strategic Business Consultant for various companies developing key business and partnership opportunities, helping to identify the intrinsic value of technologies, products and services for their customers. In December 2018, Nancy Goldberg joined Amazon Web Services as a consultant within their Professional Services Group, acting as a M&E industry expert and working with the major studios and OTT organizations such as Warner Bros, Disney and Hulu. In June 2019, Nancy Goldberg joined the Kudelski Group as Chief Marketing Officer, in charge of the sales and marketing of the Kudelski Group's Digital TV division and as Executive Vice President and member of the Executive Board of Kudelski SA.

Current mandates in the Kudelski Group:

- Kudelski Security, Inc, in USA, Board member
- Kudelski Security Holdings, Inc., in USA, Board member and Executive Vice President
- Kudelski Corporate, Inc., in USA, Board member and Executive Vice President
- Nagravision India Private Limited, in India, Board member
- Nagra USA LLC., in USA, Executive Vice-President
- OpenTV, Inc., in USA, Board member and Executive Vice President
- Nagravision Asia Pte. Ltd. in Singapore, Director
- NexGuard Labs USA, Inc., in USA, Board member (until June 24, 2020)

4.2. Other activities and vested interests

Please refer to the individual profiles of members of the Executive Board under section 4.1 above.

4.3. Articles of association on the number of permitted activities

In accordance with section 25 of the articles of association, members of the Executive Board may exercise no more than two mandates in senior management or administrative bodies of third-party legal entities whose shares are listed on a stock exchange and no more than five mandates in other third-party legal entities. They may also exercise up to ten mandates in senior management or administrative bodies of non-profit or charitable third party legal entities.

A company is not considered a third-party legal entity according to this provision, and is therefore not taken into account when calculating the maximum number of mandates mentioned above, if:

1. it controls the company directly, indirectly or jointly with third parties, or is controlled by it; or

2. it does not have to be listed in the Commercial Register or in a corresponding foreign register (e.g. corporations and public entities, non-profit associations, religious foundations or family foundations); or

3. the mandate is carried out at the company's request.

Mandates carried out for legal entities directly or indirectly controlled by a single individual or legal entity, or by a single group of individuals or legal entities acting in concert, or at the request of one of these individuals or legal entities, are deemed to constitute a single mandate for the purposes of this provision.

For members of the Executive Board who are also members of the Board of Directors, the maximum number of mandates in the senior management or administrative bodies of third-party legal entities is governed exclusively by Article 18 paragraphs 7 to 10 and as mentioned above in section 3.3 of this report.

4.4. Management contracts

As of December 31, 2022, Kudelski SA and its subsidiaries had not entered into any management contract with companies outside the Group.

5. Compensation, shareholdings and loans

For details relating to the compensation, shareholdings and loans to members of the Board of Directors and Executive Board of Kudelski SA, please refer to the 2022 compensation report.

6. Shareholders' participation rights

6.1.Voting rights restrictions and representation

6.1.1. In accordance with the articles of association of Kudelski SA, there are no restrictions on voting rights and no statutory Group clauses or rules on granting exceptions.

6.1.2. There are currently no statutory provisions on granting instructions to an independent representative or on any form of participation in the General Meeting by electronic means.

6.2. Quorum required by the articles of association

The articles of association of Kudelski SA do not impose any majority higher than contemplated by law for resolutions of the General Meeting of Shareholders.

The General Meeting is validly constituted regardless of the number of shareholders present and/or the number of shares represented.

6.3. Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders must be called at least 20 days before the date of the meeting. The notice of the General Meeting is published in the Swiss Official Gazette of Commerce.

6.4. Inclusion of items on the agenda

Items on the agenda are mentioned in the notice. According to article 699b of the Swiss Code of Obligations, shareholders may request the inclusion of an item on the agenda if they together hold at least 0.5% of Kudelski SA's share capital or voting rights. The calling and the inclusion of an item on the agenda must be requested in writing listing the items and motions. The articles of association of Kudelski S.A. do not contain any provision going beyond the legal regime on this point.

6.5. Entries in the share register

Kudelski SA shares that can be traded on the SIX Swiss Exchange are bearer shares; consequently, there is no register of shareholders for this category of shares.

7. Changes of control and defense measures

7.1. Duty to make an offer

Kudelski SA has no provision in its articles of association on "opting-out" within the meaning of Article 125 para. 3 or 4 of the Federal Act on Financial Market Infrastructure (FMIA) or "opting-up" within the meaning of Article 135 para. 1 LIMF. This means that if a shareholder reaches the limit laid down by the Swiss Financial Market Infrastructure Act (art. 135 LIMF: 33 1/3% of the voting rights), he will be required by the same law to submit a takeover bid on all bearer shares of the company that it does not yet hold, at the minimum price defined in Article 135 para. 2 LIMF.

7.2. Clauses on changes of control

To the knowledge of the Group, no such agreement exists.

8. Auditors

8.1. Duration of the mandate and term of office of the lead auditor

The auditors of Kudelski SA are PricewaterhouseCoopers SA (Lausanne). Some companies affiliated with the Group are audited by other auditors. The auditors were reappointed at the Annual General Meeting of Shareholders of Kudelski SA of April 21, 2022 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mr. Luc Schulthess since January 1, 2017. The auditor in charge is replaced at the latest seven years after the year in which he/she first occupied this position, as specified in Article 730a paragraph 2 of the Swiss Code of Obligations.

8.2. Auditing fees

The Kudelski Group paid PricewaterhouseCoopers the sum of CHF 974 000 for auditing services for the year 2022. Auditing services are understood to mean the work required each year to examine the consolidated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country.

8.3. Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2022 the sum of CHF 642 000 representing CHF 551 000 for tax advisory services and CHF 91 000 for other additional services. Additional services mean in particular services such as the occasional accounting review of transactions and other services such as review of new or modified accounting methods.

8.4. Information instruments pertaining to the external audit

The aim of the Audit Committee of the Board of Directors is to provide effective and regular supervision of the company's financial reporting processes in order to ensure their integrity, transparency and quality. To this end, it is responsible for monitoring the work, including additional services, of the external auditors.

PricewaterhouseCoopers provides the Audit Committee with a detailed report before each Committee meeting regarding the execution and results of its work for the Kudelski Group, proposals to correct or improve identified problems and the implementation status of decisions made by the Audit Committee.

The auditor's representatives, including the auditor in charge of the Group's audit, are regularly invited to take part in meetings of the Audit Committee as external participants.

Representatives from PricewaterhouseCoopers were invited this year to all three meetings of the Audit Committee. They do not participate in any discussions and decisions of the Audit Committee regarding the auditors. For more information on the Audit Committee, and particularly on the selection, evaluation and independence criteria please refer to sections 3.5.2 and 3.5.3 above.

9. Information policy

The Kudelski Group keeps investors regularly informed of the following developments:

- progress of business and major new contracts;
- changes in the management of the Group;
- acquisitions or sales of companies; and
- half-year and annual financial results.

Press releases are issued in compliance with the rules in force of the SIX Exchange Regulation concerning ad hoc publicity and are available on the Group's website simultaneously with their publication. A link on the home page of the Group's web site allows direct access to press releases. The Group communicates as often as necessary in this manner. Press releases are generally published in French and in English. In certain specific cases, a German version is also provided. They are available in these languages on the website.

Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website https://www.nagra.com/media/subscription.

Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited can also follow the conference by audio webcast.

The Group's website is a regularly updated source of information. The Investor Relations section contains a list of the principal dates of the corporate calendar (publication of results, Annual General Meeting and presence at major trade shows) as well as the Group's main publications (annual report and half-year report). Mr. Santino Rumasuglia is in charge of investor relations (+1 480 430 9952, +41 79 373 66 71, santino.rumasuglia@nagra.com).

The Group's main website links and e-mail addresses are on the last page of this report.

Important dates

- April 20, 2023: Annual General Meeting, Cheseaux-sur-Lausanne, Switzerland

- August 24, 2023: Publication of the Interim Financial Report and Press Conference

COMPENSATION REPORT

1. Introduction

This report was prepared in compliance with the directive on information relating to corporate governance issued by the SIX Exchange Regulation and in compliance with Swiss corporate law reform. This Compensation Report is audited. Unless otherwise mentioned, the information provided in this report reflects the situation as of December 31, 2022.

This Compensation Report refers to the articles of association of the Company, which are available at the following address: https://www.nagra.com/investors/publications

2. Compensation approval by General Meeting

In compliance with section 28 of the articles of association, upon the proposal of the Board of Directors, each year the Annual General Meeting shall separately approve the maximum aggregate amount of compensation awarded to the Board of Directors and the Executive Board. The Board of Directors shall submit a separate proposal to the vote of the Annual General Meeting regarding:

- the maximum aggregate amount granted to the Board of Directors for the compensation of its members for the period up to the following Annual General Meeting; and

- the maximum aggregate amount granted to the Executive Board for the fixed and variable compensation of its members for the following periods, respectively: as regards fixed compensation, the period from the beginning of July of the current fiscal year through the end of June of the following fiscal year; as regards variable compensation, the current fiscal year.

The Board of Directors may submit proposals to the Annual General Meeting regarding compensation for different periods affecting all members of the Board of Directors or the Executive Board or only certain members.

Votes at the Annual General Meeting on compensation related proposals are binding. If one or more of the aforementioned amounts are rejected at the Annual General Meeting, the Board of Directors shall make an alternative proposal for approval at the same Annual General Meeting or a subsequent General Meeting. Compensation payments for activities by members of the Board of Directors and the Executive Board in other legal entities directly or indirectly controlled by the Company are authorized. Compensation paid by these legal entities is included as part of the compensation submitted for approval at the Annual General Meeting.

The Company, or any other legal entity directly or indirectly controlled by it, may pay compensation prior to its approval at the Annual General Meeting, subject to subsequent approval and an obligation to repay such compensation in the event it is not approved at the General Meeting.

In compliance with section 29 of the articles of association, if the maximum global compensation of the Executive Board already approved at the General Meeting is insufficient to cover compensation of members appointed after this approval, the Company or legal entities controlled by it, may grant an additional amount for the compensation period already approved to remunerate and/or compensate for benefits the new member gave up or lost due to his/her change in employment. The additional amount shall not exceed 150% of the position replaced or the highest fixed compensation of the other members of the Executive Board on a pro rata temporis basis up until the end of the period for which the compensation was already approved.

3. Principles of compensation

The Compensation and Nomination Committee has adopted a compensation policy aligning the interests of Executive Board members with the Group's mid- and long-term strategy and shareholders' interests. Pursuant to this policy, compensation is based on the following principles:

- coherence of compensation levels with the tasks, workload and responsibilities assumed;

- appropriate match between compensation levels and current business, trends and evolution of the market and competitive environment of the Group as well as the mid- and long-term strategy of the Group;

- global assessment (not individually-based) of compensation to encourage a long-term vision of the Group's interests; and

- for Executive Board members, pay for performance to support both short-term and long-term Group objectives.

The Compensation and Nomination Committee (see section 3.5.2 of the Corporate Governance report) strives to maintain a competitive remuneration policy that ensures global compensation of the Executive Board members is comparable with those of their peers at multinational companies operating in the fields of digital television, cybersecurity and the Internet in Switzerland, in high technology centers, such as the West Coast of the USA, and in Western Europe. In addition, the Compensation and Nomination Committee aims to limit dilution of the capital of the Company by using equity as part of compensation only for a limited number of senior members of management, including the Executive Board (see section 4.2 below).

The Compensation and Nomination Committee does not use benchmarks or compensation consultancy services. It makes its own assessment of the compensation practices of the following types of companies:

- high technology companies listed on the Nasdaq or NYSE;

- high technology companies listed on the Euronext;

- high technology companies listed on the SIX Swiss Exchange and belonging to the Swiss Performance Index (SPI), Technology sector; and

- privately held high technology companies.

Specifically, the Committee assesses those companies from which prospective employee candidates may be employed or to which the Group may have lost prospective candidates, as well as competitors that are of a similar size and face comparable operational complexity as the Group. Such assessments also take into account the business environment in which the Group operates and the rapid pace of evolution required for success.

Due to the unique characteristics of the Group, including the breadth and variety of its products and services, the rapid evolution of its technologies and markets and the fast-moving competitive environment in which the Group operates, the Compensation and Nomination Committee considers that it is difficult to make direct comparisons with other companies and believes that the aforementioned elements are sufficient for purposes of its compensation policy.

The level of remuneration of the non-executive members of the Board of Directors is determined by their role with the Board of Directors and its Committees. The elements of their compensation are set out in section 4.1.

The total annual compensation of members of the Executive Board includes a fixed and a variable component. The variable component depends on the Group's results (both economic and strategic), the level of responsibility assumed and individual performance, which factors can in the aggregate have a positive or negative impact on the variable compensation of each Executive Board member. Variable compensation helps align the interests of Executive Board members with company strategy and shareholders' interests and ultimately seeks to reward value creation. The variable component is not expressed as a percentage of fixed compensation (see also section 4.2).

Currently, there are no provisions providing for a particular allowance or benefit – including with regard to blocking or vesting periods applicable to shares – in the event of a termination of the employment contract of an Executive Board member, in the event of a departure of a member of the Board of Directors or in the case of a change of control of the company. Executive Board members have employment contracts with an unlimited term and with a maximum of eleven month's termination notice expiring on the last day of a calendar month, both of which help promote stability within the management of the Group.

4. Elements of compensation

Section 7 sets forth the compensation paid to the members of the Board of Directors and Executive Board in accordance with the Swiss corporate law reform.

The elements of compensation for non-executive members of the Board of Directors are different than for executive members of the Board of Directors and the Executive Board members.

4.1. Members of the Board of Directors

In compliance with section 30 of the articles of association, the compensation of non-executive members of the Board of Directors is composed of a fixed annual fee, paid in cash, and an expense allowance.

Specific tasks or services performed for the Group by a non-executive member of the Board of Directors that fall outside of such member's Board responsibilities are generally compensated in cash and based on arm's length terms and conditions.

4.2. Members of the Executive Board

In compliance with sections 30 paragraphs 4, 31 and 32 of the articles of association (https://www.nagra.com/sites/default/files/STATUTS_Kudelski_2022_04_21.pdf),the total annual compensation of the executive members of the Board of Directors and of the Executive Board members includes a fixed salary and a variable component.

Compensation is generally paid in a combination of cash, shares and payment in kind (including provision of a company car and reimbursement of all or part of health insurance premiums). The fixed salary is in principle paid in cash. The Compensation and Nomination Committee has discretionary authority to determine how the variable component is paid, taking into account such criteria as the dilutive effect of any share issuances.

A maximum of 50% of the variable compensation may be paid in Kudelski SA bearer shares that are blocked for a period of three or seven years at the election of the Executive Board member. Each Executive Board member may also elect to participate in the Group's share purchase plan adopted in 2004 (see section 2.7 of the Corporate Governance Report: Share purchase plan).

The total compensation of each Executive Board member is linked to his/her individual performance as well as the strategic, economic and operational performance of the Group. Key factors impacting variable compensation levels include the overall performance of the Group and its divisions, performance against the applicable member's department budget, contribution to strategic initiatives, achievement of individual objectives and the quality of management by such Executive Board member. Objectives of the Group are discussed and approved on a yearly basis by the Board of Directors, Strategy Committee, Compensation and Nomination Committee and Chief Executive Officer. Once approved, Group objectives are shared with the Executive Board members who, in addition to their individual performance objectives, shall have responsibility for achieving such objectives as determined by the Chief Executive Officer in agreement with the Compensation and Nomination Committee.

The Compensation and Nomination Committee assesses the achievement of Group objectives and of each Executive Board member's individual performance objectives. The Committee has discretionary authority to determine the relative weighting of the Group objectives and individual performance objectives as part of its assessment for determining the total compensation of each Executive Board member. In addition, the Compensation and Nomination Committee has the discretion to apply a positive or negative performance factor to each individual performance objective, which recognizes achievement or failure of individual performance objectives. This practice is designed to encourage each member of the Executive Board to optimize his/her performance against objectives.

5. Procedure for determining compensation

The Compensation and Nomination Committee determines the compensation policy and sets the compensation of each member of the Executive Board and the Board of Directors, other than the compensation of the Committee members which is decided by the full Board of Directors (see section 3.5.2 of the Corporate Governance Report, Compensation and Nomination Committee section). The Compensation and Nomination Committee reports every year on its activities to the Board of Directors.

The Chairman of the Board of Directors is invited to take part in the Committee's discussions related to compensation, other than discussions relating to the Chairman's own compensation.

Each year, the Compensation and Nomination Committee reassesses its compensation policy and determines the annual compensation of the Board of Directors and Executive Board members. Generally, this occurs during the first quarter of the year. During the same period, the Chief Executive Officer reviews the performance objectives of the Executive Board and presents his recommendations to the Board of Directors. The full Board of Directors will also determine the compensation of the members of the Compensation and Nomination Committee.

6. Special information regarding 2022

6.1. Changes to the compensation policy during the year under review

No major change was made to the Group's compensation policy for the 2022 financial year. Shares granted to Executive Board members as part of their variable compensation were blocked for a period of seven years (see section 7).

6.2. Special information regarding 2022

The compensation of each Executive Board member is determined globally, and the variable compensation of the Executive Board members is not based on the fixed salary as specified in section 3. The variable compensation of each Executive Board member represented 30.0% of his total compensation, except for the Chief Executive Officer (see section 7). There is no pre-determined ratio between the variable component and the fixed salary; such ratio may be different from year to year. The different ratios of fixed to variable compensation among Executive Board members are based on their function and responsibilities within the Group and market practices.

7. Compensation granted to members of the Board of Directors and members of the Executive Board

Total compensation paid directly or indirectly by Kudelski SA or one of its affiliated companies in 2022 and 2021 to former and current members of the Board of Directors and Executive Board is described below. Compensation does not include reimbursement for business expenses incurred by members in the course of performing their responsibilities or representation allowances, which are not considered as compensation by the Swiss fiscal authorities.

The value of shares granted is determined according to the market value at the time of grant, as quoted on the SIX Swiss Exchange and adjusted by a discount factor of 6% for each year that such shares are blocked from sale or transfer. Such discount factor is determined in accordance with the principles applied by Swiss fiscal authorities. 72 267 (2021: 232 661) bearer shares were allocated to members of the Executive Board with a seven-year blocking period. In 2022 and in 2021, no bearer shares were allocated to members of the Executive Board with a three-year blocking period. Shares granted as part of variable compensation for fiscal years 2022 and 2021 were granted at the beginning of the respective following year.

YEAR 2022	BASE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN KUDELSKI SHARES (NUMBER)	VARIABLE COMPENSATION IN KUDELSKI SHARES CHF	OTHER * CHF	TOTAL 2022 CHF
BOARD OF DIRECTORS						
KUDELSKI ANDRÉ Chairman	550 004	– –	–	– –	–	**555 004**
SMADJA CLAUDE Vice Chairman	150 000	–	–	–	7 544	**157 544**
DASSAULT LAURENT Member	115 000	–	–	–	5 562	**120 562**
FOETISCH PATRICK Member	60 000	–	–	–	35 655 **	**95 655**
KUDELSKI MARGUERITE Member	55 000	–	–	–	3 798	**58 798**
LESCURE PIERRE Member	158 347	–	–	–	6 694	**165 042**
ROSS ALEC Member	85 000	–	–	–	5 870	**90 870**
HENGARTNER MICHAEL Member	55 000	–	–	–	3 798	**58 798**
TOTAL BOARD MEMBERS	1 233 351	–	–	–	68 921	**1 302 273**

YEAR 2022	BASE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN KUDELSKI SHARES (NUMBER)	VARIABLE COMPENSATION IN KUDELSKI SHARES CHF	OTHER *** CHF	TOTAL 2022 CHF
MANAGEMENT						
KUDELSKI ANDRÉ CEO	591 689	2 020 446	40 000	64 059	91 175	**2 767 369**
OTHER MEMBERS	1 563 176	688 591	32 267	51 674	50 636	**2 354 077**
TOTAL MANAGEMENT	2 154 865	2 709 037	72 267	115 733	141 810	**5 121 446**

* *This section includes social security charges.*
** *Compensation paid for his legal services rendered to several Group companies.*
*** *This section includes long service benefits and benefits in kind as well as expenditures constituting or increasing pension benefits.*

Two members of the management received their remuneration in USD. One member received part of the 2022 compensation in USD, which was converted using a 0.95473 exchange rate for 2022.

YEAR 2021	BASE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN KUDELSKI SHARES (NUMBER)	VARIABLE COMPENSATION IN KUDELSKI SHARES CHF	OTHER * CHF	TOTAL 2021 CHF
BOARD OF DIRECTORS						
KUDELSKI ANDRÉ Chairman	550 004	–	–	–	–	**550 004**
SMADJA CLAUDE Vice Chairman	130 000	–	–	–	6 411	**136 411**
DASSAULT LAURENT Member	110 000	–	–	–	5 278	**115 278**
FOETISCH PATRICK Member	60 000	–	–	–	14 485 **	**74 485**
KUDELSKI MARGUERITE Member	50 000	–	–	–	3 453	**53 453**
LESCURE PIERRE Member	120 000	–	–	–	5 845	**125 845**
ROSS ALEC Member	70 000	–	–	–	4 834	**74 834**
HENGARTNER MICHAEL Member	40 000	–	–	–	2 762	**42 762**
TOTAL BOARD MEMBERS	1 130 004	–	–	–	43 069	**1 173 073**

YEAR 2021	BASE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN CASH CHF	VARIABLE COMPENSATION IN KUDELSKI SHARES (NUMBER)	VARIABLE COMPENSATION IN KUDELSKI SHARES CHF	OTHER *** CHF	TOTAL 2021 CHF
MANAGEMENT						
KUDELSKI ANDRÉ CEO	569 017	3 891 829	140 000	330 349	147 586	**4 938 781**
OTHER MEMBERS******	1 498 012	1 530 549	92 661	218 646	68 276	**3 315 483**
TOTAL MANAGEMENT	2 067 029	5 422 379	232 661	548 995	215 862	**8 254 264**

* *This section includes social security charges.*
** *Compensation paid for his legal services rendered to several Group companies.*
*** *This section includes long service benefits and benefits in kind as well as expenditures constituting or increasing pension benefits.*

Two members of the management received their remuneration in USD. One member received part of the 2021 compensation in USD, which was converted using a 0.91422 exchange rate for 2021.

8. Shareholdings and loans granted to members of the Board of Directors and members of the Executive Board

In compliance with section 33 of the articles of association, loans may be granted to a member of the Board of Directors or the Executive Board only under market conditions and, at the time they are granted, may not exceed the most recent total annual compensation of the member in question. Moreover, in compliance with section 28 paragraph 6, the Company, or any other legal entity directly or indirectly controlled by it, may pay compensation prior to its approval at the Annual General Meeting, subject to subsequent approval and an obligation to repay such compensation in the event it is not approved at the Annual General Meeting.

As of December 31, 2022 and 2021, no guarantees, loans, advances or borrowings in favor of members of the Board of Directors, members of the Executive Board or individuals closely related to such persons were outstanding.

9. Retirement benefits in addition to pension benefits schemes granted to members of the Board of Directors and members of the Executive Board

In compliance with section 34 of the articles of association, the Company, or legal entities controlled by the Company, may grant retirement benefits in addition to pension benefits schemes offered by the Company, or legal entities controlled by it, to members of the Board of Directors or the Executive Board. For a given annual compensation period, the value of such retirement benefits may not exceed the most recent total annual compensation of the member in question.

In addition, the Company or entities controlled by the Company may grant an annuity payment to former members of the Board of Directors or the Executive Board as retirement benefits in addition to pension benefits schemes offered by the Company or legal entities controlled by the Company. For each individual affected, the amount paid in this manner may not, for a one year period, exceed 30% of the last annual base salary of the person in question prior to his/her retirement. In lieu of an annuity, the Company may pay the retirement benefit as a lump sum payment, in which case, the amount is calculated according to actuarial calculation methods.

As of December 31, 2022 and 2021, no retirement benefits in addition to pension benefits schemes were in favor of members of the Board of Directors, members of the Executive Board or in favor of individuals closely related to such persons.

Kudelski S.A.

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the remuneration report 2022

pwc

Report of the statutory auditor

to the General Meeting of Kudelski S.A.

Cheseaux-sur-Lausanne

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of Kudelski S.A. (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the tables marked 'audited' (section 7 and 8) of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the accompanying remuneration report (section 7 and 8) complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

PricewaterhouseCoopers SA, avenue C.-F. Ramuz 45, case postale, 1001 Lausanne, Switzerland
Téléphone: +41 58 792 81 00, www.pwc.ch

guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers SA

Luc Schulthess	Nicolas Daehler
Licensed audit expert Auditor in charge	Licensed audit expert

Lausanne, 29 March 2023

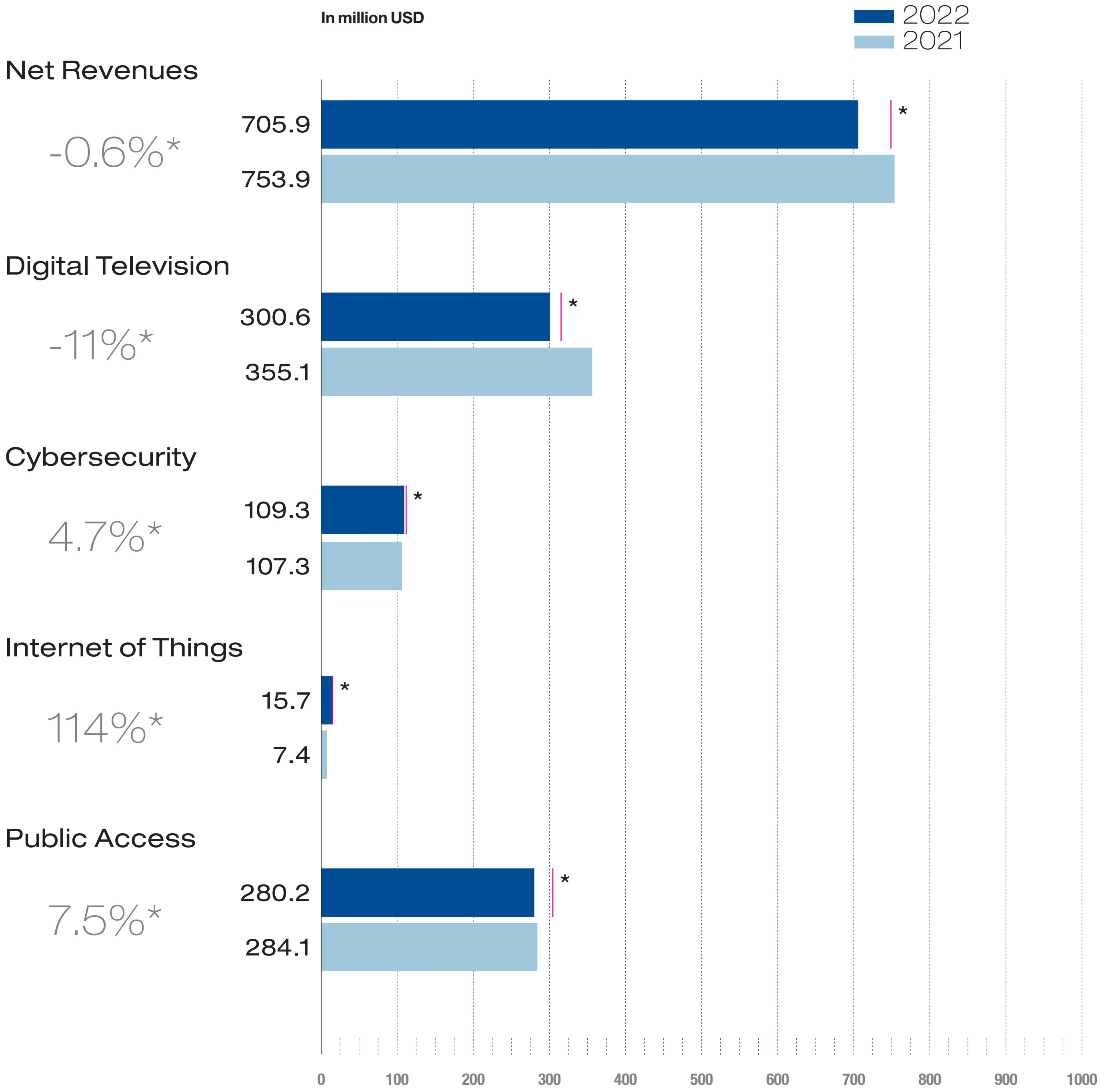
FINANCIAL OVERVIEW AND STATEMENTS

FINANCIAL OVERVIEW

In 2022, three of the Group's four business segments delivered increased revenues in constant currency. The Cybersecurity segment saw double-digit growth in margin after cost of material and a reduction of USD 3.8 million in EBITDA loss. Meanwhile, the IoT segment more than doubled its revenues from the previous year, with a reduction of USD 2.2 million in EBITDA loss. The Public Access segment reverted to positive revenue growth, recovering after two years of COVID-19 related revenue contraction, with a 7.5% growth in constant currency. However, increased operating expenses in local currencies were incurred to ensure the delivery of its growing backlog, resulting in a USD 1.9 million decline in EBITDA compared to the prior year. The Digital TV business delivered lower-than-expected sales, mainly in European markets. Revenues in constant currency decreased by 11.0% compared to the previous year, and EBITDA reached USD 65.1 million.

The Group's total revenues and other operating income decreased to USD 715.9 million from USD 778.8 million in 2021, while net revenues were USD 705.9 million, a marginal decrease of 0.6% in constant currency. The Group generated EBITDA of USD 33.2 million.

GROUP REVENUES
BREAKDOWN BY SEGMENT



* In constant currency

GROUP RESULTS

In 2022, three of the Group's four business segments were able to grow their revenues in constant currency. The Cybersecurity segment saw double-digit growth in margin after cost of material and a reduction of USD 3.8 million in EBITDA loss. Meanwhile, the IoT segment more than doubled its revenues from the previous year, driven by the robust adoption of RecovR, its asset tracking product, resulting in a reduction of USD 2.2 million in EBITDA loss. The Public Access segment also reverted to positive revenue growth, recovering after two years of COVID-19 related revenue contraction with a 7.5% growth in constant currency. However, increased operating expenses in local currencies were incurred to ensure the delivery of its growing backlog, resulting in a USD 1.9 million decline in EBITDA compared to the prior year. On the other hand, the Digital TV business saw lower-than-expected sales, mainly in European markets. Revenues in constant currency compared to the previous year decreased by 11.0%, resulting in a USD 32.2 million decline in EBITDA.

In 2022, the Group's total revenues and other operating income decreased from USD 778.8 million to USD 715.9 million. Net revenues decreased by 0.6% in constant currency and by 6.4% to USD 705.9 million on an as-reported basis. Additionally, other operating income decreased by USD 14.9 million to USD 10.0 million in 2022, which is largely due to the base effect of the USD 13.7 million net gain booked by the Group in 2021 from sale and leaseback transactions.

Margin after cost of material decreased from USD 554.1 million to USD 515.4 million in 2022. The relative margin after cost of material increased from 71.1% to 72.0% with the higher margins in the Cybersecurity segment offsetting the shift in revenue share from the Digital TV segment, which has higher margins, to the Cybersecurity and IoT segments.

In 2022, the Group saw a decrease of USD 11.8 million in personnel expenses compared to the previous year, which was mainly driven by favorable exchange rate effects. Headcount decreased by seven Full Time Equivalents (FTEs) to 3,233 by the end of 2022. The Group aligned its workforce with market demand by increasing headcount in the Cybersecurity and IoT segments, which grew during the reporting period, while the Digital TV and Public Access segments marginally reduced their headcount.

The Group increased other operating expenses by USD 12.4 million in 2022. The easing of pandemic-related restrictions led to an increase of USD 3.0 million in travel expenses and USD 5.7 million in marketing and sales expenses. The higher operating expenses included USD 3.6 million of additional bad debt provisions compared to the prior year.

The Group generated an operating income before depreciation and amortization of USD 33.2 million in 2022, which was a significant decrease from the USD 72.4 million in the previous year. Depreciation, amortization, and impairment for the period amounted to USD 32.3 million, which was USD 9.8 million lower than in 2021, as the Group has reduced capital expenditures systematically in recent reporting periods. Overall, the Group generated an operating income of USD 0.9 million, a decrease of USD 29.4 million compared to 2021.

Interest expense was USD 0.2 million higher than in the prior year, totaling USD 10.0 million. The Group posted USD 2.9 million of net finance expenses, primarily due to net foreign exchange losses. Income tax expenses for the period were at USD 5.9 million, resulting in a net loss of USD 16.3 million for the year.

DIGITAL TV

Digital TV revenues in constant currency decreased by 11.0% in 2022. On an as-reported basis, revenues reached USD 300.6 million, which corresponds to a decline of 15.3%. This decline can be attributed to both foreign exchange factors and the relatively strong performance of Digital TV revenues in 2021, which had a base effect on results in 2022.

Over the past years, the Digital TV business has shifted from a hardware-based model, heavily relying on smart cards, to a more resilient software and service-oriented model. In 2022, Nagravision facilitated the deployment of a cutting-edge streaming service for GTPL Hathway. Meanwhile, Claro Colombia implemented the OpenTV Video Platform solution from the Group, which harmonizes the administration of content, subscription packages, and accounts, resulting in a novel SaaS-based video aggregation service. In Peru, Hispasat empowered local video distributors to offer a superior over-the-top user experience by leveraging the OpenTV Video Platform. And in the Netherlands, United Group capitalized on the Group's NexGuard forensic watermarking technology to eliminate piracy at its root, effectively safe guarding rightholders' intellectual property. The shift to a software and service-oriented model is reflected in the sales figures for the Digital TV business, with smart card sales declining from USD 61.4 million in 2019 to USD 30.0 million in 2021 and USD 12.8 million in 2022. Hardware sales also followed a similar pattern, peaking at USD 52.2 million in 2021 and declining to USD 39.0 million in 2022, similar to the level in 2019. On the other hand, service, royalties, and software sales were more resilient, reflecting the positive momentum of emerging product lines.

The European Digital TV business experienced a decline in revenues from USD 177.6 million in 2021 to USD 131.5 million in 2022. In constant currency, European revenues declined by 18.5%.

Despite a challenging market environment, Digital TV was able to grow its business with Vodafone by deploying the Group's Security Service Platform and Connect content protection solution. The sales of conditional access modules (CAM) decreased due to supplier delivery issues, particularly in Italy, where revenues declined by 50% compared to the prior year. In addition, the count of active paying subscribers at Liberty Global declined following their sale of some networks.

In the United States, revenues experienced a modest uptick, while the South American market remains lackluster, struggling with the aftermath of the pandemic and sluggish demand. Specifically, smart card revenues from Telefonica markedly decreased in 2022 compared to the previous year.

In 2022, there was a decline of 10.2% in sales from the Asia Pacific and Africa region, which was primarily attributable to the base effect of a strong 2021 at Starhub in Singapore and reduced revenues from the Essel Group in India. However, there was a noticeable upswing in professional services revenues from Mediacorp in Singapore, a promising trend for the development of the Group's Digital TV system integration offering.

Digital TV's margin after cost of material improved from 86.1% to 87.4%, reflecting a more favorable revenue mix due to lower hardware sales, including conditional access modules and set-top boxes. Operating expenses for the segment were USD 10.8 million lower in 2022 compared to the previous year, as currency effects resulted in lower USD-denominated costs and the second half cost base was lower compared to the first half's. Digital TV's operating income before depreciation and amortization declined from USD 97.3 million to USD 65.1 million in 2022. As depreciation and amortization were USD 7.8 million lower, the segment's operating income decreased by USD 24.4 million to USD 51.6 million.

CYBERSECURITY

In 2022, the Group's cybersecurity business reached net revenues of USD 109.3 million, with a growth rate of 4.7% in constant currency and 1.9% on an as-reported basis. The European region exhibited robust growth, with net revenues rising to USD 43.3 million, representing an impressive year-on-year increase of 34.7% (44.2% in constant currency), following a growth by 21.4% in 2021. The growth of European revenue has resulted in a notable year-on-year increase of USD 6.8 million in margin after cost of material for the region. Cybersecurity's expansion strategy in 2022 saw the business extending its presence outside the Swiss market, with a particular focus on Germany, France, and the UK. This strategic move lays the foundation for sustained growth in the coming years.

On the other hand, revenues from the US experienced a year-on-year decline, though the quality of revenues improved substantially, with a shift from technology reselling to high value-added business lines. This improvement was reflected in a USD 6.2 million year-on-year growth in gross profit. Notably, the steady expansion in the US of the Group's managed security business contributed positively to the overall momentum of Cybersecurity's operations in the US. Additionally, the advisory business, which included significant engagements in the blockchain space, more than doubled in 2022 compared to the previous year.

The Group's Cybersecurity business is being recognized in the industry, having been included in Forrester's Now Tech: European Managed Security Service Providers, the Gartner Market Guide for Managed Security Services, MSSP Alert's '#25 MSSP' and others, such as CSI and Bloor Research.

This segment's margin after cost of material grew to USD 70.6 million, representing a 24.8% increase from the prior year. Margin after cost of material increased from 52.7% to 64.6% as the business mix continues to shift from lower margin technology reselling to higher margin advisory services, managed security services, and proprietary technology sales. Over the last three years, the margin contribution from high-value added business lines has been increasing at an annual rate of 34%, and it currently accounts for 75% of this segment's total margin after cost of material. In 2022, the Cybersecurity business won substantial new contracts in the luxury goods and healthcare sectors, as well as with energy and other critical infrastructure providers.

In the context of its European expansion, the Group launched a new cyber fusion center in Spain staffed with an experienced team of threat detection specialists and cyber response consultants to complement existing centers in Switzerland and the US. In addition, the Group continues to expand its cybersecurity offering portfolio, launching MDR ONE, a new all-in-one solution that provides cloud-native managed detection and response services based on the Group's proprietary technologies.

In the first half of 2022, segment headcount increased to support the further expansion of this business. Cybersecurity hiring in 2022 was strongly biased towards the first half in order to support the growing business activity. As a result, Cybersecurity was able to decrease EBITDA loss from USD 9.8 million in the first half to USD 3.8 million in the second half. Overall, EBITDA loss for the year amounted to USD 13.6 million, indicating an improvement of USD 3.8 million compared to the previous year.

INTERNET OF THINGS (IoT)

In 2022, the IoT segment more than doubled its sales, generating USD 15.7 million of revenues, compared to USD 7.4 million in 2021. The main driver of this growth was RecovR, a comprehensive asset tracking solution that combines lot management for car dealers and theft recovery for their customers. With RecovR, car dealers can optimize their lot management processes, enhance the sales process, and generate a new revenue stream. At the same time, car buyers can enjoy an advanced and reliable wireless theft recovery solution. The adoption of RecovR by 250 car dealerships in the United States as of the end of 2022 indicates a promising trajectory for this business. Furthermore, the acquisition of significant new customers at the start of this year is expected to drive further growth of the RecovR business in 2023.

In addition to RecovR, IoT's Lab and Design business generated a double-digit percentage increase in revenue in 2022, continuing its positive momentum. Similarly, IoT's keySTREAM platform gained additional traction, driving revenue growth compared to the previous year.

In 2022, IoT's margin after cost of material increased by USD 4.1 million to USD 10.9 million. Notwithstanding the doubling of revenues, segment operating expenses only increased marginally, reflecting a return on prior year investments made in the organizational structure to facilitate the successful launch and expansion of the RecovR product and confirming the scalability of RecovR's business model. These developments led to a reduction in the segment's operating loss before depreciation and amortization of USD 2.2 million to USD 19.0 million. This financial result is due to the prudent allocation of resources towards building a strong organizational structure, which enhances operational efficiency and is expected to drive improved operating performance for the future.

PUBLIC ACCESS

In 2022, Public Access benefitted from a recovery in market demand for access control infrastructure in the parking, ski, and events sectors. This reversed two years of negative impacts from COVID-19-related lockdowns. The service business, which has been historically more resilient than the project business, also experienced higher post-pandemic demand in 2022. As a result, Public Access's revenues in constant currency increased by 7.5% in 2022, but a weaker Euro negatively affected its as-reported USD-denominated revenues. In 2022, revenues in USD for Public Access declined by 1.4% to USD 280.2 million compared to the prior year.

European sales strongly recovered for SKIDATA, with Austria and France representing its best performing markets, contributing to growing revenues with solid year-on-year growth rates. In 2022, revenues from the European market grew by 2.3% to USD 173.8 million, 13.9% in constant currency, with Austria registering a robust performance and contributing USD 4.7 million to this growth. The success of both the project and service businesses in Austria, along with the solid performance of the mountain business, were the key drivers of this growth. Similarly, France reported a revenue increase of USD 3.5 million, primarily fueled by a strong service business. As in Austria, SKIDATA's business in France also gained momentum in the mountain segment.

On the other hand, SKIDATA's revenues in the American region were down by USD 9.0 million to USD 62.9 million. Though the service business recorded higher daily rates, revenues from new facilities were materially down, due to the postponement by customers of investments in new installations.

In the Asia/Pacific and Africa region, SKIDATA's revenues grew by 2.7% to USD 43.6 million. Australia continued to perform well, with both new facilities and the service business driving growth. However, China continued to underperform, leading to lower year-on-year sales and a loss of USD 0.7 million. Consequently, the company decided to exit its Chinese joint venture.

As SKIDATA's overall business mix evolves, the share of software and service in the revenue mix continues to increase. For example, the Swedish city of Linköping, in close collaboration with SKIDATA, is spearheading a series of initiatives that seek to modernize its parking infrastructure. These efforts encompass the deployment of a comprehensive digital parking guidance system, an automated ticketless access system, and the widespread incorporation of electric vehicle charging stations across 14 parking facilities throughout the city, all using SKIDATA's unified platform, which is accessible via mobile devices.

As a result of this change in business mix, SKIDATA's margin after cost of material continues to improve, rising from 60.3% in 2021 to 61.1%. In 2022, the recurring facility operations and modernization business lines exhibited solid performance, accounting for 82% of the company's total revenues. This figure represents a noteworthy increase from the 70% share recorded in 2019 and is evidence of the continued momentum of SKIDATA's cloud-based platform business.

In 2022, Public Access saw an increase of USD 1.8 million in operating expenses compared to the previous year, as the prior year benefited from cost-saving measures due to COVID-19. However, in constant currency terms, operating expenses materially increased compared to 2021, as cost-saving initiatives were postponed to ensure that the business could fulfill its backlog. The segment's headcount at the end of 2022 declined by 18 full-time employees from the prior year, primarily in the US market.

Overall, higher operating expenses led to a decline in segment EBITDA of USD 1.9 million, resulting in an EBITDA of USD 15.4 million for 2022.

BALANCE SHEET AND CASH FLOWS

Total non-current assets decreased by USD 39.9 million to USD 552.6 million as of December 31, 2022. Foreign exchange effects decreased the USD value of assets denominated in foreign currencies. However, the Group also continued to reduce the overall level of investments in tangible and intangible assets compared to previous years. Tangible fixed assets decreased by USD 5.9 million and intangible assets decreased by USD 21.6 million. The reduction of USD 9.1 million in financial assets at amortized cost is the result of the decline in long-term trade accounts receivables due to collections and reclassification to short-term receivables.

Compared to December 31, 2021, total current assets decreased by USD 220.5 million to USD 412.4 million. The increase in inventory by USD 16.6 million is primarily attributable to the accumulation of safety stock at SKIDATA and for the IoT business, in order to mitigate supply risks caused by the instability of semiconductor supply chains. SKIDATA added USD 6.5 million of inventory and IoT added USD 8.3 million. The Group's trade receivables decreased by USD 10.6 million, with SKIDATA reducing its outstanding receivables by USD 8.7 million. Additionally, the Group decreased its contract assets by USD 9.1 million to USD 27.6 million, which was the result of the continued enhancements to SKIDATA's invoicing cycles.

At the end of 2022, cash and cash equivalents amounted to USD 62.2 million, representing a USD 222.3 million decrease from December 31, 2021, as the Group repaid the CHF 200 million bond that matured in August 2022.

Total equity decreased by USD 35.1 million, mainly reflecting the USD 16.3 million net loss for the period and a USD 19.8 million negative currency translation adjustment. Total non-current liabilities decreased by USD 36.9 million to USD 273.4 million, with long-term financial debt declining by USD 14.7 million to USD 182.2 million, driven by currency translation effects and debt repayment. In the first half 2022, the Group repurchased a nominal amount of CHF 12.1 million of its 2022 bond and CHF 1.8 million of its 2024 bond. During the second half, the Group did not engage in any additional bond repurchases. On August 12, 2022, the Group fully repaid its 2022 bond.

The Group reduced employee benefit liabilities by USD 20.1 million to USD 4.7 million. Lower pension liabilities are mainly driven by the CHF 60.4 million favorable impact from a change of the discount rate for future liabilities from 0.35% to 2.3%, partly offset by a CHF 29.1 million plan asset loss. This reduction of liabilities is booked as other comprehensive income and has no impact on the Group's profit and loss statements.

Total current liabilities decreased by USD 188.5 million to USD 330.0 million, with short-term financial debt decreasing by USD 163.1 million to USD 76.9 million, as the Group fully repaid its 2022 bond. The Group also reduced contract liabilities by USD 11.8 million and other current liabilities by USD 11.0 million.

In 2022, the Group generated negative operating free cash flows, reversing the strong cash generation of the past two years. 2022 cash flow from operating activities was USD 1.5 million, compared to USD 103.1 million in 2021. The Group spent USD 18.7 million to increase its inventory and reduced deferred costs and other net current working capital items by USD 29.7 million. This item included the reduction of compensation-related accruals, indirect tax payables, and contract liabilities. The Group continued to maintain strict discipline in managing capital expenditures in 2022, with cash flows for investing activities amounting to USD 4.5 million.

Net cash-out used in financing activities amounted to USD 202.5 million. This cash outflow included a USD 216.1 million debt repayment, primarily due to the repayment of the 2022 bond, USD 16.2 million in payments of lease obligations, USD 12.1 million in dividends paid to non-controlling shareholders, and a USD 6 million cash distribution to Kudelski SA shareholders.

Foreign exchange effects also resulted in a decrease of USD 16.9 million in the balance of cash and cash equivalents.

OUTLOOK

For the Digital TV segment, the Group forecasts a small single-digit percentage decline in revenue for 2023, accompanied by a small reduction in operating costs. Overall, the Group expects a moderate decrease in Digital TV EBITDA in comparison to 2022.

The Group expects a continued expansion in revenue and a double-digit percentage growth in profit after cost of material for the Cybersecurity segment. As the growth rate of operating expenses is anticipated to be lower than in previous periods, the Group expects to reduce the segment's EBITDA loss to an amount in the single-digit millions for the full year.

The growth of IoT services and the keySTREAM platform will serve as a driver for long-term growth in the IoT segment. In 2023, IoT revenues are predicted to roughly double, driven by the strong momentum of RecovR sales, but lower margins after cost of material from asset tracking will result in less-than-proportional growth in gross profits for the segment. A moderate increase in operating expenses is anticipated, with the aim of achieving a significant reduction in operating loss in 2023 compared to the prior year.

For the full year 2023, the Group expects a mid single-digit percentage increase in both Public Access revenue and profit after cost of material. Assuming stable operating expenses, Public Access' EBITDA is expected to improve materially in comparison to 2022.

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CONSOLIDATED INCOME STATEMENTS
(FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

In USD'000	Notes	2022	2021
Revenues	4	705 883	753 932
Other operating income	5	9 995	24 900
Total revenues and other operating income		**715 878**	**778 832**
Cost of material, licenses and services		-200 464	-224 776
Employee benefits expense	6	-374 372	-386 152
Other operating expenses	7	-107 866	-95 547
Operating income before depreciation, amortization and impairment		**33 176**	**72 356**
Depreciation, amortization and impairment	8	-32 310	-42 128
Operating income		**866**	**30 228**
Interest expense	9	-10 000	-9 774
Other finance income/(expense), net	10	-2 929	2 107
Share of result of associates	16	1 674	2 111
Income before tax		**-10 390**	**24 672**
Income tax expense	11	-5 865	-3 222
Net income for the period from continuing operations		**-16 255**	**21 451**
Net result from discontinued operations	36	–	-1 089
Net income for the period		**-16 255**	**20 362**
Attributable to:			
- Equity holders of the company		*-20 661*	*14 592*
- Non-controlling interests		*4 406*	*5 770*
Earnings per share (in USD)			
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	12	-0.3704	0.2637
- Continuing operations		*-0.3704*	*0.2834*
- Discontinued operations		*-*	*-0.0197*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	12	-0.0370	0.0264
- Continuing operations		*-0.0370*	*0.0284*
- Discontinued operations		*-*	*-0.0020*

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

In USD'000	2022	2021
Net income	**-16 255**	**20 362**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	-19 891	-7 675
Cash flow hedges, net of income tax	-66	151
	-19 956	**-7 524**
Other comprehensive income never to be reclassified into the consolidated income statement in subsequent periods:		
Remeasurements on post employment benefit obligations, net of income tax	18 095	21 156
	18 095	**21 156**
Total other comprehensive income, net of tax	**-1 861**	**13 631**
Total comprehensive income	**-18 116**	**33 993**
Attributable to:		
Shareholders of Kudelski SA	-22 441	28 168
- Continuing operations	*-22 441*	*28 168*
- Discontinued operations	*-*	*-*
Non-controlling interests	4 325	5 825

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(AT DECEMBER 31, 2022 AND 2021)

In USD'000	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Tangible fixed assets	13	68 026	73 940
Intangible assets	14	359 028	380 607
Right-of-use assets	15	50 437	50 746
Investments in associates	16	10 667	9 335
Deferred income tax assets	17	39 593	44 054
Financial assets at amortized cost	18	22 742	31 792
Financial assets at fair value through profit and loss	18	1 137	1 152
Other non-current assets	18	976	896
Total non-current assets		**552 607**	**592 523**
Current assets			
Inventories	19	70 980	54 378
Trade accounts receivable	20	152 909	163 514
Contract assets	20	27 582	36 733
Other financial assets at amortized cost	21	43 380	49 655
Other current assets	22	55 196	43 450
Derivative financial instruments	34	143	699
Cash and cash equivalents	23	62 167	284 489
Total current assets		**412 357**	**632 918**
Total assets		**964 964**	**1 225 441**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	344 190	340 484
Reserves		-9 871	21 145
Equity attributable to equity holders of the parent		**334 319**	**361 629**
Non-controlling interests	25	27 254	35 033
Total equity		**361 573**	**396 662**
Non-current liabilities			
Long-term financial debt	26	182 172	196 870
Long-term lease obligations	15	75 035	76 504
Deferred income tax liabilities	17	1 120	2 050
Employee benefits liabilities	28	4 662	24 715
Other long-term liabilities	29	10 364	10 070
Total non-current liabilities		**273 352**	**310 209**
Current liabilities			
Short-term financial debt	30	76 883	240 023
Short-term lease obligations	15	13 777	15 114
Trade accounts payable	31	67 972	68 586
Contract liabilities	32	71 520	83 298
Other current liabilities	33	94 685	105 718
Current income taxes		2 512	2 684
Derivative financial instruments	34	88	82
Provisions for other liabilities and charges	35	2 600	3 065
Total current liabilities		**330 039**	**518 569**
Total liabilities		**603 391**	**828 778**
Total equity and liabilities		**964 964**	**1 225 441**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

In USD'000	Notes	2022	2021
Net income for the year		**-16 255**	**20 362**
Adjustments for net income non-cash items:			
- Current and deferred income tax		5 865	3 222
- Interests, allocation of transaction costs and foreign exchange differences		13 454	6 311
- Depreciation, amortization and impairment	8	32 310	42 128
- Share of result of associates	16	-1 674	-2 111
- Non-cash employee benefits (income) / expense		3 336	3 287
- Deferred cost allocated to income statement		0	187
- Additional provisions net of unused amounts reversed		-285	323
- Non-cash government grant income		-6 084	-4 265
- Other non-cash (income) / expenses		2 885	-11 600
Adjustments for items for which cash effects are investing or financing cash flows:			
- Other non-operating cash items		-24	-12 843
Adjustments for change in working capital:			
- Change in inventories		-18 712	5 193
- Change in trade accounts receivable		17 134	29 198
- Change in trade accounts payable		4 534	-836
- Change in accrued expenses		-179	-1 227
- Change in deferred costs and other net current working capital headings		-29 731	18 341
Government grant from previous periods received		5 050	16 309
Dividends received from associated companies	16	133	1 911
Interest paid		-10 135	-8 938
Interest received		768	698
Income tax paid		-882	-2 525
Cash flow from operating activities		**1 508**	**103 127**
Purchases of intangible fixed assets		-4 011	-6 474
Purchases of tangible fixed assets		-4 692	-7 417
Proceeds from sales of tangible and intangible fixed assets		3 829	98 004
Proceeds from sale of investment property		–	11 352
Divestment of financial assets and loan reimbursement		414	1 306
Acquisition of associated companies		–	-4 922
Cash flow from investing activities		**-4 459**	**91 849**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities		-216 058	-75 661
Increase in bank overdrafts, long-term loans and other non-current liabilities		47 808	42 591
Payments of lease liabilities		-16 249	-14 756
Proceeds from employee share purchase program	39	117	122
Acquisition of non-controlling interests		–	-355
Dividends paid to non-controlling interests		-12 105	-963
Dividends paid to shareholders	38	-5 999	-6 080
Cash flow from financing activities		**-202 486**	**-55 102**
Effect of foreign exchange rate changes on cash and cash equivalents		-16 885	-7 969
Net movement in cash and cash equivalents		**-222 322**	**131 905**
Cash and cash equivalents at the beginning of the year	23	284 489	152 584
Cash and cash equivalents at the end of the year	23	62 167	284 489
Net movement in cash and cash equivalents		**-222 322**	**131 905**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021)

In USD'000	Notes	Share capital	Share premium	Retained earnings	Fair value and other reserves	Currency translation adjustment	Non-controlling interests	Total equity
January 1, 2021		**337 295**	**69 758**	**-65 470**	**-2 683**	**-449**	**30 580**	**369 031**
Net income		–	–	14 592	–	–	5 770	20 362
Other comprehensive income		–	–	21 156	151	-7 731	56	13 631
Total comprehensive income		**–**	**–**	**35 748**	**151**	**-7 731**	**5 825**	**33 993**
Employee share purchase program	39	418	-242	–	–	–	–	176
Shares issued to employees	39	2 770	-1 911	–	–	–	–	859
Dividends paid to shareholders	38	–	-3 040	-3 040	–	–		-6 080
Dividends paid to non-controlling interests		–	–	–	–	–	-963	-963
Transactions with non-controlling interests		–	–	54	–	–	-409	-355
December 31, 2021		**340 484**	**64 565**	**-32 708**	**-2 532**	**-8 180**	**35 033**	**396 662**
Net income		–	–	-20 661	–	–	4 406	-16 255
Other comprehensive income		–	–	18 095	-66	-19 810	-81	-1 861
Total comprehensive income		**–**	**–**	**-2 565**	**-66**	**-19 810**	**4 325**	**-18 116**
Employee share purchase program	39	552	-384	–	–	–	–	168
Shares issued to employees	39	3 155	-2 193	–	–	–	–	962
Dividends paid to shareholders	38	–	-2 999	-2 999	–	–		-5 999
Dividends paid to non-controlling interests		–	–	–	–	–	-12 105	-12 105
December 31, 2022		**344 190**	**58 989**	**-38 273**	**-2 598**	**-27 990**	**27 254**	**361 573**

Fair value and other reserves as of December 31, 2022 include kUSD -2 598 (2021: kUSD -2 532) of unrealized loss on financial assets at fair value through other comprehensive income.

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

1. SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation

The consolidated financial statements of the Kudelski Group (Group or Company) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

These consolidated financial statements were prepared under the historical cost convention, except for items to be measured at fair value as explained in the accounting policies below. The policies set out below are consistently applied to all years presented. Prior year figures have been reclassified where necessary to better enable comparison. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided.

(B) Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries also comprise companies in which the Group does not own, directly or indirectly, more than one half of the voting rights but exercises power to govern their financial and operating policies and bears an over-proportional responsibility for the main risks. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary consists of the fair values of the assets transferred, the liabilities assumed by the former owners of the acquiree and the equity interest issued by the Group. Acquisition-related costs are expensed as incurred. The consideration transferred includes the fair value of any asset or liability resulting from any contingent consideration.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests. Identified assets acquired include fair value adjustments on tangible and intangible assets. When determining the purchase price allocation, the Group primarily considers development technologies, customer lists, trademarks and brands as intangibles.

Any contingent consideration which depends on the future financial performance of the acquired company ("earn out clause") is recognized at fair value on the acquisition date using management's best estimate of the final consideration payable. The portion of the contingent consideration deferred to a date more than twelve months after the balance sheet date is discounted to its present value and disclosed within other long-term liabilities.

The Group recognizes non-controlling interests as its proportionate share of the recognized amounts of identifiable net assets. Goodwill is initially measured as the excess of the aggregate value of the consideration transferred plus the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. The difference between the fair value of any consideration paid and the relevant acquired share of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the income statement. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

d) Associates

Associates are entities over which the Group has significant influence but which are not subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of the associate but not the control of those policies. Significant influence is presumed to exist when the Group holds at least 20% of the associate's voting power. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(C) Foreign currencies

The consolidated financial statements of the Group are expressed in U.S. Dollars (USD), which is the presentation currency.

The local currency is generally the functional currency throughout the world. In the respective entity financial statements, monetary assets and liabilities denominated in currencies other than the functional currency are translated at the rate prevailing at the balance sheet date. Transactions contracted in a currency other than the functional currency are recorded using the exchange rate at the time of the transaction. All resulting foreign exchange transaction gains and losses are recognized in the subsidiary's income statement.

Income, expense and cash flows of the consolidated companies have been translated into U.S. dollars using average exchange rates. Assets and liabilities are translated at the closing rate at the date of the balance sheet. All resulting translation differences, including those arising from the translation of any net investment in foreign entities, are recognized in other comprehensive income. The loss of control or total disposal of a subsidiary results in the reclassification of any translation difference to the income statement.

(D) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer, and is shown net of value added tax, returns, rebates, discounts, commissions directly attributed to the sale, and after eliminating sales within the Group. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer.

The Group sells hardware and software products on both a stand-alone basis without any services and as solutions bundled with services.

Generally, when we provide a combination of hardware and software products with the provision of services, we separately identify our performance obligations under the contract as distinct goods and services that will be provided. The total transaction price for an arrangement with multiple performance obligations is allocated at contract inception to each distinct performance obligation in proportion to its stand-alone selling price. The stand-alone selling price is the price at which we would sell a promised good or service separately to a customer. Observable stand-alone selling prices are used when readily available. If not available, we estimate the price based on observable inputs, including direct labor hours and allocable costs.

(a) Hardware

Revenue from hardware sales is recognized when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to a specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the agreement, the acceptance provisions have lapsed, or the Group has objective evidence that all the criteria for acceptance have been satisfied. In certain instances, we leverage dropshipment arrangements with our partners and suppliers to deliver products to our clients without having to physically hold the inventory at our warehouses. We recognize revenue for drop-shipment arrangements on a gross basis as the principal in the transaction when the product is received by the customer because we control the product prior to transfer to the customer. We also assume primary responsibility for fulfillment in the arrangement, we assume inventory risk if the product is returned, we set the price charged to the customer and we work closely with our customers to determine their hardware needs.

(b) Software, licenses and royalties

Revenue from software sales is recognized at the point in time when the customer acquires the right to use the soft-

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ware under license and control transfers to the customer. Revenue from licensing arrangements is recognized upon commencement of the term of the license agreement or when the renewal term begins, as applicable. Royalty revenue is recognized upon sale or usage of the product to which the royalty relates.

(c) Services

We design, implement and manage security and access solutions that combine hardware, software and services for our customers. Such services rendered may include system integrations, specific developments and customization, maintenance and training, and may be provided by us or by third-parties as part of bundled arrangements or on a stand-alone basis as consulting or managed service engagements.

If the services are provided as part of a bundled arrangement with hardware and software, the hardware, software and services are generally distinct performance obligations. In general, revenue from service engagements is recognized over time as we perform the underlying services by measuring progress toward complete satisfaction of the performance obligation. In contracts that contain a fixed fee per user, revenue is recognized in the amount in which we have the right to invoice the customer for services performed.
Specific revenue recognition practices for certain of our service offerings are described in further detail below.

(i) **Time and materials service contracts**. Revenue for service engagements that are on a time and materials basis is recognized based upon the hours incurred for the performance completed to date for which we have the right to consideration, even if such amounts have not yet been invoiced as of period end.

(ii) **Fixed fee service contracts**. Revenue from fixed fee service contracts is recognized using a proportional performance method based on the ratio of direct labor hours and other allocated costs incurred to total estimated direct labor hours and other allocated costs.

Certain software maintenance agreements provide our customers the right to obtain software upgrades, help desk and other support services directly from the third-party software provider during the term of the agreement. We act as the selling agent in these arrangements and do not assume any performance obligation to the customer under the arrangement. As a result, we are the agent in these transactions and these sales are recorded on a net sales recognition basis. Under net sales recognition, the cost of the service is recorded as a reduction to sales, resulting in net sales equal to the gross profit on the transaction.

(d) Significant financing components

Certain contracts with our customers may include payment terms that exceed one year. To the extent that a significant financing component exists in these arrangements, we record interest income associated with the financing component of the arrangement over the associated payment terms based on the prevailing market interest rate at the date of the transaction.

(e) Variable consideration

For contracts that contain variable pricing elements, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration generally increases the amount of revenue that will be deferred. Variable consideration is reviewed at each reporting period and is measured using the most likely amount method which includes management appropriate estimates.

(f) Interest income

Interest income is recognized according to the effective interest rate method.

(E) Government grants

Grants from governments or similar organizations are recognized at their fair value when there is a reasonable assurance that the Group complies with all conditions associated with their grants receipt and use. Where a government grant is subject to audit before payment, the fair value is determined using management's best estimate of the audit risk. Grants are recognized in the income statement as operating income unless they are linked to a capitalized fixed asset, in which case they are deducted from the cost of the fixed asset.

(F) Cost of material, licenses and services

The cost of material, licenses and services includes direct costs which are attributable to selected revenues. The cost of material includes only the cost of materials paid to external suppliers in connection with recognized sales transactions. It therefore does not include other direct and indirect costs associated with the manufacturing process, such as labor costs, utilities or depreciation of manufacturing assets.

Cost of licenses includes amounts charged by external suppliers for sub-licenses on a per-unit basis for each unit of delivered product (e.g. CODEC licenses charged on each set-top-box sold). It therefore specifically excludes licenses paid independently of the number of units sold, deployed or used in a development process.

Cost of services includes outsourced services that are directly connected to a recognized sales transaction, such as subcontracting a portion of a maintenance agreement or outsourcing the implementation of a revenue-generating customer solution.

(G) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered in to and subsequently remeasured to fair value at the end of each reporting period. The method of recognizing the resulting gain or loss is dependent on whether the derivative is designated to hedge a specific risk and therefore qualifies for hedge accounting.

The currency instruments that are generally used include forward foreign exchange contracts, currency swaps and zero cost option strategies with terms generally not exceeding one year. Derivative financial instruments are entered into with high credit quality financial institutions, consistently following specific approval, limit and monitoring procedures.

(a) Derivatives that do not qualify for hedge accounting

Certain derivatives transactions, while providing effective economic hedging under the Group's risk management policy, do not qualify for hedge accounting under the specific rules of IFRS 9. Changes in the fair value of derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognized immediately in the income statement as part of 'other finance income/(expense), net'.

(b) Cash flow hedge

The Group designates the derivatives which qualify as hedges of a forecast transaction (cash flow hedge). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the economic relationship exists between the hedged item and the hedging instrument. The Group enters into hedging instruments that have similar critical terms as the hedged items, such as reference rates, notional amounts and maturities.

Changes in intrinsic value of derivative financial instruments that meet hedge qualifying criteria are recognized in the 'cash flow hedge reserve' within equity. Changes in fair value of derivative instruments attributable to time value are recognized in the 'cost of hedging reserve' within equity. The amounts accumulated in hedging reserves of OCI are reclassified to profit or loss in the same period during which the hedged expected future cash flow affects the income statement.

In hedges of highly probable future sales transactions, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are any changes in the credit risk of the derivative counterparty.

When a cash flow hedge no longer meets the criteria for hedge accounting, the gains and losses that were previously recorded in equity remain deferred in equity until the hedged cash flow is recognized in the income statement. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging are immediately reclassified to the income statement. Gain or loss, as well as cost of hedging, related to the ineffective portion is recognized in the income statement within 'other finance income/(expense), net'.

(H) Taxes

Taxes reported in the consolidated income statements include current and deferred taxes on profit, as well as non-reimbursable withholding taxes and tax adjustments relating to prior years. Income tax is recognized in the income statement, except to the extent that it relates to items directly taken either to equity or to other comprehensive income, in which case it is recognized either in equity or in other comprehensive income. Taxes on income are accrued in the same periods as the revenues and expenses to which they relate.

Deferred taxation is the tax attributable to the temporary differences that appear when taxation authorities recognize and measure assets and liabilities with rules that differ from those of the consolidated accounts. Deferred taxes are determined using the comprehensive liability method and are calculated on the temporary differences at the substatively enacted rates of tax expected to prevail when the temporary differences reverse, except for those temporary differences related to investments in subsidiaries where the timing of their reversal can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Temporary differences and tax losses carried forward are recognized only to the extent that it is probable that future taxable income will be available against which they can be utilized. Temporary

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differences and tax losses which generate deferred tax assets and liabilities based on their future probable use are combined within each legal entity to provide a net deferred tax asset or liability amount. Deferred income tax liabilities have not been recognized for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are either permanently reinvested or do not generate any taxation due to the application of tax treaties or tax reliefs.

(I) Tangible fixed assets

(a) General

Property, plant and equipment is measured at cost, less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes any expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All other repair and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Building acquisitions or construction and building improvements are allocated to components. The costs less residual values are depreciated over their useful lives on a straight-line basis. Such useful lives may be between 4 to 50 years. Depreciation starts when the underlying assets are ready for use.
Depreciation is calculated on a straight-line basis over each asset's useful life, according to the following schedule:

Technical equipment and machinery

	Useful life in years
Machinery and measurement instruments	4 - 7
Digital material and equipment	4 - 5
Computer and information networks	4
Fixed assets made available to clients	4 - 10

Other equipment

	Useful life in years
Office furniture and equipment	5 - 7
Vehicles	4 - 5

Each assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is impaired immediately if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal or retirement of tangible fixed assets are determined by comparing the proceeds received with the carrying amounts, and are included in the consolidated income statements.

(b) Fixed assets made available to clients

The Group makes equipment as well as smart cards available to clients within the scope of complete security solutions. The assets given to these clients remain the property of the Group and are initially recognized at cost and disclosed in the balance sheet under technical equipment and machinery. These assets are depreciated over the shorter of the duration of the contract and the economic life of the individual components, and the related expense is disclosed under depreciation.

(c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production assets which take a substantial period of time to be ready for their intended use of sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(J) Intangible assets

(a) Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition. It is denominated in the functional currency of the related acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets, while goodwill on acquisition of associates is included in investments in associates. All goodwill is considered to have an indefinite life, tested at least annually for impairment, and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.
Gains and losses on the disposal of an entity include the carrying amount of goodwill associated with the entity sold.

(b) Internal research and development

Internal research and development expenses are fully charged to the income statement when incurred. The Group considers that economic uncertainties inherent in the development of new products preclude it from capitalizing such costs.

(c) External research and development

Expenditures with external parties for research and development, application software and technology contracts are charged to the income statement as incurred if they do not qualify for capitalization. When capitalized, they are amortized over 4 to 10 years once development is achieved and the resulting products are ready for sale.

(d) Computer software

Acquired computer software licenses are capitalized in the amount expended to acquire the software and get ready it for its intended use. These costs are amortized on a straight-line basis over their estimated useful lives (three to four years). Costs associated with maintaining computer software programs are recognized as expense as incurred.

(e) Customer lists, Trademarks and Brands

Customer lists, trademarks and brands not acquired through a business combination are initially measured at cost. Following initial recognition, they are carried at cost less any accumulated amortisation and impairment losses, and are amortised over their useful economic life. Internally generated customer lists, trademarks and brands are not capitalised.

(f) Other intangibles in connection with business combinations

Under IFRS 3, in-process research and development, core development technologies, customer lists and trademarks are valued as part of the process of allocating the purchase price in a new business combination. The respective values are recorded separately from goodwill and are allocated to cash-generating units. Acquired intangibles are amortized on a straight-line basis over the following periods, with the expense recorded in the income statement:

	Over the useful life, in years
Core development technologies	4 - 10
Customer lists	10
Trademarks and brands	5

(K) Leases

The Group leases various properties, equipment and vehicles. Rental contracts typically cover fixed periods between one and 15 years and may contain extension options as described below. Lease terms are negotiated on an individual basis and include a wide variety of different terms and conditions. The lease agreements generally do not impose financial covenants, however, leased assets are not allowed to be used as collateral for borrowing purposes.

Leases are booked as a right-of-use asset and as a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is apportioned between the reduction of the outstanding lease liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Assets and liabilties arising from a lease are initially measured on a present value basis. Lease liabilities are valued at the net present value of the future lease payments, which includes fixed lease payments, variable lease payments based on indexes and rates, residual value guarantees, purchase options and termination penalties. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the Group's incremental borrowing rate based on the currency in which it finances its local operations.

Right-of-use assets are measured at cost, comprising the amount of the initial lease liability adjusted by any lease payments made at or before the commencement date of the lease, any lease incentives received, initial direct costs and any estimated restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are identified as leases with a term of 12 months or less. Low-value assets comprise general office furniture and IT equipment .

Extension and termination options are included in a number of property and equipment leases throughout the Group. These terms are used to maximize operational flexibility, with the majority of extension and terminations options being exercisable only by the Group and not by the respective lessor.

(K) Financial assets

(a) Classification

The Group classifies its financial instruments in the following categories: financial assets or financial liabilities measured at fair value (either through other comprehensive income (OCI), or through profit or loss), and financial assets or financial liabilities measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and liabilities and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss, or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through OCI.

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(b) Measurement
At initial recognition, the Group measures financial assets and liabilities at fair value plus or minus any transaction costs that are directly attributable to the acquisition of the instrument. For financial assets that are carried at fair value through profit or loss, transaction costs are expensed as incurred.

Subsequent measurement of loans and debt instruments depends on the Group's business model for managing the financial instrument and the cash flow characteristics of the asset or liability. The Group classifies its debt instruments into three measurement categories, amortized cost, fair value through profit or loss, or fair value through OCI.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these assets is included in 'other finance income/(expense), net' using the effective interest rate method. Any gain or loss arising on derecognition is recognized in profit or loss and presented in 'other operating expenses'. Foreign exchange gains and losses are presented in 'other finance income/(expense), net'.

Assets that are held for collection of contractual cash flows and for selling the financing assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in profit or loss. When the financing asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'other finance income/(expense), net'. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains or losses are presented in 'other finance income/(expense), net'.

Assets that do not meet the criteria for amortized cost or fair value through OCI are measured at fair value through profit or loss and presented as 'other finance income/(expense), net' in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as 'other finance income/(expense), net' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other finance income/(expense), net' in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through OCI are not reported separately from other changes in value.

(c) Impairment
The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies a simplified approach permitted by IFRS 9 for trade accounts receivables and contract assets, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

To measure expected credit losses, trade receivables and contract assets are grouped based on shared credit characteristics and days past due. The Group therefore concludes that the expected loss rates for trade accounts receivables are a reasonable approximation of the loss rates for contract assets.

Expected loss rates are based on the payment profiles of sales over the 36 month period preceding the financial statement reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

(L) Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.
The cost of work in progress and manufactured finished goods is comprised of direct production costs and an appropriate proportion of production overhead and factory depreciation. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories which are no longer part of production and sales plans are charged to profit or loss.

(M) Deferred costs
Deferred costs are measured at cost and are allocated to the income statement over the shorter of their useful life

and the contract period. The portion of deferred cost to be expensed in the income statement during a period that exceeds 12 months from the balance sheet date is disclosed under other non-current assets.

(N) Trade accounts receivable
Trade accounts receivable are initially measured at fair value and subsequently valued using the amortized cost method.

(O) Contract assets
A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as trade receivables.

(P) Cash and cash equivalents
Cash and cash equivalents include cash in hand and highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. Bank overdrafts are included in short-term financial debt in current liabilities on the balance sheet.

(Q) Share capital
Ordinary and preferred shares of Kudelski SA are classified as equity and are presented at their nominal value. The difference between proceeds of share capital less directly attributable incremental costs and the nominal value of the share capital increase are considered as share premium and included in equity.

(R) Borrowings
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid for the establishment of loan facilities are recognized as transaction costs of the loan if all of the facility will be drawn down. If there is no evidence that all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the loan facility.

Where borrowings are made available through COVID-19 relief packages with interest rates below market, the Group recognizes a portion of the proceeds as a government grant. The grants are initially deferred and recognized in earnings on a systematic basis over the term of the loan as 'Other operating income'.

(S) Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

A restructuring provision is recognized when the Group has developed a formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. Restructuring provisions comprise employee termination payments, lease termination penalties and dilapidation costs.

(T) Employee benefits
(a) Pension obligations
The Group operates a number of defined benefit and defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by their employer, taking into consideration the recommendations of independent qualified actuaries. For defined benefit plans, the Group companies provide for benefits payable to their employees on retirement by charging current service costs to income.

The liability for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. Defined benefit obligations are in all material cases calculated annually by independent actuaries using the projected unit credit method, which reflects services rendered by employees to the date of valuation, incorporates assumptions concerning employees' projected salaries and uses interest rates of highly liquid corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehen-

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sive income in the period in which they arise.

The Group's contributions to the defined contribution plans are charged to the income statement in the year during which they are made.

(b) Other long-term employee benefits
Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. The cost of such deferred compensation arrangements is recognized on an accrual basis and included within employee benefits expense.

(c) Employee Share Purchase Program (ESPP)
The Group's employee share purchase program allows certain employees to buy a specific number of shares on a preferential basis, subject to certain restrictions on the sales of the shares for a period of 3 years.The difference between the fair value of these shares and the employee' payments for the shares is expensed in the income statement on the subscription date. The fair value of the shares transferred is determined based on the market price of the shares adjusted for the estimated value of the restrictions on sales.

(d) Profit sharing and bonus plan
The Group recognizes a liability and an expense for bonuses and profit sharing where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Board of Directors may grant shares to certain employees. These shares may be subject to a blocking period of up to 7 years and are expensed in the income statement at their fair value at grant date taking into account the estimated value reduction due to the blocking period.

(e) Other employee benefits
Salaries, wages, social contributions and other benefits are recognized on an accrual basis in employee benefits expense in the year in which the employees render the associated services.

(U) Trade accounts payable
Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

(V) Contract liabilities
Contract liabilities represent the Group's current obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract liabilities primarily relate to billed work in progress and service contracts, whereby the customer has been invoiced in advance of the services being performed and are generally recognized within twelve months.

(W) Dividends
Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

(X) Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The Group considers this condition to be met when management is committed to a sale and a sale is highly probable of being completed within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying value or fair value less costs to sell.

(Y) New and amended accounting standards and IFRIC interpretations
Standards and Interpretations effective in the current period and change in accounting policies
The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021.

The Group has applied the following amendments and interpretations effective from January 1, 2022:
- Propery, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework - Amendments to IFRS 3.

The adoption of the amendments listed above had no significant impact on the Group's accounting policies, financial position and performance. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard and Interpretations in issue not yet adopted
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after January 1, 2023 or later periods, and which the Group has not early adopted. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's principal accounting policies are set out in note 1 of the Group's consolidated financial statements and conform to International Financial Reporting Standards.

Significant judgments and estimates are used in the preparation of the consolidated financial statements which, to the extent that actual outcomes and results may differ from these assumptions and estimates, could significantly affect the accounting in the areas described in this section.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated.
The value in use calculation requires management's estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (note 14). Actual cash flows and values could vary significantly from the forecasted cash flows and related values derived using discounting techniques.

Income tax and deferred tax assets

The Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the portion of tax losses carried forward which can be offset against future taxable profit (note 17). In order to assess whether there is any future benefit, forecasts are made of the future taxable profits by legal entity. Actual outcomes could vary significantly from forecasts of future profits and could therefore significantly modify the deferred tax asset and the income taxes. Furthermore, subsequent changes in tax laws, such as non-exhaustive changes in tax rates, the proportion of tax losses that could be offset with future profits or changes in forfeiting periods which occur after the accounts have been approved might affect the tax asset capitalized.

Retirement benefit plans

The Group sponsors pension and other retirement plans in various forms covering employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to these plans. The factors include both financial and demographical assumptions. Financial assumptions comprise discount rate, salary and expected pension increases, interest rate credited in savings accounts, and returns on plan assets. Demographic assumptions include employee turnover, retirement payment forms (capital vs. annuity), mortality tables and disability assumptions. Demographic assumptions are based on past experience. In addition, the Group's actuarial consultants use statistical information such as withdrawal and mortality rates for their estimates.

Assumptions used (note 28) may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other factors. Depending on events, such differences could have a material effect on our total equity.

3. FINANCIAL RISK MANAGEMENT

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through exposure analyses. These risks include market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's treasury policies, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Internal control procedures ensure compliance with these policies. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports periodically to the Group's finance executive committee which monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group applies a natural economic hedging strategy and can enter into a variety of derivative financial instruments to manage its exposure to foreign currencies and interest rate risks, including forward foreign exchange contracts or option strategies to hedge the exchange rate risks and interest rate swaps to mitigate the risk of rising interest rates.

The Group does not enter into any financial transactions containing a risk that cannot be quantified at the time the transaction is concluded (it does not sell assets short). The Group only sells existing assets or hedges transactions and future transactions that are likely to happen. Future transaction hedges are contracted according to treasury policy

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based on a foreign exchange cash flow forecast. In the case of liquid funds, it writes options on assets it has, or on positions it wants to acquire, and for which it has the required liquidity. The Group therefore expects that any loss in value for these instruments would be generally offset by increases in the value of the hedged transactions.

(a) Foreign exchange risk

The Group conducts business in a variety of countries using a variety of foreign currencies. However, the Group prepares its consolidated financial statements in U.S. Dollars. It is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc and the Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. In order to manage foreign exchange risks arising from future commercial transactions and certain assets and liabilities, the Group uses forward foreign exchange contracts and foreign currency zero cost option contracts.

The Group enters into zero cost foreign currency option contracts to manage the risk associated with highly probable sales transactions for the next 12 months within a determined portion of the exposure generated, as defined in the treasury policy. These derivatives are generally qualified as cash flow hedges.

The Group also enters into foreign exchange forward and swap contracts in order to hedge the risk attributed to changes in value of recognized assets and liabilities. The Group qualifies these derivatives as held-for-trading with gains and losses recognized through profit and loss.

Net investments in Group affiliates with a functional currency other than the U.S. Dollar are of a long-term nature: the Group does not hedge such foreign currency translation exposures.

(b) Interest rates

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings. Interest risk exposure is evaluated regularly to align with interest rate views and the Group's defined risk appetite, which ensure that optimal hedging strategies are applied by either neutralizing the balance sheet exposures or protecting interest expense through different interest rate cycles.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group uses credit rating information supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually by the department in charge.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having simlar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at the end of the year, with the exception of cash balances deposited with a highly rated bank. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum amount of credit risk is the carrying amount of the financial assets.

Liquidity risk management

The Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.
The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

4. OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified based on internal reporting that is regularly reviewed by the chief operating decision maker. Group operating segments represent strategic business units that offer products and services for which such internal reporting is maintained. The chief operating decision maker reviews the internal segment reporting in order to allocate resources to the segments and assess their performance.

The Group reports four operating segments which are reflected in internal management reporting as follows:
- Digital TV
- Cybersecurity
- Internet of Things (IoT)
- Public Access

The Digital TV division provides end-to-end integrated solutions, including open conditional access solutions, which allow TV operators and content providers to operate a wide range of high value-added pay TV services on a secure platform, and middleware software solutions for set-top-boxes and other consumer devices, enabling an advanced end-user experience. The Digital TV operating segment also includes the Group's Intellectual Property activities as well as the development of new business initiatives such as watermarking, Insight and Sporfie.

The Cybersecurity division provides end-to-end cybersecurity solutions to a wide range of customers across multiple sectors, including advisory services, technology and resale services, managed security and custom developed proprietary solutions in domains not covered by existing commercial products.

The IoT division extends the existing Digital Television secure platform into new domains, enabling device security through identity authentication and firmware protection, data security to ensure the confidentiality, integrity and authenticity of sensitive data, and access management and active security protections to enable secure processing, local decision making and threat detection and response.

The Public Access division provides access control systems and ticketing services for ski lifts, car parks, stadiums, concert halls and other major events and is active under the SKIDATA brand.

The measure of income presented to manage segment performance is the segment operating income before depreciation, amortization and impairment. This measure is based on the same accounting policies as consolidated total except that intersegment sales are eliminated at the consolidation level. Income and expenses relating to Corporate include the costs of Group headquarters and the items of income and expense which are not directly attributable to specific divisions. These elements are reported under the 'Corporate common functions'. Reportable segment assets include total assets allocated by segment with the exclusion of intersegment balances, which are eliminated. Unallocated assets include assets managed on a centralized basis, included in the reconciliation to balance sheet assets.

In USD'000	Digital TV 2022	Public Access 2022	Cyber-security 2022	Internet of Things 2022	Total 2022
Revenues from external customers	300 638	280 225	109 286	15 734	705 883
Other operating income - operating segments	5 114	4 198	12	671	9 995
Total segment revenue and other operating income	**305 752**	**284 424**	**109 297**	**16 405**	**715 878**
Cost of materials, licenses and services	-42 908	-113 366	-38 680	-5 511	-200 464
Operating expenses	-197 743	-155 652	-84 224	-29 891	-467 509
Operating income before depreciation, amortization and impairment	**65 102**	**15 406**	**-13 607**	**-18 996**	**47 905**
Depreciation, amortization and impairment	-13 512	-15 872	-2 313	-613	-32 310
Operating income - excluding corporate common functions	**51 589**	**-465**	**-15 919**	**-19 609**	**15 595**
Corporate common function expenses					-14 729
Interest expense and other finance income/(expense), net					-12 930
Share of result of associates	843	831	–	–	1 674
Income before tax					**-10 390**
	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Total segment assets	**477 482**	**286 443**	**143 496**	**50 640**	**958 061**

In USD'000	Digital TV 2021	Public Access 2021	Cyber-security 2021	Internet of Things 2021	Total 2021
Revenues from external customers	355 075	284 142	107 295	7 419	753 932
Other operating income - operating segments	8 362	2 099	39	737	11 236
Other operating income - corporate functions	–	–	–	–	13 664
Total segment revenue and other operating income	**363 437**	**286 241**	**107 334**	**8 156**	**778 832**
Cost of materials, licenses and services	-57 664	-115 020	-50 753	-1 339	-224 776
Operating expenses	-208 504	-153 873	-74 006	-28 044	-464 427
Operating income before depreciation, amortization and impairment	**97 270**	**17 347**	**-17 424**	**-21 227**	**89 629**
Depreciation, amortization and impairment	-21 255	-17 319	-2 952	-601	-42 128
Operating income - excluding corporate common functions	**76 014**	**28**	**-20 377**	**-21 828**	**47 501**
Corporate common function expenses					-17 273
Interest expense and other finance income/(expense), net					-7 667
Share of result of associates	1 455	656	–	–	2 111
Income before tax from continuing operations					**24 672**
	31.12.2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Total segment assets	**718 342**	**312 531**	**143 478**	**43 341**	**1 217 691**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

In USD'000	31.12.2022	31.12.2021
Total segment assets	958 061	1 217 691
Cash and cash equivalents	1 464	2 284
Other current assets	380	403
Financial assets and other non-current assets	5 059	5 062
Total Assets as per Balance Sheet	**964 964**	**1 225 441**

GEOGRAPHICAL INFORMATION

The Group's country of domicile is Switzerland. The Group's revenue from external customers and information about its non-current assets by country are presented below:

	Revenues from external customers		Non-current assets	
In USD'000	2022	2021	31.12.2022	31.12.2021
Switzerland	54 753	50 562	35 956	36 311
United States of America	194 295	203 542	267 778	271 510
France	54 456	55 528	31 541	8 557
Germany	41 578	36 953	4 559	1 160
Netherlands	32 903	42 415	888	6 791
Austria	29 279	24 326	41 183	45 893
Italy	29 973	41 729	6 543	4 818
Rest of the world	268 647	298 878	100 686	140 485
	705 883	**753 932**	**489 135**	**515 525**

Non-current assets exclude financial instruments, deferred tax assets and employment benefit assets. Revenues are allocated to countries on the basis of the end-customer's location.

INFORMATION ABOUT MAJOR CUSTOMERS

No aggregate revenues resulting from transactions with a single external customer amount to 10% of the Group's total revenues.

REVENUE CATEGORIES

	Digital TV		Public Access		Cybersecurity		Internet of Things	
In USD'000	2022	2021	2022	2021	2022	2021	2022	2021
Europe	131 486	177 645	173 801	169 902	43 274	32 118	5 034	5 027
Americas	104 002	104 867	62 859	71 820	64 740	74 874	10 252	2 349
Asia and Africa	65 149	72 563	43 565	42 420	1 272	303	448	44
	300 638	**355 075**	**280 225**	**284 142**	**109 286**	**107 295**	**15 734**	**7 419**
Sale of goods	39 470	80 792	167 441	164 002	11 101	18 267	9 899	510
Services rendered	171 350	183 805	87 700	93 314	69 762	55 761	5 438	6 603
Royalties and licenses	89 818	90 479	25 084	26 826	28 423	33 267	398	306
	300 638	**355 075**	**280 225**	**284 142**	**109 286**	**107 295**	**15 734**	**7 419**

5. OTHER OPERATING INCOME

In USD'000	2022	2021
Government grants (research, development and training)	5 770	3 951
COVID-19 subsidies	575	530
Income from rental of property	2 600	4 137
Gain on disposal of assets	24	268
Gain on sale-and-leaseback	–	13 664
Contingent consideration received	–	547
Others	1 027	1 804
	9 995	**24 900**

6. EMPLOYEE BENEFITS EXPENSE

In USD'000	Note	2022	2021
Wages and salaries		300 444	314 653
Social security costs		46 097	43 748
Defined benefit plans expenses	28	10 636	10 483
Defined contribution plans expenses		6 716	7 799
Other personnel expenses		10 479	9 468
		374 372	**386 152**

7. OTHER OPERATING EXPENSES

In USD'000	2022	2021
Development and engineering expenses	12 060	10 925
Travel, entertainment and lodging expenses	19 542	16 502
Legal, experts and consultancy expenses	16 577	18 206
Administration expenses	28 101	27 369
Building and infrastructure expenses	11 633	11 632
Marketing and sales expenses	9 289	3 552
Taxes other than income tax	2 516	2 972
Change in provisions	-160	-2 410
Insurance, vehicles and others	8 307	6 800
	107 866	**95 547**

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

In USD'000	Note	2022	2021
Land and buildings	13	2 060	2 555
Equipment and machines	13	5 924	7 808
Total depreciation and impairment of tangible fixed assets		**7 984**	**10 363**
Land and buildings	15	11 791	11 834
Vehicles, equipment and other	15	2 455	2 603
Total depreciation and impairment of right-of-use assets		**14 245**	**14 437**
Intangible assets	14	10 081	17 328
Total amortization and impairment on intangible fixed assets		**10 081**	**17 328**
Depreciation, amortization and impairment		**32 310**	**42 128**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

9. INTEREST EXPENSE

In USD'000	Note	2022	2021
Interest expense:			
- Bond 2015-2022	27	2 259	4 103
- Bond 2016-2024	27	2 398	2 542
- Net interest expense recognized on defined benefit plans	28	249	217
- Interest on lease obligations	15	2 639	1 255
- Other and bank charges		2 455	1 656
		10 000	**9 774**

10. OTHER FINANCE INCOME/(EXPENSE), NET

In USD'000	Note	2022	2021
Interest income		1 532	1 664
Net gains/(losses) on foreign exchange related derivative financial instruments		-2 173	89
Net foreign exchange transaction gains/(losses)		44	1 572
Others		-2 332	-1 217
		-2 929	**2 107**

11. INCOME TAX EXPENSE

In USD'000	Note	2022	2021
Current income tax		-5 451	-75
Deferred income tax	17	358	-668
Non-refundable withholding tax		-772	-2 479
		-5 865	**-3 222**

The tax on the Group's income before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

In USD'000	2022	2021
Income before tax	**-10 390**	**24 672**
Expected tax calculated at domestic tax rates in the respective countries	1 707	-5 640
Effect of income not subject to income tax or taxed at reduced rates	2 004	2 603
Effect of utilization of previously unrecognized tax asset on tax losses carried forward and temporary differences	3 559	2 691
Effect of temporary differences and tax losses not recognized and deferred tax assets written-off	-11 604	-2 852
Effect of changes in tax rates	320	-410
Effect of associates' result reported net of tax	174	–
Effect of disallowed expenditures	-747	-2 278
Effect of prior year income taxes	-1 454	2 537
Effect of non-refundable withholding tax	-772	-2 479
Other	948	2 606
Tax expense	**-5 865**	**-3 222**

Income before tax for tax-transparent companies includes the full income before tax of non-fully-owned subsidiaries whose income taxes are paid by the subsidiaries' shareholders. However, the Group only recognizes its ownership percentage tax portion. The theoretical tax impact if the Group had recognized 100% of the taxes on these subsidiaries amounts to kUSD 1 028 (2021: kUSD 1 452) and is included in 'Other' in the above table.

The weighted average applicable tax rate decreased from 22.9% in 2021 to 16.4% in 2022. The decrease can be explained by a different profit split between countries.

12. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares outstanding during the year.

In USD'000	2022	2021
Net income attributable to bearer shareholders	-18 945	13 371
- Continuing operations	*-18 945*	*14 369*
- Discontinued operations	*-*	*-997*
Net income attributable to registered shareholders	-1 715	1 221
- Continuing operations	*-1 715*	*1 312*
- Discontinued operations	*-*	*-91*
Total net income attributable to equity holders	**-20 661**	**14 592**
Weighted average number of bearer shares outstanding	51 145 414	50 707 298
Weighted average number of registered shares outstanding	46 300 000	46 300 000
Basic and diluted earnings per share (in USD)		
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	-0.3704	0.2637
- Continuing operations	*-0.3704*	*0.2834*
- Discontinued operations	*-*	*-0.0197*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	-0.0370	0.0264
- Continuing operations	*-0.0370*	*0.0284*
- Discontinued operations	*-*	*-0.0020*

The company has no share options nor share subscription rights outstanding which could lead to a dilution of earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

13. TANGIBLE FIXED ASSETS

In USD'000	Land	Buildings	Building improve-ments	Technical equipment and machinery	Other equipment	Total
GROSS VALUES AT COST						
As of January 1, 2021	**25 961**	**120 185**	**16 879**	**104 859**	**20 440**	**288 324**
Additions	–	614	1 893	3 931	979	7 417
Disposals and retirements	-18 471	-64 308	-5 658	-2 131	-782	-91 350
Currency translation effects	-610	-3 709	-461	-5 345	-571	-10 696
Reclassification & others	–	–	329	194	-523	–
As of January 1, 2022	**6 880**	**52 781**	**12 982**	**101 509**	**19 543**	**193 694**
Additions	–	217	2 545	788	1 142	4 692
Disposals and retirements	–	-13	-2 778	-23 077	-4 944	-30 813
Currency translation effects	–	-1 136	-161	-2 471	-468	-4 237
Reclassification & others	–	–	99	43	-142	–
As of December 31, 2022	**6 880**	**51 849**	**12 687**	**76 790**	**15 131**	**163 337**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2021	**–**	**-50 550**	**-12 767**	**-81 651**	**-15 654**	**-160 621**
Systematic depreciation	–	-848	-1 707	-6 015	-1 794	-10 363
Disposals and retirements	–	37 035	4 678	2 112	759	44 585
Currency translation effects	–	2 006	314	3 897	429	6 645
Reclassification & others	–	–	-253	95	158	–
As of January 1, 2022	**–**	**-12 357**	**-9 735**	**-81 561**	**-16 102**	**-119 754**
Systematic depreciation	–	-864	-1 195	-4 384	-1 218	-7 662
Impairment	–	–	–	–	-322	-322
Disposals and retirements	–	13	2 758	22 530	4 688	29 989
Currency translation effects	–	562	107	1 397	372	2 438
Reclassification & others	–	–	–	-142	142	–
As of December 31, 2022	**–**	**-12 646**	**-8 065**	**-62 160**	**-12 440**	**-95 311**
Net book values as of December 31, 2021	**6 880**	**40 424**	**3 247**	**19 948**	**3 441**	**73 940**
Net book values as of December 31, 2022	**6 880**	**39 203**	**4 622**	**14 630**	**2 691**	**68 026**
Useful life in years	Indefinite	10 – 50	4 – 8	4 – 10	4 – 7	

In USD'000	31.12.2022	31.12.2021
Corporate buildings on land whose owner has granted a permanent and specific right of use	7 733	8 618

Technical equipment and machinery includes assets made available to clients which generate recurring service revenue.

The Group reviews the estimated useful lives and residual values of its fixed assets on an ongoing basis, based upon, among other things, its experience with similar assets, conditions in the relevant market, and prevailing industry practice. Disposals of Land and Building assets during 2021 are related to the sale-and-leaseback of Corporate buildings in Switzerland (note 15).

14. INTANGIBLE ASSETS

In USD'000	Technol-ogy	Customer lists, Trade-marks & Brands	Software	Goodwill	Other intangibles	Total
GROSS VALUES AT COST						
As of January 1, 2021	**124 601**	**72 210**	**72 705**	**357 332**	**471**	**627 317**
Additions	4 351	1 449	674	–	–	6 474
Disposals and retirements	–	–	-550	–	–	-550
Currency translation effects	-4 988	-1 658	-2 595	-6 354	-27	-15 623
As of January 1, 2022	**123 964**	**72 000**	**70 234**	**350 977**	**443**	**617 618**
Additions	528	–	3 483	–	–	4 011
Disposals and retirements	-28 673	–	-1 562	–	–	-30 234
Currency translation effects	-3 819	-5 015	-1 311	-13 747	-19	-23 912
As of December 31, 2022	**92 000**	**66 985**	**70 844**	**337 230**	**425**	**567 483**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2021	**-114 714**	**-52 034**	**-60 749**	**–**	**-463**	**-227 959**
Systematic amortization	-2 247	-6 475	-8 602	–	-3	-17 328
Recovery of amortization on disposal and retirements	–	–	550	–	–	550
Currency translation effects	4 236	1 305	2 157	–	27	7 725
As of January 1, 2022	**-112 725**	**-57 204**	**-66 643**	**–**	**-439**	**-237 011**
Systematic amortization	-2 486	-5 119	-2 469	–	-3	-10 076
Impairment	–	–	-5	–	–	-5
Recovery of amortization on disposal and retirements	28 673	–	1 561	–	–	30 234
Currency translation effects	3 200	3 985	1 201	–	18	8 404
As of December 31, 2022	**-83 339**	**-58 338**	**-66 354**	**–**	**-424**	**-208 454**
Net book values as of December 31, 2021	**11 238**	**14 796**	**3 591**	**350 977**	**4**	**380 607**
Net book values as of December 31, 2022	**8 661**	**8 647**	**4 489**	**337 230**	**1**	**359 028**
Useful life in years	4 – 10	5 – 10	3 – 4	Indefinite	4	

Intangible assets with indefinite useful lives are subject to a yearly impairment review.

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Goodwill is tested for impairment at least annually and when there is an indication of impairment. The impairment tests of goodwill are performed at the same time each year and at the cash-generating unit (CGU) level, defined within the framework of the Group as its operating segments. In accordance with IFRS 8, the Group reports four operating segments: Digital TV, Cybersecurity, Internet of Things (IoT) and Public Access (Note 4).

Goodwill allocated to each operating segment is tested for impairment using a value-in-use calculation, which corresponds to the segment's future projected cash flows discounted at an appropriate pre-tax rate of return. Cash flow projections are based on the financial plans and business strategies of Group management covering a period of five years and projected to perpetuity using a multiple which corresponds to a steady or declining growth rate. The Group assesses the uncertainty of these estimates by making sensitivity analyses. The discount rates used reflect the current assessment of the time value of money and the risks specific to each operating segment. Any impairment loss in respect of goodwill is never subsequently reversed.

The following sets out the allocated goodwill and key assumptions used in the impairment test for each segment:

2022	Carrying amount	Period of cash flow projections	Annual sales growth	Cumulative annual growth rate	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Goodwill CGU							
Digital TV	205 471	5 years	-7% to 3%	-0.3%	Declining	2.0%	11.5%
Public Access	35 201	5 years	2% to 7%	4.5%	Stable	3.0%	12.5%
Cybersecurity	62 217	5 years	10% to 15%	13.8%	Improvement	2.7%	12.0%
IoT	34 341	5 years	35% to 83%	54.7%	Improvement	2.7%	12.0%
	337 230						

2021	Carrying amount	Period of cash flow projections	Annual sales growth	Cumulative annual growth rate	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Goodwill CGU							
Digital TV	214 492	5 years	-4% to 3%	-0.7%	Declining	1.5%	8.5%
Public Access	35 689	5 years	1% to 9%	4.6%	Stable	2.0%	9.5%
Cybersecurity	64 948	5 years	15% to 25%	14.0%	Improvement	2.2%	8.8%
IoT	35 848	5 years	50% to 123%	81.0%	Improvement	2.2%	8.5%
	350 977						

The following has been taken into consideration in the impairment tests:
- Assumed cost of capital for each segment is based on the cost of equity of comparable businesses adjusted for the segment capital structure. The resulting weighted average cost of capital is then adjusted to include tax effects specific to the jurisdiction in which the segment operates. Net operating loss carryforwards are not considered when determining the tax effects.
- Cash flows for the first five years were based upon financial plans approved by Group management which are consistent with the Group's approved strategy for this period. They are based upon past performance and current initiatives.
- Terminal growth rates have been determined to reflect the long-term view of the nominal evolution of the business.

Digital TV

Digital TV revenue assumptions are based on bottom-up projections by product groups, key accounts and regions. Such projections are completed by segment management in collaboration with product managers and account managers. Projections are subsequently adjusted at the Group management level to include contingencies related to uncertainties of the business development. Margin assumptions are derived from historical performance, pricing trends, and expected product mix. Operating cost assumptions are based on historical expenditures and projected based on anticipated business actions and outlook over the forecast period.

Segment management assumes declining revenues over the first years of the planning period, as the subscriber base of established pay-TV operators is expected to continue shrinking. Revenue decline is expected to taper off and in the later years of the planning period, revenues are expected to stabilize and revert to growth, as emerging product lines (e.g., from AI/analytics platform, anti-piracy activities) gain traction.

Cybersecurity
The Kudelski Security leadership team provided a 5-Year P&L forecast. To develop this plan, the leadership team reviewed and developed a forecast for each of its lines of business (technology, services, managed services CFC, managed services L1/L2, innovation, marketing/PMO) in each of the geographical areas of operation (US and EMEA). Management assumed growth rates by line of business and geography taking into account factors such as market outlook, positioning, growth investments and past track record. Management assumed constant gross margins for each line of business. OPEX growth was determined taking into account the capacity required to deliver the planned revenue base and to sustain further growth. Group management evaluated and adjusted the forecast submission to take into account business development risks and to ensure that the strategic focus areas are in line with reasonable growth and spending assumptions.

Following a strong 2021, Cybersecurity maintained strong gross profit momentum in 2022. In line with prior years, Cybersecurity was able to continue growing its high value-added business lines, including managed security services, advisory, and innovation services posting a significant year-on-year growth. In 2023, Cybersecurity is expected to continue to benefit from favorable technology adoption trends and maintain a growth momentum. For planning purposes, gross profit growth is anticipated to be lower than in previous years. Gross profit is then expected to continue to grow at double-digit rates over the planning period, as the segment continues to gain traction in the higher margin managed security services space and innovation space.

Internet of Things (IoT)
The strategic shift of the IoT activities in prior years, including in particular the introduction of a new IoT Solutions product line and mainly driven by the segment's asset tracking solutions, resulted in a near term shift to end-to-end IoT solutions with the assumption that IoT platform revenues will gain momentum in the later years of the planning period.

IoT revenue projections by business line are based on volume and pricing projections for the early years in the plan and take into account the existing customer pipeline and backlog. Projections are subsequently adjusted at the Group management level to include contingencies related to the uncertainty of the business development. Operating cost assumptions are mainly based on the cost base required for the implementation of the current product roadmap as well as the further development of the product portfolio.

In 2022, IoT segment revenues more than doubled compared to the prior year, thus validating prior business plan assumptions. The Group expects strong growth momentum with solid double-digit growth rates to continue for the following years, driven by continued growth of its asset tracking product portfolio and volume deployments of the KeySTREAM platform.

Public Access
Public Access revenue assumptions are based on the observed structural development trends of existing products and customers. The SKIDATA management team developed sales and gross profit assumptions by region (APAC, Europe, Latin America, MEA, North America and Central) and validated these assumptions against projections by product groups (i.e., new facilities, modernizations and extensions, operational services, consumable products, SaaS). Projections are subsequently adjusted at the Group management level to include contingencies related to the uncertainty of the business development. Margin assumptions are derived from historical performance, pricing trends, and expected product mix. Operating cost assumptions are based on historical expenditures and projected based on anticipated business actions and outlook over the forecast period.

Public Access revenues in local currencies recovered in 2022, after two years of COVID-related revenue decline. Management expects this recovery to extend into 2023 and anticipates a return to historical revenue growth rates in the following years of the planning period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

Management believes that reasonably possible changes to any of the above key assumptions would not cause the operating segment's recoverable amount to fall below the carrying value of the segment, except for goodwill of Cybersecurity and IoT, for which reasonably possible changes in recurring revenues and revenue growth assumptions could result in a potential goodwill impairment. Considering the high level of annual planned sales growth, a 9.61% reduction of the assumed annual growth rate in the Cybersecurity segment and a 10.36% reduction of the assumed annual growth rate in the IoT segment, without any adjustment of operating expenses, would lead to a value-in-use equal to the carrying amount of goodwill at the end of the planning period. The headroom for Cybersecurity and IoT are mUSD 66.8 and mUSD 95.3 respectively.

15. LEASING

In USD'000	31.12.2022	31.12.2021
Land and buildings	46 311	47 298
Vehicles, equipment and other	4 126	3 448
	50 437	**50 746**

In USD'000	Land	Building & leasehold facilities	Vehicles	Equipment	Total
GROSS RIGHT-OF-USE ASSETS					
As of January 1, 2021	**1 024**	**56 357**	**9 006**	**206**	**66 592**
Additions	–	23 607	1 673	117	25 398
Disposals and retirements	-135	-4 699	-2 189	-2	-7 025
Currency translation effects	-69	-1 701	-513	-15	-2 298
As of January 1, 2022	**820**	**73 564**	**7 977**	**306**	**82 667**
Additions	–	11 845	3 350	22	15 217
Disposals and retirements	–	-10 472	-2 591	-108	-13 171
Currency translation effects	-46	-2 083	-359	-25	-2 513
As of December 31, 2022	**774**	**72 854**	**8 377**	**195**	**82 200**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As of January 1, 2021	**-90**	**-20 263**	**-4 491**	**-110**	**-24 954**
Systematic depreciation	-45	-11 789	-2 513	-91	-14 437
Recovery of depreciation on disposal and retirements	–	4 234	2 097	2	6 332
Currency translation effects	8	858	263	8	1 138
As of January 1, 2022	**-127**	**-26 959**	**-4 644**	**-191**	**-31 921**
Systematic depreciation	-38	-11 753	-2 381	-73	-14 245
Recovery of depreciation on disposal and retirements	–	10 472	2 506	108	13 087
Currency translation effects	6	1 081	213	16	1 316
As of December 31, 2022	**-158**	**-27 159**	**-4 306**	**-140**	**-31 763**
Net book values as of December 31, 2021	**693**	**46 605**	**3 333**	**116**	**50 746**
Net book values as of December 31, 2022	**616**	**45 695**	**4 071**	**55**	**50 437**
Useful life in years	4 – 10	2 – 15	2 – 5	2 – 5	

Lease costs are recorded in the income statement as depreciation expense in the amont of kUSD 14 245 (2021: kUSD 14 437) and interest expense of kUSD 2 639 (2021: kUSD 1 255), and are recognized in the cash flow statement as adjustments to net income non-cash items in operating activities. Lease payments of kUSD 16 249 (2021: kUSD 14 756) which represent the reduction of the lease liability are recognized in the cash flow statement as an outflow from financing activities. Operating lease costs relating to short-term leases of kUSD 6 062 (2021: kUSD 5 822) and low-value leases of kUSD 293 (2021: kUSD 319) remain fully recognized as an operational expense. The total cash outflow for leases in 2022 was kUSD 25 243 (2021: kUSD 22 153).

The Group's remaining contractual maturities of lease obligations at December 31, 2022 and 2021 are as follows:

In USD'000	2022	2021
Within one year	13 777	15 114
In the second to fifth year inclusive	34 676	38 950
More than five years	40 359	37 554
	88 812	**91 618**

SALE-AND-LEASEBACK TRANSACTIONS

In September 2021, the Group completed a sale-and-leaseback transaction involving a satellite office building located in Lausanne, Switzerland. The building was sold for kUSD 20 783 and leased back for an initial term of fifteen years, with specified renewal options for up to an additional ten years. The Group recorded a gain on the sale-and-leaseback of kUSD 5 867 which was recognized in 'Other operating income' in the consolidated income statement for the year ended December 31, 2021.

In addition, during December 2021, the Group completed the sale-and-leaseback of properties hosting the Group's headquarters in Cheseaux, Switzerland for an amount of kUSD 82 037. The investor group that acquired the properties includes members of the Kudelski family, a long-time shareholder of the Group, the Group's Swiss pension fund and Nagravision. Based on the Group's assessment, control of the properties had been transferred to the investor group and Nagravision's remaining interest in the property was accounted for as an 'Investment in associate' (note 16). The building was leased for an initial term of fifteen years, with specified renewal options for up to an additional ten years. For the year ended December 31, 2021, the Group recorded a gain on the sale-and-leaseback of kUSD 7 797 which was included in 'Other operating income' in the consolidated income statement.

16. INVESTMENTS IN ASSOCIATES

In USD'000	2022	2021
At January 1	**9 335**	**7 007**
Acquisition of an associate	–	2 290
Share of profit	1 674	2 111
Dividends received	-133	-1 911
Currency translation effects	-209	-162
At December 31	**10 667**	**9 335**

During 2021, the Group invested kUSD 4 922 in Kudelski Buildings Sarl. This amount was offset by its proportion of the gain on sale-and-leaseback transaction of kUSD 2 632.

The Group's interests in its principal associates, all of which are unlisted, were as follows:

		Interest held	
Name of associate	**Principal activity**	**2022**	**2021**
APT-SkiData Ltd, United Kingdom	Sales of Public Access products	26.0%	26.0%
SKIDATA Parking Systems, Hong-Kong	Sales of Public Access products	26.0%	26.0%
SKIDATA India Private Limited, India	Sales of Public Access products	49.0%	49.0%
SJack GmbH, Austria	Sales of Public Access products	26.0%	26.0%
Swiss Peak Experience SA, Switzerland	Sales of Public Access products	45.0%	45.0%
iWedia SA, Switzerland	Middleware for set-top-boxes	40.0%	40.0%
Kudelski Buildings Sàrl	Real estate company	22.5%	22.5%

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SUMMARIZED FINANCIAL INFORMATION OF THE GROUP'S ASSOCIATES

In USD'000	31.12.2022	31.12.2021
Total assets	107 270	101 425
Total liabilities	61 887	60 647
Net assets	45 383	40 778
Group's share of associates' net assets	12 758	11 430

	2022	2021
Revenue	47 115	49 518
Result of the period	5 819	6 154
Group's share of associates' result for the period	1 674	2 111

17. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

In USD'000	31.12.2022	31.12.2021
Deferred tax assets	39 593	44 054
Deferred tax liabilities	-1 120	-2 050
	38 473	**42 004**

Movement on the deferred income tax account is as follows:

In USD'000	Note	2022	2021
At January 1		**42 004**	**47 663**
Exchange differences		-969	-1 566
Recognized against other comprehensive income		-2 920	-3 426
Income statement (expense)/income	11	358	-668
At December 31		**38 473**	**42 004**

The movement in deferred tax assets and liabilities during 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

In USD'000	At January 1, 2022	Income statement effect	Other Comprehensive income	Currency translation effects	At December 31, 2022
Deferred tax assets associated with					
- intangibles	1 905	-235	–	-32	1 637
- employee benefits	3 080	351	-2 920	-278	233
- tax losses	26 652	1 289	–	-381	27 560
- provisions and other elements tax deductible when paid	6 100	-2 783	–	-228	3 090
- intercompany profit elimination	3 736	-834	–	-220	2 682
- leases	5 205	670	–	-73	5 802
- others	341	39	–	-6	374
Total deferred tax assets (gross)	**47 020**	**-1 503**	**-2 920**	**-1 218**	**41 378**
Deferred tax liabilities associated with					
- intangibles	-2 475	847	–	216	-1 412
- provisions and accelerated tax depreciation	-446	-5	–	-22	-473
- others	-2 094	1 019	–	54	-1 020
Total deferred tax liabilities (gross)	**-5 016**	**1 862**	**–**	**249**	**-2 905**
Net deferred tax asset/(liability)	**42 004**	**358**	**-2 920**	**-969**	**38 473**

And for 2021:

In USD'000	At January 1, 2021	Income statement effect	Other Comprehensive income	Currency translation effects	At December 31, 2021
Deferred tax assets associated with					
- intangibles	2 439	-459	–	-75	1 905
- employee benefits	6 642	135	-3 413	-284	3 080
- tax losses	33 787	-6 374	–	-760	26 652
- provisions and other elements tax deductible when paid	5 756	738	12	-405	6 100
- intercompany profit elimination	4 419	-380	–	-303	3 736
- leases	190	5 010	–	5	5 205
- others	536	-155	-25	-15	341
Total deferred tax assets (gross)	**53 768**	**-1 486**	**-3 426**	**-1 837**	**47 020**
Deferred tax liabilities associated with					
- intangibles	-3 577	1 021	–	81	-2 475
- provisions and accelerated tax depreciation	-1 928	1 375	–	107	-446
- others	-600	-1 578	–	83	-2 094
Total deferred tax liabilities (gross)	**-6 105**	**818**	**–**	**271**	**-5 016**
Net deferred tax asset/(liability)	**47 663**	**-668**	**-3 426**	**-1 566**	**42 004**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

UNRECOGNIZED TAX LOSSES CARRIED FORWARD

At the balance sheet date, the Group has unused tax losses and temporary differences of mUSD 1 279.5 (2021: mUSD 1 311.9) available for offset against future profits. A deferred tax asset has been recognized in respect of mUSD 268.5 (2021: mUSD 344.9) of such losses and temporary differences. The utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. No deferred tax asset has been recognized for the remaining mUSD 1 011.0 (2021: mUSD 967.0) due to the unpredictability of future profit streams. The amount of unused tax losses carried forward which have not been capitalized as deferred tax assets, with their expiry dates, is as follows:

In USD million	2022	2021
Expiration within:		
One year	23.3	10.7
Two years	114.7	23.4
Three years	139.9	122.0
Four years	142.4	148.0
Five years	31.3	152.4
More than five years	559.4	510.5
Total	**1 011.0**	**967.0**

18. FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

In USD'000	31.12.2022	31.12.2021
Financial assets at amortized cost:		
Loan – third party	11 928	12 366
State and government institutions	4 317	4 877
Trade accounts receivable (long-term portion)	4 597	12 539
Guarantee deposits	1 809	1 878
Prepaid expenses and accrued income (long-term portion)	90	133
Total financial assets at amortized cost	**22 742**	**31 792**
Financial assets at fair value through profit or loss:		
Equity instruments (level 3)	1 137	1 152
Total financial assets at fair value through profit or loss	**1 137**	**1 152**
Other non-current assets:		
Deferred rent	976	896
Total other non-current assets	**976**	**896**
Total	**24 856**	**33 840**

The equity instruments are measured using a discounted cash flow method provided by the company on a yearly basis.

The effective interest rate on third party loans is 1.90% (2021: 1.83%). State and government institutions include government grants for R&D projects that will not be received within the next 12 months. The long-term portion of trade accounts receivable includes, among others, discounted revenues related to the licensing of the Group intellectual property portfolio.

19. INVENTORIES

In USD'000	31.12.2022	31.12.2021
Raw materials	3 980	2 898
Work in progress	7 450	6 881
Finished goods	59 550	44 600
	70 980	**54 378**

The cost of inventories recognised as an expense includes kUSD 1 734 (2021: kUSD 2 273) in respect of write-downs, and has been reduced by kUSD 440 (2021: kUSD 605) in respect of the reversal of such write-downs.

Changes in inventories of finished goods and work in progress included in cost of material are kUSD 15 712 (2021: kUSD -5 590).

20. TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

In USD'000	31.12.2022	31.12.2021
Trade accounts receivable	165 701	178 101
Less: provision for impairment	-15 194	-16 166
Trade accounts receivable related parties	2 402	1 579
Trade accounts receivable - net	**152 909**	**163 514**
Contract assets	29 916	37 842
Less: provision for impairment	-2 334	-1 108
Contract assets - net	**27 582**	**36 733**

Before accepting a new customer, the Group performs a credit scoring to assess the potential customer's credit quality and defines specific credit limits. Limits and scoring are regularly reviewed. Furthermore, for low value added business deliveries, the Group usually works on a back to back basis.

The following table summarizes the movement in the provisions for impairment of trade accounts receivable and contract assets:

	Contract assets		Trade accounts receivable	
In USD'000	**2022**	**2021**	**2022**	**2021**
January 1,	**-1 108**	**-197**	**-16 166**	**-26 202**
Provision for impairment charged to income statement	-1 250	-998	-4 486	-1 283
Utilization	–	–	638	2 279
Reversal	44	77	4 562	8 262
Translation effects	-20	10	258	779
December 31,	**-2 334**	**-1 108**	**-15 194**	**-16 166**

The creation and release of the provision for impairment are included in other operating expenses in the income statement. Provisions recognized for the impairment of trade receivables amount to kUSD -4 486 (2021: kUSD -1 283). Amounts charged to the provision for impairment account are written-off when there is no expectation to recover additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade accounts receivables and contract assets. On that basis, the provisions for impairment of trade accounts receivable and contract assets as of December 31, 2022 and 2021 were determined as follows:

In USD'000	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2022	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2021
Trade accounts receivable not overdue	97 667	0.4%	396	104 818	0.4%	406
Past due:						
- not more than one month	27 848	1.4%	377	25 729	0.9%	222
- more than one month and not more than three months	14 355	1.9%	275	18 161	2.2%	391
- more than three months and not more than six months	6 506	15.3%	993	7 597	11.0%	839
- more than six months and not more than one year	7 791	33.5%	2 607	6 068	41.6%	2 524
- more than one year	11 534	91.4%	10 545	15 728	74.9%	11 784
Total	**165 701**		**15 194**	**178 101**		**16 166**
Contract assets	29 916	7.8%	2 334	37 842	2.9%	1 108
Total	**29 916**		**2 334**	**37 842**		**1 108**

The expected loss rates are based on payment profiles of sales from the individual Group companies and corresponding historical credit losses. The average loss rates displayed above may vary due to the mix of outstanding receivables within the Group companies.

21. OTHER FINANCIAL ASSETS AT AMORTIZED COST

In USD'000	31.12.2022	31.12.2021
Other receivables - third parties	10 368	11 067
Other receivables - related parties	1 348	1 412
Advances to suppliers and employees	5 864	5 480
State and government institutions	25 800	31 696
	43 380	**49 655**

22. OTHER CURRENT ASSETS

In USD'000	31.12.2022	31.12.2021
Prepaid expenses	12 321	10 333
Accrued income	42 027	32 478
Other receivables - third parties	848	638
	55 196	**43 450**

23. CASH AND CASH EQUIVALENTS

In USD'000	31.12.2022	31.12.2021
Cash at bank and in hand	58 383	280 832
Short-term deposits	3 784	3 657
	62 167	**284 489**

The effective interest rate on short term deposits was 0.59% (2021: 0.58%). The Group only enters into transactions with highly rated banks.

24. SHARE CAPITAL

ISSUED AND FULLY PAID SHARE CAPITAL

The share capital consists of 51 179 295 (2021: 50 736 972) bearer shares at CHF 8.00 par value each and 46 300 000 (2021: 46 300 000) registered shares at CHF 0.80 par value each. Each share confers the right to vote and is fully paid up. The counter-value for the share capital is kUSD 344 190 (2021 kUSD 340 484).

The registered shares are neither listed nor traded on any stock exchange. The bearer shares have been listed on the main market of the SIX since August 2, 1999 (ticker: KUD, security number: 1 226 836; ISIN CH0012268360).

AUTHORIZED SHARE CAPITAL

The Board of Directors is authorized to increase the share capital in one or more stages until 15 April 2022 by a maximum amount of CHF 32 705 312 through the issuance of 3 768 164 bearer shares with a nominal value of CHF 8.00 per share and 3 200 000 registered shares with a nominal value of CHF 0.80 per share to be fully paid up. The issuance price, the nature of the contributions, the date from which new shares shall give entitlement to dividends and other modalities of any share issuance shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or abroad. All statutory restrictions on the transfer of shares are applicable to new registered shares.

CONDITIONAL SHARE CAPITAL

Conditional share capital consists of 10 000 000 (2021: 10 000 000) bearer shares at CHF 8.00 each to satisfy convertible bond exercise right and 634 461 (2021: 576 784) bearer shares at CHF 8.00 each to satisfy option exercise or share subscriptions to employees.

25. NON-CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group's subsidiaries in which it has material non-controlling interests, before any intercompany elimination:

		31.12.2022		31.12.2021
In USD'000	**Nagrastar**	**275 Sacramento Street LLC**	**Nagrastar**	**275 Sacramento Street LLC**
Non-controlling interests percentage	**50.0%**	**50.1%**	**50.0%**	**50.1%**
Non-current assets	1 511	37 898	1 509	38 088
Current Assets	22 755	211	38 766	182
Non-current liabilities	24	50	40	50
Current liabilities	9 040	176	10 954	179
Total Equity	**15 201**	**37 883**	**29 341**	**38 085**
Non-controlling interests percentage	50%	50.1%	50%	50.1%
Theoritical amount of non-controlling interests	7 601	18 980	14 670	19 081
Carrying amount of non-controlling interests	**7 601**	**18 980**	**14 670**	**19 081**
Revenue	19 544	4 113	21 536	4 239
Net result	5 860	2 598	8 488	2 655
Total comprehensive income	5 860	2 598	8 488	2 655
Total comprehensive income allocated to non-controlling interests	2 930	1 302	4 244	1 328
Dividend paid to non controlling interests	-10 000	–	–	–
Net increase /(decrease) in cash and cash equivalents	-14 824	13	9 506	-454

These companies are treated as subsidiaries because the Group controls them either by financing or bearing an over-proportional responsibility for the main risks.

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26. LONG TERM FINANCIAL DEBT

In USD'000	Note	31.12.2022	31.12.2021
CHF 150 million 1.5% bond 2016/2024	27	157 610	161 518
Long-term bank loans		24 562	35 352
		182 172	**196 870**

Long term bank loans effective interest rate is 2.75% (2021: 0.80%).

27. BONDS

On May 12, 2015 Kudelski SA issued a CHF 200 million bond with a subscription price of 100%, bearing an annual interest rate of 1.875% and maturing on August 12, 2022 at par, with denominations of CHF 5 000 nominal and multiples thereof. The proceeds amounted to kCHF 200 000 (kUSD 214 891) less issuance costs of kCHF 870 (kUSD 939) totaling an initial net proceed of kCHF 199 130 (kUSD 213 952) and resulting in an effective interest rate of 1.97%.

During 2022, the Group repurchased nominal value kUSD 12 700 (2021: kUSD 16 845) relating to the 2015-2022 bond. On August 12, 2022, the Group reimbursed nominal value kUSD 183 308 relating to the 2015-2022 bond. Total cash paid relating to the repurchase and reimbursement, excluding accrued interest, was kUSD 196 043.

On September 27, 2016 Kudelski SA issued an additional CHF 150 million bond with a subscription price of 100%, bearing an annual interest rate of 1.5% and maturing on September 27, 2024 at par, with denominations of CHF 5 000 nominal and multiples thereof. The proceeds amounted to kCHF 150'000 (kUSD 154 384) less issuance costs of kCHF 665 (kUSD 684) totaling an initial net proceed of kCHF 149'335 (kUSD 153 700) and resulting in an effective interest rate of 1.58%.

During 2022, the Group repurchased nominal value of kUSD 1 849 (2021: kUSD 2 527) relating to the 2016-2024 bond. Total cash paid excluding accrued interest was kUSD 1 694.

The gain on bond repurchases of kUSD 121 (2021: kUSD 708) is included in 'Other finance income/(expense), net' in the consolidated income statement.

Bonds are recognized in the consolidated balance sheets as of December 31, as follows:

In USD'000	2022	2021
Initial balance	**363 635**	**394 907**
Amortization of transaction costs less premium	162	236
Reimbursement and repurchase	-197 857	-19 372
Currency translation effects	-8 331	-12 137
Liability component as of December 31	**157 610**	**363 635**
of which:		
- short-term portion (bond 2015/2022)	–	202 117
of which:		
- long-term portion (bond 2016/2024)	157 610	161 518
	157 610	**363 635**

28. EMPLOYEE BENEFITS LIABILITIES

Defined benefit plan income, expense, plan assets and defined benefit obligations are determined by independent actuaries. Defined benefit obligations are calculated using the "Projected Unit Credit" method, and plan assets have been measured at fair market values. Most of the employee benefit obligation results from the Swiss pension plan.

SWITZERLAND

In addition to the legally required social security schemes, the Group has an independent pension plan. Swiss legislation prescribes that both the employer and the employee contribute a fixed percentage of the employee's insured salary to an external pension fund. Additional employers or employees' contribution may be required whenever the plan's statutory funding ratio falls below a certain level. The pension plan is run by a separate legal entity, governed by a Board of Trustees which consists of representatives nominated by the Group and by the active insured employees. The Board of Trustees is responsible for the plan design and the asset investment strategy. This plan covers all employees in Switzerland and is treated as a defined benefit plan with associated risks exposure being:

- Mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plan's liabilities. In order to minimize the risk, mortality assumptions are reviewed on a regular basis.
- Market and liquidity risks: these are the risks that the investments do not meet the expected returns over the medium to long term. This also encompasses the mismatch between assets and liabilities. In order to minimize the risks, the structure of the portfolios is reviewed on a regular-basis.

ABROAD

Outside Switzerland, the Group sponsors twelve (2021: twelve) other post-employment benefit plans treated as defined benefit plan according to IAS 19. Post-employment benefit plan may include jubilee and termination benefits. Other post-employment benefit plans are not funded.

The following table sets forth the status of the pension plans and the amount that is recognized in the balance sheet:

In USD'000	31.12.2022	31.12.2021
Fair value of plan assets	222 221	244 445
Defined benefit obligation	-226 883	-269 160
Funded status	**-4 662**	**-24 715**
Other comprehensive income	42 547	21 002
Prepaid/(accrued) pension cost	-47 209	-45 717
Funded status	**-4 662**	**-24 715**

In accordance with IAS 19, the following amount is recorded as net pension cost in the income statement for the financial years 2022 and 2021:

In USD'000	Note	2022	2021
Service cost		-16 729	-17 562
Employees contributions		5 861	5 746
Amortization of gains/(losses)		387	420
Curtailment gain / (loss)		212	–
Impact of plan amendment		-367	912
Total recognized in employee benefits expense	**6**	**-10 636**	**-10 483**
Interest cost		-1 084	-433
Interest income		835	216
Total recognized in interest expense	**9**	**-249**	**-217**
Net pension (cost)/income		**-10 885**	**-10 701**

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The impact of plan amendment relates to a 2022 change in benefits for one of the French pension plans and a modification of the retirement age for females in the Swiss plan.

The main assumptions used for the calculation of the pension cost and the defined benefit obligation for the years 2022 and 2021 are as follows:

	31.12.2022	31.12.2021
Switzerland		
Financial assumptions:		
- Discount rate	2.30%	0.35%
- Rate of future increase in compensations	1.50%	1.50%
- Rate of future increase in current pensions	0.75%	0% for 5 years, then 0.75%
Demographic assumptions:		
- Interest rate credited on savings accounts	2.00%	1.00%
- Turnover *(on average)*	12.0%	12.0%
- Demographic basis	LPP 2020 generational probability risk for disability reduced 25%	LPP 2020 generational probability risk for disability reduced 25%
- Retirement payment form	75% pension 25% lump sum	75% pension 25% lump sum
Abroad		
- Discount rate	4.12%	1.76%
- Rate of future increase in compensations	4.90%	3.18%
- Turnover *(on average)*	8.1%	7.6%

The weighted average duration of the defined benefit obligation is as follows :

	31.12.2022	31.12.2021
Weighted average duration of the defined benefit obligation in years		
Switzerland	16.5	19.3
Abroad	11.4	6.2

The changes in defined benefit obligation and fair value of plan assets during the years 2022 and 2021 are as follows:

A. Change in defined benefit obligation

In USD'000	2022	2021
Defined benefit obligation as of 1.1.	**-269 160**	**-272 185**
Service cost	-16 729	-17 562
Interest cost	-1 084	-433
Change in demographic assumptions	51	252
Change in financial assumptions	60 391	13 016
Other actuarial gains / (losses)	-9 995	-7 848
Benefits payments	4 424	5 768
Exchange rate difference	5 374	8 921
Curtailment	212	–
Plan amendment	-367	912
Defined benefit obligation as of December 31,	**-226 883**	**-269 160**

Changes in demographic assumptions result from analysis of trends over the last six years and the impacts are disclosed in the above table under ‘Changes in demographic assumptions’. Other actuarial gains/(losses) are experience gains/(losses) arising due to differences between assumed and actual results.

B. Change in fair value of plan assets

In USD'000	2022	2021
Fair value of plan assets as of 1.1.	**244 445**	**223 368**
Interest income	835	216
Return on plan assets excluding interest income	-29 063	19 509
Employees' contributions	5 861	5 746
Employer's contribution	8 332	8 187
Benefit payments	-4 424	-5 768
Exchange rate difference	-3 764	-6 813
Fair value of plan assets as of December 31,	**222 221**	**244 445**

The actual return on plan assets amounts to kUSD -28 228 in 2022 (kUSD 19 725 for the year 2021) and includes an assumed interest income. The estimated employer's contribution to the pension plans for the year 2023 is kUSD 7 816.

The categories of plan assets, all of which are easily convertible to cash, are stated at their fair value at December 31, 2022 and 2021 as follows:

In USD'000	31.12.2022	Proportion in % 31.12.2022	31.12.2021	Proportion in % 31.12.2021
Cash	15 253	6.9%	8 826	3.6%
Swiss bonds	15 597	7.0%	18 154	7.4%
Non-Swiss bonds	55 423	24.9%	58 657	24.0%
Swiss shares	37 290	16.8%	47 417	19.4%
Non-Swiss shares	33 571	15.1%	40 779	16.7%
Real estate	39 386	17.7%	44 260	18.1%
Alternative investments	25 701	11.6%	26 352	10.8%
Total	**222 221**	**100.0%**	**244 445**	**100.0%**

Plan assets are quoted on liquid markets. The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance and thus of generating income on a long-term basis in order to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments.

The expected benefit payments for the next ten years are as follows :

In USD'000	Switzerland	Abroad
2023	10 505	560
2024	10 420	106
2025	10 202	115
2026	9 150	153
2027	10 523	960
2028-2032	46 776	4 388

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The following table shows the sensitivity of the defined benefit pension obligations to the principal actuarial assumptions based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period:

	Change in 2022 year-end defined benefit obligation		Change in 2021 year-end defined benefit obligation	
	Switzerland	Abroad	Switzerland	Abroad
	In USD'000	In USD'000	In USD'000	In USD'000
50 basis point increase in discount rate	-16 129	-853	-22 722	-411
50 basis point decrease in discount rate	18 460	570	26 437	474
50 basis point increase in rate of salary increase	291	n/a	130	n/a
50 basis point decrease in rate of salary increase	-319	n/a	-150	n/a
50 basis point increase in rate of pension increase	10 096	n/a	9 387	n/a
50 basis point decrease in rate of pension increase	-9 205	n/a	-8 634	n/a
50 basis point increase of interest in saving accounts	6 301	n/a	8 153	n/a
50 basis point decrease of interest in saving accounts	-5 984	n/a	-7 723	n/a
50 basis point increase of turnover	-78	n/a	-1 515	n/a
50 basis point decrease of turnover	52	n/a	1 403	n/a

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

29. OTHER LONG TERM LIABILITIES

In USD'000	31.12.2022	31.12.2021
Long-term loans - third parties	5 047	5 143
Deferred consideration	1 547	1 255
Contingent consideration	1 547	1 255
Other long-term liabilities	1 232	903
Deferred income	992	1 514
	10 364	**10 070**

The effective interest rate on long-term loans is 2.00% (2021: 2.00%.)

Deferred and contingent consideration balances include the long-term portions of deferred fixed and contingent earn-out payments in connection with business acquisitions. Assumptions for contingent consideration include a discount rate of 10.0% and are dependent on the achievement of certain financial performance targets of the acquired companies and are reviewed by management on a periodic basis.

30. SHORT TERM FINANCIAL DEBT

In USD'000	31.12.2022	31.12.2021
CHF 200 million 1.875% bond 2015/2022	–	202 117
Short-term bank borrowings	76 227	37 241
Other short-term financial liabilities	656	665
	76 883	**240 023**

The average effective interest rate paid in 2022 for short term bank borrowings was 2.39% (2021: 1.41%).

31. TRADE ACCOUNTS PAYABLE

In USD'000	31.12.2022	31.12.2021
Trade accounts payable – third parties	67 972	68 573
Trade accounts payable – related parties	–	14
	67 972	**68 586**

32. CONTRACT LIABILITIES

In USD'000	31.12.2022	31.12.2021
Amounts due to customers for contract work	4 020	6 219
Advances from clients	21 500	16 189
Deferred income	46 001	60 890
	71 520	**83 298**

33. OTHER CURRENT LIABILITIES

In USD'000	31.12.2022	31.12.2021
Accrued expenses	77 781	80 888
Payable to pension fund	1 583	1 512
Other payables	15 322	23 317
	94 685	**105 718**

34. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are only used for economic hedging purposes and not as speculative instruments. Where derivatives do not meet the hedge accounting criteria or where the Group chooses not to designate derivatives as hedging instruments, they are classfied as "held-for-trading" for accounting purposes and are accounted for at fair value through profit or loss.

	Assets		Liabilities	
In USD'000	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Cash flow hedge:				
- Foreign currency options	143	180	–	–
Held-for-trading:				
- Foreign currency options	–	–	-88	-82
- Forward contracts	–	519	–	–
Total of derivatives financial instruments	**143**	**699**	**-88**	**-82**

There were no long-term derivative instruments at December 31, 2022 and 2021.

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In USD'000	Cost of hedging reserve	Intrinsic value of options	Total hedge reserves
Balance at January 1, 2021	–	–	–
Change in fair value of hedging instruments recognized in OCI	–	158	158
Cost of hedging deferred and recognized in OCI	-7	–	-7
Balance at December 31, 2021	**-7**	**158**	**151**
Change in fair value of hedging instruments recognized in OCI	–	816	816
Cost of hedging deferred and recognized in OCI	-735	–	-735
Reclassified from OCI to profit or loss	7	-158	-151
Balance at December 31, 2022	**-735**	**816**	**81**

The amounts included in cost of hedging reserve relate to the time value of options. All the amounts in the hedging reserve are in respect of transaction-related items, namely forecast sales transactions. The notional amount of options qualifiying for hedge accounting amounted to mUSD 45 and mEUR 8 in 2022 (2021: mUSD 27) with maturities between January and December and average strike rate of USD/CHF 0.9324 and USD/EUR 0.9750 in 2022 (2021: USD/CHF 0.9197). The foreign currency options are denominated in the same currency as the highly probable future sales transactions, therefore the hedge ration is 1:1. There was no hedge ineffectiveness during 2022 and 2021 relating to foreign currency options.

35. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

In USD'000	Restructuring provisions	Provision for warranty	Litigations and others	Total 2022	Total 2021
As of January 1	**80**	**2 918**	**67**	**3 065**	**3 842**
Additional provisions	–	156	12	168	1 242
Unused amounts reversed	–	-427	-26	-453	-272
Used during the year	-10	-26	3	-33	-1 539
Exchange differences	-5	-138	-4	-146	-208
As of December 31	**65**	**2 484**	**51**	**2 600**	**3 065**
Thereof:					
- Short-term	65	2 484	51	2 600	3 065
- Long-term	–	–	–	–	–
	65	**2 484**	**51**	**2 600**	**3 065**

Restructuring provisions

Restructuring provisions in 2022 and 2021 primarily relate to headcount reduction measures impacting the Group's Digital TV operations.

Litigations and others

A number of Group companies are the subject of litigation arising out of the normal conduct of their business, as a result of which claims could be made against them. Such claims, in whole or in part, might not be covered by insurance. This provision disclosed in short-term covers legal fees and lawsuits and is valued according to management's best estimate.

Provision for warranty

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

36. DISCONTINUED OPERATIONS

In December 2021, the Group completed the sale of a building located in La Ciotat, France for an amount of kUSD 11 352. The building was retained upon the disposal of the SmarDTV operations in August 2018 and was previously classified as 'held for sale'. The loss on the sale of kUSD -1 089 has been presented as discontinued operations in the consolidated income statements. There were no discontinued operations for the year ended December 31, 2022.

37. RESEARCH AND DEVELOPMENT

The following amounts were recognized as expense and charged to the income statement:

In USD'000	2022	2021
Research and development	132 376	130 285

38. DIVIDEND

On April 22, 2022, the Group paid a distribution of CHF 0.10 per bearer share and CHF 0.01 per registered share. The distribution amounted to kUSD 5 999. Since year end, no distribution has been proposed by the Board of Directors.

39. EMPLOYEE SHARE PARTICIPATION PLANS

EMPLOYEE SHARE PURCHASE PROGRAM (ESPP)

The Group has set up a plan to allow employees of certain Group companies preferential conditions to buy Kudelski SA bearer shares. All such shares purchased, and the additional shares obtained through this plan, are subject to a three-year blocking period.

	Shares 2022	Shares 2021
Shares underwritten by employees	54 875	39 815
Bonus shares from ESPP	10 975	7 963
Total employee share program	**65 850**	**47 778**
Amount paid by employee (In USD'000)	117	122
Booked corporate charges (excluding social charges) (In USD'000)	51	54
	168	**176**

SHARES ISSUED TO EMPLOYEES

In 2022, 376 473 (2021: 316 594) bearer shares of Kudelski SA were given to employees for no consideration as part of their compensation, of which 339 281 (2021: 296 527) include a seven-year blocking period, 24 692 (2021: 7 567) include a three-year blocking period and 12 500 (2021: 12 500) with no restriction to sale. The fair value recognized for this equity based compensation is kUSD 962 (2021: kUSD 859).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

40. RELATED PARTIES

Trading transactions

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in consolidation and are not disclosed in this note.

During the year, Group entities entered into the following significant trading transactions with related parties, associates or joint ventures that are not members of the Group:

In USD'000	Sale of goods and services 2022	2021	Purchase of goods and services 2022	2021	Amounts owed to related parties 31.12.2022	31.12.2021	Amounts owed by related parties 31.12.2022	31.12.2021
APT-Skidata Ltd	5 084	4 138	–	–	–	14	1 418	1 025
SKIDATA Parking System Ltd	1 197	1 226	–	–	–	–	117	104
SKIDATA India Private Limited	1 179	244	–	–	–	–	441	42
Kudelski Buildings Sàrl	–	–	4 603	–	–	–	–	–
HVK Logistics	–	–	–	–	–	–	24	–
iWedia SA	–	–	–	–	–	–	–	–
Total associated companies	**7 459**	**5 608**	**4 603**	**–**	**–**	**14**	**2 000**	**1 172**
Audio Technology Switzerland SA	–	–	–	–	–	–	1 751	1 774
Total other related	**–**	**–**	**–**	**–**	**–**	**–**	**1 751**	**1 774**

APT SKIDATA, SKIDATA Parking System Ltd and SKIDATA India Private Limited are sales representative companies for SKIDATA Group. iWedia SA is a partner in providing middleware and other software components for digital TV solutions. Audio Technology Switzerland SA is considered as a related party as some Kudelski Board members invested in the company.

Services provided to/by associates and other related parties are performed at arm's length. The associates are listed in note 16. Outstanding balances are unsecured and are repayable in cash.

Key management compensation

Key management includes directors (executives and non-executives) and members of the Executive Committee. The compensation paid or payable to key management is shown below:

In USD'000	2022	2021
Salaries and other short-term employees benefits	6 565	9 711
Post-employments benefits	61	63
Share-based payments	164	601
	6 791	**10 375**

41. SHAREHOLDINGS AND LOANS

PRINCIPAL SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Kudelski family pool	59%	59%	28%	28%
Kudelski family interests outside Kudelski family pool	4%	4%	7%	7%

The Kudelski family pool includes Mr. André Kudelski, Mrs. Marguerite Kudelski, Mrs. Isabelle Kudelski Haldy, Mrs. Irene Kudelski Mauroux and their respective descendants. The Kudelski family interests outside Kudelski family pool are two discretionary and irrevocable trusts of which the beneficiaries are family members of Mr. André Kudelski.

BOARD OF DIRECTORS AND MANAGEMENT

As of December 31, 2022 and 2021, the members of the Board of Directors and members of Group management had the following interest in the company (without including shares from 2022 and 2021 variable compensation - issued in 2022 and 2023 respectively):

	31.12.2022	31.12.2021
	Bearer shares	Bearer shares
Board of Directors		
Kudelski André, chairman (as member of the family pool)	10 922 923	10 782 923
Smadja Claude, vice chairman	1 300	1 300
Dassault Laurent, member	1 032 653	1 032 653
Foetisch Patrick, member	1 000	1 000
Kudelski Marguerite, (as member of the family pool)	see above	see above
Lescure Pierre, member	2 000	2 000
Ross Alec, member	1 250	1 250
Total board members	**11 961 126**	**11 821 126**
Management		
Kudelski André, CEO	see above	see above
Saladini Mauro, CFO	220 854	184 323
Solbakken Morten, COO	100 935	72 248
Goldberg Nancy, CMO	66 708	39 265
Total Management (excluding CEO)	**388 497**	**295 836**

The Kudelski family pool also owns 46 300 000 registered shares of Kudelski SA as of December 31, 2022 and 2021.

No loans were granted in 2022 and 2021 to the members of the Board of Directors and Group management.

At December 31, 2022, Mauro Saladini owned kCHF 60 (2021: kCHF 60) nominal value of the bond maturing in 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

42. CATEGORIES OF FINANCIAL INSTRUMENTS

The financial assets and liabilities are classified as follow as of December 31, 2022:

Assets as per balance sheet date December 31, 2022 (in USD'000)	**Note**	**Financial assets at fair value through profit or loss**	**Financial Assets at amortized costs**	**Total 31.12.2022**
Financial assets and non-current assets:				
- equity instruments with no quoted market price (level 3)	18	1 137	–	1 137
- long-term loans	18	–	11 928	11 928
- state and government institutions	18	–	4 317	4 317
- trade accounts receivable - long-term portion	18	–	4 597	4 597
- guarantee deposits	18	–	1 809	1 809
- prepaid expenses and accrued income (long-term)	18	–	90	90
Trade accounts receivable	20	–	152 909	152 909
Other current assets:				
- state and government institutions	21	–	25 800	25 800
- other receivable (third and related parties)	21	–	11 717	11 717
Cash and cash equivalents	23	–	62 167	62 167
Derivative financial instruments (level 2)	34	143	–	143
		1 280	**275 334**	**276 615**

Liabilities as per balance sheet date December 31, 2022 (in USD'000)	**Note**	**Financial liabilities at fair value through profit or loss**	**Financial Liabilities at amortized costs**	**Total 31.12.2022**
Long-term financial debt	26	–	182 262	182 262
Long-term lease obligations	15	–	75 035	75 035
Other long-term liabilities:				
- deferred consideration	29	–	1 547	1 547
- contingent consideration (level 3)	29	1 547	–	1 547
- loans and others	29	–	6 279	6 279
Short-term financial debt	30	–	76 793	76 793
Short-term lease obligations	15	–	13 777	13 777
Trade accounts payable	31	–	67 972	67 972
Other current liabilities:				
- payable to pension fund	33	–	1 583	1 583
- other payables	33	–	14 128	14 128
- current income tax		–	2 512	2 512
Derivative financial instruments (level 2)	34	88	–	88
		1 635	**441 888**	**443 522**

And for 2021:

Assets as per balance sheet date December 31, 2021 (in USD'000)	Note	Financial assets at fair value through profit or loss	Financial Assets at amortized costs	Total 31.12.2021
Financial assets and non current assets:				
- equity instruments with no quoted market price (level 3)	18	1 152	–	1 152
- marketable securities (level 1)		–	–	–
- long-term loans	18	–	12 366	12 366
- state and government institutions	18	–	4 877	4 877
- trade accounts receivable - long-term portion	18	–	12 539	12 539
- guarantee deposits	18	–	1 878	1 878
- prepaid expenses and accrued income (long-term)	18	–	133	133
Trade accounts receivable	20	–	163 514	163 514
Other current assets:				
- state and government institutions	21	–	31 696	31 696
- other receivable (third and related parties)	21	–	12 479	12 479
Cash and cash equivalents	23	–	284 489	284 489
		1 851	**523 971**	**525 822**

Liabilities as per balance sheet date December 31, 2021 (in USD'000)	Note	Financial liabilities at fair value through profit or loss	Financial Liabilities at amortized costs	Total 31.12.2021
Long-term financial debt	26	–	196 870	196 870
Long-term lease obligations	15	–	76 504	76 504
Other long-term liabilities:				
- deferred consideration	29	–	1 255	1 255
- contingent consideration (level 3)	29	1 255	–	1 255
- loans and others	29	–	6 046	6 046
Short-term financial debt	30	–	240 023	240 023
Short-term lease obligations	15	–	15 114	15 114
Trade accounts payable	31	–	68 586	68 586
Other current liabilities:				
- payable to pension fund	33	–	1 512	1 512
- other payables	33	–	23 317	23 317
- current income tax		–	2 684	2 684
		1 337	**631 911**	**633 248**

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS requires disclosure of fair value measurement by level according to the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

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The table below illustrates the three hierarchical levels for valuing financial instruments carried at fair value as of December 31, 2022 and 2021:

In USD'000		Note	31.12.2022	31.12.2021
Financial assets at fair value through profit or loss:				
- equity instuments with no quoted market price	Level 3	18	1 137	1 152
Total financial assets			**1 137**	**1 152**
Financial liabilities:				
- contingent consideration (long-term portion)	Level 3	29	1 547	1 255
Total financial liabilities			**1 547**	**1 255**

The fair value of Level 3 equity instruments with no quoted market price is determined using a discounted cash flow method provided by the company. Level 3 contingent consideration consists of earn-out payments on companies that have been acquired. The fair value is measured using projections reviewed by management and discount rate of 10.0% (2021: 10.0%).

RECONCILIATION OF LEVEL 3 FAIR VALUES:

The following table shows a reconciliation for the level 3 fair values:

In USD'000	Equity instruments with no quoted market price	Contingent liabilities
Balance at January 1, 2021	1 188	-1 484
Exchange difference	–	-18
Currency translation adjustment	-36	247
Balance at December 31, 2021	**1 152**	**-1 255**
Remeasurement (recognized in other finance income/(expense), net)	–	-175
Discount effect (recognized in interest expense)	–	-110
Currency translation adjustment	-15	-8
Balance at December 31, 2022	**1 137**	**-1 547**

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values:

In USD'000	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Financial liabilities				
- CHF 200 million bond	–	–	202 117	200 795
- CHF 150 million bond	157 610	137 791	161 518	148 822

44. MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

The following table analyses the Group's remaining contractual maturities for its non-derivative financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table below includes both interest and principal cash flows. The adjustment columns represent the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet. Balances due within one year equal their carrying amounts as the impact of discounting is not significant.

In USD'000	Due within 1 year	Due within 1 year	Due > 1 year < 5 years	Due > 1 year < 5 years	Due > 5 years	Due > 5 years	Adjust-ment	Adjust-ment	Total book value	Total book value
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Bonds	2 382	208 465	160 155	166 665	–	–	-4 927	-11 494	157 610	363 635
Long-term bank loans	–	–	26 193	34 063	–	3 765	-1 631	-2 477	24 562	35 352
Short-term financial debt	76 486	37 603	–	–	–	–	-259	-362	76 227	37 241
Trade accounts payable	67 972	68 586	–	–	–	–	–	–	67 972	68 586
Other payables	15 322	23 317	–	–	–	–	–	–	15 322	23 317
Total	**162 163**	**337 971**	**186 348**	**200 728**	**–**	**3 765**	**-6 817**	**-14 333**	**341 693**	**528 131**

45. SENSITIVITY ANALYSIS

Foreign currency

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters utilizing derivative instruments.

The Group is mainly exposed to the CHF and the EUR. The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in the CHF and a 10% (2021: 10%) increase or decrease in the EUR compared to the presentation currency. The sensitivity rate used approximates the fluctuation considered by management when performing risk analysis. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at period end for the above mentioned change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in post-tax profit when the foreign currency strengthens against the relevant currency.

	CHF		EUR	
In USD'000	2022	2021	2022	2021
Post-tax net income				
- Increase	-8 427	214	-7 178	-1 850
- Decrease	8 394	-1 266	7 086	1 850
Comprehensive income (post-tax effect)				
- Increase	-1 426	-17 094	1 670	3 639
- Decrease	1 447	15 616	-2 297	-3 639

Interest rates

The sensitivity analysis aims to disclose the impact of a market change in interest rates. The sensitivity analysis below is based on the exposure to interest rates for financial instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of financial instruments that have floating rates.

The following rates, corresponding to each currency, represent management's assessment of the reasonable possible change in interest rates for purposes of reporting interest rate sensitivity. Prior year sensitivity has been re-presented for comparison purposes:
- USD: increase of 100 basis points and decrease of 100 basis points (2021: 100 basis points increase or 100 decrease)
- EUR: increase of 100 basis points and decrease of 100 basis points (2021: 100 basis points increase or 100 decrease)
- CHF: increase of 100 basis points and decrease of 100 basis points (2021: 100 basis points increase or 100 decrease)

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If interest rates had been higher/lower on the above mentioned possible change in interest rates and all other variables were held constant, the Group's:

- post-tax profit for the year ended December 31, 2022 would decrease by kUSD 165 and increase by kUSD 55, respectively. (2021: increase by kUSD 919 and decrease by kUSD 78). This is mainly due to the interest rate exposure on floating rate debt.
- other comprehensive income would not be impacted in 2022 and 2021.

Equity prices

The Group is not materially exposed to any equity price fluctuation.

46. COLLATERAL RECEIVED AND GIVEN

In USD'000	31.12.2022	31.12.2021
Guarantees in favor of third parties	9 787	11 775

47. RISK CONCENTRATION

At December 31, 2022 and 2021, no financial asset exposure was more than 10% of the financial assets.

48. FINANCIAL INSTRUMENTS - UNREPRESENTATIVE RISK EXPOSURE AT REPORTING DATE

The quantative data required for IFRS 7 disclosures encompassing market, credit and liquidity risk for the year ended December 31, 2022 was representative of the Group risk profile at that date and is determined by Group management to be representative for future periods.

49. CAPITAL RISK MANAGEMENT

The Group's capital management focus is to maintain a sound capital base to support the continued development of its business. The Group is not subject to externally imposed capital requirements.

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. Group management monitors capital on the basis of operating cash flow as a percentage of net financial debt. Net financial debt is defined as current and non-current financial liabilities less liquid assets.

The operating cash flow to net financial debt ratio as at December 31, 2022 was 0.8% (2021: 67.7%).

2022 operating cash flow was positive USD 1.5 million (2021: USD 103.1 million) mainly reflecting USD 33.2 million Operating income before depreciation, amortization and impairment and cash outflows for working capital.

50. NET DEBT RECONCILIATION

In USD'000	31.12.2022	31.12.2021
Cash and cash equivalents	62 167	284 489
Long-term financial debt	-182 172	-196 870
Long-term lease obligations	-75 035	-76 504
Short-term financial debt	-76 883	-240 023
Short-term lease obligations	-13 777	-15 114
Net debt	**-285 700**	**-244 022**

In USD'000	Note:	Cash and cash equivalents	Long-term debt	Short-term debt	Lease obligations	Total
Net debt at January 1, 2021		**152 584**	**-439 192**	**-48 212**	**-43 318**	**-378 138**
Cash flows		139 874	–	–	–	139 874
Reclassification		–	200 252	-200 252	–	
Lease addition		–	–	–	-64 847	-64 847
Reimbursment of bank overdrafts, long-term loans and lease obligations		–	26 641	8 507	16 011	51 159
Increase in bank overdrafts, long-term loans		–	–	-2 338	–	-2 338
Covid 19 subsidies		–	339	–	–	339
Termination of leasing contracts		–	–	–	725	725
Accrued interests		–	–	-74	-1 259	-1 333
Foreign exchange adjustments		-7 969	14 618	2 346	1 070	10 065
Amortization of transaction cost less premium and gain on bond repurchase	27	–	472	–	–	472
Net debt at December 31, 2021		**284 489**	**-196 870**	**-240 023**	**-91 618**	**-244 022**
Cash flows		-205 437	–	–	–	-205 437
Reclassification		–	1 148	-1 148	–	–
Lease addition		–	–	–	-15 173	-15 173
Reimbursment of bank overdrafts, long-term loans and lease obligations		–	10 412	205 646	18 888	234 946
Increase in bank overdrafts, long-term loans		–	–	-47 808	–	-47 808
Covid 19 subsidies		–	-534	–	–	-534
Termination of leasing contracts		–	–	–	137	137
Accrued interests		–	–	–	-2 256	-2 256
Foreign exchange adjustments		-16 885	3 610	6 554	1 209	-5 512
Amortization of transaction cost less premium and gain on bond repurchase	27	–	63	-104	–	-42
Net debt at December 31, 2022		**62 167**	**-182 172**	**-76 883**	**-88 812**	**-285 700**

51. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On February 20, 2023, the Group announced the sale of its DVNor assets and related media ingestion and asset management services business. In addition, as certain conditions to the closing of the sale of the Group's 40% equity stake in iWedia were not satisfied within the period specified in the share purchase agreement with the buyer, the sellers decided to terminate the share purchase agreement.

52. PRINCIPAL CURRENCY TRANSLATION RATES

	Year end rates used for the consolidated balance sheets		**Average rates used for the consolidated income and cash flow statements**	
	2022	**2021**	**2022**	**2021**
1 CHF	1.0811	1.0953	1.0474	1.0938
1 EUR	1.0703	1.1336	1.0526	1.1825
100 CNY	14.4865	15.7393	14.8748	15.5025
100 NOK	10.1946	11.3428	10.4282	11.6378
1 GBP	1.2097	1.3505	1.2354	1.3756
100 BRL	18.9189	17.9628	19.4181	18.5546
100 INR	1.2059	1.3439	1.2728	1.3522
1 SGD	0.7459	0.7415	0.7254	0.7442
100 ZAR	5.8919	6.2432	6.1305	6.7697
100 RUB	1.3481	1.3297	1.4884	1.3572
1 AUD	0.6822	0.7262	0.6944	0.7511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

53. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issuance on February 22, 2023.

54. PRINCIPAL OPERATING COMPANIES

Company	Place of incorporation	Activity	Digital TV	Cyber-security	Internet of Things	Public Access	Corporate	Percentage held 2022	Percentage held 2021
Nagravision Sàrl	CH – Cheseaux	Solutions for Digital TV and Cybersecurity	•	•	•			100	100
Nagra France SAS	FR – Paris	Solutions for Digital TV	•					100	100
Nagra USA, LLC	US – New York	Sales and support	•		•			100	100
Nagravision Asia Pte Ltd	SG – Singapore	Services	•					100	100
NagraStar LLC	US – Englewood	Smartcards and digital TV support	•					50	50
OpenTV Inc	US – Delaware	Middleware for set-top-boxes and IoT solutions	•		•			100	100
Nagravision AS	NO – Oslo	Solutions for Digital TV	•					100	100
Kudelski Security, Inc.	US – Minneapolis	Cybersecurity Solutions		•				100	100
SKIDATA Group	AT – Gartenau	People and car access systems				•		100	100
Kudelski SA	CH – Cheseaux	Holding, parent company of the Group					•	100	100
Kudelski Corporate, Inc.	US – Delaware	Support					•	100	100

These principal companies are all subsidiaries.

55. RISK ASSESSMENT DISCLOSURES REQUIRED BY SWISS LAW

REQUIRED BY SWISS LAW

Risk assessment and management is an integral part of the Group-wide enterprise risk management. The risk management approach is structured around a global risk assessment and management, and financial risk management. Both are governed by policies initiated by the Board of Directors. The internal control system is based on the COSO framework with a dedicated internal control team in place.

Global risk management

The global risk management process led to the identification and management of security, operational, strategic, asset and market risks. Daily management of the global risks is performed and monitored by the executive management. Risks related to market dynamics include foreign exchange movements, interest rate changes and financing risks. They are described in more detail in section 3 of this report.

Financial Risk Management

The major financial risks consist of accounting complexity and the control environment. Risks related to the control environment include information systems complexity, timely review of results and the robustness of the documentation of processes. Executive management continues to address these risks with process documentation initiatives as well as establishment of process and entity level controls. Financial risk management is described in more details in note 3.

The most critical accounting policies to address accounting complexity include revenue recognition, accounting for acquisitions and strategic alliances, intangible assets and impairments, tax provisions, equity based compensation and contingencies.

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements 2022

pwc

Report of the statutory auditor

to the General Meeting of Kudelski SA

Cheseaux-sur-Lausanne

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Kudelski SA and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended, 31 December 2022, the consolidated balance sheet as at 31 December 2022, the consolidated cash flow statement, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 110 to 160) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 3'600'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As key audit matter the following area of focus has been identified:

Goodwill impairment Cybersecurity and Internet of Things

PricewaterhouseCoopers SA, avenue C.-F. Ramuz 45, case postale, 1001 Lausanne, Switzerland
Téléphone: +41 58 792 81 00, www.pwc.ch

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 3'600'000
Benchmark applied	Total revenues
Rationale for the materiality benchmark applied	We have chosen revenue as a benchmark for determining materiality, as it represents an important characteristic and Kudelski Group had volatile results in the past.

We agreed with the Audit Committee that we would report to them misstatements above USD 360'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment Cybersecurity and Internet of Things

Key audit matter	How our audit addressed the key audit matter
As described in Note 14 to the consolidated financial statements, the Group has Goodwill totalling USD 337.2 million at 31 December 2022, comprising USD 62.2 million related to the Cybersecurity segment and USD 34.3 million related to the Internet of Things segment. We focused on the Goodwill related to Cybersecurity and IoT in view of the significance of the amounts involved, the business segments' operating performance during 2022 and the judgement used by management about future results. The assessment of the carrying value of the goodwill balances is highly dependent on management's estimate of	We assessed the Group's allocation of goodwill to the CGUs Cybersecurity and Internet of Things by assessing the reasonableness of the CGUs taking into consideration management reporting and that CGU's for goodwill impairment testing purposes are not larger than any of the Group's operating segments. We obtained the Group's impairment analysis for CGUs Cybersecurity and Internet of Things and performed the following procedures: - Tested the mathematical accuracy of the model and traced amounts to underlying financial statement and other information, as applicable.

the future cash flows expected to arise from the cash-generating unit and a suitable discount rate. Refer to note 2 – Critical accounting estimates and judgements and note 14 – Intangible assets for details of management’s impairment test and assumptions.	- Assessed the quality of the cash flow projections by comparing the actual results to prior year budget to identify in retrospect whether any of the assumptions might have been too optimistic. - Reconciled the 5 year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections. - We reviewed with management to substantiate its key assumptions in the cash flow projections during the forecast period and its intention and ability to execute their strategic initiatives. - We tested, with the support of our valuation specialists, the reasonableness of the cash flows growth rate after the forecast period assumption of 2.7% for both the Cybersecurity and Internet of Things divisions. - Together with our specialists, we evaluated the reasonableness of the discount rate of 12% applied for both the Cybersecurity and Internet of Things divisions. We obtained the Group’s sensitivity analyses around key assumptions to ascertain the effect of reasonably possible changes to those assumptions on the value in use estimates and re-calculated the sensitivity. We reviewed and validated disclosures regarding Goodwill and intangible assets in the Group’s financial statements. On the basis of the audit evidence obtained, we consider the valuation method and the assumptions used by the Group to be reasonable and appropriate for the impairment testing of goodwill.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Luc Schulthess	Nicolas Daehler
Licensed audit expert Auditor in charge	Licensed audit expert

Lausanne, 22 February 2023

BALANCE SHEETS AT DECEMBER 31, 2022 AND 2021

ASSETS

In CHF'000	Notes	31.12.2022	31.12.2021
Current assets			
Cash and cash equivalents		1 352	2 085
Accounts receivable from Group companies		14 461	65 193
Other current receivables and prepaid expenses	3.1	488	659
Total current assets		**16 301**	**67 937**
Fixed assets			
Loans to Group companies		168 093	308 617
Loan to third party		397	791
Investments	3.2	723 738	624 648
Total fixed assets		**892 228**	**934 056**
Total assets		**908 529**	**1 001 993**

SHAREHOLDERS' EQUITY AND LIABILITIES

In CHF'000	Notes	31.12.2022	31.12.2021
Short-term liabilities			
Short-term interest-bearing liabilities :			
- Bank, short-term borrowings		39 820	8 000
- Bonds	3.3	–	184 600
Other short-term liabilities :			
- due to third parties		27	529
- due to Group companies		131 541	27 989
Accrued expenses		1 114	1 939
Short term provisions	3.4	11 249	8 179
Total short-term liabilities		**183 751**	**231 236**
Long-term liabilities			
Long-term interest-bearing liabilities :			
- Bonds	3.3	145 925	147 690
Total long-term liabilities		**145 925**	**147 690**
Total liabilities		**329 676**	**378 926**
Shareholders' equity			
Share capital		446 474	442 936
Legal reserves:			
- from retained earnings		90 000	90 000
- from capital contribution		65 914	68 702
Retained earnings		18 642	10 425
Net (loss) / income		-42 179	11 004
Total shareholders' equity	**3.5**	**578 852**	**623 067**
Total liabilities and shareholders' equity		**908 529**	**1 001 993**

INCOME STATEMENTS AND PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2022

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

In CHF'000	Notes	2022	2021
Other non operating income		2	507
Financial income	4.1	5 381	20 084
Gain (loss) on sale of investments	4.2	-16 741	752
Administrative and other expenses		-3 008	-2 917
Financial expenses and exchange result	4.3	6 567	-6 485
Impairment of financial fixed assets	4.4	-33 724	–
Income/(loss) before tax		**-41 523**	**11 941**
Direct taxes (other than income tax)		-656	-937
Net income/(loss)		**-42 179**	**11 004**

PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2022

In CHF'000	Legal reserves from capital contribu-tion	Retained earnings
Balance brought forward from previous year	68 702	21 429
Dividend	-2 787	-2 787
Net result	–	-42 179
Total available earnings	**65 914**	**-23 537**

Proposal of the Board of Directors:
The Board of Directors propose to carry forward the legal reserves from capital contribution and the accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS 2022

1. INTRODUCTION

Kudelski SA, with registered office in Cheseaux, is the ultimate holding company of the Kudelski Group, which comprises subsidiaries and associated companies.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of Kudelski SA, comply with the requirements of the Swiss accounting legislation of the Swiss Code of Obligations (SCO).

These financial statements were prepared under the historical cost convention and on an accrual basis.

Kudelski SA is presenting consolidated financial statements according to IFRS. As a result, these financial statements and notes do not include additional disclosures, cash flow statement and management report.

FINANCIAL ASSETS

Investments and loans are initially recognized at cost. They are assessed annually and in case of an impairment adjusted to their recoverable amount within their category.

Investments and loans are allocated to four buckets for impairment testing. The four buckets are the cash generating units, which are defined within the framework of the Group as the operating segments; Digital TV, Cybersecurity, Internet of Things (IoT) and Public Access.

The recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations. The calculations use cash flow projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates in perpetuity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and short-term deposits. Cash at bank consists of all funds in current accounts available within 48 hours. Short-term deposits generally include bank deposits and fixed term investments whose maturities are of three months or less from the transaction date.

EXCHANGE RATE DIFFERENCES

Transactions in foreign currencies are accounted for in Swiss francs (CHF) at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currencies are accounted for at year-end rates.

Any resulting exchange differences are included in the respective income statement caption depending upon the nature of the underlying transactions; the aggregate unrealized exchange difference is calculated by reference to original transaction date exchange rates and includes hedging transactions. Where this gives rise to a net loss, it is charged to the income statement, while net gains are deferred.

NOTES TO THE FINANCIAL STATEMENTS 2022

3. NOTES TO THE BALANCE SHEETS

3.1 OTHER CURRENT RECEIVABLES AND PREPAID EXPENSES

In CHF'000	31.12.2022	31.12.2021
Prepaid expenses	476	334
Other accounts receivable	12	325
	488	**659**

Prepaid expenses mainly includes the amortized cost of the difference between nominal value and net proceeds less issuance costs of the bonds (note 3.3). These amounts are allocated against income statement over the contractual periods of their underlying borrowings.

3.2 INVESTMENTS

DIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2022	2021
Nagravision Sàrl	CH – Cheseaux	Solutions for Digital TV	kCHF	20 000	100	100
Nagravision Iberica SL	ES – Madrid	Sales and support Digital TV	kEUR	3	100	100
Nagra France SAS	FR - Issy-Les-Moulin-eaux	Solutions for Digital TV	kEUR	10 472	100	100
Nagra Media Germany GmbH	DE – Ismaning	Services	kEUR	25	100	100
Kudelski Corporate Inc.	US – Phoenix	Holding	kUSD	0	100	100
SKIDATA GmbH	AT - Salzburg	Public access	kEUR	3 634	100	100
Nagra Plus SA in liquidation	CH – Cheseaux	Analog Pay-TV solutions	kCHF	0	L	100
SmarDTV SA	CH – Cheseaux	Conditional access modules and set-top-boxes	kCHF	1 000	M	100
Kud SA	LU – Luxembourg	Finance	kCHF	100	100	100
Nagravision Asia Pte Ltd	SG – Singapore	Services	kSGD	100	100	100
Nagra Media UK Ltd	UK – London	Research & development	KGBP	1 000	100	100
Nagravision Italy Srl	IT – Bolzano	Sales and support	kEUR	10	100	100
Nagra Travel Sàrl	CH – Cheseaux	Travel agency	kCHF	50	100	100
Nagravision India Pvt Ltd	IN – Bangalore	Research & development	kINR	100	100	100
Acetel Co Ltd	SK – Séoul	Digital broadcasting solution provider	kKRW	1 460	17	17
Nagra Media Beijing Co. Ltd	CN - Beijing	R & D, Sales and services	KCNY	9 032	100	100
Nagra Media Korea LLC	KR - Anyang	Sales and support	kKRW	200 000	100	100
Nagra Media Brasil LTDA	BR - São Paulo	Sales and support	kBRL	1 000	100	100
Nagra Media (Taiwan) Co., Ltd	TW - Taipei	Sales and support	kNTD	500	100	100
Nagravision AS	NO - Oslo	Solutions for Digital TV	kNOK	1 111	100	100
iWedia SA	CH - Lausanne	Solutions for Digital TV	kCHF	750	40	40
Kryptus Segurança da Informaçao Ltda.	BR - Sao Paulo	Cyber Security Solutions	kBRL	475	10	10
E.D.S.I. SAS	FR - Cesson Sévigné	Research & development	KEUR	163	100	100
Nagra Media Australia Pty Ltd	AU - New South Wales	Sales and support	kAUD	50	100	100
NexGuard Labs B.V.	NL - Eindhoven	Watermarking Solutions	kEUR	25	S	100
NexGuard Labs France SAS	FR - Cesson Sevigne	Watermarking Solutions	kEUR	420	100	100
Kudelski Security France	FR - Issy-Les-Moulin-eaux	Cyber Security Solutions	kEUR	1	100	0

M: Merged companies
L: Liquidated companies
S: Sold to another Group company

SIGNIFICANT INDIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2022	2021
Nagra USA, LLC	US – Phoenix	Services, sales and support	kUSD	10	100	100
OpenTV Inc.	US - Delaware	Middleware for set-top-boxes	kUSD	112 887	100	100
NagraStar LLC	US – Englewood	Smartcards and digital TV support	kUSD	2 043	50	50
Kudelski Security Inc.	US - Minneapolis	Cyber Security Solutions	kUSD	0	100	100
SKIDATA Benelux BV	NL – Barenbrecht	Public access	kEUR	91	100	100
SKIDATA (Schweiz) AG	CH - Adliswil	Public access	kCHF	150	100	100
SKIDATA Inc.	US – Van Nuys	Public access	kUSD	5 510	100	100
SKIDATA Australasia Pty Ltd	AU – Melbourne	Public access	kAUD	5 472	100	100

3.3 BONDS

In CHF'000	2022	2021
Initial balance	**332 290**	**350 000**
Repurchase	-13 890	-17 710
Repayment	-172 475	–
Liability component as of December 31	**145 925**	**332 290**
of which:		
- short-term portion (bond 2015/2022)	–	184 600
- long-term portion (bond 2016/2024)	145 925	147 690
	145 925	**332 290**

On May 12, 2015 the company issued a CHF 200 million bond with a subscription price of 100%, bearing an interest rate of 1.875% and maturing on August 12, 2022 with denominations of CHF 5 000 and multiples thereof. The Company repurchased kCHF 12 125 in nominal value of this bond in 2022 (2021: kCHF 15 400). On August 12, 2022, the Company reimbursed the outstanding balance nominal value of kCHF 172 475.

On September 27, 2016 the company also issued a CHF 150 million bond with a subscription price of 100%, bearing an interest rate of 1.5% and maturing on September 27, 2024 with denominations of CHF 5 000 and multiples thereof. The Company repurchased kCHF 1 765 in nominal value of this bond in 2022 (2021: kCHF 2 310).

Each bond is measured at its nominal value. The initial difference between nominal value and net proceeds less issuance costs is considered as a prepaid expense and allocated against the income statement over the period of the bond.

3.4 SHORT TERM PROVISIONS

The short-term provisions consists in an unrealized exchange gains in foreign currencies for kCHF 11 249 (2021: kCHF 8 179).

NOTES TO THE FINANCIAL STATEMENTS 2022

3.5 CHANGE IN SHAREHOLDERS' EQUITY

In CHF'000	Share capital	Legal reserves from retained earnings	Legal reserves from capital contribution	Retained earnings	Total Shareholders' equity
As of December 31, 2020	**440 021**	**110 000**	**71 467**	**-6 809**	**614 679**
Partial dissolution of the legal reserves from retained earnings		-20 000		20 000	–
Dividend	–	–	-2 765	-2 766	-5 531
Share capital increase	2 915	–	–	–	2 915
Net Income	–	–	–	11 004	11 004
As of December 31, 2021	**442 936**	**90 000**	**68 702**	**21 429**	**623 067**
Dividend	–	–	-2 787	-2 787	-5 574
Share capital increase	3 538	–	–	–	3 538
Net Income	–	–	–	-42 179	-42 179
As of December 31, 2022	**446 474**	**90 000**	**65 914**	**-23 537**	**578 852**

SHARE CAPITAL

In CHF'000	31.12.2022	31.12.2021
51'179'295 / 50'736'972 bearer shares, at CHF 8 each	409 434	405 896
46'300'000 registered shares, at CHF 0.80 each	37 040	37 040
	446 474	**442 936**

The registered shares are neither listed nor traded on any stock exchange. The bearer shares have been listed on the main market of the SIX since 2 August 1999 (ticker: KUD, security number: 1 226 836; ISIN CH0012268360).

CONDITIONAL SHARE CAPITAL (ARTICLE 6 OF ARTICLES OF INCORPORATION)

In CHF'000	2022	2021
Conditional share capital as of January 1	84 614	83 529
Increase of conditional share capital	4 000	4 000
Employee share purchase plan	-527	-382
Shares allotted to employees	-3 012	-2 533
Conditional share capital at December 31	**85 076**	**84 614**
Of which may be utilized as of December 31 for:		
- Convertible bonds:		
10'000'000 bearer shares, at CHF 8 each	80 000	80 000
- Options or share subscriptions to employees:		
634'461 / 576'784 bearer shares, at CHF 8 each	5 076	4 614
	85 076	**84 614**

AUTHORIZED SHARE CAPITAL (ARTICLE 7 OF ARTICLES OF INCORPORATION)

In CHF'000	31.12.2022	31.12.2021
3'768'164 bearer shares, at CHF 8 each	30 145	30 145
3'200'000 registered shares, at CHF 0.80 each	2 560	2 560
Authorized share capital as of December 31	**32 705**	**32 705**

The Board of Directors is authorized to increase the share capital in one or more stages until April 21, 2024, for the purpose of acquiring companies or parts of companies.

MAJOR SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Kudelski family pool	59%	59%	28%	28%
Kudelski family interests outside Kudelski family pool	4%	4%	7%	7%

The Kudelski family pool includes André Kudelski, Marguerite Kudelski, Isabelle Kudelski Haldy, Irene Kudelski Mauroux and their respective descendants. The Kudelski family interests outside Kudelski family pool are two discretionary and irrevocable trusts of which the beneficiaries are family members of André Kudelski.

4. NOTES TO THE INCOME STATEMENTS

4.1 FINANCIAL INCOME

In CHF'000	2022	2021
Dividends received from Group subsidiaries	4 101	15 421
Interest on loans to Group subsidiaries	1 169	4 029
Gain on bonds repurchase	111	634
	5 381	**20 084**

4.2 GAIN (LOSS) ON SALE OF INVESTMENTS

2022 loss on sale of investments relates to the sale of NexGuard Labs BV, Netherland to another Group company.

4.3 FINANCIAL EXPENSES AND EXCHANGE RESULTS

In CHF'000	2022	2021
Net currency exchange result	12 157	52
Interest on loans from Group subsidiaries	-612	-362
Interest expenses and bank charges	-4 979	-6 175
	6 567	**-6 485**

4.4 IMPAIRMENT OF FINANCIAL FIXED ASSETS

In CHF'000	2022	2021
Value adjustment on investments	33 724	–
	33 724	**–**

In 2022, an impairment on investments of kCHF 32 500 has been recognized in our Digital TV bucket based on value-in-use calculation and kCHF 1 224 relates to the final liquidation of a direct investment.

NOTES TO THE FINANCIAL STATEMENTS 2022

5. COMMITMENTS AND CONTINGENCIES

In CHF'000	31.12.2022	31.12.2021
Guarantee commitments		
Commitment in favor of third parties and Group companies	3 450	3 419
Other commitments		
Penalty risk for non-completion of contracts	p.m.	p.m.
Subordinated loans in favor of Group companies	p.m.	p.m.
Support letters and guarantees signed in favor of Group companies	p.m.	p.m.
Jointly responsible for VAT liabilities of Swiss subsidiaries (VAT Group)	p.m.	p.m.

6. FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for 2022 and 2021 did not exceed ten people.

7. BOARD AND EXECUTIVE INTEREST DISCLOSURES

The disclosures required by article 663c of Swiss Code of Obligations on Board and Executive interest are shown in the Kudelski Group consolidated financial statements.

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the financial statements 2022

Report of the statutory auditor

to the General Meeting of Kudelski SA

Cheseaux-sur-Lausanne

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kudelski SA (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 167 to 174) comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 9'000'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries and loans to Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

PricewaterhouseCoopers SA, avenue C.-F. Ramuz 45, case postale, 1001 Lausanne, Switzerland
Téléphone: +41 58 792 81 00, www.pwc.ch

error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 9'000'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because Kudelski SA is a holding company that mainly holds investments in subsidiaries. Total assets is a generally accepted benchmark for determining the materiality according to auditing standards.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries and loans to Group companies

Key audit matter	How our audit addressed the key audit matter
Kudelski SA's investments and loans to Group companies are valued at CHF 724 million and CHF 168 million respectively. The company has allocated the investments in subsidiaries and loans to Group companies to 4 Cash Generating Units (CGU's): Digital TV (DTV): CHF 534 million Public Access (PA): CHF 192 million Cybersecurity (CS): CHF 70 million Internet of Things (IoT): CHF 96 million We focused on these areas in view of the significance of the amounts involved, the business segments' operating performance during 2022 and the judgement used by management about future results. The recoverable amount of the investments and loans is determined by management based on value-in-use	We obtained an understanding of management's process and controls over the valuation of investments and loans to Group companies. We obtained the Group's impairment analysis for all 4 CGUs and performed the following procedures: - Tested the mathematical accuracy of the model and traced amounts to underlying financial statement and other information, as applicable. - Assessed the quality of the cash flow projections by comparing the actual results to prior year budget to identify in retrospect whether any of the assumptions might have been too optimistic. - Reconciled the 5 year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections.

calculations, which depend on cash flow projects and judgement of growth rates. Refer to note 2 – Accounting policies: Financial Assets and note 4.4 – Impairment of financial fixed assets	- We reviewed with management to substantiate its key assumptions in the cash flow projections during the forecast period and its intention and ability to execute their strategic initiatives. - We tested, with the support of our valuation specialists, the reasonableness of the cash flows growth rate after the forecast period. - Together with our specialists, we evaluated the reasonableness of the discount rate applied to those future cash flows. On the basis of the evidence obtained from our audit, we consider the valuation method and the assumptions used by the Group to be reasonable and appropriate for the valuation of Kudelski SA's investments and loans to Group companies.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed carry forward of accumulated losses complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Luc Schulthess	Nicolas Daehler
Licensed audit expert Auditor in charge	Licensed audit expert

Lausanne, 22 February 2023

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E-MAIL ADDRESSES

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info@nagra.com

INVESTOR RELATIONS
ir@nagra.com

MEDIA RELATIONS
communication@nagra.com

IMPRESSUM

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This report is published in English and French, except for the Financial statements which are only published in English. In case of inconsistency between the French and the English version of the Corporate Governance report and the Compensation report, the French version prevails.

KUDELSKI SA

ROUTE DE GENÈVE 22-24 P.O. BOX 134 1033 CHESEAUX-SUR-LAUSANNE SWITZERLAND
T +41 21 732 01 01 F +41 21 732 01 00 INFO@NAGRA.COM WWW.NAGRA.COM