KUDELSKI GROUP
2023 ANNUAL REPORT

NAGRA
KUDELSKI GROUP

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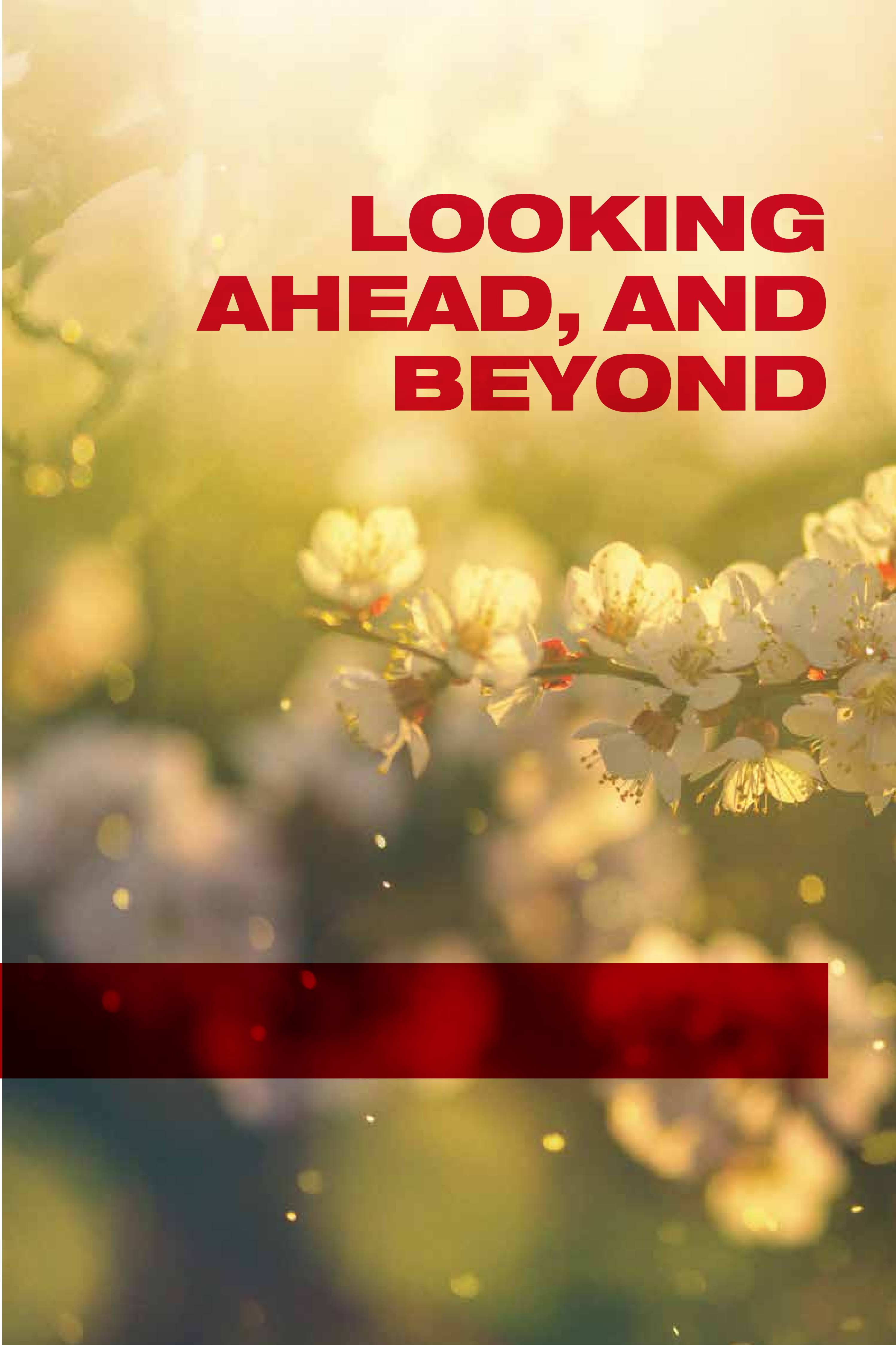
LOOKING AHEAD, AND BEYOND



Innovation has been a steadfast foundational value driving the Kudelski Group forward into the future. From the groundbreaking invention of the first-ever portable audio recorder, which revolutionized the media landscape, to the latest advancements in artificial intelligence and data science, the Group has consistently introduced cutting-edge and intelligent solutions to market. It is activeon crucial questions about the future of digital security, developing quantum resistant solutions and chipset security.

Since its creation in 1951, the Kudelski Group has always stayed true to its spirit of innovative prowess and technological progress. This commitment is evident today through the development of state-of-the-art and agile solutions that enable millions of people worldwide to enjoy their daily activities and entertainment experiences safely and simply.

By continuing to invest in future-oriented solutions that bridge the gap between the real and virtual worlds, the Kudelski Group is dedicated to being a global leader in digital security.

We strive to create a positive influence on society by making people's lives simpler and safer. Through our cybersecurity services, we help avoid or recover from cyber-attacks and ensure the protection of individuals' data in their digital transactions. Additionally, our media and entertainment solutions shield content creators and owners from piracy, while delivering top-notch experiences to consumers.

In the realm of Internet of Things, we enable manufacturers to secure their devices and develop tracking solutions that help locate and retrieve assets. In terms of public access control, we provide seamless and secure access to the most popular and thrilling sites. We support cities in their efforts to become more efficient and sustainable by promoting e-commerce, offering efficient parking access solutions and establishing charging stations for electric vehicles.

These comprehensive solutions and services offer comfort and peace of mind, allowing easy and secure access to a wide range of critical applications. These are some of the reasons why the employees of the Kudelski Group work with passion and commitment.

WHAT WE DO AND WHY WE DO IT

“OUR STRATEGY HAS ALWAYS BEEN ABOUT THE LONG TERM, AND OVER THE LONG TERM, WE FIRMLY BELIEVE THAT OUR CORE BUSINESS IS SECURITY.”

INTERVIEW WITH ANDRÉ KUDELSKI

Chairman and Chief Executive Officer of the Kudelski Group

Could you share your views on the Group's performance in 2023?
In 2023, we saw an acceleration of the key trends we have highlighted in recent years. Kudelski Security, Kudelski IoT and SKIDATA continued to grow and improve, reducing losses and improving profitability. On the other hand, Digital Television continued to suffer from a challenging market environment, with lower revenues particularly from hardware sales and system integration, as several major client projects were completed in 2022. However, it is important to highlight that Digital Television remains the Group's most profitable business, and we will continue to invest in promising opportunities in order to secure the future growth potential of this business.

What are your thoughts on Digital Television over the past year, and what direction will the division take going forward?
The market in which Digital Television operates is undergoing an important transformation, with a progressive transition from broadcast linear TV to Internet-based video. While this transformation is challenging for existing market players, the fundamental need to protect content is, in many ways, even more important as the market evolves. The Group's demonstrated ability to win new customers in this environment, including in fast growing markets such as sports streaming, demonstrates our ability to seize new opportunities in a dynamic market.

Why did the Board of Directors decide to divest the Public Access division?
It is never easy to take the decision to divest a successful business. However, our strategy has always been about the long term, and over the long term, we firmly believe that our core business is security. This is the key focus of our Digital Television, Kudelski IoT and Kudelski Security business units, and especially during a time when the cost of capital is high, the Group must take decisions with a long-term view in mind. By divesting SKIDATA, the Group will be better able to focus on its core business of security while at the same time increasing synergies among its business units.

How will Public Access evolve during the next few months?
Just before COVID hit the world, we commenced a transformation project at SKIDATA, and as the world started to emerge from the pandemic in 2022, we were able to demonstrate some initial positive results. 2023 was one of the more successful years for SKIDATA, with 16% growth, and the business has excellent momentum for 2024 and beyond. Our priority is to further grow SKIDATA's business by continuing to develop the initiatives that we started as part of our transformation project, including in particular innovative solutions for integrated smart cities.

Is Kudelski Security approaching profitability?
In 2023, Kudelski Security made significant progress towards profitability. The road has been longer than originally anticipated, but with the deployment of new technologies, including AI, we expect a continuation of the growth momentum and further bottom line improvements in 2024.

Will Kudelski IoT continue its impressive growth?
Kudelski IoT had a spectacular 2023 in terms of revenue growth. It has demonstrated an impressive capability to grow a new business quickly while also satisfying the most demanding of clients. This has not been easy, but an agile team supported by innovative technology has made it possible. We expect that Kudelski IoT will continue to grow at a double-digit percentage rate in 2024, with an increased focus on improving scalability to reach profitability.

How will the Group undertake the strategic refocus on its core security activities?
In 2001, when the Group decided to expand into the market for public access solutions with the acquisition of SKIDATA, the underlying strategy was to seize promising opportunities around the convergence between media entertainment and physical world activities, with digital security being the convergence point where the Group has its competitive advantage. Over the last two decades, technology-focused synergies

“AI MAY BE THE LATEST BUZZWORD, BUT THE GROUP HAS BEEN INVESTING IN AI FOR OVER 10 YEARS, WITH SOME PROMISING RESULTS.”

with the Group helped transform SKIDATA into a leading digital player in the public access space. Today, we see that securing the digital space has become paramount, with the rapidly accelerating risk of cyberthreats being among the biggest risks to modern societies. For the Group, this means that securing the digital space is expected to be our focus for the long-term growth of our business units.

What synergies do you believe will be most effective between Digital Television, Kudelski Security and Kudelski IoT ?

The Group’s Digital Television, Kudelski Security and Kudelski IoT business units share many core strengths, including innovation, R&D and intellectual property. Fundamentally, both Kudelski Security and Kudelski IoT are spinoffs of Digital Television. Many Digital Television engineers and other employees have been critical to the success of Kudelski Security and Kudelski IoT.
On the sales and marketing side, many Digital Television customers are potential clients of Kudelski Security and Kudelski IoT, and Kudelski Security is an important sales channel for Kudelski IoT. These synergies revolve around digital security, which is a core strength of the Kudelski Group.

What are the key market trends in 2024 ?

The demand for Kudelski Security and Kudelski IoT continues to grow. For both business units, we expect to win additional market share in 2024. The Digital Television market continues to change. While the traditional broadcast market continues to undergo transformation, the Group continues to win market share. The Group is also winning new projects related to Internet-based video, both with new and existing clients. Finally, the market for Public Access solutions continues to grow in the post-COVID world, with a special focus on touchless access and smart cities.

The Group is already integrating AI in some of its solutions. How will this evolve in the future ?

AI may be the latest buzzword, but the Group has been investing in AI for over 10 years, with some promising results, including the innovative concept of a subscriber’s digital twin, which allows an enterprise to simulate business scenarios down to individual customers.
The Group’s AI technology is an excellent example of how we can leverage synergies among our business units. Our AI efforts were first developed by our Digital Television business unit and have since been rapidly extended to Kudelski Security for enhanced threat detection and reporting and to Kudelski IoT for enhanced device localization. AI is one of the key areas of synergy that the Group will leverage to develop promising growth opportunities in the future.

What is your perspective on what the Group's financial position will be at the end of 2024 ?

With the return of inflation and higher interest rates, the cost of capital has increased significantly, so as a Group, we must be smart about how we select our priorities and remain focused on leveraging our core strengths. Our decision to divest the Public Access business will not only enable the Group to drastically reduce its debt position, but it will also allow the Group to better focus on its three security-related business units and to optimize key synergies among them.

Do you have any closing thoughts ?

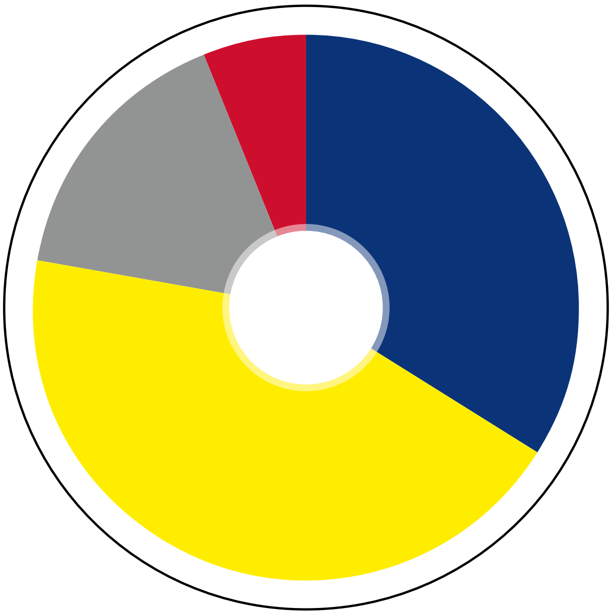
2024 will be a challenging, but fascinating year. We have a bold and clear roadmap. The key to our success will be the quality of execution and our flexibility in confronting unexpected challenges. More than ever during these challenging times, in the name of the Board of Directors, I would like to thank our teams, clients and shareholders, whose support is critical to the successful execution of our plans.

“OUR DECISION TO DIVEST THE PUBLIC ACCESS BUSINESS WILL NOT ONLY ENABLE THE GROUP TO DRASTICALLY REDUCE ITS DEBT POSITION, BUT IT WILL ALSO ALLOW THE GROUP TO BETTER FOCUS ON ITS THREE SECURITY-RELATED BUSINESS UNITS AND TO OPTIMIZE KEY SYNERGIES AMONG THEM”.

KEY FINANCIAL DATA 2023

		31.12.2023	31.12.2022	Change
Total revenues and other operating income	**USD million**	**761.5**	715.9	6.4%
Operating income before depreciation, amortization and impairment (OIBDA)	**USD million**	**28.7**	33.2	-13.6%
in % of total revenues	%	3.8%	4.6%	
Operating income (EBIT)	**USD million**	**-2.0**	0.9	
in % of total revenues	%	-0.3%	0.10%	
Net income	**USD million**	**-24.5**	-16.3	
Earnings per share	**USD**	**-0.5252**	-0.3704	
Money returned to shareholders	**CHF**	**0.00**	0.00	
Cash flow from operating activities	**USD million**	**63.9**	1.5	
Cash and cash equivalents	**USD million**	**56.4**	62.2	
Number of employees at December 31 (headcount)		**3152**	**3233**	

Revenues per segment



Digital Television
34%

Public Access
44%

Cybersecurity
16%

Internet of Things
6%

Digital Television

520 operators
400 million subscribers

Public Access

7,600 customers
11,600 installations worldwide

Cybersecurity

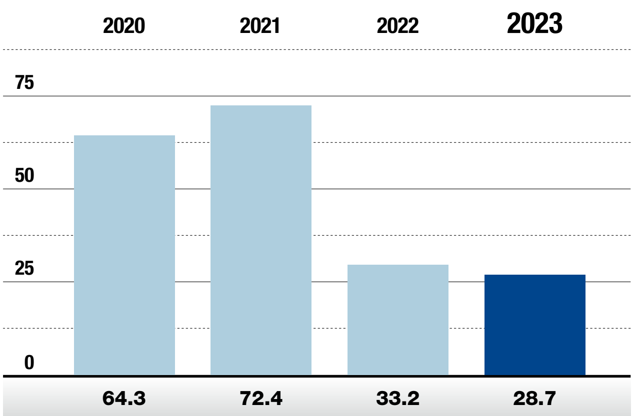
1,000 customers
39 billion alerts per day

Internet of Things

443 customers

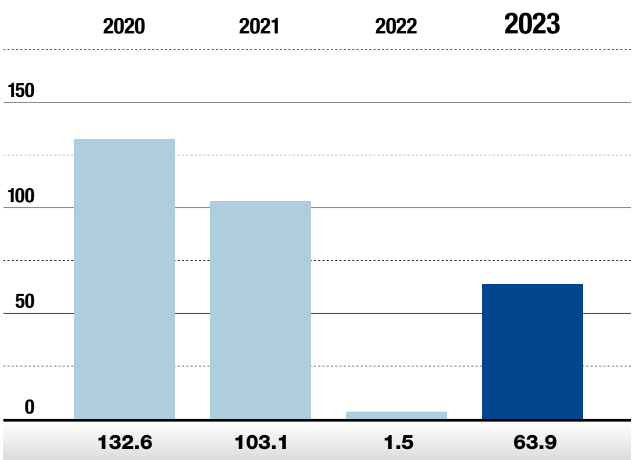
OIBDA*

In million USD



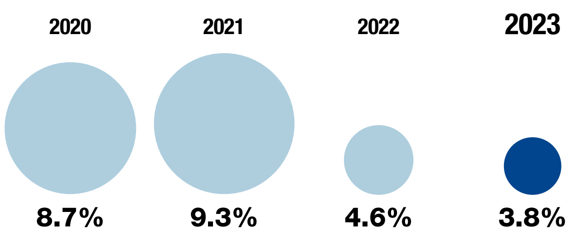
Operating cash flow

In million USD



OIBDA*/Total revenues

In %



** Operating Income Before Depreciation, Amortization and Impairment*

THE KUDELSKI GROUP

STANDING AS A GLOBAL FRONTRUNNER IN CRAFTING AND PROVIDING CUTTING-EDGE, SECURE TECHNOLOGICAL SOLUTIONS

THE GROUP'S DNA

Consumer focus

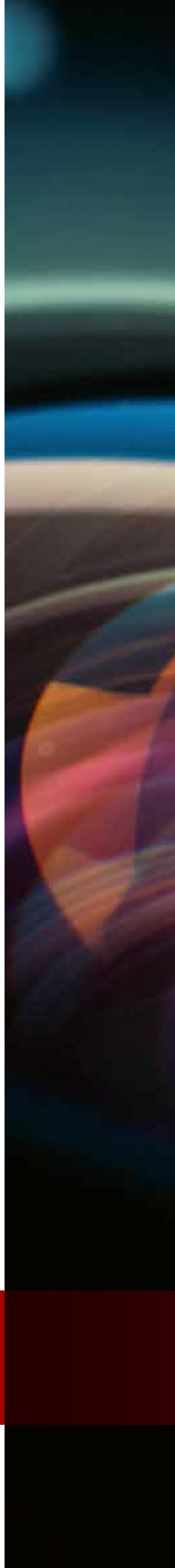
Our solutions simplify the lives of more than 500 million consumers in the world every day, thanks to highly advanced technologies that enable intuitive and contact-free interactions.

Technology pioneer

The Kudelski Group has been a pacesetter for decades. Every day, our passionate and talented people develop state-of-the-art, innovative solutions that fuel the Group’s intellectual property portfolio and securely tackle the world’s latest challenges.

Engineering excellence

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




EVERY DAY,
OVER
500 MILLION
USERS
WORLDWIDE
ENJOY
OUR
SOLUTIONS

Digital Television

NAGRAVISION

The Kudelski Group is the world leader in the creation and delivery of state-of-the-art technologies to secure the revenues of content owners and service providers for digital television across all network types. The Group's solutions enable consumers to access secure content over any device and address consumer privacy concerns by protecting the user ecosystem that includes personal data and family devices whether at home or on the go.

Public Access

SKIDATA

The Group is also a global leader in Public Access solutions. The world's leading parking facilities, stadiums, event venues and mountain resorts use its SKIDATA people and vehicle management solutions to welcome consumers in a smart, digital and sustainable way.

Cybersecurity

KUDELSKI SECURITY

Leveraging its long-standing expertise in securing digital content and fighting piracy, the Group is a provider of cybersecurity solutions and services focused on protecting data, processes, blockchains 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 also 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

3000+
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

Development of highly secure remote communications and contactless access solutions to address the challenges of the Covid-19 pandemic.

2023

Sharpening the focus on cybersecurity and Internet of Things, with quantum resiliant solutions, secure chipsets and asset tracking products.

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

FOUR RESILIENT BUSINESS PILLARS WITH STRONG SYNERGIES

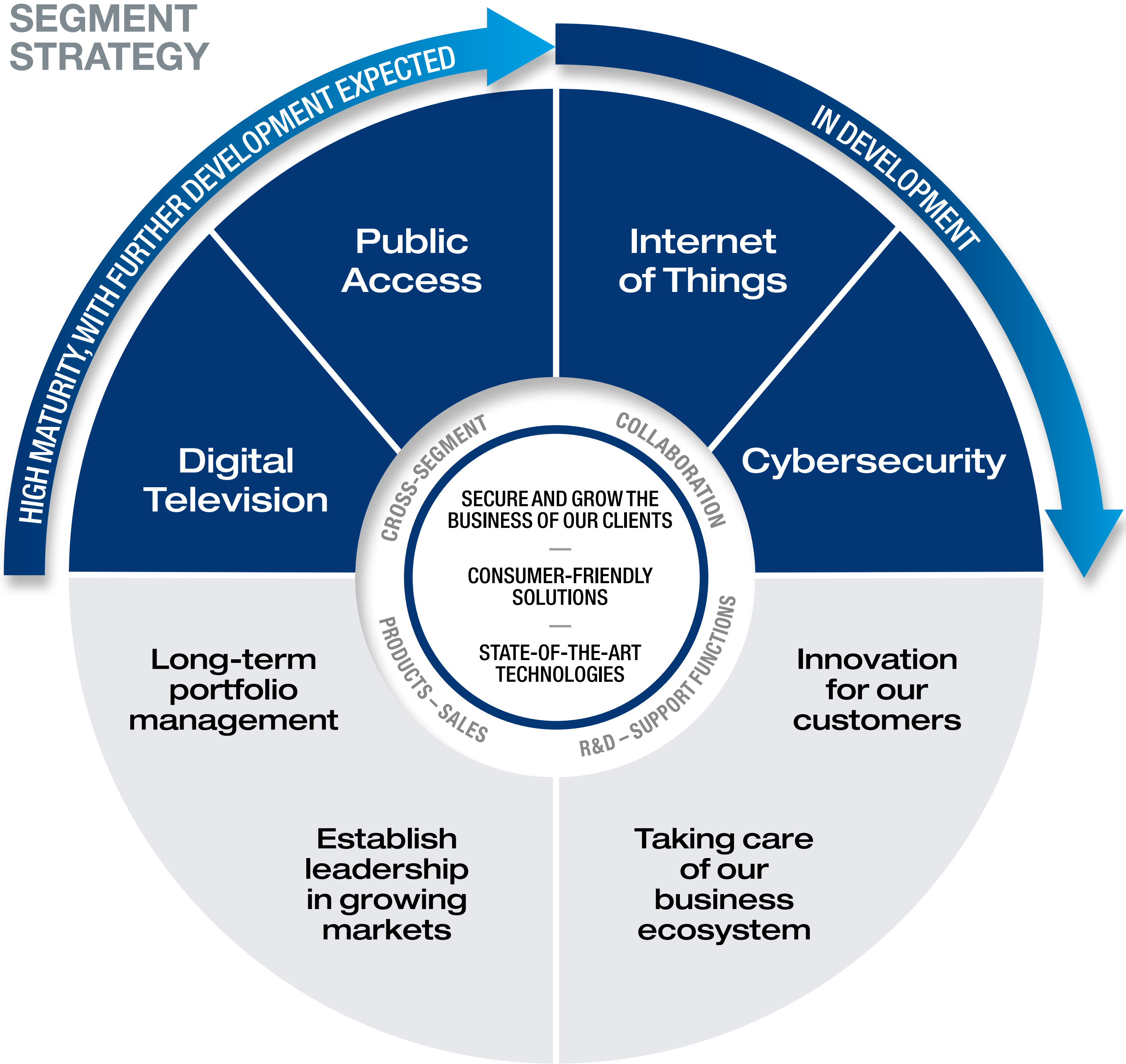
	NAGRAVISION KUDELSKI GROUP **Digital Television**	SKIDATA KUDELSKI GROUP **Public Access**
DESCRIPTION	Combining the best of broadcast and streaming experiences across media & entertainment. Enabling broadcast and telecomms clients to power business transformation through a broad, innovative solution portfolio.	World leader in public access and revenue management solutions for parking & mobility and sports & entertainment.
MAIN FOCUS	Data-driven content security delivering business insight. Video platform enabling personalized viewing experiences. AI-powered support that reduces contact centre traffic. Protect consumers from cyber threats in and out of the home. **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	Internet of Things
Leading pure play cybersecurity business supporting enterprises to accelerate secure transformation, innovate and reduce risk.	Scalable and proven IoT solutions that create and secure the data needed for AI and ML intelligence to reduce costs and increase revenue.
Comprehensive solutions to address the growing business and cyber risk convergence and build board-level confidence. Highly differentiated 24/7 managed detection and response services to effectively reduce risk and build cyber resilience. R&D capacity provides actionable early insight to both emerging trends & client needs.	Training, design, assessment and precertification services to ensure products are secure. Secure lifecycle technologies and services for semiconductor and device manufacturers. End-to-end IoT asset tracking and sensing solutions. **Secure by design**
Switzerland / USA / Europe	**USA / Europe**
2012	**2017**
In development	**In development**

STRATEGIC FOCUS

› THE KUDELSKI GROUP

SEGMENT STRATEGY

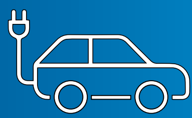


KUDELSKI GROUP PRINCIPLES

Capture more value in growing domains

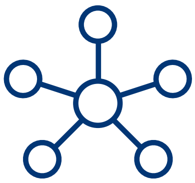
Core businesses

Smart cities and buildings

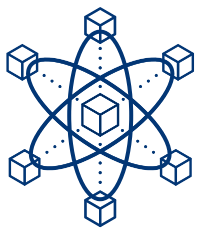


Automotive industry

Targeted technology categories



Digitization



Blockchain and Quantum

Artificial intelligence

Asset tracking devices	**Decentralized finance (DeFi)**	**Business and security optimization**
Transition to mobile	**Quantum resistant solutions**	**Consumer behavior**

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 more than 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 Kudelski Group's IP portfolio is a critical asset of the company. The Kudelski 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

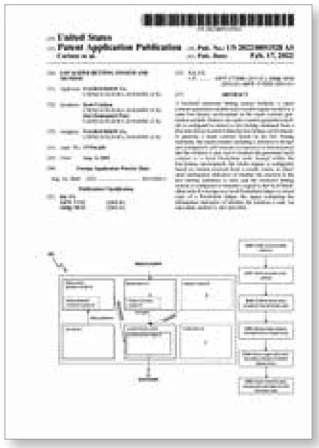
In 2023, the Kudelski Group made further progress in licensing its IP in new business segments related to over-the-top video distribution services, interactive fitness and online game providers. As it has effectively done in the past, the Kudelski Group remains willing and able to enforce its IP rights when either competitive or market conditions warrant. The Kudelski Group also seeks to leverage its IP in 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. The Group's IP portfolio will also continue to serve strategic defensive needs deterring competitive threats when appropriate.

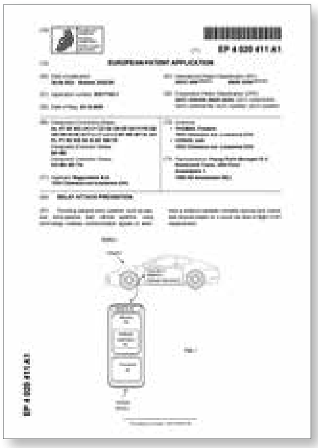
Supporting the Group's emerging businesses

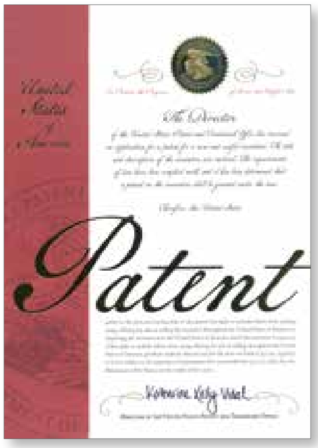
In 2023, the IP organization continued to support the Group's growing Cybersecurity and Internet of Things (IoT) divisions by filing new patent applications covering promising technologies being developed by the Group in these areas, including asset tracking, keyless entry, threat hunting and detection, and quantum resistant encryption. It also supported innovation in areas that apply across the entire Group, such as artificial intelligence, metaverse and virtual reality. Going forward, the Group will continue to execute its plans to strategically invest in innovation as well as to 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.







“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

COMBINING THE BEST OF STREAMING AND BROADCAST EXPERIENCE

ACCELERATED CHANGE IN AN AGE OF MARKET DISRUPTION

As the media and entertainment industry seeks new convergence and accelerates beyond content aggregation to an increasingly service-aggregated offering, NAGRAVISION continues to set the trends by bringing market-defining solutions.

Equipping organizations across the distribution chain with the innovation to address diverse consumer demands, NAGRAVISION also ensures its customers are poised to respond to the latest content as well as cybersecurity threats in order to protect both their subscribers and their overall enterprise.

Navigating the disruption

NAGRAVISION continued to secure new media and entertainment customers in 2023. Existing customers across the production, distribution and aggregation sectors have shown renewed optimism to meet challenges and realize opportunities while conscious of a fragmented content landscape and downward pressure on revenues.

Over the last 12 months, NAGRAVISION's solutions have helped operators realize business transformation strategies and optimize solutions to deliver improved experiences for their subscribers. Further, our strategic partnership with Amazon Web Services (AWS) has ensured our solutions are cloud-ready and independently audited to guarantee that they are optimally designed to work in highly scalable cloud environments.

The always-on consumer

In 2023, connected lifestyle solutions saw continued industry growth. As consumers manage their app-based lives, savvy subscribers are also starting to question the increasing impact on their privacy. NAGRAVISION has created an innovative offering that allows operators to respond. As the market moves beyond triple-and quad-play services towards a more infinity play or service marketplace approach, there is an opportunity for operators to offer increased service value and retain brand relevance.

Innovating across fintech, identity management, content and gaming, the NAGRAVISION infinity play solution is a single, operator-branded app through which consumers can watch content, play games or explore other digital services. Enabled by an e-wallet, the solution also leverages the trust between the operator and the consumer.

Controlling and securing connected home devices

In addition, the Group has continued to converge its expertise across NAGRAVISION, Kudelski IoT and Kudelski Security to expand the NAGRA Scout solution. Designed to safeguard consumers from smart home cyber threats and empower them to shape their internet experience, NAGRA Scout also equips operators with security and behavioral insight data that can be used to optimize services or plan usage-based network evolutions.

Through a collaboration with Canal+ Telecom, NAGRA Scout will be used to broaden an existing value-led service offering and bring new, secure home automation capability to their subscribers.

Expansion beyond pay-TV

As the growth of direct-to-consumer (D2C) services has continued to advance, traditional pay-TV operators have accelerated their transformation to widen their service reach, favoring a more 'marketplace' approach to content distribution that positions their own content alongside that of third parties. NAGRAVISION is working with customers to launch new services that go beyond content aggregation, extend to service aggregation and drive towards a super app strategy. This means operators are migrating traditional pay-TV offers into much broader digital experiences, enabling new opportunities for both the operator and NAGRAVISION.

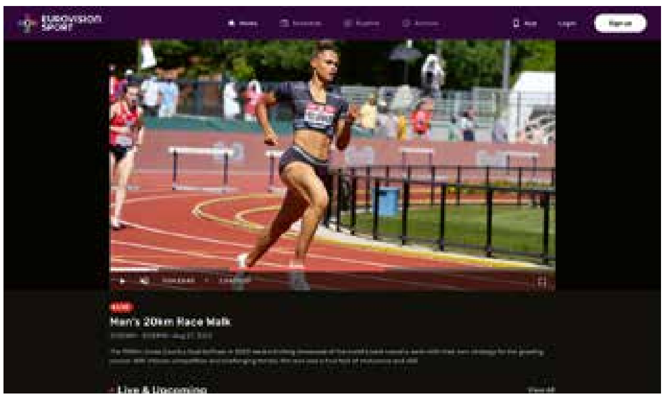
Ensuring consumers have access to the widest range of secured content and services within the operator's branded environment remains at the heart of NAGRAVISION's solutions. With an increased focus on personalization, our OpenTV Platform solution is based on a user-centric design to ensure capabilities, such as AI-interpreted voice control, intuitive universal search and content recommendations, that deliver an optimized streaming user experience. 2023 saw NAGRAVISION secure new OpenTV deployments for Tele Columbus/PYUR in Germany and 4iG in Hungary. With its leading streaming platform that benefits from award-winning streaming security, NAGRAVISION empowers media and entertainment operators to deliver engaging streaming solutions that can also help broadcast operators to expand their proposition, realize new revenue opportunities and reach new audiences.

Protecting from smart home cyber-threats with NAGRA Scout and creating consumer value with Open TV Video Platform.

Empowering sports fans and participants

Thanks to the growth of the direct-to-consumer market, the sports industry has a significant business transformation opportunity. Our vision is an expansive online footprint using technologies to bridge, connect and engage with consumers. The solution portfolio of the Kudelski Group aligns with the industry's aspirations to control, manage, monetize and safeguard direct-to-consumer ambitions. Extending beyond the realm of sports fans, the Group's solutions also offer digital video and engagement pathways for sports participants, enabling them to build the journey from grassroots to elite across major and minor sports.

NAGRAVISION provides tailored solutions for federations, clubs and amateurs, offering two distinct approaches to seamlessly align with the diverse profiles and requirements of end-users. The first approach is a subscription and ad-supported model that facilitates direct-to-consumer streaming for major federations and leagues. A good example is our project with the European Broadcasting Union (EBU) to design and deliver Eurovision Sport, a free sports streaming service for their members. The second approach is targeted at clubs and amateurs who want to capture and share their sports activities. Based on a participant membership model, we leverage our Sporfie solution to capture, share and stream within a singular sports branded environment.



NAGRAVISION designed and delivered the streaming platform for Eurovision Sport, operated by the European Broadcast Union (EBU).

PROTECTING CREATIVITY WHILE FIGHTING PIRACY

› DIGITAL TELEVISION

Streaming is now the dominant method of distributing content to connected devices. With this growth comes piracy, attracted by a larger attack surface area and ever-increasing breadth of available content.

With 30 years of experience in fighting video piracy, NAGRAVISION offers streaming providers solutions in content security, including forensic watermarking, and anti-piracy intelligence. NAGRAVISION solutions are designed to scale for growth and deliver tangible business impact thanks to comprehensive AI-powered security monitoring and analytics.

Stepping up content protection

Recognizing that consumer streaming devices with weak security will persist, NAGRAVISION has introduced next-generation security schemes and tools that allow service providers to securely deliver content to potentially vulnerable devices while monitoring the rest of their service ecosystem. This approach emphasizes monitoring and managing risks rather than simply cutting devices off, which could lead to subscriber dissatisfaction and a reduced service reach for the operator.

The NAGRAVISION Active Streaming Protection framework is deployed at operators around the world, and these deployments continued in 2023, with the launch at Zee5, a leading OTT platform in India. Our offering includes extensive features for securing OTT solutions, including multi-DRM, watermarking, session management, fraud and anomaly detection (including credential sharing), app protection, CDN security and anti-piracy services. Each solution delivers data to a centralized security monitoring and analytics dashboard that provides operators with business-actionable insight.

More than ever, content owners are licensing content where approved security safeguards are in place. Facing content reduction from D2C services, operators on the other hand need to protect revenues for their remaining service offering, leading to increased interest in OTT security tools. The level of insight available to operators through NAGRA Active Streaming Protection's Security Monitoring and Analytics dashboards means that for the first time, security approach is being viewed by operators as a potential revenue growth tool rather than an isolated cost center. Examples include spotting patterns of piracy in the CDN or spotting patterns of excessive usage and credential sharing, which can influence business priorities, shape offers and secure revenues.

Outplaying the pirates

The Group's innovation in this area was recognized with the 2023 CSI Award for Best Content Protection. CDN Gatekeeper, a solution within the Active Streaming Protection framework, helps operators address the continual threat of CDN piracy and avoid unwittingly subsidizing pirate operations by utilizing both security and preventative actions.

Anti-piracy solutions must outwit and outplay pirate services. Across NAGRAVISION's anti-piracy intelligence solutions, AI is being used to identify and remediate against localized pockets of piracy that are likely to grow into a larger threat. These are reported to an operator alongside other service ecosystem data through the Active Streaming Protection Security Monitoring and Analytics dashboards.

"NAGRA ACTIVE STREAMING PROTECTION IS A POTENTIAL REVENUE GROWTH TOOL."

Delivering industry firsts to protect movie production

Given the increasing need in the production and post-production landscape to distribute dailies and screeners via OTT, NAGRAVISION has seen an increased demand for OTT security services in this industry, which represents a new growth opportunity for the Group. The unauthorized distribution of content during the post-production process via pirate OTT solutions represents a very real threat to revenues and reputation. As a result, there is a prescient need to secure the content.

During 2023, NAGRAVISION enjoyed success with market-leading production and post-production collaboration tools such as Adobe Frame.io and Sony Ci Media Cloud. The adoption of NAGRAVISION forensic watermarking technology by these market-leading tools, together with wider adoption of its OTT streaming security solutions by post-production houses, underscores both the relevance of NAGRAVISION's solutions as well as the new growth opportunities in the industry.

With a proven track record in innovation, NAGRAVISION was proud to achieve two industry firsts during 2023. Working with distributed production partner QTAKE, NAGRAVISION's forensic watermarking was used to protect content directly from the back of the camera. In addition, and working with Eluvio, forensic watermarking was used for the first time as part of a decentralized content delivery platform that secures content onto the blockchain.

NAGRAVISION's digital security solutions: a way for video service providers to protect their content, regardless of the device.

OPTIMIZING CUSTOMER CARE THANKS TO AI

As operators increasingly focus on loyalty and retention through aggregated offerings, efforts need to be made at the customer care level. NAGRAVISION analysis has identified that 60% of customer call center traffic focuses on billing questions that are frequently an indication of customer frustration and a driver of churn.

While this type of call accounts for a significant volume of traffic, discussions are often repetitive and can be addressed by harnessing the power of AI. Addressing this need at a time when recruiting, training and retaining call center staff has its own challenges, NAGRAVISION enables offerings designed to complement existing customer care solutions efficiently and cost-effectively.

Predicting consumer behavior

In 2022, NAGRAVISION announced its smart pricing solution. Designed to revolutionize subscriber behavior analysis for operators, the solution provides a uniquely data-driven approach through which to realize business goals. Insight Smart Pricing is a digital twin platform that simulates the future behavior of subscribers based on their previous reactions to offers and new pricing approaches.

By anticipating individual subscribers' reactions to an intervention, such as a price change or new offer, operators can pro-actively plan interventions that optimize their key performance indicators. Now operational with NAGRAVISION customers around the globe, the Smart Pricing solution continues to help shape new offers, manage price erosion and, most importantly, deliver top and bottom-line benefits.

Always-on consumer support

In 2023, NAGRAVISION, buoyed by success of its Insight Smart Pricing solution, harnessed the power of Large Language Models (LLM) to create the Insight Negotiation Agent. An innovative online conversational agent that powers chatbots and soon voice conversations, the Insight Negotiation Agent directs an LLM to interpret consumer input and respond based on guidelines defined by the operator. With consumers increasingly interacting with organizations digitally and the continued downward pressures on operational costs, this innovative solution is designed for telecom operators looking to provide 'always-on' customer support.

The Insight Negotiation Agent communicates in natural language with the consumer who is logged into their account on the operator's app or authenticated via a social media channel. When a consumer asks a question such as "Why is my bill so high this month?", the Insight Negotiation Agent looks up their account and responds with a list of their services broken down so each service can be identified. The Insight Negotiation Agent then continues the dialogue and can offer adjustments, new deals or upgrades based on the consumer's continued inputs and past behavior.

The key benefit for the consumer is that they have a meaningful discussion with actionable results, and the operator benefits through reduced calls to the call center and can optimize the efforts of contact center advisors, who can focus on complex cases.

Example of Insight Smart Pricing impact for a multi-modeoperator

insight
SMART PRICING

USD 250M
Revenue uplift over 3 years

500K
Personalized actions generated every month

30+
Data sources used to create subscriber digital twins

~1.5B
Data points ingested per week (per module deployed)

Processing data, AI optimizes customer experience, offering them the best offers, tailored to their habits and preferences.

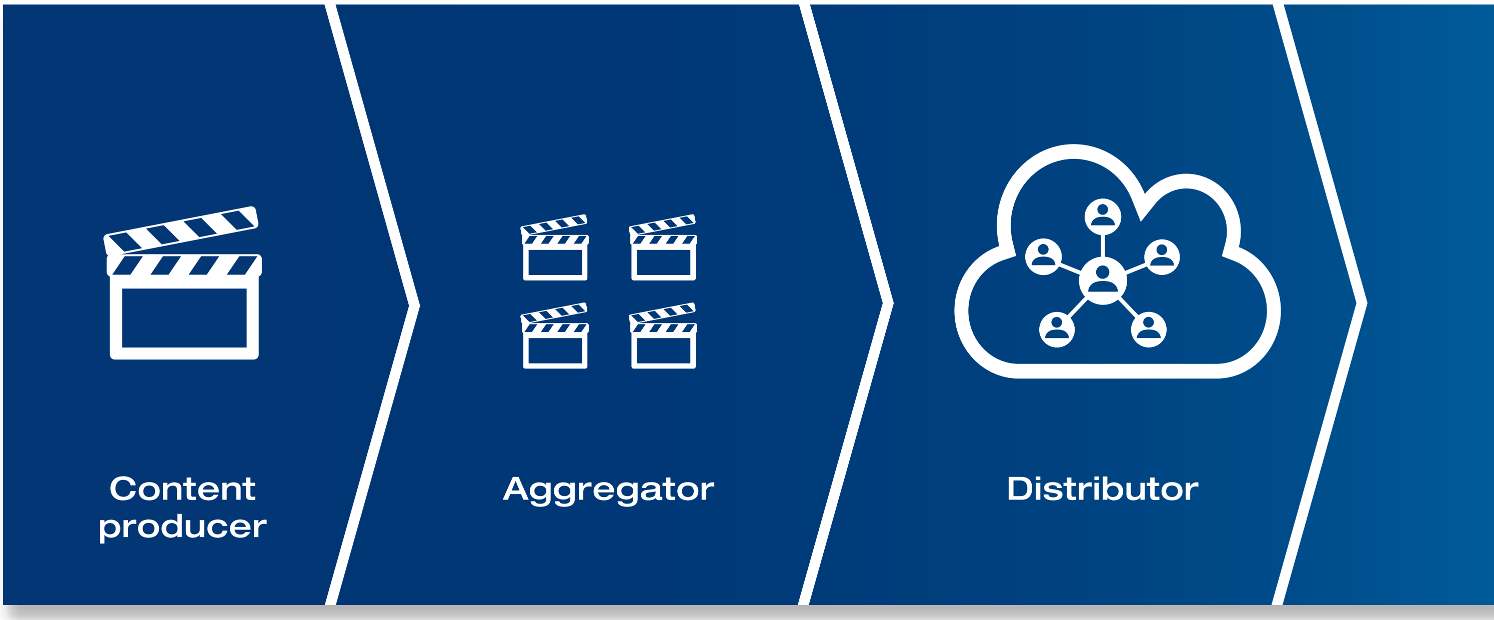
SECURING DIGITAL FUTURES

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

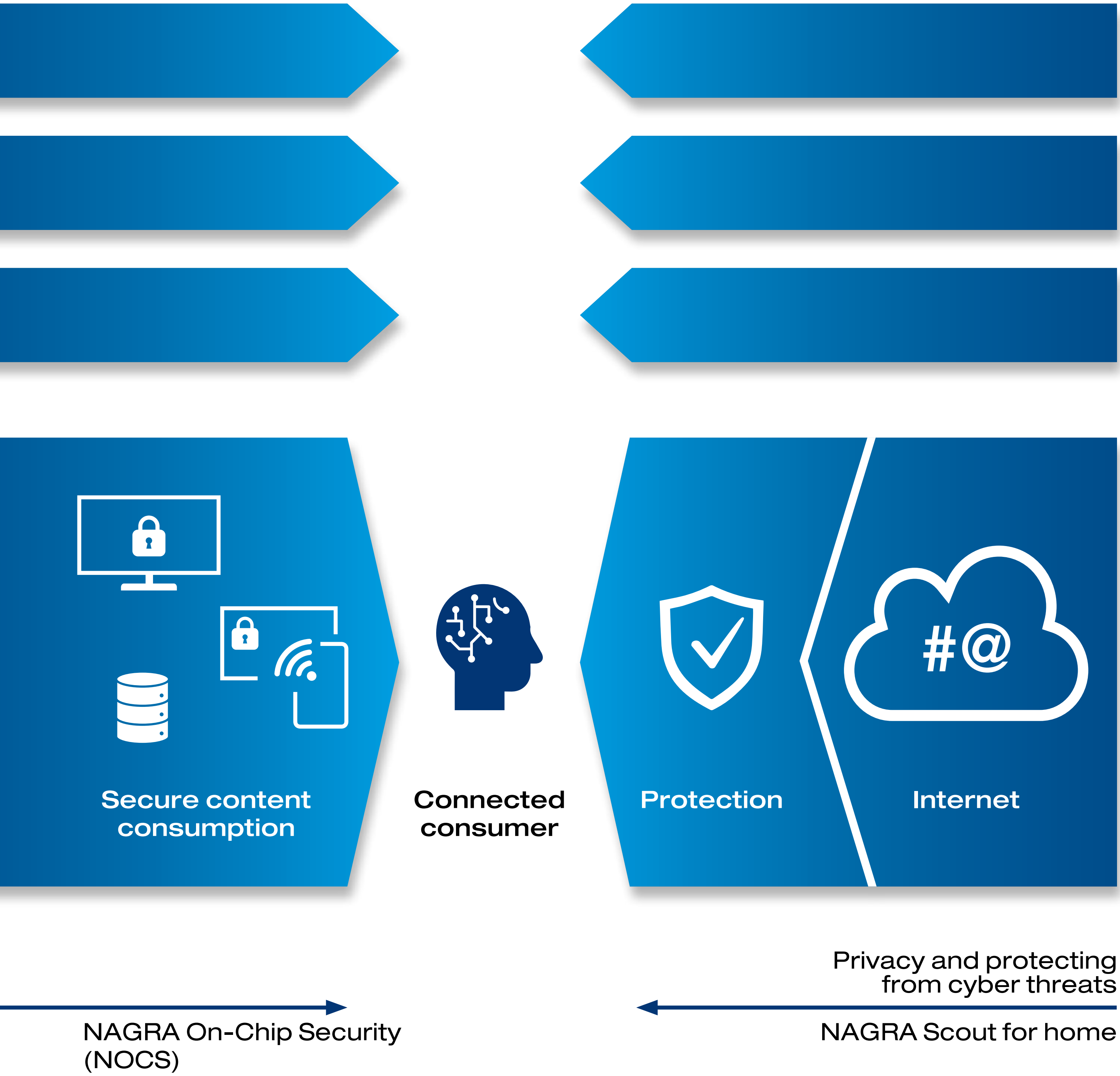
Broadcast security



Protecting infrastructure

Kudelski Security

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



2023 MARKET HIGHLIGHTS

› DIGITAL TELEVISION

Americas

Combining consumer-controlled home automation with trusted industry-leading security, CANAL+ Telecom uses NAGRA Scout to deliver innovative high-value service offerings for their subscribers.
Canal+ Telecom's home application, Ma Maison CANAL-BOX, developed in collaboration with NAGRAVISION partner Otodo, provides a value-added service that enables users to control any connected home device from a single application. Partnering with NAGRA Scout, the telco can offer differentiating new features that combine security and automation to ensure an integrated and individual smart home experience.

We particularly liked the focus on consumer lifestyle behavior as part of the design of the NAGRA Scout solution and the solution's ability to easily integrate to any number of other partners we may want to feature via our app.

Ayme Makuta Mbumba
CEO
CANAL+ TELECOM
France / French overseas regions and departments

Claro Colombia, the largest mobile telecommunications provider in Colombia, selected TVkey Cloud as a direct-to-TV offering for its Claro tv+ service.
Jointly developed by NAGRAVISION and Samsung, the TVkey Cloud solution delivers instant and secure subscriber pay-TV service activation without the need for additional devices. The new solution provides Claro's subscribers with a rich pay-TV experience that can be enjoyed directly on Samsung smart TVs without the need for an additional set-top box. The launch extends the multiscreen content consumption experience for consumers, facilitating access to all content in the Claro entertainment ecosystem.

Our expanded partnership with NAGRAVISION builds on our recent Android TV success and strengthens our purpose of generating the same experiences for our customers from any device with an internet connection.

Rodrigo de Gusmao
Executive Director, Mass Market Unit
Claro Colombia
Colombia

NAGRAVISION and Eluvio deliver industry-first decentralized, secure, and just-in-time solution for premium video distribution with forensic watermarking.
Eluvio announced the integration of NAGRA NexGuard forensic watermarking to secure playback of TV, films, and other premium video via the Eluvio Content Fabric and complementary Eluvio Media Wallet. This milestone is the industry's first integration of forensic watermarking into Eluvio's global blockchain Fabric for premium content distribution.

Thanks to our integration with NAGRAVISION, NexGuard Streaming OTT forensic watermarking can also be applied automatically and dynamically to each output stream and tied to the individual recipient.

Michelle Munson
Co-founder and CEO
Eluvio
United States of America

Used worldwide by content creators, from major studios to global brands, and now integrated with NAGRA NexGuard Forensic Watermarking, Frame.io is a central hub that lets users share media, track feedback, and streamline their workflow.
NAGRA NexGuard forensic watermarking will enhance the protection of pre-release content during review and collaboration in production and post-production workflows. Ensuring global collaboration is more secure, NAGRA NexGuard forensic watermarking will now safeguard pre-release video content against leaks and piracy during the review and collaboration phases of content production.

We're very excited that NAGRA NexGuard solution will be integrated into our Frame.io industry-leading collaboration platform. Frame.io Enterprise customers will soon be able to use forensic watermark security to protect sensitive pre-release content and IP.

Bill Roberts
Senior Director, Product Strategy
Frame.io
United States of America

Europe

German operator Tele Columbus taps NAGRAVISION, 3SS and Sagemcom to deliver future-ready techno-logy platform to increase choice and flexibility for viewers.

Tele Columbus selected NAGRAVISION as its solution provider and prime integrator to launch its new hybrid cable and multiscreen solution, PŸUR TV. This will expand Tele Columbus' offering beyond cable to deliver advanced Hybrid/OTT features to subscribers. PŸUR TV is set to increase subscriber loyalty, expand reach and open new monetization opportunities by empowering Tele Columbus to provide customers with a richer entertainment experience beyond a basic cable offering.

With PŸUR TV, we now have a powerful product to offer our customers an outstanding entertainment experience and continue to grow in the face of competition.

Markus Oswald
Chief Executive Officer
Tele Columbus
Germany

Telefónica Global leverages NAGRAVISION Anti-Piracy Intelligence Services to supplement existing investigations and unseat pirate activities.

Looking to expand their existing anti-piracy operations in LATAM, the Fraud Prevention team at Telefónica Global sought access to a combination of advanced technologies and extensive case file history so they could extend their global anti-piracy operations. The NAGRAVISION solution provides innovative ways to identify, monitor and display pirate activity. It also uses sophisticated AI-powered analytics to alert Telefónica to illicit patterns of activity.

We chose to expand our existing relationship with NAGRAVISION. They have a proven, global capacity to identify and remediate pirate activity. Their threat intelligence provides further value to our Fraud Prevention teams as they seek to identify and disrupt large-scale piracy networks.

Delia Álvarez
Responsible for Global Fraud Prevention Area
Telefónica
Spain

4iG selects NAGRAVISION to launch new multi-network, super-aggregated entertainment service to rapidly transform Hungarian market.

The leading Hungarian broadband and TV service provider 4iG selected NAGRAVISION as its system integrator and solution partner to lead their migration to a feature-rich, next-generation multi-device TV service for its customers. The new service allows for monetization opportunities and value-led propositions for 4iG by delivering personalized and advanced entertainment experiences for its subscribers.

NAGRAVISION was a logical choice because as a next-gen IT and Telco provider, we needed a next generation TV platform solution. We will make our migration seamless as we improve our service offerings and user experience.

Tamás Bányai
CEO
Vodafone Hungary
Hungary

Asia-Pacific

NAGRAVISION's modular Active Streaming Protection delivers best-in-class security to ZEE5, along with rich analytics for better business insights and decision-making capabilities.

ZEE5, India and Bharat's largest home-grown video streaming platform and multilingual storyteller with more than 100 million monthly active users, selected NAGRAVISION's Active Streaming Protection to protect its content and optimize business decisions. In addition to its scalable multi-DRM session management, the NAGRAVISION solution was chosen as the only industry solution to provide the added benefit of security monitoring and analytics capabilities.

NAGRAVISION exceeded our expectations in terms of their capabilities and feature set. After carrying out an extensive benchmark of the DRM Landscape, we zeroed in on NAGRAVISION based on their scalability, improved security analytics, and most of all the responsiveness of their team. It sets up well for our growth plans as we onboard more premium content and live sports.

Kishore AK
Chief Technology Officer
ZEE5
India

PUBLIC ACCESS

INNOVATIVE SOLUTIONS TO MANAGE ACCESS AND OPTIMIZE REVENUES

A BRAND NEW WAY 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 visitor management platform, SKIDATA Connect, Public Access offers future-oriented and reliable access solutions for people and vehicles.

SKIDATA is a global leader for "mobile first" public access digital solutions and is committed to delivering a compelling end-user experience. The client's visitors and guests benefit from convenient access solutions – simple, secure and sustainable.

The evolution of visitor interaction

SKIDATA Connect emerges as a leader in visitor management, enhancing interactions between clients, visitors and partners. This smooth, efficient platform integrates diverse solutions into the clients' infrastructure, evolving with visitors' needs.

Visitors experience a seamless digital journey, from booking to payment, all via their smartphones. For clients, it brings heightened efficiency and new revenue streams. By harnessing data-driven insights and offering a one-stop shopping solution, SKIDATA simplifies integration complexities. Partners tap into SKIDATA's broad base, accessing new markets and multiplying use cases. As a scalable solution, SKIDATA Connect safeguards investments, ensuring companies stay technologically advanced. Emphasizing data, it serves as the bedrock for strategic decisions. Coupled with top-tier security standards like ISO 27001 and a partnership with Kudelski Security, SKIDATA guarantees secure operations.

Expanding through digital integration

SKIDATA transitions from its traditional role as an access supplier to a comprehensive solutions provider. By integrating hardware, software, services and third-party partnerships, SKIDATA positions itself for revenue expansion. Public Access's growth strategies encompass subscriptions for digital solutions, collaborative usage models with partners and results-oriented managed services.

A cornerstone of this strategy is the integration with esteemed partners in the digital commerce sector. SKIDATA's robust architecture facilitates seamless third-party integration, creating diversified revenue channels. Partnerships with industry leaders like Google Pay, Apple Pay and Mastercard highlight the mutual benefits: while SKIDATA extends its service offerings, it also leverages the extensive user bases of these partners. With this approach, SKIDATA envisions a partnership model where growth is both shared and data-driven, reflecting a commitment to global expansion and profitability.

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

As a comprehensive solutions provider, SKIDATA focuses on third-party partneships to expand its offers and profitability.

SKIDATA is committed to providing relevant solutions allowing end-users to live their best experiences.

SEAMLESS DIGITAL PATHWAYS ENHANCING VISITOR EXPERIENCES.

INTEGRATED CUSTOMER-FOCUSED SOLUTIONS BRIDGING ACCESS AND PROFITABILITY.

GLOBAL EXPERTISE AND TECHNOLOGIES WITH LOCAL REPRESENTATION.

DIGITAL DRIVE
AND SUSTAINABLE STRIDES

› PUBLIC ACCESS

In 2023, SKIDATA revamped its website, boosting lead generation and talent appeal. The organization transformed, enhancing agility and customer focus. Sustainability remained pivotal, with efforts ranging from employee welfare to eco-friendly solutions.

Enhancing lead generation and talent attraction

SKIDATA's new website reflects the shift from being an access provider to a digital visitor management provider. The look and feel is deeply rooted in SKIDATA's core philosophy: to transform access into a warm, welcoming experience. The new site not only conveys the company's value proposition but also serves as a dynamic platform for active lead generation. The design and functionality have been instrumental in attracting potential employees, reinforcing SKIDATA's competitive edge in the talent market. The website has proven to be a powerful lead magnet, highlighting its significance in SKIDATA's digital strategy.

Organizational transformation for enhanced growth

SKIDATA also underwent a pivotal organizational transformation. The commitment was to refine agility, sharpen focus ensure enhanced customer experiences.

The transformation's primary objectives were to:
– amplify the strategic focus on connected solutions;
– cultivate a deeper customer and end-user-centric approach;
– enhance partnerships and collaborations for accelerated outcomes;
– reinforce internal synergy, ensuring a cohesive, efficient worldwide operation; and
– stay ahead of market trends, setting the pace rather than trailing behind.

A central component of this transformation was the integration of various units under one umbrella, aligning them with the SKIDATA's future vision and creating two core business domains: “Parking & Mobility” and “Sports & Entertainment”. This move not only streamlined SKIDATA's offerings but also optimized synergies across different customer segments and journeys.

Our motto: be sustainable

SKIDATA enhanced its position as an industry player in sustainable business practices, combining innovative technologies with a profound commitment to sustainability. This dedication translated into tangible efforts across the business spectrum.

By prioritizing the environmental optimization of hardware and pioneering digital software solutions, SKIDATA empowered its customers to further their own corporate social responsibility (CSR) objectives. The company's culture showcases a genuine concern for employee welfare, with progressive policies around health and flexible working conditions. SKIDATA’s stance on compliance and ethics reaffirmed its standing as a trustworthy industry partner. Strategic, proximity-based procurement initiatives help to improve the carbon footprint while nurturing long-term supplier relationships.

One notable milestone was the ClimatePartner certification of SKIDATA's entire ticket portfolio. With an annual sale of over 60 million tickets, the shift towards sustainable ticket production has a tremendously positive impact. Innovations like barrierless and ticketless systems streamline operations and support the reduction of waste. These concerted efforts underscored SKIDATA’s commitment to sustainability while continually enhancing customer value.

With its new website, SKIDATA strengthens its role as a digital visitors management provider on all devices.

Integrated solutions for Parking & Mobility

E-COMMERCE

Leveraging an e-commerce parking solution can enhance visitor return rates. SKIDATA's adaptable online platforms, in particular white-labeled websites and apps, enable pay-per-use bookings and subscriptions. They simplify registration and payment, broadening the business' digital reach. Among other features, the e-commerce tool allows efficient customer targeting, dynamic pricing and seamless online marketing strategies to further streamline operations, all under the consistency of SKIDATA's integration.

PAYMENT PARTNER INTEGRATION

An essential pillar for SKIDATA is the integration of established payment partners like Mastercard, Apple Pay and Adyen to handle e-commerce transactions. This integration offers all payment methods, ensuring a convenient and secure experience that is ISAE-certified and PCI-compliant. It creates a beneficial scenario for SKIDATA clients, for SKIDATA through recurring business, and for payment providers via an increased user base. Public Access's open system architecture allows for the easy realization of new digital business concepts through various sales channels.

MOBILITY SUITE

SKIDATA's Mobility Suite Subscription Model is a strategic solution aimed at generating recurring revenues. Offering an up-to-date system with a predictable monthly fee, this solution integrates top-tier parking services, from reservation to payment. Operators manage car parks remotely, connect with ERP systems, and leverage features like EV-charging. Emphasizing automated software maintenance and strong data protection, Mobility Suite ensures reduced downtimes and compliance with legal standards. All benefits come without initial costs, ensuring transparent budgeting.

SKIDATA's digital parking management solutions simplify registration and payment.

Integrated solutions for Sports & Entertainment

SMOVE – WORLD PREMIERE

In 2023, sMove made its debut at Interalpin in Innsbruck/Austria, showcasing its disruptive design that stands apart from traditional turnstiles or flap gates. This innovative system accommodates diverse needs, from skis and mountain bikes to strollers and wheelchairs. It merges the benefits of flap gates without drawbacks and is primed for future open-gate technology. Upon unveiling, the prototype received remarkable feedback, signaling robust market demand. SKIDATA anticipates a trend among ski resorts to diversify into summer activities like mountain biking.

MOBILE FLOW – A SUCCESS STORY

By the end of 2023, SKIDATA's Mobile Flow solution was available at more than 1000 gates in ski areas around the world. The Mobile Flow process is a tried-and-tested solution. Users download the Mobile Flow app, available for Android and iOS, conveniently purchase their mobile ski pass in the web shop, and activate it in the app. With that, they are ready to go directly to the lift – no need to take it out of their jacket, as ticket control works contactless via Bluetooth Low Energy (BLE).

TICKET FRAUD PROTECTION

The NFC eTicket is protected through a fast and simple identification process during purchase, cannot be copied or reproduced and is instantly available on Apple or Google wallets. Visitors identify themselves with their ID and the biometric verification of the NFC eTicket significantly reduces fraud. When entering the venue, a quick two-factor authentication avoids queues, increases security and enables efficient guest management based on accreditation and access rights.

The new sMove solution symbolizes SKIDATA's innovative capacities to welcome all visitors.

2023 MARKET HIGHLIGHTS

› PUBLIC ACCESS

ZUGSPITZBAHN, BAVARIA, GERMANY
Modernizing the Zugspitzbahn experience

The Bavarian Zugspitzbahn's adoption of an online store is a significant step towards digitization, providing guests with unparalleled flexibility in ticketing. Guests can opt for mobile, Print@home, on-site pickup or KeyCard top-up. Such convenience ensures a queue-free experience, a significant advantage given the cable car's frequent sell-outs across seasons.

Since 2018, the Zugspitzbahn has evolved from its first automatic pay stations to now feature 16 pick-up and five vending machines, streamlining guest flow without additional staffing. Integration with partners like Feratel further simplified resource planning, enhancing overall operational efficiency.

KONJIAM SKI RESORT, GYEONGGI, SOUTH KOREA
Mobile innovation at Konjiam Resort

In the 2022/23 ski season, South Korea's Konjiam Resort, spanning over 400 000 m^2 with eight expansive slopes, unveiled its 'Mobile Quick Pass'. This innovative feature, a first in Korea, is powered by SKIDATA's Mobile Flow technology, allowing skiers to manage their entire resort experience via their smartphones.

Beyond slope access, guests can book ski passes, rent equipment and make payments from the warmth of their homes. Konjiam Resort, a SKIDATA client since 2008, significantly reduces entry wait times, emphasizing a seamless skiing experience.

STADIUM OF LIGHT, SUNDERLAND, UNITED KINGDOM
SKIDATA enters Premier Partnership

In April 2023, SKIDATA announced its partnership with Sunderland Association Football Club (SAFC) upgrading their stadium with a capacity of nearly 50 000 seats.

Under this Premier Partnership, SKIDATA enhanced the stadium's access systems to support NFC eTickets. This allows the club to offer fans a streamlined purchase experience on their webshop and the ability to communicate directly to visitors' smartphones via the ticket.

NMBS PARK & RIDE, BELGIUM
Enhanced parking solutions at B-Parking

SKIDATA provided an integrated parking solution for B-Parking, part of NMBS Holding, encompassing 13 stations in Belgium, managing over 40 000 parking spaces. The innovative parking solutions delivered included full-service parking management, car park equipment and back-office systems.

Integration of SKIDATA's online sales platform further streamlined processes, allowing for dynamic pricing and advanced occupancy management. This collaboration underlines the commitment to efficient parking management and elevating the user experience.

SCHIPHOL AIRPORT, AMSTERDAM, NETHERLANDS
Amsterdam Airport advances with SKIDATA

Amsterdam Airport Schiphol, one of the world's busiest, has enhanced its parking experience by collaborating with SKIDATA. Serving over 70 million passengers annually, the airport required an advanced system to manage its vast parking facilities.

SKIDATA installed an integrated parking management system across its 12 parking areas, spanning over 40 000 parking spaces. The solution facilitates seamless parking, supports online reservations, and integrates with various loyalty programs, ensuring a premium experience for travelers.

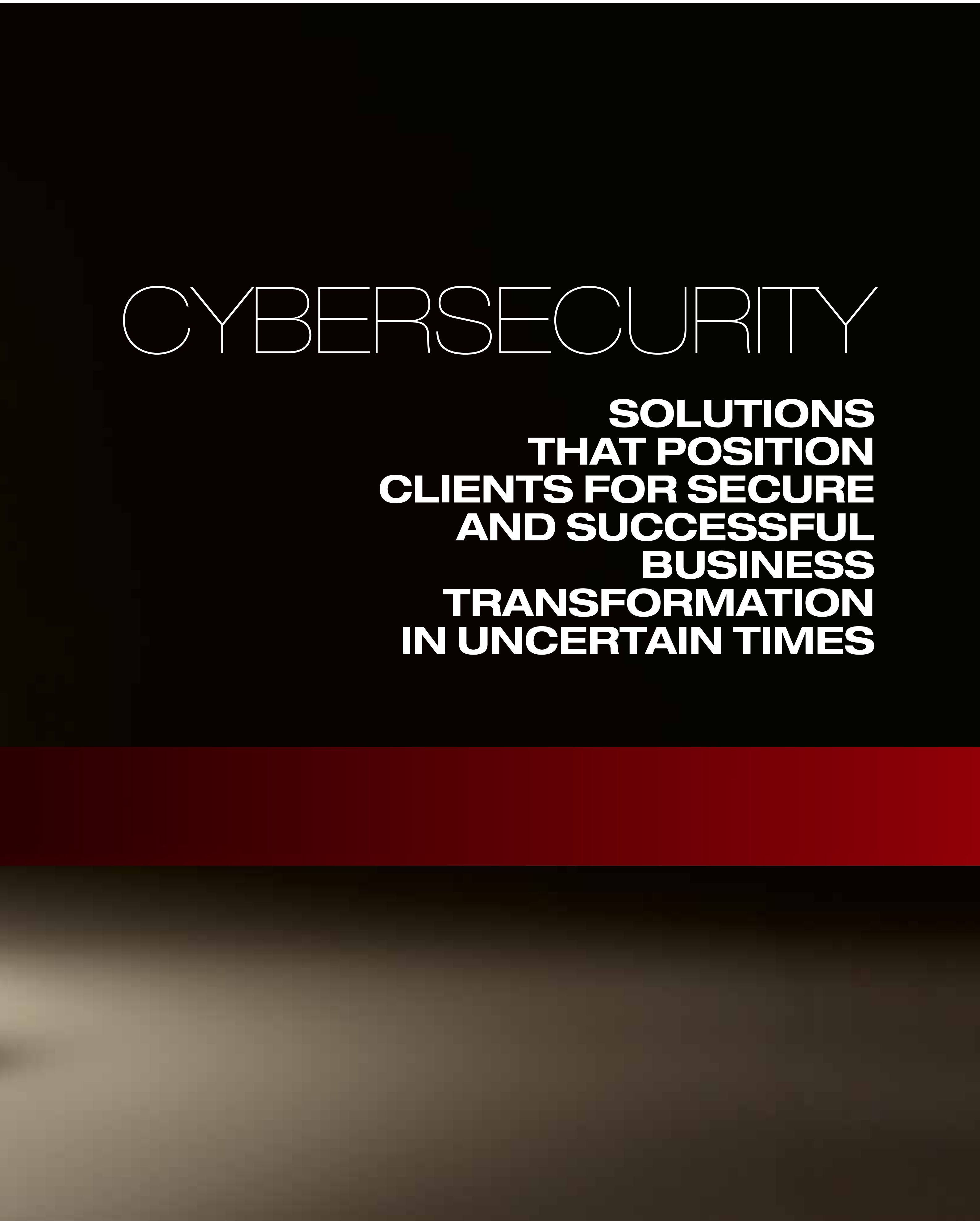
ENTERTAINMENT QUARTER, SYDNEY, AUSTRALIA
Revamping Sydney's Entertainment Quarter

SKIDATA successfully transformed Sydney's iconic Entertainment Quarter with its cutting-edge parking solutions. By implementing a comprehensive parking system, the venue can now manage higher visitor numbers with utmost efficiency.

This partnership underscores SKIDATA's ability to provide technologically advanced systems even in bustling urban environments, ensuring streamlined operations and enhanced visitor experience.
The integration further solidifies SKIDATA's strong presence in the Australian market.

CYBERSECURITY

SOLUTIONS THAT POSITION CLIENTS FOR SECURE AND SUCCESSFUL BUSINESS TRANSFORMATION IN UNCERTAIN TIMES



TAILORED SOLUTIONS FOR A CYBER LANDSCAPE ACCELERATED BY AI

Kudelski Security designs Managed Detection and Response (MDR) solutions that integrate AI, empowering clients to promptly identify and mitigate cyber-threats in real-time. Additionally, Kudelski Security delivers high-value services to strengthen security programs and enhance clients' resilience against cyber-attacks.

With these solutions and services, Kudelski Security is committed to accompanying enterprises and organizations in safeguarding their growth.

Basic and legacy attacks continue to be effective

In 2023, well-established cyber-threats remained a significant business risk to organizations, with tried and tested methods – such as ransomware, phishing attacks, and business e-mail compromise – among the most widely used in adversary operations. Despite a media focus on advanced attacks leveraging cutting-edge technology, the reality is that legacy attacks, which exploit the challenge organizations face in securing hybrid cloud environments, still dominated.

Well aware of this threat landscape, Kudelski Security has doubled down on efforts to enhance its managed detection and response (MDR) and threat intelligence capabilities. The practice has introduced new threat detection, analysis and response technologies to address non-stop threats, adopting an innovative approach with its 24/7 service, MDR ONE Resolute, enabling clients to take a more proactive stance in protecting business and brand, at any time.

Geopolitical tensions pushing into cyberspace

In 2023, we saw a rise in cyber-related geopolitical tensions. State-sponsored actors executed new advanced persistent threat (APT) attacks, which targeted long-term reconnaissance systems and critical infrastructures. This modern warfare dynamic is intensifying, and countries around the world are accumulating offensive cyber weaponry, capable of disrupting societies, economies and military organizations.

Throughout the year, Kudelski Security supported organizations in the critical infrastructure sector to address these challenges. This assistance spanned MDR, incident response as well as advisory programs focused on IT & OT resilience and on conformity to new and emerging cybersecurity legislation, including the new Network and Information Security (NIS) 2 Directive in Europe.

Regulations drive new concerns for CISOs

The growing body of cyber-related legislation – beyond critical infrastructure – reflects a global commitment to more stringent and comprehensive cybersecurity measures for all industries, across all sectors. While welcomed, new regulations also introduce new areas of accountability for chief information security officers (CISOs). For example, regulations that shift the burden of responsibility for security from the end user to the manufacturer or service provider will have an impact on the organization's overall exposure to risk, which the CISOs must then consider. Regulation from the US Securities and Exchange Commission (SEC) on cyber risk management, strategy, governance, and incident disclosure will have significant implications for the public-facing communications advanced by security leaders. AI regulations, currently on the horizon, will require CISOs to analyze impact on innovation and product development. Any fines from non-compliance could well be material, introducing a new element of stress.

Cloud security continues to pose complex challenges

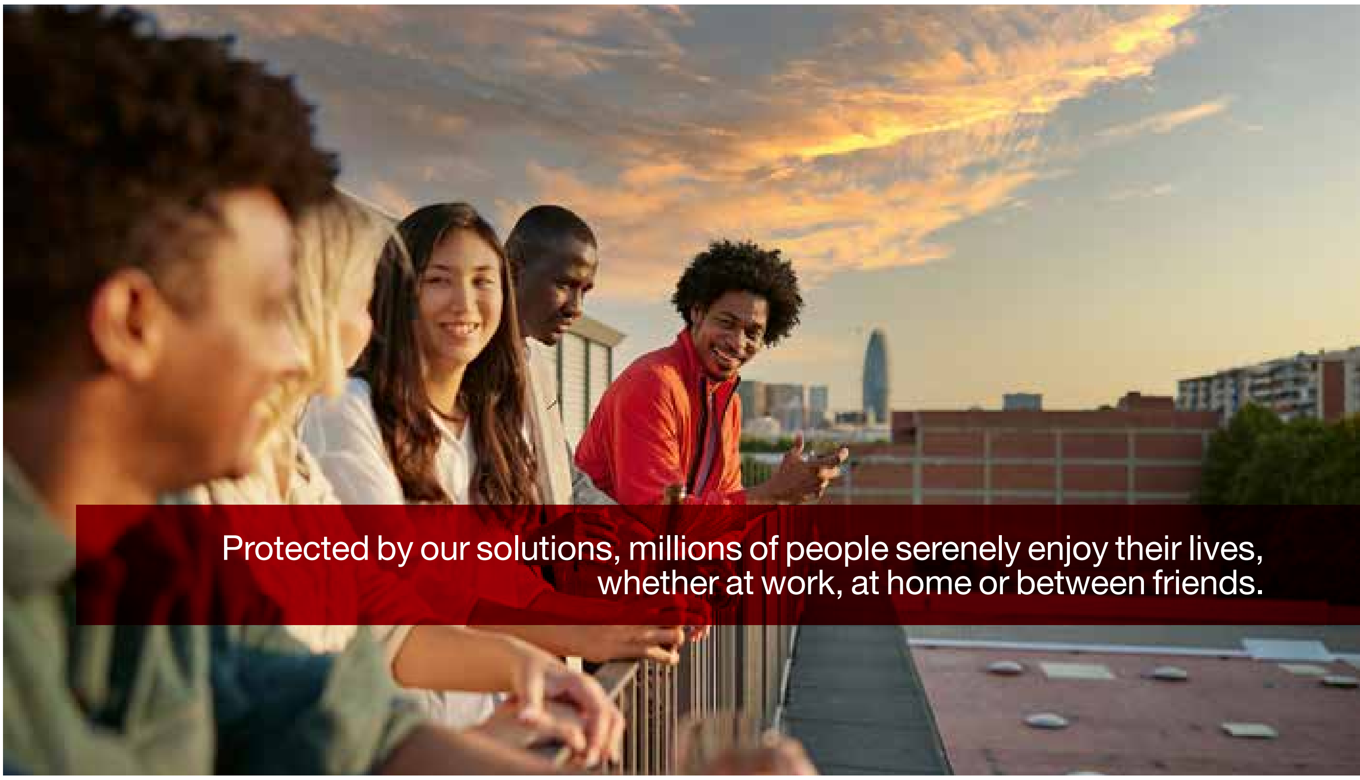
Security teams continue to face challenges in cloud security, with notable vulnerabilities stemming from seemingly simple issues like misconfigurations. These challenges are exacerbated by diverse team responsibilities, multi-cloud environments and connections with external resources and on-premise set-ups. The persistence of these issues turns even basic vulnerabilities into significant security threats.

As organizations adopt a proactive approach to cloud security, Kudelski Security MDR and consulting teams are by their side – with a range of solutions and services that span cloud security assessments, optimization of systems, architectures and processes, as well as 24/7 security monitoring, incident response and security awareness training to ensure secure digital transformation while aligning with clients' business priorities.

The human factor remains crucial

In 2023, humans remained a top vulnerability in corporate cyber defense. Despite ongoing security training, phishing attacks – rendered more sophisticated by AI technology – persisted. In response to this reality, we have seen more organizations start to adopt a Zero Trust approach to security, which seeks to mitigate the impact of such attacks with identity verification at multiple touchpoints.

Other areas gaining traction for similar reasons include a security-by-design approach to ecosystem development and the embedding of automation within security services.



2023 MARKET HIGHLIGHTS

› CYBERSECURITY

This year marks a significant milestone for Kudelski Security, as it fundamentally transformed its Cyber Fusion Center value chain, introducing a ground-breaking solution to effectively address current and emerging threat detection and response requirements.

Beyond these developments, Kudelski Security further extended its presence in EMEA and the U.S., enhancing its ability to provide customized security services and flexible delivery models to a local client base.

New strategic imperatives driving greater results

Kudelski Security's increased emphasis on Total Client Experience (TCE) ensured a greater alignment of its services with evolving client expectations around risk reduction and resilience building. Kudelski Security continued to expand its business in the EMEA and U.S. with long-term contracts for Managed Detection and Response services and Strategic Consulting leading to the fifth consecutive year of double-digit growth in Europe. In 2023, the U.S. business stabilized as it shifted from technology product reselling to a solutions-first approach. This resulted in strong adoption of multi-year, as-a-service engagements, which addressed complex topics such as compliance, third-party risk management and risk-based vulnerability management.

Kudelski Security sustained its growth trajectory within pivotal sectors such as critical infrastructure, manufacturing, healthcare and pharmaceutical. The growth in high-value, long-term contracts in 2023 was attributed to a commitment to delivering practical and integrated cybersecurity solutions that addressed real-world challenges. Additionally, the ongoing transition to security-as-a-service models continues to add value as CISOs are empowered to delegate operational elements that require high expertise, such as compliance and security operations, to Kudelski Security.

New differentiation for Managed Detection and Response

Building on the successful launch of the FusionDetect™ XDR platform in 2021 and the MDR ONE offering in 2022, Kudelski Security continued to build out capabilities that supported its goal of addressing a wider market.

In 2023, a significant milestone was achieved as we incorporated additional risk-based threat detection and investigation capabilities into the Cyber Fusion Center (CFC) value chain. One notable development is the integration of an advanced data lake architecture, which eliminates the traditional trade-off between security objectives and ever-increasing data storage costs by resolving the challenge of scalability.

In December 2023, we launched our evolved service, MDR ONE Resolute. The offering is powered by FusionDetect™, our XDR platform that integrates industry-leading, innovative security technologies as well as AI and proprietary tools to help organizations minimize the impact of a breach. MDR ONE Resolute is a major evolution and goes beyond traditional MDR with a context-driven, risk-based approach that gives clients a substantial return on their security investment and drives greater security outcomes in protecting against financial and reputational losses while building resilience over time.

Continued Recognition for MDR excellence

With the continued investment in innovative MDR capabilities, Kudelski Security added to the array of recognitions in 2023 from industry analysts such as Gartner, Forrester, MSSP Alert, Knowledge Solutions and Bloor:

- Gartner recognized Kudelski Security for the sixth consecutive time as a top MDR vendor in its Market Guide for Managed Detection and Response (MDR) Services;
- Gartner also recognized Kudelski Security for the fourth consecutive time as a top MDR vendor in its Market Guide for Digital Forensics and Incident Response Services;
- Forrester recognized Kudelski Security as a 'Notable Service Provider' in its 2023 US & European Managed Detection and Response Landscape;
- MSSP Alert recognized Kudelski Security as the '#23 MSSP' of the world's Top 250 managed security services providers, in September 2023. This is the sixth consecutive year that we have been rated in the top 25 of all service providers reviewed;

– **Bloor Research**, a UK-based cybersecurity analyst firm, recognized Kudelski Security as an 'Innovative Champion' in its 2023 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 MDR services in December 2023.

Strengthening ties with Microsoft Security

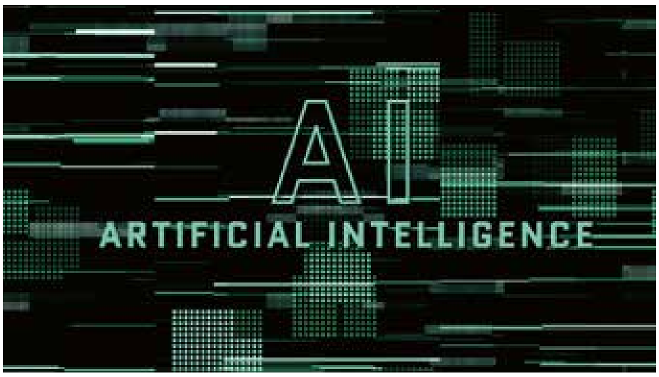
Microsoft's position in the cybersecurity market continues to expand, with the security business demonstrating remarkable growth.

Kudelski Security committed to increasing its investment in supporting and aligning with Microsoft Security in 2023 with the expansion of our MDR offerings and a more strategic partner relationship in both EMEA and the US. As a MDR service provider, we now support customers utilizing the full suite of Microsoft Defender for XDR products and Microsoft Sentinel, while providing custom advisory services such as design and implementation of Zero Trust program. We have retained our Microsoft Intelligent Security Association (MISA) partner status and have reached a new level of the partnership by achieving the Threat Protection Advanced Specialization. This significant milestone is the result of our team's dedication, including acquiring specific certifications, increased revenue from our clients utilizing Microsoft and Azure, and customer referrals.

AI and the security landscape

2023 witnessed the acceleration of AI development. This acceleration mainly focused on Generative AI with Large Language Models (LLMs) having an outsized role in businesses. The ease of access and speed of deployment have many organizations deploying this experimental technology without adequately understanding the security impacts, leaving systems open to manipulation and sensitive data at risk. This trend will continue as people get more familiar with the technology and the tools are made more accessible to a broader audience of people inside organizations. Whether organizations use AI to generate code or provide additional functionality inside applications, appropriate security steps must be taken to protect these systems and ensure they are robust against attacks.

Two years ago, Kudelski Security launched its AI Security offerings, anticipating an acceleration in this space, helping organizations with threat and risk assessments of their products and guiding AI security strategy. In 2023, with the Addressing Risks from AI Coding Assistants paper, we released guidelines for addressing risks in the development lifecycle. In May, we released the Refrain Restrict and Trap (RRT) method to reduce the impact of attacks against LLMs using an architectural approach. We presented at conferences and events such as Black Hat USA, InfoSec World, Agile DevOps East, and the AI and Central Banking conference, to name a few. Kudelski Security's Senior Director of Research is the AI, ML, and Data Science track lead for the Black Hat Security Conference.



The rapid deployment of AI technologies within organizations implies security impacts that Kudelski Security addresses with its AI security offerings.

The manufacturing and pharmaceutical sectors are pivotal in Kudelski Security growth trajectory.

INTERNET OF THINGS

WHERE THE DIGITAL WORLD BECOMES THE REAL WORLD

PIONEERING SECURE AND CONNECTED ECOSYSTEMS

› INTERNET OF THINGS

The rapid growth of connected devices and ecosystems is revolutionizing industries, governments and individual lives, enhancing efficiency and introducing new business models. Concurrently, the security of IoT devices is becoming a paramount concern.

Providing innovative solution architectures and service excellence, Kudelski IoT is a leader in developing secure devices and systems. This is in line with the increasing number of IoT security regulations and standards that are influencing companies to prioritize robust and secure design.

A growing risk, confirmed by standards and regulations evolution

Security concerns have led to a surge in IoT security regulations, such as those for medical device security and automotive cybersecurity risk management. Many IoT device manufactures find themselves lacking the necessary expertise to comply with these new guidelines. Kudelski IoT, with its extensive security experience across various domains, offers comprehensive support from chip to cloud, addressing these challenges.

Semiconductor security: a growing priority

With demand for security increasing, device manufacturers are calling on their semiconductor suppliers to help them deliver on customer expectations and regulatory requirements. Key among these requirements is the ability to provision secure and unique identities into chips, forming the foundation for long-term management of IoT security in the devices using those chips.

With its longstanding expertise in lifecycle security management, Kudelski IoT is an essential partner for semiconductor providers, offering specialized security elements and services like in-factory and in-field provisioning of keys and credentials.

Asset tracking: driving business efficiency

Asset tracking is increasingly vital across industries for monitoring the location, utilization, and condition of goods and equipment. IoT sensors and digital visibility solutions are significantly reducing financial losses due to theft, misplacement and destruction. Kudelski IoT's RecovR solution, launched in 2021, exemplifies this trend. This technology enhances dealership workflows and customer experiences, while offering new business models through remote monitoring and proactive servicing.

Leveraging this experience in vehicle asset tracking, Kudelski IoT developed and launched in 2023 an innovative key tracking system for the car dealership automotive market. This technology solution is an invaluable addition to the industry, streamlining dealership operations, enhancing the customer buying experience and providing dealers with a profitable key replacement program to offer to new vehicle buyers.

Major focuses

END-TO-END IOT SOLUTIONS

Find cars, find keys, find new revenues

Kudelski IoT leverages the Group's experience in end-to-end, secure solution design to create unique and compelling solutions like RecovR, a car dealership lot management and theft recovery solution that helps companies manage their vehicle inventories, then sell the same GPS locator device to their customers as a theft recovery solution, enabling them to generate new revenue. The solution is unique because it is wireless and uses advanced technologies to ensure positioning accuracy and long battery life of up to five years.

Kudelski IoT launched an additional solution for key management called RecovR for keys, expanding its footprint within RecovR's core automotive dealership market. RecovR and RecovR for keys are the perfect solutions for dealerships looking to optimize their operations and provide top-notch customer service.

Get your lost keys back fast with RecovR for keys, the new, simple and reliable asset tracking solution.

KUDELSKI IOT KEYSTREAM

Provision, manage, update and control IoT devices

The Kudelski IoT Security IP Portfolio empowers semiconductor manufacturers to integrate deep-level IoT security into their System on Chip products.
The keySTREAM system facilitates secure device onboarding, management, and data integrity.
The growing interest in keySTREAM is fueled by various security guidelines and standards, including the Matter standard for consumer electronics and automotive regulations like ISO 21434 and WP.29.

KUDELSKI IOT LABS

Design and evaluate secure IoT devices and ecosystems

Kudelski IoT helps companies understand their current and future threats and design secure IoT devices and ecosystems to their specific requirements. It can create tailored security designs to prevent those threats as well as to evaluate the security of existing products in its advanced IoT Security Labs in Switzerland and in France. The Labs also provide critical certifications for companies like Zoom, Amazon Alexa Voice Service, CSPN, Ledger and AT&T.

The Kudelski IoT Labs provide security certification for vocal assistants such as Amazon Alexa Voice Service.

EXPANDED SERVICE OFFERING AND KEY PARTNERSHIPS

RecovR expansion and launch of RecovR for keys

Kudelski IoT expanded delivery of its GPS locator solution beyond the car dealer business and began deploying it via new sales channels into construction and waste management industries, where there is a strong need for theft recovery and asset utilization tracking. The system was deployed to these verticals with minimal adaptations thanks to the flexible nature of the RecovR system. RecovR was also selected by the U.S. Defense Innovation Unit for tracking of aerospace ground equipment, proving the versatility of the RecovR solution across many different use cases and applications.

2023 also saw Kudelski IoT launch a key finder and key replacement service for car dealers in October, after successfully trialling the product with existing customers earlier in the year. The RecovR for keys solution uses the same user experience and interfaces as the RecovR device for vehicles, offering both dealerships and consumers a unified vehicle and key tracking solution. The RecovR for keys tag also comes bundled with a key replacement and roadside assistance program, making it attractive for consumers to purchase when they buy a new vehicle. Kudelski IoT began rollout of the new system to new customers immediately upon launching the product. This new solution complements the asset tracking portfolio allowing customers to track smaller assets both indoors and outdoors.

Semiconductors and Matter standard: keySTREAM drives sharp interest

In response to customer demand driven by new standards and regulations, multiple semiconductor manufacturers, including STMicroelectronics and Microchip, are working with Kudelski IoT to embed our Security IP into their System on a Chip (SoC) architectures. This 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 in combination with our Kudelski IoT keySTREAM system, device manufacturers and end-user companies can take control and manage the entire security lifecycle of their products.

The launch of the Matter standard for the consumer electronics industry is driving demand for our keySTREAM PKI as a Service offering due to the Matter requirement for Device Attestation Certificates. Kudelski IoT defined a new offer targeted at smart home manufacturers and launched it to market at CES 2023 and signed its first customers this year. It is anticipated that volume will increase as new device types begin to support the Matter standard, and that these customers will also require the services of Kudelski IoT Security Labs.

Security lab services extend to medical devices and quantum resistance

Starting to offer services outside of the Group in 2017, the Kudelski IoT Security Labs continues 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 2023, 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. This has led Kudelski IoT to place increased focus on industries like medical device manufacturers that are particularly impacted by international security regulations by bodies like the U.S. Food & Drugs Administration (FDA) and the EU Medical Device Regulation (MDR).

In addition, the fast-moving development of quantum computing is also creating an opportunity for Kudelski IoT to assist companies with their quantum readiness strategies, and it has created a specific end-to-end offering to ensure companies can identify potential threats and migrate to quantum-resistant architectures and technologies.

Major wins

ASSET TRACKING SOLUTIONS
Growing the RecovR brand

At the end of 2023, the RecovR solution had been adopted by more than 900 vehicle dealerships across the United States and Canada. Kudelski IoT also rolled out RecovR at the largest retailer of used vehicles in the U.S. We expanded the distribution channels for RecovR by announcing a partnership with automotive financial service leader Assurant, who will offer RecovR to its dealership customers.

As part of the expansion of RecovR into adjacent markets, Kudelski IoT signed a contract with the United States Defense Innovation Unit, which is rolling out RecovR on a U.S. Air Force Base. In addition, the RecovR for keys solution was adopted by The Niello Company out of Sacramento, CA.

RecovR continues to expand its presence in North America.

SEMICONDUCTOR SOLUTIONS
Securing the IoT for chip manufacturers

Semiconductor manufacturers continue to develop into a major customer segment for Kudelski IoT. Several joint offerings were announced with STMicroelectronics. Much of this demand is being driven by the desire of the chipset manufacturers to embed Matter certificates in their products, improving the security and decreasing the complexity of offering Matter-compliant devices for smart home manufacturers.

Multiple smart home device manufacturers chose our Matter Certificate Service. Based on our keySTREAM system, it provides them with the Device Attestation Certificates required to enable their devices to operate within the Matter ecosystem. Kudelski IoT announced Eltako as their first Matter customer in early 2023 and has added additional six customers since then.

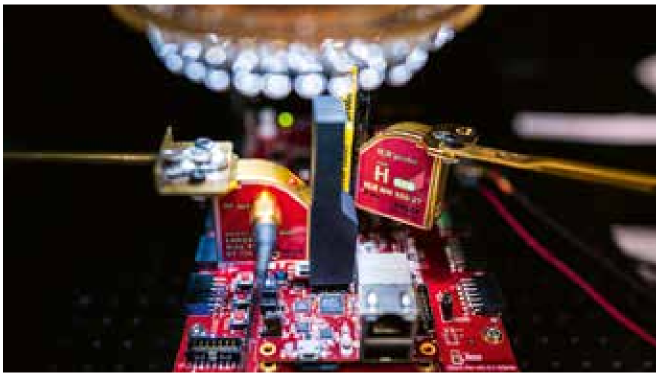
Kudelski IoT also signed an agreement to provide its keySTREAM security system to a major U.S. critical infrastructure equipment manufacturer, enabling it to ensure the protection of its equipment from threats throughout its lifecycle.

Providing chipset security with its keySTREAM system, Kudelski IoT helps smart home manufacturers make their devices Matter compliant.

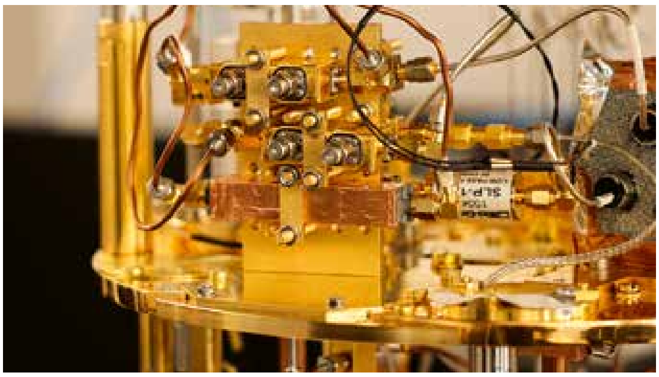
SECURITY DESIGN AND TESTING SERVICES
Expanding labs business

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

An agreement with Ledger to perform audits of 3rd-party crypto wallet applications for use on their devices led to a high volume of new business for the labs with 45 different audits performed this year.



Kudelski IoT Security Labs provide security assessment to a large number of customers.



Kudelski IoT helps companies with their quantum readiness strategies.

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, 2023.

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.

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 2023 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 2023 financial statements.

Additional information is also included in the 2023 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, 2023, the market capitalization of Kudelski SA bearer shares was CHF 62'184'397.

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 158 and 170 of the Kudelski Group's 2023 financial statements.

INTERNATIONAL PRESENCE*

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

		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, 2023, 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 58.62% 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, 2023, the Kudelski Family outside the Pool held a total of 4.09% 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, 2023	REGISTERED SHARES	BEARER SHARES	SHARE CAPITAL HELD	VOTING RIGHTS
Family Pool	46 300 000	10 962 923	27.83%	58.62%
Kudelski Family outside the Pool*		4 000 000	7.14%	4.09%

** 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 31.12.2023

Ordinary capital

The share capital of Kudelski SA is CHF 447 709 616. It is divided into 51 333 702 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 7.31% 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 83 840 432 (18.73% 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 3 840 432 (0.86% of the existing capital) through the issuance of a maximum of 480 054 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 which 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 (18.87% 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, 2023, Kudelski SA had issued 73 782 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, 2023, the available amount of contingent capital for option and subscription rights was therefore CHF 3 373 536, representing a maximum of 421 692 bearer shares with a par value of CHF 8.00 each.

As of December 31, 2023, 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	31.12.23	31.12.22	31.12.21
Registered share capital	37 040	37 040	37 040
Bearer share capital	411 137	409 434	405 896
Legal reserve	90 000	90 000	90 000
Capital contribution reserve	65 914	65 914	68 702
Net profit	-186 502	-42 179	11 004
Retained earnings	-210 039	-23 537	21 429
TOTAL SHAREHOLDERS' EQUITY	**394 052**	**578 852**	**623 067**

For information relating to changes in capital which have taken place in 2023, 2023 and 2021, 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 3.7 to the Kudelski SA financial statements in the Kudelski Group's 2023 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, 2023, 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 2023 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, 2024, 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

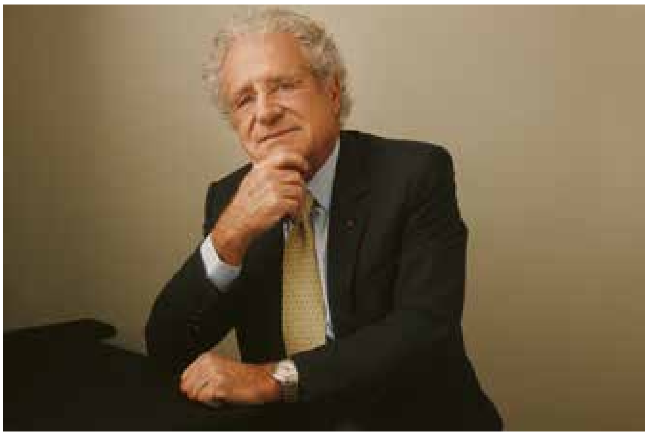
	YEAR OF BIRTH	NATIONALITY	EDUCATION	FIRST ELECTION	END OF TERM OF OFFICE
ANDRÉ KUDELSKI* Chairman of the Board and Chief Executive Officer Executive Board Member	1960	Swiss	**DEGREE IN PHYSICAL ENGINEERING** École polytechnique fédérale de Lausanne (EPFL), Switzerland	1987	19.04.2024
CLAUDE SMADJA Deputy Chairman of the Board and Lead Director Non-Executive Board Member	1945	Swiss	**DEGREE IN POLITICAL SCIENCE** University of Lausanne, Switzerland	1999	19.04.2024
PATRICK FOETISCH Non-Executive Board Member	1933	Swiss	**DOCTORATE IN LAW** University of Lausanne, Switzerland **BAR EXAM**	1992	19.04.2024
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	19.04.2024
PIERRE LESCURE Non-Executive Board Member	1945	French	**DEGREE IN LITERATURE AND JOURNALISM** Centre de formation des journalistes, Paris, France	2004	19.04.2024
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	19.04.2024
ALEC ROSS Non-Executive Board Member	1971	American	**DEGREE IN HISTORY** Northwestern University, USA	2014	19.04.2024
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	19.04.2024

**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.*

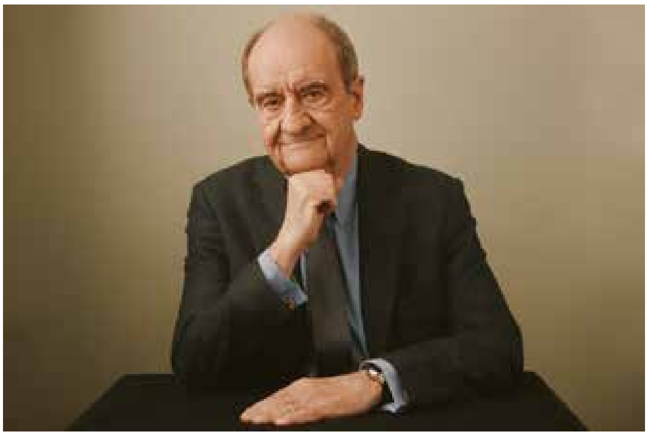
ANDRÉ KUDELSKI

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.

[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.*

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)

Positions in third-party legal entities outside the Kudelski Group:

- Montreux Media Venture SA, in Switzerland, Chairman
- Publicis Groupe SA, in France, member of the Supervisory Board, Chairman of the Remuneration Committee, member of the Nomination Commitee and of the Audit Committee
- Restaurant de l'Hôtel de Ville de Crissier SA, in Switzerland, Chairman
- Sunset Music SA, in Switzerland, Board member
- Automotive Trade Finance SA in Liquidation, in Switzerland, Board member

Important positions in non-profit or charitable third party legal entities:

- Innosuisse, Swiss Innovation Agency, Chairman[1]
- STS forum (Science and Technology in Society), Non-Profit Organization, In Japan, Council member (since September 2023)[1]
- Venture Foundation, in Switzerland, member of the foundation board[1]
- 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 Committee
- Swiss-American Chamber of Commerce, in Switzerland, Vice-Chairman
- Fondation pour le soutien de la recherche et du développement de l'oncologie, in Switzerland, Chairman

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

Positions in third-party legal entities 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
- NAGRA PLUS SA, in Switzerland, Board member (until December 20, 2021)
- SmarDTV SAS, in France, Chairman (until December 8, 2023)

Positions in third-party legal entities outside the Kudelski Group:

- AMRP Handels AG, in Switzerland, Chairman
- Alpcom SA, in Switzerland, Board Member
- Bernard Nicod Holding SA, in Switzerland, Board Member
- BN Family Office SA, in Switzerland, Board Member
- Campak AG, in Switzerland, Board Member
- Edel Immobilien AG, in Switzerland, Board Member
- Fineges Société Anonyme de Participations SA, in Switzerland, Board Member
- Liauba SA, in Switzerland, Board Member
- Tavana AG, in Switzerland, Chairman
- Automotive Trade Finance SA in Liquidation, in Switzerland, Board member

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

Positions in third-party legal entities outside the Kudelski Group and Groupe Industriel Marcel Dassault:

– 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

Important positions in non-profit or charitable third-party legal entities:

– 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 1radio 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

Positions in third-party legal entities outside the Kudelski Group:

– ANNAROSE PRODUCTIONS Sàrl, in France, Chairman and CEO
– Mediawan SAS, in France, Member of the Advisory Board
– Mediawan Holding SAS, in France, Member of the Advisory Board

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).

Positions in third-party legal entities outside the Kudelski Group:

– AudioTechnology Switzerland SA, in Switzerland, Chairman
– Bovay & Partenaires SA, in Switzerland, Chairman
– Wire Art Switzerland SA, in Switzerland, Board member

Important positions in non-profit or charitable third-party legal entities:

– 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.

Positions in third-party legal entities 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

Important positions in non-profit or charitable third-party legal entities:

– 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).

Positions in third-party legal entities outside the Kudelski Group:

- Novalis Biotech Incubation Fund, in Belgium, Scientific Advisor and Advisory Board member
- Aseptuva AG, in Switzerland, Advisory Board Member.

Important positions in non-profit or charitable third-party legal entities:

- 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
- 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
- Swiss Science Center Technorama, in Switzerland, member of the Foundation Board
- Ernst Göhner Stiftung, 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
- Swiss Institute of International Studies, association, in Switzerland, member of the Board of Trustees
- International Cell Death Society, in USA, member of the Advisory 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 by 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.

	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	

President (black) / *Member* (grey)

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 2023, 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	2 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 96.2%. 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 2023.

- 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 this 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, 2023, the Group has outstanding short-term financial debt of USD 231 million including an outstanding CHF 145.9 million bond maturing in September 2024, and long-term financial debt of USD 10.5 million. The Group may not generate enough liquidity 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:

- Kudelski Corporate, Inc., in USA, Board member and CFO
- 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 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
- Kudelski Norway AS, In Norway, Board of Directors, Chairman and General Manager (until August 31th, 2020)
- Nagra Media Germany GmbH, in Germany, Managing Director (until January 1st, 2022)

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
- Nagravision Iberica SLU, in Spain, Board member
- 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)
- SmarDTV SA, in Switzerland, member of the Board of Directors (until June 28, 2022)
- Digital Video Norge Drift AS, in Norway, Chairman of the Board (until February 16. 2023)

Positions in third-party legal entities outside the Kudelski Group:

- Telenor Satellite AS, in Norway, member of the Board of Directors (until January 4, 2024)

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, 2023, 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 2023 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: 331/3% 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 by the Annual General Meeting of Shareholders of Kudelski SA of April 20, 2023 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 1 040 000 for auditing services for the year 2023. 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 2023 the sum of CHF 390 000 representing CHF 150 000 for tax advisory services and CHF 240 000 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. Marc Ausoni is in charge of investor relations (+41 21 732 05 49, marc.ausoni@nagra.com).

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

Important dates

- April 19, 2024: Annual General Meeting, Cheseaux-sur-Lausanne, Switzerland

- August 22, 2024: 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, 2023.

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 requirements.

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/2024-02/STATUTS_Kudelski_2024_02_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 2023

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 2023 financial year. In 2023, the entire variable compensation of the Executive Board members will be paid in cash (see section 7).

6.2. Special information regarding 2023

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 between 8.0% and 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 2023 and 2022 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.

For 2023, no shares were granted to Executive Board members as part of their variable compensation. For 2022, 72 267 bearer shares were allocated to members of the Executive Board with a seven-year blocking period. For 2022, 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 were granted at the beginning of the following year. The value of shares granted was 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.

YEAR 2023	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 2023 CHF
BOARD OF DIRECTORS						
KUDELSKI ANDRÉ Chairman	517 504	– –	–	– –	–	**517 504**
SMADJA CLAUDE Vice Chairman	150 000	–	–	–	7 544	**157 544**
DASSAULT LAURENT Member	115 000	–	–	–	5 562	**120 562**
FOETISCH PATRICK Member	60 000	–	–	–	44 875 **	**104 875**
KUDELSKI MARGUERITE Member	55 000	–	–	–	3 798	**58 798**
LESCURE PIERRE Member	147 313	–	–	–	6 694	**154 007**
ROSS ALEC Member	85 000	–	–	–	5 870	**90 870**
HENGARTNER MICHAEL Member	55 000	–	–	–	3 798	**58 798**
TOTAL BOARD MEMBERS	1 184 817	–	–	–	78 142	**1 262 959**

YEAR 2023	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 2023 CHF
MANAGEMENT						
KUDELSKI ANDRÉ CEO	584 161	993 785			60 570	**1 638 516**
OTHER MEMBERS	1 534 831	331 399			53 678	**1 919 908**
TOTAL MANAGEMENT	2 118 991	1 325 183			114 249	**3 558 423**

* *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 2023 compensation in USD, which was converted using a 0.8985 exchange rate for 2023.

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.

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, 2023 and 2022, 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, 2023 and 2022, 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.

10. Positions in third party legal entities held by members of the board of directors and management

The positions held by members of the board of directors with third party legal entities are detailed in section 3.1 of the corporate governance report in the list of mandates of each director under the sub-section "positions in third party legal entities outside the Kudelski Group".

The positions held by members of management with third party legal entities are detailed in section 4.1 of the corporate governance report in the list of mandates of each Executive Board member under the sub-section "positions in third party legal entities outside the Kudelski Group". Since January 4, 2024, no member of the Executive Board, apart from the CEO, has a position in third party legal entities outside the Kudelski Group.

Kudelski S.A.
Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the remuneration report 2023

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 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables marked 'audited' on sections 7, 8 and 10 of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the accompanying remuneration report (sections 7, 8 and 10) complies 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 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. It 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 pursuant to article 734a-734f CO 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 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

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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 judgement 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, 27 March 2024

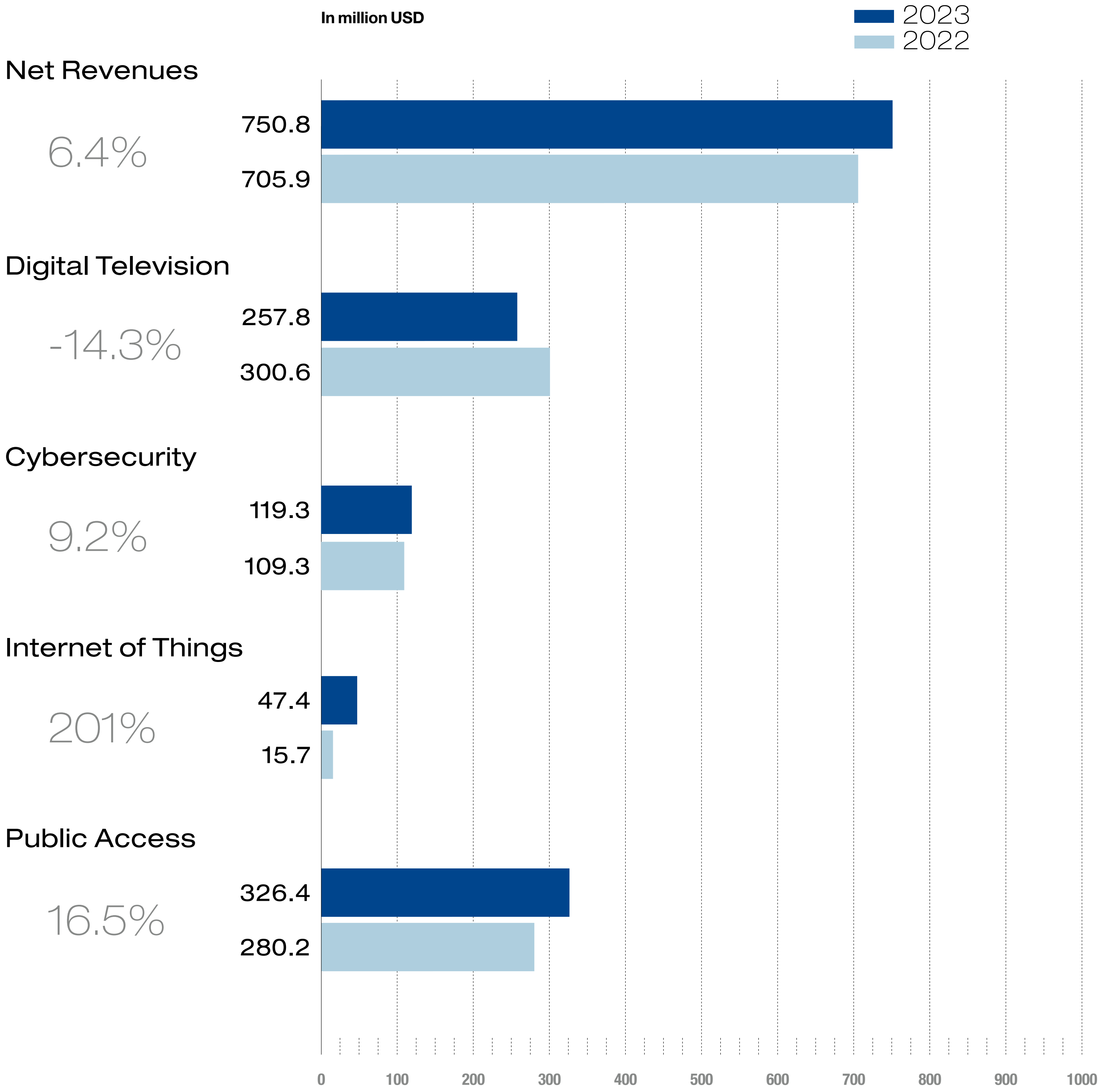
FINANCIAL OVERVIEW AND STATEMENTS

FINANCIAL OVERVIEW

In 2023, three of the Group's four business segments grew at solid rates and improved their profitability, while Digital TV revenues and profits declined from the previous year. Cybersecurity sustained its strong momentum, achieving a growth rate of 9.2% while continuing to improve its revenue mix, notably driven by the growth of managed security services. In parallel, the IoT segment witnessed a remarkable threefold increase in revenues, propelled by the widespread adoption of RecovR, its asset tracking product. Public Access showcased a strong performance, continuing its post-COVID-19 recovery with a 16.5% growth in net revenues. Conversely, the Digital TV businessexperienced a 14.3% decline in revenues compared to the prior year.

The Group's total revenues and other operating income increased from USD 715.9 million in 2022 to USD 761.5 million, representing a 6.4% growth, while net revenues increased by 6.4% to USD 750.8 million. The Group generated EBITDA of USD 28.7 million.

GROUP REVENUES
BREAKDOWN BY SEGMENT



GROUP RESULTS

2023 presents a mixed picture with three of the Group's four business segments growing at solid rates and improving their profitability, while Digital TV revenues and profits declined from the previous year. Cybersecurity sustained its strong momentum, achieving a growth rate of 9.2% while continuing to improve its revenue mix, notably driven by the growth of managed security services. In parallel, the IoT segment witnessed a remarkable threefold increase in revenues, propelled by the widespread adoption of RecovR, its asset tracking product. Public Access showcased a strong performance, continuing its post-COVID-19 recovery with a 16.5% growth in net revenues. Conversely, the Digital TV business experienced a 14.3% decline in revenues compared to the prior year.

In 2023, the Group's total revenues and other operating income increased from USD 715.9 million to USD 761.5 million, representing a 6.4% growth. Net revenues increased by 4.9% in constant currency and by 6.4% to USD 750.8 million on an as-reported basis. Other operating income rose by USD 0.6 million to USD 10.6 million in 2023, driven by the booking of a contingent consideration of USD 1.0 million from the sale of patents, along with USD 1.1 million in payment processing royalties at SKIDATA.

Margin after cost of material increased from USD 515.4 million to USD 532.2 million. Relative to total revenues, margin after cost of material decreased from 72.0% to 69.9%, mainly reflecting a shift of the revenue mix from higher margin Digital TV to the other three segments.

Compared to 2022, the Group's personnel expenses saw an increase of USD 11.9 million, primarily attributed to adverse exchange rate effects, which accounted for USD 8.0 million of the total rise. In 2023, headcount decreased by 81 Full-Time Equivalents (FTEs) to 3,152. The Group increased headcount in Cybersecurity and IoT to align with the growing demand in these segments. Conversely, it reduced headcount in Digital TV and Public Access. Geographically, the distribution of headcount remained largely unchanged from the previous year end. Europe experienced a marginal decrease of 2 FTEs, with minor reductions in Austria and an expansion of operations in Spain. In Asia, headcount decreased due to SKIDATA's exit from the Chinese market, resulting in a total reduction of 43 FTEs in China.

Other operating expenses increased by USD 9.4 million. This notably includes a USD 5.1 million change in provisions and a USD 1.5 million increase in computer, software, and telecom expenses. The increase in computer, software, and telecom expenses can be primarily attributed to heightened usage of cloud software infrastructure.

The Group generated an operating income before depreciation and amortization of USD 28.7 million in 2023, which represents a USD 4.5 million decrease from the USD 33.2 million in the previous year. Depreciation, amortization, and impairment for the period amounted to USD 30.7 million, which was USD 1.6 million lower than in 2022, as the Group has reduced capital expenditures systematically in recent reporting periods. Overall, the Group generated an operating loss of USD 2.0 million in 2023.

Interest expense was USD 0.5 million higher than in the prior year, totaling USD 10.5 million. The Group posted USD 8.8 million of net finance expenses, primarily due to net foreign exchange losses as well as financial costs related to the Group's securitization program. Income tax expenses for the period were at USD 4.2 million, resulting in a net loss of USD 24.5 million in 2023.

DIGITAL TV

Digital TV revenues decreased by 14.3% to USD 257.8 million. Over the past years, the Digital TV business has shifted from a hardware-based model, heavily reliant on sales of smart cards and other hardware, to a more resilient software and service-oriented model.

The transition to a software and service-oriented model is reflected in the sales performance of the Digital TV business. Smart card and hardware sales saw a continued decline, decreasing from USD 51.7 million in 2022 to USD 32.5 million. Revenue generated from professional services also decreased by USD 8.8 million in 2023 due to the completion of some major projects. Additionally, in 2022, the Group recorded a one-off patent licensing transaction amounting to USD 5.5 million. Conversely, software, maintenance, and royalties demonstrated greater resilience, experiencing only a limited single-digit percentage decline compared to the previous year. These shifts underscore the ongoing transition of the Digital TV business from a hardware and smart-card-centric focus to a more software and maintenance-oriented model. In 2023, Digital TV generated initial revenues from its sports streaming platform.

The introduction of Eurovision Sport, a novel global sports streaming service launched in collaboration with the European Broadcasting Union, and other sports-related services are poised to enhance revenues from this platform.

The Group's European Digital TV business posted 11.4% lower revenues compared to 2022. The majority of this decline occurred in the first half of the year, with revenues decreasing by 19.5%. However, the European business stabilized in the second half, with a more moderate decline of 1.9%. Throughout the full year, Vodafone revenues decreased compared to the prior year, which had included significant revenues from system integration to support the incorporation of newly acquired networks. Additionally, sales of Conditional Access Modules (CAM) at Liberty Global and TiVu were significantly lower, reflecting the downward trend in hardware sales. Altice also faced challenges, experiencing a substantial decline in its subscriber base, which impacted the Group's royalty revenues.

Digital TV revenues in the Americas decreased by 12.9%. In the South American market, there was a marginal decrease in revenue, although specific accounts such as Telefonica experienced higher yearon-year revenues. In North America, DISH continued to lose subscribers, leading to a decrease in the Group's revenues.

Sales in the Asia Pacific and Africa region experienced a decline of 22.2%. This decrease is attributable to the absence of significant hardware sales in 2023. Conversely, in the previous year, Digital TVgenerated revenues from hardware sale deals with TBC, DMG, and Starhub.

Digital TV's margin after cost of material improved from 87.4% to 90.3%, reflecting a more favorable revenue mix, due to lower hardware sales, including of conditional access modules and set-top boxes. Operating expenses for the segment were USD 5.7 million lower in 2023 compared to the previous year. This reduction primarily resulted from a decrease in headcount due to continued operational efficiency improvements. Digital TV's operating income before depreciation and amortization declined by USD 24.4 million to USD 40.7 million. As depreciation and amortization was USD 2.4 million lower, the segment's operating income decreased by USD 22.0 million to USD 29.5 million.

CYBERSECURITY

In 2023, the Group's cybersecurity business posted USD 185.9 million of gross revenues, an 8.5% increase from 2022. Net revenues were at USD 119.3 million, representing a 9.2% growth.

The European region exhibited robust growth, with net revenues rising to USD 55.0 million, representing an impressive year-on-year increase of 27.1%, following a growth of 34.7% in 2022. The business continues to extend its presence outside the Swiss market, gaining further traction in 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 slight 1.5% year-on-year decline, though the quality of revenues continues to improve. This improvement is reflected in the region's higher year-on-year margin after cost of material.

Overall, managed security service revenues surged by 28%, reaching USD 52.9 million in 2023. This robust growth trajectory is anticipated to continue into 2024 and beyond, buoyed by the upward trend in bookings, which reached USD 58.3 million in 2023. The recently launched next-generation Managed Detection and Response (MDR) service, MDR ONE Resolute, is anticipated to bolster this growth trajectory. MDR ONE Resolute offers enhanced value for organizations aiming to mitigate risk, strengthen resilience, and manage costs effectively. Powered by a new XDR platform, MDR ONE Resolute integrates cutting-edge security technologies with AI and other proprietary tools. This comprehensive approach aids organizations in minimizing the repercussions of breaches on both reputation and financial performance.

Segment margin after cost of material persistently improve, rising from 64.6% to 68.9%, reflecting robust growth in higher-margin business lines, particularly the MDR business. In absolute terms, margin after cost of material increased by 16.4% to reach USD 82.2 million.

Cybersecurity showcased improved expense management compared to previous years, with costs only increasing by USD 7.8 million from 2022. Consequently, the segment EBITDA loss was reduced by USD 3.8 million to USD 9.8 million. In the second half of the year, Cybersecurity generated a low EBITDA loss of USD 3.1 million.

INTERNET OF THINGS (IoT)

In 2023, the IoT segment demonstrated exceptional performance, with sales tripling from USD 15.7 million in 2022 to USD 47.4 million. The driver of this growth was RecovR, a comprehensive asset tracking solution that combines lot management for car dealers and theft recovery for their customers. RecovR accelerated its impressive growth trajectory, gaining substantial traction with deployments at numerous US dealerships, resulting in revenues nearly quintupling compared to the previous year. Additionally, as part of the expansion efforts, IoT successfully acquired new rooftops and established partnerships with progressively larger car dealerships, including the largest retailer of used vehicles in the US. Moreover, the newly launched RecovR for Keys was deployed at five rooftops in 2023.

With a strong emphasis on the thriving asset tracking market, IoT focused less on the Lab and Design business and the keySTREAM platform, leading to slightly lower revenues compared to 2022.

IoT's margin after cost of material went from 69.4% in 2022 to 49.8% in 2023, primarily due to the shift in revenue distribution towards RecovR, which included larger deals at lower relative margins. The segment's margin after cost of material more than doubled from USD 10.9 million in 2022 to USD 23.7 million in 2023. The impressive traction gained by the asset tracking business prompted a decision to increase investments in this segment. This strategic move led to a corresponding increase of USD 6.7million in the IoT operating expenditure base. In the aggregate, the segment's EBITDA loss materially decreased by USD 6.0 million in 2023, settling at USD 12.9 million. In the second half of the year, IoTgenerated a low EBITDA loss of USD 3.9 million.

PUBLIC ACCESS

Public Access achieved robust performance in 2023, notably highlighted by a 16.5% increase in net revenue. SKIDATA's dedicated emphasis on the digital sector is yielding positive outcomes. Examples include the success of SKIDATA Connect, the digital platform for visitor management, along with the intelligent mobility solutions and the thriving digital subscription segment, all of which are propelling growth.

The expansion of the service-oriented Facility Operations business continues to be a significant catalyst for Public Access' growth. Moreover, 2023 witnessed a considerable recovery in the Project Business, with growth rates in excess of 20% from the previous year.

SKIDATA's European sales maintained a strong momentum in 2023, increasing by 13.0% to USD 196.4 million. Italy and Germany were the best performing European markets, with solid year-on-year growth rates. Italy exhibited a robust performance, expanding by USD 4.4 million, driven by contributions from both the project and service businesses. Likewise, Germany experienced a USD 3.0 million growth, also attributed to sustained demand for projects and services. Sales in Austria were also strong, increasing by USD 3.4 million in 2023.

The Americas rebounded with a notable growth of 29.7% to reach USD 81.5 million. In the US, revenue from new projects more than doubled in 2023, serving as a pivotal driver of the robust revenue momentum experienced throughout the year.

SKIDATA's Asia/Pacific and African operations experienced growth of 11.2%, reaching USD 48.5 million. Smaller markets such as the United Arab Emirates, Japan, and the West Asian subregion significantly contributed to this growth. Despite SKIDATA's exit from China, the impact on the profit and loss statement was negligible, as the Chinese entity generated less than USD 2 million in revenues and incurred a small loss in 2022.

Ongoing disruptions within supply chains led to escalated costs of goods, and SKIDATA was able to pass through only a portion of the increase to customers. Consequently, margin after cost of material declined from 61.1% to 59.3%. This effect is expected to diminish over time, and margins are projected to rebound to levels consistent with previous years, as supply chains normalize and SKIDATA is able to implement additional optimization measures.

In 2023, Public Access increased operating expenses by USD 10.8 million compared to the preceding year, mainly reflecting exchange rate variations and changes in provisions. SKIDATA headcount decreased by 60 FTEs in 2023. SKIDATA's exit from the Chinese market resulted in a reduction of 42 FTEs compared to the end of December 2022. Additionally, SKIDATA decreased its European headcount by 17 FTEs, primarily in Austria, from December 2022. Overall, these efforts establish a favorable cost structure for 2024 and beyond.

Overall, Public Access generated an operating income before depreciation and amortization of USD 27.2 million, compared to USD 15.4 million in 2022.

BALANCE SHEET AND CASH FLOWS

In June 2023, the Group established a trade receivables securitization program for up to USD 50 million, in which selected subsidiaries of the Group based in Switzerland and the US are participating. The Group receives cash consideration from the sale of receivables to a special purpose entity. At the end of December, the Group had drawn USD 33.8 million net cash from this program.

Total non-current assets increased by USD 39.0 million to USD 591.6 million from December 31, 2022, mainly driven by the aforementioned increase in financial assets. USD 46.7 million of financial assets at fair value primarily comprise the balance of unsettled receivables transferred to the securitization program. The Group also continued to reduce its overall level of investments in tangible and intangible assets compared to previous years. Tangible fixed assets decreased by USD 1.4 million and intangible assets decreased by USD 10.6 million.

Compared to December 31, 2022, total current assets decreased by USD 82.4 million to USD 330.0 million. An increase of USD 6.9 million in total inventory mainly reflects the buildup of safety stock at SKIDATA to mitigate supply risks due to the volatility of semiconductor supply chains. SKIDATA added USD 7.8 million of inventory, reaching a total of USD 57.5 million at the end of the year.

Trade account receivables exhibited a decrease of USD 49.2 million, primarily due to the aforementioned receivables securitization program. SKIDATA's receivables remained largely stable compared to the end of 2022.

On the other hand, SKIDATA continued to improve its invoicing cycles, driving a reduction of USD 10.6 million in contract assets.

At the end of 2023, cash and cash equivalents amounted to USD 56.4 million, representing a USD 5.8 million decrease from December 31, 2022.

Total equity decreased by USD 64.6 million, mainly reflecting the USD 24.5 million net loss for the period, a USD 19.7 million negative currency translation adjustment, and an additional effect of USD 15.5 million in other comprehensive income, mainly attributed to pension accounting.

The Group reclassified the outstanding CHF 145.9 million bond to short-term liabilities. As a result, total non-current liabilities decreased by USD 156.1 million to USD 117.2 million, with long-term financial debt decreasing by USD 171.7 million to USD 10.5 million. Total current liabilities increased by USD 177.3 million to USD 507.4 million, with short-term financial debt increasing by USD 154.2 million to USD 231.0 million. A partial repayment of bank debt drove the overall reduction of financial debt. Furthermore, the Group increased employee benefit liabilities by USD 18.0 million, bringing the total to USD 22.7 million. This adjustment is due to a reduction in the discount rate of future liabilities from 2.3% to 1.5%.

In 2023, the Group improved cash generation, transitioning from a negative free cash flow in the previous year to a positive cash flow. Cash generated from operating activities reached USD 63.9 million, primarily attributed to a reduction in working capital. Notably, the operating cash flow for 2023 includes USD 33.8 million drawn from the receivables securitization program as of December 31, 2023. The favorable cash contribution from changes in other net working capital items includes, among other things, an USD 8.4 million reduction of other receivables and a similar reduction in accrued income. Throughout 2023, the Group remained committed to stringent capital expenditure management, with cash flows for investing activities totaling USD 7.0 million. Cash outflow for financing activities amounted to USD 62.5 million. This outflow includes a USD 46.8 million debt repayment, USD 4.5 million dividends distributed to non-controlling shareholders, and USD 15.7 million in lease obligation payments.

OUTLOOK

The Group has a bond maturing in September 2024 with an outstanding amount of CHF 145.9 million as of December 31, 2023. Following a detailed strategic review, the Board of Directors has initiated a process which aims at finding a potential acquirer for to its Public Access division (SKIDATA). While there can be no guarantee that any offers received for SKIDATA will include terms and conditions that are acceptable to the Board of Directors, initial assessments conducted by management indicate that a divestiture of SKIDATA would yield adequate proceeds to fulfill the Group's financial obligations by the scheduled maturity. The Board of Directors of Kudelski Group has engaged Goldman Sachs International as financial advisor in relation to the divestment process for SKIDATA. The Group aims to finalize the potential sale of SKIDATA ahead of the bond's maturity date. The Group is also exploring various alternative financing options in case there should be any delay in receiving the proceeds from a potential sale. Kudelski Group will make further announcements only if and when appropriate.

For the Digital TV segment, the Group forecasts a single digit decline in revenue for 2024, accompanied by reduced operating costs. Cost reduction initiatives, including headcount reductions implemented in the first two months of 2024, are expected to drive a decrease in year-on-year operating expenses. Overall, the Group expects a moderately lower segment EBITDA compared to 2023.

In the Cybersecurity segment, the Group targets double-digit growth rates in both segment revenues and margins after cost of material for the year. With moderate growth in operating expenses anticipated, the Group aims to halve the EBITDA loss compared to 2023.

For the IoT business, the Group anticipates maintaining the long-term trajectory of doubling year-on-year revenues. However, given that 2023 was an exceptionally strong year, the Group expects a lower year-on-year revenue growth rate in 2024 due to this base effect. Margins after the cost of material are forecasted to recover to a level exceeding 50%, as a large sale transaction impacted margins in 2023. Operating expenses are projected to rise at a rate similar to 2023. Overall, the Group is expecting a substantial further reduction in the segment's EBITDA loss for 2024.

The Group expects the Public Access segment to sustain its strong growth trajectory in 2024. Additionally, it anticipates margins after cost of material to return to historical levels, as supply chains have normalized, leading to decreased material costs. As a result, a further significant improvement in segment EBITDA is expected in 2024. However, given the anticipated sale of SKIDATA before yearend, the Group expects to consolidate only a portion of SKIDATA's annual results.

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KUDELSKI SA FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS
(FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

In USD'000	Notes	2023	2022
Revenues	4	750 834	705 883
Other operating income	5	10 647	9 995
Total revenues and other operating income		**761 482**	**715 878**
Cost of material, licenses and services		-229 244	-200 464
Employee benefits expense	6	-386 259	-374 372
Other operating expenses	7	-117 291	-107 866
Operating income before depreciation, amortization and impairment		**28 687**	**33 176**
Depreciation, amortization and impairment	8	-30 729	-32 310
Operating income		**-2 042**	**866**
Interest expense	9	-10 506	-10 000
Other finance income/(expense), net	10	-8 815	-2 929
Share of result of associates	16	1 070	1 674
Income before tax		**-20 293**	**-10 390**
Income tax expense	11	-4 215	-5 865
Net income for the period		**-24 508**	**-16 255**
Attributable to:			
- Equity holders of the company		*-29 396*	*-20 661*
- Non-controlling interests		*4 888*	*4 406*

Earnings per share (in USD)

Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	12	-0.5252	-0.3704
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	12	-0.0525	-0.0370

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

In USD'000	2023	2022
Net income	**-24 508**	**-16 255**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	-19 443	-19 891
Cash flow hedges, net of income tax	-84	-66
	-19 526	**-19 956**
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	-15 533	18 095
	-15 533	**18 095**
Total other comprehensive income, net of tax	**-35 059**	**-1 861**
Total comprehensive income	**-59 567**	**-18 116**
Attributable to:		
Shareholders of Kudelski SA	-64 726	-22 441
Non-controlling interests	5 158	4 325

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

CONSOLIDATED BALANCE SHEETS

(AT DECEMBER 31, 2023 AND 2022)

In USD'000	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Tangible fixed assets	13	66 571	68 026
Intangible assets	14	348 415	359 028
Right-of-use assets	15	48 500	50 437
Investments in associates	16	11 307	10 667
Deferred income tax assets	17	46 962	39 593
Financial assets at amortized cost	18	22 101	22 742
Financial assets at fair value through profit and loss	18	46 658	1 137
Other non-current assets	18	1 091	976
Total non-current assets		**591 606**	**552 607**
Current assets			
Inventories	20	77 877	70 980
Trade accounts receivable	21	103 654	152 909
Contract assets	21	17 019	27 582
Other financial assets at amortized cost	22	25 322	43 380
Other current assets	23	49 714	55 196
Derivative financial instruments	35	–	143
Cash and cash equivalents	24	56 376	62 167
Total current assets		**329 962**	**412 357**
Total assets		**921 567**	**964 964**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	346 084	344 190
Reserves		-76 132	-9 871
Equity attributable to equity holders of the parent		**269 952**	**334 319**
Non-controlling interests	26	27 050	27 254
Total equity		**297 003**	**361 573**
Non-current liabilities			
Long-term financial debt	27	10 483	182 172
Long-term lease obligations	15	73 901	75 035
Deferred income tax liabilities	17	386	1 120
Employee benefits liabilities	29	22 653	4 662
Other long-term liabilities	30	9 786	10 364
Total non-current liabilities		**117 209**	**273 352**
Current liabilities			
Short-term financial debt	31	231 034	76 883
Short-term lease obligations	15	14 159	13 777
Trade accounts payable	32	84 190	67 972
Contract liabilities	33	59 632	71 520
Other current liabilities	34	113 357	94 685
Current income taxes		2 106	2 512
Derivative financial instruments	35	45	88
Provisions for other liabilities and charges	36	2 832	2 600
Total current liabilities		**507 355**	**330 039**
Total liabilities		**624 564**	**603 391**
Total equity and liabilities		**921 567**	**964 964**

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

CONSOLIDATED CASH FLOW STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

In USD'000	Notes	2023	2022
Net income for the year		**-24 508**	**-16 255**
Adjustments for net income non-cash items:			
- Current and deferred income tax		-3 530	5 865
- Interests, allocation of transaction costs and foreign exchange differences		13 433	13 454
- Depreciation, amortization and impairment	8	30 729	32 310
- Share of result of associates	16	-1 070	-1 674
- Non-cash employee benefits (income) / expense		-542	3 336
- Additional provisions net of unused amounts reversed		171	-285
- Non-cash government grant income		-5 354	-6 084
- Other non-cash (income) / expenses		-3 099	2 885
Adjustments for items for which cash effects are investing or financing cash flows:			
- Other non-operating cash items		-214	-24
Adjustments for change in working capital:			
- Change in inventories		-2 310	-18 712
- Change in trade accounts receivable		22 167	17 134
- Change in trade accounts payable and contract liabilities		9 031	4 534
- Change in accrued expenses		3 729	-179
- Change in other net current working capital headings		27 376	-29 731
Government grant from previous periods received		5 959	5 050
Dividends received from associated companies	16	1 041	133
Interest paid		-8 769	-10 135
Interest received		924	768
Income tax paid		-1 312	-882
Cash flow from operating activities		**63 851**	**1 508**
Purchases of intangible fixed assets	14	-2 827	-4 011
Purchases of tangible fixed assets	13	-4 202	-4 692
Proceeds from sales of tangible and intangible fixed assets		280	3 829
Investment in financial assets and loans granted		-444	–
Divestment of financial assets and loan reimbursement		143	414
Disposal of subsidiaries and operations		13	–
Cash flow from investing activities		**-7 037**	**-4 459**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities		-46 826	-216 058
Increase in bank overdrafts, long-term loans and other non-current liabilities		4 326	47 808
Payments of lease liabilities		-15 664	-16 249
Proceeds from employee share purchase program	39	73	117
Dividends paid to non-controlling interests		-4 450	-12 105
Dividends paid to shareholders	38	–	-5 999
Cash flow from financing activities		**-62 541**	**-202 486**
Effect of foreign exchange rate changes on cash and cash equivalents		-64	-16 885
Net movement in cash and cash equivalents		**-5 791**	**-222 322**
Cash and cash equivalents at the beginning of the year	24	62 167	284 489
Cash and cash equivalents at the end of the year	24	56 376	62 167
Net movement in cash and cash equivalents		**-5 791**	**-222 322**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022)

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, 2022		**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**
Net income		–	–	-29 396	–	–	4 888	-24 508
Other comprehensive income		–	–	-15 533	-84	-19 714	271	-35 059
Total comprehensive income		**–**	**–**	**-44 929**	**-84**	**-19 714**	**5 158**	**-59 567**
Employee share purchase program	39	657	-552	–	–	–	–	105
Shares issued to employees	39	1 238	-983	–	–	–	–	255
Dividends paid to non-controlling interests		–	–	–	–	–	-4 450	-4 450
December 31, 2023		**346 084**	**57 454**	**-83 201**	**-2 681**	**-47 703**	**27 050**	**297 003**

Fair value and other reserves as of December 31, 2023 include kUSD -2 681 (2022: kUSD -2 681) of unrealized loss on available-for-sale financial assets and an unrealized gain of kUSD 0 (2022: kUSD 84) relating to cash flow hedges.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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 (IFRIC®) applicable to companies reporting under IFRS Accounting Standards. The financial statements comply with IFRS Accounting Standards 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) Going concern

The Group's consolidated financial statements have been prepared assuming the Group will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated financial statements herein, the Group has a CHF 150 million bond maturing in September 2024, of which CHF 4.1 million has been repurchased in prior years, resulting in a remaining principal balance of CHF 145.9 million at maturity. Additionally, as of December 31, 2023, the Group reports current assets of USD 330.0 million and current liabilities, net of the outstanding bond, of USD 334.4 million. Group operations will not generate sufficient cash flow to repay these short-term financial commitments within their scheduled maturities.

In response to these financial obligations, the Group has decided to divest its Public Access division, specifically through the sale of SKIDATA. Preliminary assessments conducted by management, indicative offers received by interested third parties and early valuation models from an investment bank indicate that this divesture will generate sufficient proceeds to satisfy the Group's financial obligations within the scheduled maturities. The Group expects to close the sale of SKIDATA prior to the scheduled repayment of its outstanding bond. In the event the sale of SKIDATA does not occur before this scheduled maturity, the Group may consider alternative financing options, though at potentially unfavorable conditions compared to our existing financing facilities. Short-term liquidity is ensured through working capital optimization measures. Such measures include an accelerated collection of trade accounts receivables, the optimization of inventory levels and a staggered repayment of current operating liabilities. In addition, the Group has implemented cost reduction measures including a reduction of headcount.

For these reasons, the consolidated financial statements are prepared on a going concern basis. The liquidity situation and going concern of the Group would be endangered if the above measures do not materialize. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Group's consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

(C) 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.

(D) 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 comprehen-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

sive income. The loss of control or total disposal of a subsidiary results in the reclassification of any translation difference to the income statement.

(E) 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 drop-shipment 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 software 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.

(F) 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.

(G) 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.

(H) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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'.

(I) 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 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.

(J) 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.

(K) 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

(L) 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.

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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.

(M) 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.

(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.

(N) 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.

(O) Trade accounts receivable

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

(P) 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.

(Q) 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.

(R) 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.

(S) 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

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of the loan as 'Other operating income'.

(T) 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.

(U) 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 comprehensive 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.

(V) Trade accounts payable

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

(W) 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.

(X) Dividends

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

(Y) 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.

(Z) 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, 2022.

The Group has applied the following amendments and interpretations effective from January 1, 2023:
• IFRS 17 Insurance Contracts
• Initial Application of IFRS 17 and IFRS 9 - Comparative Information - Amendments to IFRS 17
• Definition of Accounting Estimates - Amendments to IAS 8
• International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
• Disclosure of Accounting Policies - Amendments to IAS 1
• Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
• Classification of Liabilities as Current or Non-current - Amendments to IAS 1
• Non-current Liabilities with Covenants - Amendments to IAS 1
• Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
• Lack of Exchangeability - Amendments to IAS 21

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, 2024 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 as-

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sets. 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 29) 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 foreign 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 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.

In 2023, the Kudelski Group with certain of its subsidiaries implemented a trade receivables securitization program (Program") with a financial institution. The Program is designed to enhance the Group's financial flexibility by providing an additional source of liquidity for its operations.. The Group defines counterparties as having similar characteristics if they are related entities. With the exception of the Program and of cash balances deposited with a highly rated bank, concentration of credit risk did not exceed 10% of gross monetary assets at the end of the year, . 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. Exposure arises in the event that debt obligations cannot be met when due, or external borrowings cannot be refinanced.
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.

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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 2023	Public Access 2023	Cyber-security 2023	Internet of Things 2023	Total 2023
Revenues from external customers	257 796	326 364	119 316	47 359	750 834
Other operating income - operating segments	6 817	3 040	–	790	10 647
Total segment revenue and other operating income	**264 613**	**329 403**	**119 316**	**48 149**	**761 482**
Cost of materials, licenses and services	-31 887	-135 741	-37 135	-24 481	-229 244
Operating expenses	-192 051	-166 415	-92 006	-36 616	-487 088
Operating income before depreciation, amortization and impairment	**40 676**	**27 247**	**-9 825**	**-12 948**	**45 149**
Depreciation, amortization and impairment	-11 132	-16 693	-2 181	-724	-30 729
Operating income - excluding corporate common functions	**29 544**	**10 554**	**-12 007**	**-13 672**	**14 420**
Corporate common function expenses					-16 462
Interest expense and other finance income/(expense), net					-19 321
Share of result of associates	-128	1 198	–	–	1 070
Income before tax					**-20 293**
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Total segment assets	**495 167**	**274 891**	**92 686**	**50 649**	**913 393**

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 from continuing operations					**-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**

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In USD'000	31.12.2023	31.12.2022
Total segment assets	913 393	958 061
Cash and cash equivalents	2 666	1 464
Other current assets	184	380
Financial assets and other non-current assets	5 324	5 059
Total Assets as per Balance Sheet	**921 567**	**964 964**

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:

In USD'000	Revenues from external customers 2023	2022	Non-current assets 31.12.2023	31.12.2022
Switzerland	61 794	54 753	37 894	35 956
United States of America	229 011	194 295	266 516	267 778
France	55 766	54 456	32 767	31 541
Germany	44 138	41 578	4 769	4 559
Netherlands	31 174	32 903	757	888
Austria	32 858	29 279	40 005	41 183
Italy	28 573	29 973	6 222	6 543
Rest of the world	267 521	268 647	86 956	100 686
	750 834	**705 883**	**475 885**	**489 135**

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

In USD'000	Digital TV 2023	2022	Public Access 2023	2022	Cybersecurity 2023	2022	Internet of Things 2023	2022
Europe	116 511	131 486	196 366	173 801	54 988	43 274	4 547	5 034
Americas	90 617	104 002	81 548	62 859	63 778	64 740	42 506	10 252
Asia and Africa	50 667	65 149	48 450	43 565	551	1 272	306	448
	257 796	**300 638**	**326 364**	**280 225**	**119 316**	**109 286**	**47 359**	**15 734**
Sale of goods	32 578	39 470	199 791	167 441	10 362	11 101	37 987	9 899
Services rendered	144 350	171 350	100 574	87 700	80 331	69 762	8 020	5 438
Royalties and licenses	80 868	89 818	25 999	25 084	28 623	28 423	1 352	398
	257 796	**300 638**	**326 364**	**280 225**	**119 316**	**109 286**	**47 359**	**15 734**

5. OTHER OPERATING INCOME

In USD'000	2023	2022
Government grants (research, development and training)	5 072	5 770
COVID-19 subsidies	281	575
Income from rental of property	2 450	2 600
Gain on disposal of assets	214	24
Loss on disposal of subsidiary	-105	–
Contingent consideration received	945	–
Others	1 790	1 027
	10 647	**9 995**

6. EMPLOYEE BENEFITS EXPENSE

In USD'000	Note	2023	2022
Wages and salaries		312 249	300 444
Social security costs		49 349	46 097
Defined benefit plans expenses	29	7 252	10 636
Defined contribution plans expenses		7 568	6 716
Other personnel expenses		9 842	10 479
		386 259	**374 372**

7. OTHER OPERATING EXPENSES

In USD'000	2023	2022
Development and engineering expenses	13 734	12 060
Travel, entertainment and lodging expenses	19 996	19 542
Legal, experts and consultancy expenses	17 378	16 577
Administration expenses	5 971	5 466
Computer and telecommunications expenses	24 114	22 655
Building and infrastructure expenses	10 965	11 633
Marketing and sales expenses	9 032	9 289
Taxes other than income tax	2 532	2 516
Change in provisions	5 060	-160
Insurance, vehicles and others	8 509	8 307
	117 291	**107 886**

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

In USD'000	Note	2023	2022
Land and buildings	13	2 245	2 060
Equipment and machines	13	5 595	5 924
Total depreciation and impairment of tangible fixed assets		**7 840**	**7 984**
Land and buildings	15	11 262	11 791
Vehicles, equipment and other	15	2 364	2 455
Total depreciation and impairment of right-of-use assets		**13 626**	**14 245**
Intangible assets	14	9 263	10 081
Total amortization and impairment on intangible fixed assets		**9 263**	**10 081**
Depreciation, amortization and impairment		**30 729**	**32 310**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

9. INTEREST EXPENSE

In USD'000	Note	2023	2022
Interest expense:			
- Bond 2016-2024	28	2 544	2 398
- Bond 2015-2022	28	–	2 259
- Net interest expense recognized on defined benefit plans	29	171	249
- Interest on lease obligations	15	2 818	2 639
- Other interest and bank charges		4 973	2 455
		10 506	**10 000**

10. OTHER FINANCE INCOME/(EXPENSE), NET

In USD'000	Note	2023	2022
Interest income		1 589	1 532
Net gains/(losses) on foreign exchange related derivative financial instruments		12	-2 173
Net foreign exchange transaction gains/(losses)		-3 696	44
Trade receivables securitization		-3 299	–
Remeasurement of securitized beneficial interests		-1 749	–
Others		-1 672	-2 332
		-8 815	**-2 929**

11. INCOME TAX EXPENSE

In USD'000	Note	2023	2022
Current income tax		-6 137	-5 451
Deferred income tax	17	3 530	358
Non-refundable withholding tax		-1 608	-772
		-4 215	**-5 865**

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	2023	2022
Income before tax	**-20 293**	**-10 390**
Expected tax calculated at domestic tax rates in the respective countries	587	1 707
Effect of income not subject to income tax or taxed at reduced rates	2 272	2 004
Effect of utilization of previously unrecognized tax asset on tax losses carried forward and temporary differences	5 105	3 559
Effect of temporary differences and tax losses not recognized and deferred tax assets written-off	-10 208	-11 604
Effect of changes in tax rates	-152	320
Effect of associates' result reported net of tax	86	174
Effect of disallowed expenditures	-1 352	-747
Effect of prior year income taxes	-80	-1 454
Effect of non-refundable withholding tax	-1 608	-772
Other	1 135	948
Tax expense	**-4 215**	**-5 865**

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 1 055 (2022: kUSD 1 028) and is included in 'Other' in the above table.

The weighted average applicable tax rate decreased from 16.4% in 2022 to 2.9% in 2023. 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	2023	2022
Net income attributable to bearer shareholders	-26 964	-18 945
Net income attributable to registered shareholders	-2 432	-1 715
Total net income attributable to equity holders	**-29 396**	**-20 661**
Weighted average number of bearer shares outstanding	51 343 469	51 145 414
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)	-0.5252	-0.3704
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	-0.0525	-0.0370

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 2023

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, 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 January 1, 2023	**6 880**	**51 849**	**12 687**	**76 790**	**15 131**	**163 337**
Additions	–	10	930	1 987	1 275	4 202
Disposals and retirements	–	–	-995	-2 655	-1 403	-5 053
Currency translation effects	–	659	566	6 006	671	7 902
Reclassification & others	–	-399	423	298	-24	298
As of December 31, 2023	**6 880**	**52 120**	**13 612**	**82 425**	**15 649**	**170 686**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
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 January 1, 2023	**–**	**-12 646**	**-8 065**	**-62 160**	**-12 440**	**-95 311**
Systematic depreciation	–	-789	-1 454	-3 610	-1 237	-7 090
Impairment	–	–	-2	-748	–	-751
Disposals and retirements	–	–	965	3 368	1 358	5 691
Currency translation effects	–	-367	-272	-5 478	-537	-6 654
Reclassification & others	–	–	–	-24	24	–
As of December 31, 2023	**–**	**-13 802**	**-8 829**	**-68 653**	**-12 831**	**-104 114**
Net book values as of December 31, 2022	**6 880**	**39 203**	**4 622**	**14 630**	**2 691**	**68 026**
Net book values as of December 31, 2023	**6 880**	**38 318**	**4 784**	**13 772**	**2 818**	**66 571**
Useful life in years	Indefinite	10 – 50	4 – 8	4 – 10	4 – 7	

In USD'000	31.12.2023	31.12.2022
Corporate buildings on land whose owner has granted a permanent and specific right of use	8 494	7 733

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.

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, 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 January 1, 2023	**92 000**	**66 985**	**70 844**	**337 230**	**425**	**567 483**
Additions	361	–	2 466	–	–	2 827
Disposals and retirements	-1 141	-2 158	-407	–	–	-3 706
Reclassification & others	-1 003	–	705	–	–	-298
Currency translation effects	8 146	-1 072	5 557	-2 283	17	10 365
As of December 31, 2023	**98 363**	**63 755**	**79 164**	**334 947**	**441**	**576 671**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
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 January 1, 2023	**-83 339**	**-58 338**	**-66 354**	**–**	**-424**	**-208 454**
Systematic amortization	-2 757	-4 607	-1 898	–	-1	-9 263
Recovery of amortization on disposal and retirements	495	1 078	322	–	–	1 895
Currency translation effects	-7 925	861	-5 352	–	-17	-12 433
As of December 31, 2023	**-93 526**	**-61 006**	**-73 283**	**–**	**-441**	**-228 256**
Net book values as of December 31, 2022	**8 661**	**8 647**	**4 489**	**337 230**	**1**	**359 028**
Net book values as of December 31, 2023	**4 837**	**2 749**	**5 882**	**334 947**	**–**	**348 415**
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:

2023	Carrying amount	Period of cash flow projections	Annual sales growth	Compound annual growth rate	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Goodwill CGU							
Digital TV	203 795	5 years	-9% to 5%	0.0%	Declining	2.0%	13.5%
Public Access	35 382	5 years	4% to 6%	5.1%	Stable	2.0%	14.3%
Cybersecurity	61 709	5 years	12% to 14%	12.7%	Improvement	2.0%	14.3%
IoT	34 061	5 years	22% to 35%	29.5%	Improvement	2.0%	13.5%
	334 947						

2022	Carrying amount	Period of cash flow projections	Annual sales growth	Compound 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						

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 security) 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. The gross margins for each business line are determined by projecting the anticipated business mix within each line. It is anticipated that managed security margins will continue to grow in line with historical patterns, while margins for technology and services are expected to remain stable at this year's levels. 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.

In 2023, Cybersecurity maintained the strong gross profit momentum of the last few years. In line with prior years, Cybersecurity was able to continue growing its high value-added business lines, including in particular managed security services. Cybersecurity is expected to continue to benefit from favorable technology adoption trends and maintain a growth momentum. For planning purposes, 2024 gross profit growth is anticipated to be in line with previous years. Gross profit is then expected to continue to grow at lower rates in the double-digit rates range 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 IoT business plan is built on the hypothesis that the asset tracking product line will contrinue to gain traction. Following exceptional growth rates in 2022 and 2023, the plan assumes that this business line will continue to grow at solid double digit rates over the planning period. However, average growth rates are anticipated to be a fraction of the historical rates. The Lab business is anticipated to contribute less than 10% of the total yearly revenues throughout the planning period. On the other hand, initiatives including in particular the commercialization of the KeyStream platform are anticipated to gradually gain traction and represent around 15-20% of total segment revenues in the late years of the planning period.

IoT revenue projections by business line are based on product sales projections 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 2023, the Internet of Things (IoT) segment delivered exceptional performance, nearly tripling its top-line figures and materially exceeding expectations. This surge was primarily propelled by RecovR, an asset tracking solution targeting car dealerships, notably securing a significant contract with CarMax, one of the largest dealerships in the US. The demand for RecovR remains robust, with the launch of RecovR for Keys further poised to drive sustained growth in 2024 and beyond. This strategic shift towards the flourishing asset tracking market led to a decreased emphasis on the Lab and Design business and the keySTREAM platform, resulting in stagnant revenues from these product lines compared to 2022. The Group expects 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 delivered a robust performance in 2023, growing revenues by over 16% compared to the previous year. Particularly notable was the US affiliate's recovery, marking a growth of close to 30% compared to its 2022 figures. Management expects this growth momentum to extend into 2024 and anticipates a return to historical revenue growth rates in the following years of the planning period.

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For Public Access, 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.

For Digital TV, a reasonably possible change in recurring revenues of USD 15.6 million (meaning a reduction of 6% in 2024), without any adaptation of the cost structure, would lead to a value-in-use equal to the carrying amount of goodwill at the end of the planning period. The headroom for Digital TV is USD 124.7 million.

For Cybersecurity and IoT, reasonably possible changes in the revenue growth assumptions could result in a potential goodwill impairment. Although these segments demonstrated significant growth in 2023 and the annual planned revenue growth assumptions have been reduced in the 2023 plan, a 26.33% (2022: 9.61%) reduction in the Cybersecurity segment (resulting in a CAGR of 9.3%) and a 16.10% (2022: 10.36%) reduction in the assumed compound annual growth rate in the IoT segment (resulting in a CAGR of 24.7%), without any adjustment of operating expenses, would lead to value-in-use equal to the carrying amount of goodwill at the end of the planning period. The headroom for Cybersecurity and IoT are USD 120.5 million and USD 63.0 million, respectively.

15. LEASING

In USD'000	31.12.2023	31.12.2022
Land and buildings	44 113	46 311
Vehicles, equipment and other	4 388	4 126
	48 500	**50 437**

In USD'000	Land	Building & leasehold facilities	Vehicles	Equipment	Total
GROSS RIGHT-OF-USE ASSETS					
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 January 1, 2023	**774**	**72 854**	**8 377**	**195**	**82 200**
Additions	633	7 703	2 802	16	11 153
Disposals and retirements	-782	-10 563	-3 446	-107	-14 898
Currency translation effects	23	2 949	227	2	3 201
As of December 31, 2023	**648**	**72 943**	**7 959**	**105**	**81 655**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
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 January 1, 2023	**-158**	**-27 159**	**-4 306**	**-140**	**-31 763**
Systematic depreciation	-40	-11 223	-2 331	-32	-13 626
Recovery of depreciation on disposal and retirements	159	9 620	3 134	107	13 021
Currency translation effects	-2	-676	-108	-1	-787
As of December 31, 2023	**-40**	**-29 438**	**-3 611**	**-66**	**-33 155**
Net book values as of December 31, 2022	**616**	**45 695**	**4 071**	**55**	**50 437**
Net book values as of December 31, 2023	**607**	**43 505**	**4 348**	**40**	**48 500**
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 13626 (2022: kUSD 14245) and interest expense of kUSD 2818 (2022: kUSD 2639), and are recognized in the cash flow statement as adjustments for net income non-cash items in operating activities. Lease payments of kUSD 15664 (2022: kUSD 16249) 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 6060 (2022: kUSD 6062) and low-value leases of kUSD 389 (2022: kUSD 293) remain fully recognized as an operational expense. The total cash outflow for leases in 2023 was kUSD 24988 (2022: kUSD 25243).

The Group's remaining contractual maturities of lease obligations at December 31, 2023 and 2022 are as follows:

In USD'000	2023	2022
Within one year	14 159	13 777
In the second to fifth year inclusive	34 545	34 676
More than five years	39 356	40 359
	88 061	88 812

16. INVESTMENTS IN ASSOCIATES

In USD'000	2023	2022
At January 1	**10 667**	**9 335**
Share of profit	1 070	1 674
Dividends received	-1 041	-133
Currency translation effects	611	-209
At December 31	**11 307**	**10 667**

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

		Interest held	
Name of associate	**Principal activity**	**2023**	**2022**
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%

SUMMARIZED FINANCIAL INFORMATION OF THE GROUP'S ASSOCIATES

In USD'000	31.12.2023	31.12.2022
Total assets	109 394	107 270
Total liabilities	61 128	61 887
Net assets	48 266	45 383
Group's share of associates' net assets	13 628	12 758

	2023	2022
Revenue	51 965	47 115
Result of the period	3 762	5 819
Group's share of associates' result for the period	1 070	1 674

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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	31.12.2023	31.12.2022
Deferred tax assets	46 962	39 593
Deferred tax liabilities	-386	-1 120
	46 576	**38 473**

Movement on the deferred income tax account is as follows:

In USD'000	Note	2023	2022
At January 1		**38 473**	**42 004**
Exchange differences		1 936	-969
Recognized against other comprehensive income		2 448	-2 920
Change in scope of consolidation		190	–
Income statement (expense)/income	11	3 530	358
At December 31		**46 576**	**38 473**

The movement in deferred tax assets and liabilities during 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

In USD'000	At January 1, 2023	Income statement effect	Other comprehensive income	Change in scope of consolidation	Currency translation effects	At December 31, 2023
Deferred tax assets associated with						
- intangibles	1 637	-259	–	–	139	1 517
- employee benefits	233	678	2 448	–	83	3 442
- tax losses	27 560	914	–	-5	1 087	29 556
- provisions and other elements tax deductible when paid	3 090	1 563	–	49	34	4 736
- intercompany profit elimination	2 682	693	–	–	110	3 486
- leases	5 802	-876	–	–	473	5 399
- others	374	-29	–	–	32	378
Total deferred tax assets (gross)	**41 378**	**2 684**	**2 448**	**44**	**1 959**	**48 513**
Deferred tax liabilities associated with						
- intangibles	-1 412	718	–	119	56	-519
- provisions and accelerated tax depreciation	-473	283	–	27	10	-154
- others	-1 020	-156	–	–	-89	-1 264
Total deferred tax liabilities (gross)	**-2 905**	**845**	**–**	**146**	**-23**	**-1 937**
Net deferred tax asset/(liability)	**38 473**	**3 530**	**2 448**	**190**	**1 936**	**46 576**

And for 2022:

In USD'000	At January 1, 2022	Income statement effect	Other compre-hensive income	Change in scope of consolida-tion	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**

UNRECOGNIZED TAX LOSSES CARRIED FORWARD

At the balance sheet date, the Group has unused tax losses and temporary differences of mUSD 1 615.4 (2022: mUSD 1 279.5) available for offset against future profits. A deferred tax asset has been recognized in respect of mUSD 331.1 (2022: mUSD 268.5) 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 1 284.3 (2022: mUSD 1 011.0) 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	2023	2022
Expiration within:		
One year	202.2	23.3
Two years	78.7	114.7
Three years	155.7	139.9
Four years	34.1	142.4
Five years	11.0	31.3
More than five years	802.7	559.4
Total	**1 284.3**	**1 011.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

18. FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

In USD'000	31.12.2023	31.12.2022
Financial assets at amortized cost:		
Loan – third party	11 928	11 928
State and government institutions	4 306	4 317
Trade accounts receivable (long-term portion)	3 951	4 597
Guarantee deposits	1 846	1 809
Prepaid expenses and accrued income (long-term portion)	71	90
Total financial assets at amortized cost	**22 101**	**22 742**
Financial assets at fair value through profit or loss:		
Equity instruments (level 3)	1 589	1 137
Securitized beneficial interests (level 3)	45 069	–
Total financial assets at fair value through profit or loss	**46 658**	**1 137**
Other non-current assets:		
Deferred rent	1 091	976
Total other non-current assets	**1 091**	**976**
Total	**69 850**	**24 856**

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 2.00% (2022: 1.90%). 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. TRADE RECEIVABLES SECURITIZATION

In June 2023, the Group entered into an accounts receivable securitization program whereby trade receivables held by selected Group subsidiaries in Switzerland and the United States are sold to Kudelski Global Financing DAC, a special purpose entity domiciled and incorporated in Ireland (the “SPE”). Eligible receivables are sold to the SPE on an on-going basis at an agreed upon purchase price. Part of the consideration is received upfront in cash and part is deferred in the form of senior subordinated and junior subordinated notes issued by the SPE. Up to kUSD 50 000 of upfront cash consideration can be provided by the SPE under the program, financed by Norddeutsche Landesbank Gironzentrale (“NordLB”), as senior lender and Finacity Asset Management LLC., as intermediate subordinated lender and control party. The progam has a three-year term until June 2026.

During the year ended December 31, 2023, the Group sold kUSD 334 823 of trade receivables to the SPE. The loss on transfer of receivables, or purchase discount, which equates to the difference between the carrying amount of the receivable and the purchase consideration, was kUSD 4 128 and has been recognized within ‘Other finance income/(expense), net’ in the Consolidated Income Statements.

As a lender to the SPE, the Group earns interest on its senior subordinated and junior subordinated loan receivables. During the year ended December 31, 2023, the Group earned interest of kUSD 914 in respect of these loan receivables, recognized within ‘Other finance income/(expense), net’ in the Consolidated Income Statements.

The Group is engaged as master servicer to the SPE whereby the Group is responsible for the cash collection, reporting and cash application of the sold receivables. As master servicer, the Group earns a servicing fee equal to 0.5% of serviced receivables per annum. This results in the Group being exposed to variable returns. The servicing fee is paid out monthly by the SPE and is settled last in the priority of payments after settlement of all other amounts due. During the year ended December 31, 2023, the Group earned servicing fees of kUSD 214 recognized within ‘Other finance income/(expense), net’ in the Consolidated Income Statements.

JUDGEMENTS RELATING TO CONSOLIDATION OF THE SPE

The Group does not own shares in the SPE or have the ability to appoint its directors. In determining whether to consolidate the SPE, the Group has evaluated whether it has control over the SPE, in particular, whether it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Receivables are sold to the SPE under the true sale opinion with legal interest transferred from the Group to the SPE. While the sale of receivables to the SPE is without recourse, the Group continues to be exposed to variability of risks and rewards associated with ownership as it is exposed to credit risk as senior subordinated and junior subordinated lender and has rights to variable returns in respect of its remuneration as master servicer.

The Group considers that the returns of the investees in the SPE are affected by the management of the receivables portfolio. In particular, it is the management of any impaired receivables that significantly impacts the variability of the returns of the SPE. The act of servicing receivables on a day-to-day basis does not constitute relevant activity, as this does not signficantly impact the returns of the SPE. The intermediate subordinated lender has the unabated ability to remove the Group as servicer of impaired receivables and take the decision to sell such receivables, giving it the unilateral power to affect the relevant activities of the receivables and thereby influence the variable returns. Accordingly, the Group has concluded that it does not control the SPE and therefore does not include the SPE in the Group's consolidation.

DERECOGNITION OF TRANSFERRED FINANCIAL ASSETS

The Group considers that when receivables are sold to the SPE, it has neither substantially transferred or substantially retained all the variability of risks and rewards associated with ownership of the receivables. The assets are pledged as security under the Senior loans, therefore the SPE is restricted from selling them. According to that, the Group concludes that control of the assets has not been transferrred and it should recognize the assets to the extent of its continuing involvement. This continuing involvement has been considered to equate to the investment in the junior and senior subordinated loans. At December 31, 2023, the sale of trade receivables has resulted in the recognition of loans to the SPE totalling kUSD 46 818, presented within 'Financial assets at fair value through profit and loss' in the Consolidated Balance Sheets. The carrying value of these financial assets represent the Group's maximum exposure to loss from the SPE. As senior subordinated and junior subordinated lender to the SPE, the Group has a security interest in the sold receivables. This interest is junior to that of the senior lender, NordLB.

The investment in the senior subordinated and junior subordinated loans is carried at fair value with changes in the fair value recognized in profit or loss. The Group's expected credit loss in respect of the loans at December 31, 2023 was kUSD -1 749. The valuation has been considered as level 3 in the IFRS fair value hierarchy since it is not primarily based on observable inputs (refer to note 43).

20. INVENTORIES

In USD'000	31.12.2023	31.12.2022
Raw materials	4 177	3 980
Work in progress	8 774	7 450
Finished goods	64 925	59 550
	77 877	**70 980**

The cost of inventories recognised as an expense includes kUSD 640 (2022: kUSD 1 734) in respect of write-downs, and has been reduced by kUSD 500 (2022: kUSD 440) 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 3 503 (2022: kUSD 15 712).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

21. TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

In USD'000	31.12.2023	31.12.2022
Trade accounts receivable	116 169	165 701
Less: provision for impairment	-14 358	-15 194
Trade accounts receivable related parties	1 843	2 402
Trade accounts receivable - net	**103 654**	**152 909**
Contract assets	18 605	29 916
Less: provision for impairment	-1 587	-2 334
Contract assets - net	**17 019**	**27 582**

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	**2023**	**2022**	**2023**	**2022**
January 1,	**-2 334**	**-1 108**	**-15 194**	**-16 166**
Provision for impairment charged to income statement	-139	-1 250	-1 999	-4 486
Utilization	–	–	3 406	638
Reversal	956	44	193	4 562
Change in scope	–	–	226	–
Translation effects	-69	-20	-991	258
December 31,	**-1 587**	**-2 334**	**-14 358**	**-15 194**

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 -1 999 (2022: kUSD -4 486). 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 2023

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, 2023 and 2022 were determined as follows:

In USD'000	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2023	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2022
Trade accounts receivable not overdue	64 818	0.4%	258	97 667	0.4%	396
Past due:						
- not more than one month	16 467	0.5%	75	27 848	1.4%	377
- more than one month and not more than three months	11 919	1.4%	169	14 355	1.9%	275
- more than three months and not more than six months	5 279	5.7%	301	6 506	15.3%	993
- more than six months and not more than one year	5 370	36.9%	1 982	7 791	33.5%	2 607
- more than one year	12 316	94.0%	11 572	11 534	91.4%	10 545
Total	**116 169**		**14 358**	**165 701**		**15 194**
Contract assets	18 605	8.5%	1 587	29 916	7.8%	2 334
Total	**18 605**		**1 587**	**29 916**		**2 334**

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.

22. OTHER FINANCIAL ASSETS AT AMORTIZED COST

In USD'000	31.12.2023	31.12.2022
Other receivables - third parties	1 931	10 368
Other receivables - related parties	1 476	1 348
Advances to suppliers and employees	4 829	5 864
State and government institutions	17 087	25 800
	25 322	**43 380**

23. OTHER CURRENT ASSETS

In USD'000	31.12.2023	31.12.2022
Prepaid expenses	16 093	12 321
Accrued income	33 592	42 027
Other assets	29	848
	49 714	**55 196**

24. CASH AND CASH EQUIVALENTS

In USD'000	31.12.2023	31.12.2022
Cash at bank and in hand	49 151	58 383
Short-term deposits	7 225	3 784
	56 376	**62 167**

The effective interest rate on short term deposits was 0.00% (2022: 0.59%). The Group only enters into transactions with highly rated banks.

25. SHARE CAPITAL

ISSUED AND FULLY PAID SHARE CAPITAL

The share capital consists of 51 392 064 (2022: 51 179 295) bearer shares at CHF 8.00 par value each and 46 300 000 (2022: 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 346 084 (2022 kUSD 344 190).

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 April 21, 2024 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 (2022: 10 000 000) bearer shares at CHF 8.00 each to satisfy convertible bond exercise right and 421 692 (2022: 634 461) bearer shares at CHF 8.00 each to satisfy option exercise or share subscriptions to employees.

26. 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:

In USD'000	31.12.2023 Nagrastar	31.12.2023 275 Sacramento Street LLC	31.12.2022 Nagrastar	31.12.2022 275 Sacramento Street LLC
Non-controlling interests percentage	**50.0%**	**50.1%**	**50.0%**	**50.1%**
Non-current assets	1 580	37 743	1 511	37 898
Current Assets	20 741	210	22 755	211
Non-current liabilities	8	50	24	50
Current liabilities	6 557	190	9 040	176
Total Equity	**15 756**	**37 712**	**15 201**	**37 883**
Non-controlling interests percentage	50%	50.1%	50%	50.1%
Theoritical amount of non-controlling interests	7 878	18 894	7 601	18 980
Carrying amount of non-controlling interests	**7 878**	**18 894**	**7 601**	**18 980**
Revenue	18 369	4 183	19 544	4 113
Net result	5 555	2 529	5 860	2 598
Total comprehensive income	5 555	2 529	5 860	2 598
Total comprehensive income allocated to non-controlling interests	2 777	1 267	2 930	1 302
Dividend paid to non controlling interests	-2 500	-1 353	-10 000	–
Net increase /(decrease) in cash and cash equivalents	-907	-28	-14 824	13

These companies are treated as subsidiaries because the Group controls them either by financing or bearing an over-proportional responsibility for the main risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

27. LONG TERM FINANCIAL DEBT

In USD'000	Note	31.12.2023	31.12.2022
CHF 150 million 1.5% bond 2016/2024	28	–	157 610
Long-term bank loans		10 483	24 562
		10 483	**182 172**

Long-term bank loans effective interest rate is 3.09% (2022: 2.75%).

28. BONDS

In May 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. The proceeds amounted to kCHF 200000 (kUSD 214891) less issuance costs of kCHF 870 (kUSD 939) totaling an initial net proceed of kCHF 199 130 (kUSD 213952) and resulting in an effective interest rate of 1.97%.

During 2022, the Group repurchased nominal value kUSD 12 700 relating to the 2015-2022 bond and 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.

In September 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. 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 relating to the 2016-2024 bond. Total cash paid excluding accrued interest was kUSD 1 694. The gain on repurchase of kUSD 121 was included in ‘Other finance income/(expense), net’ in the consolidated income statement. There were no repurchases during 2023.

Bonds are recognized in the consolidated balance sheets as of December 31, as follows:

In USD'000	2023	2022
Initial balance	**157 610**	**363 635**
Amortization of transaction costs less premium	92	162
Reimbursement and repurchase	–	-197 857
Currency translation effects	14 927	-8 331
Liability component as of December 31	**172 629**	**157 610**
of which:		
- short-term portion	172 629	–
- long-term portion	–	157 610
	172 629	**157 610**

29. 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 thirteen (2022: 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	31.12.2023	31.12.2022
Fair value of plan assets	260 738	222 221
Defined benefit obligation	-283 391	-226 883
Funded status	**-22 653**	**-4 662**
Other comprehensive income	27 591	42 547
Prepaid/(accrued) pension cost	-50 244	-47 209
Funded status	**-22 653**	**-4 662**

In accordance with IAS 19, the following amount is recorded as net pension cost in the income statement for the financial years 2023 and 2022:

In USD'000	Note	2023	2022
Service cost		-7 932	-10 868
Amortization of gains/(losses)		310	387
Curtailment gain / (loss)		76	212
Impact of plan amendment		295	-367
Total recognized in employee benefits expense	**6**	**-7 252**	**-10 636**
Interest cost		-5 499	-1 084
Interest income		5 328	835
Total recognized in interest expense	**9**	**-171**	**-249**
Net pension (cost)/income		**-7 423**	**-10 885**

The impact of plan amendment relates to a 2023 change in benefits of the French pension plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

The main assumptions used for the calculation of the pension cost and the defined benefit obligation for the years 2023 and 2022 are as follows:

	31.12.2023	31.12.2022
Switzerland		
Financial assumptions:		
- Discount rate	1.50%	2.30%
- Rate of future increase in compensations	1.50%	1.50%
- Rate of future increase in current pensions	0.75%	0.75%
Demographic assumptions:		
- Interest rate credited on savings accounts	2.00%	2.00%
- Turnover *(on average)*	13.0%	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	67% pension 33% lump sum	75% pension 25% lump sum
Abroad		
- Discount rate	4.47%	4.12%
- Rate of future increase in compensations	4.91%	4.90%
- Turnover *(on average)*	7.5%	8.1%

The weighted average duration of the defined benefit obligation is as follows :

	31.12.2023	31.12.2022
Weighted average duration of the defined benefit obligation in years		
Switzerland	16.2	16.5
Abroad	10.7	11.4

The changes in defined benefit obligation and fair value of plan assets during the years 2023 and 2022 are as follows:

A. Change in defined benefit obligation

In USD'000	2023	2022
Defined benefit obligation as of 1.1.	**-226 883**	**-269 160**
Service cost	-7 932	-10 868
Employees' contributions	-6 394	-5 861
Interest cost	-5 499	-1 084
Change in demographic assumptions	4 831	51
Change in financial assumptions	-31 933	60 391
Other actuarial gains / (losses)	4 068	-9 995
Benefits payments	8 728	4 424
Exchange rate difference	-22 748	5 374
Curtailment	76	212
Plan amendment	295	-367
Defined benefit obligation as of December 31,	**-283 391**	**-226 883**

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	2023	2022
Fair value of plan assets as of 1.1.	**222 221**	**244 445**
Interest income	5 328	835
Return on plan assets excluding interest income	5 354	-29 063
Employees' contributions	6 394	5 861
Employer's contribution	8 090	8 332
Benefit payments	-8 728	-4 424
Exchange rate difference	22 079	-3 764
Fair value of plan assets as of December 31,	**260 738**	**222 221**

The actual return on plan assets amounts to kUSD 10 682 in 2023 (kUSD -28 228 for the year 2022) and includes an assumed interest income. The estimated employer's contribution to the pension plans for the year 2024 is kUSD 8 555.

The categories of plan assets, all of which are easily convertible to cash, are stated at their fair value at December 31, 2023 and 2022 as follows:

In USD'000	31.12.2023	Proportion in % 31.12.2023	31.12.2022	Proportion in % 31.12.2022
Cash	6 885	2.6%	15 253	6.9%
Swiss bonds	21 380	8.2%	15 597	7.0%
Non-Swiss bonds	74 840	28.7%	55 423	24.9%
Swiss shares	43 573	16.7%	37 290	16.8%
Non-Swiss shares	41 493	15.9%	33 571	15.1%
Real estate	43 205	16.6%	39 386	17.7%
Alternative investments	29 363	11.3%	25 701	11.6%
Total	**260 738**	**100.0%**	**222 221**	**100.0%**

Plan assets are quoted on liquid markets except for certain real estate assets. 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
2024	14 359	521
2025	13 868	172
2026	11 641	679
2027	13 912	275
2028	10 956	812
2029-2033	58 096	4 805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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 2023 year-end defined benefit obligation		Change in 2022 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	-20 121	-663	-16 129	-853
50 basis point decrease in discount rate	23 019	716	18 460	570
50 basis point increase in rate of salary increase	574	n/a	291	n/a
50 basis point decrease in rate of salary increase	-592	n/a	-319	n/a
50 basis point increase in rate of pension increase	12 919	n/a	10 096	n/a
50 basis point decrease in rate of pension increase	-11 417	n/a	-9 205	n/a
50 basis point increase of interest in saving accounts	7 586	n/a	6 301	n/a
50 basis point decrease of interest in saving accounts	-7 218	n/a	-5 984	n/a
50 basis point increase of turnover	-643	n/a	-78	n/a
50 basis point decrease of turnover	664	n/a	52	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.

30. OTHER LONG TERM LIABILITIES

In USD'000	31.12.2023	31.12.2022
Long-term loans - third parties	5 738	5 047
Deferred consideration	1 679	1 547
Contingent consideration	1 679	1 547
Other long-term liabilities	373	1 232
Deferred income	316	992
	9 786	**10 364**

The effective interest rate on long-term loans is 0.00% (2022: 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.

31. SHORT TERM FINANCIAL DEBT

In USD'000	31.12.2023	31.12.2022
CHF 150 million 1.5% bond 2016/2024	172 629	–
Short-term bank borrowings	53 390	76 227
Other short-term financial liabilities	5 015	656
	231 034	**76 883**

The average effective interest rate paid in 2023 for short-term bank borrowings was 4.64% (2022: 2.39%).

32. TRADE ACCOUNTS PAYABLE

In USD'000	31.12.2023	31.12.2022
Trade accounts payable – third parties	84 141	67 972
Trade accounts payable – related parties	48	–
	84 190	**67 972**

33. CONTRACT LIABILITIES

In USD'000	31.12.2023	31.12.2022
Amounts due to customers for contract work	2 752	4 020
Advances from clients	16 768	21 500
Deferred income	40 112	46 001
	59 632	**71 520**

34. OTHER CURRENT LIABILITIES

In USD'000	31.12.2023	31.12.2022
Accrued expenses	88 735	77 781
Payable to pension fund	7 592	1 583
Other payables	17 030	15 322
	113 357	**94 685**

35. 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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Cash flow hedge:				
- Foreign currency options	–	143	–	–
Held-for-trading:				
- Foreign currency options	–	–	–	-88
- FX swaps	–	–	-45	–
Total of derivatives financial instruments	**–**	**143**	**-45**	**-88**

There were no long-term derivative instruments at December 31, 2023 and 2022.

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In USD'000	Cost of hedging reserve	Intrinsic value of options	Total hedge reserves
Balance at January 1, 2022	-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**
Reclassified from OCI to profit or loss	735	-816	-81
Balance at December 31, 2023	**–**	**–**	**–**

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 12 and mEUR 24 in 2023 (2022: mUSD 45 and mEUR 8) with maturities between January and October and average strike rate of USD/CHF 0.9880 and EUR/CHF 0.9953 in 2023 (2022: USD/CHF 0.9324 and EUR/CHF 0.9750). 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 2023 and 2022 relating to foreign currency options.

36. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

In USD'000	Restructuring provisions	Provision for warranty	Litigations and others	Total 2023	Total 2022
As of January 1	**65**	**2 484**	**51**	**2 600**	**3 065**
Additional provisions	–	953	28	981	168
Unused amounts reversed	–	-720	–	-720	-453
Used during the year	-44	-25	-20	-89	-33
Exchange differences	1	59	1	61	-146
As of December 31	**22**	**2 750**	**60**	**2 832**	**2 600**
Thereof:					
- Short-term	22	2 750	60	2 832	2 600
- Long-term	–	–	–	–	–
	22	**2 750**	**60**	**2 832**	**2 600**

Restructuring provisions

Restructuring provisions in 2023 and 2022 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.

37. RESEARCH AND DEVELOPMENT

The following amounts were recognized as expense and charged to the income statement:

In USD'000	2023	2022
Research and development	135 007	132 376

38. DIVIDEND

Since year end, no distribution has been proposed by the Board of Directors. No distributions were paid by the Group during the year ended December 31, 2023.

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 2023	Shares 2022
Shares underwritten by employees	61 485	54 875
Bonus shares from ESPP	12 297	10 975
Total employee share program	**73 782**	**65 850**
Amount paid by employee (In USD'000)	73	117
Booked corporate charges (excluding social charges) (In USD'000)	32	51
	105	**168**

SHARES ISSUED TO EMPLOYEES

In 2023, 138 987 (2022: 376 473) bearer shares of Kudelski SA were given to employees for no consideration as part of their compensation, of which 124 467 (2022: 339 281) include a seven-year blocking period, 14 520 (2022: 24 692) include a three-year blocking period and zero (2022: 12 500) with no restriction to sale. The fair value recognized for this equity based compensation is kUSD 255 (2022: kUSD 962).

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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 2023	2022	Purchase of goods and services 2023	2022	Amounts owed to related parties 31.12.2023	31.12.2022	Amounts owed by related parties 31.12.2023	31.12.2022
APT-Skidata Ltd	4 922	5 084	–	–	–	–	715	1 418
SKIDATA Parking System Ltd	1 299	1 197	–	–	–	–	226	117
SKIDATA India Private Limited	1 635	1 179	–	–	–	–	450	441
Kudelski Buildings Sàrl	–	–	3 904	4 603	–	–	–	–
HVK Logistics	–	–	–	–	–	–	12	24
iWedia SA	–	–	–	–	–	–	–	–
Fonds de prévoyance Kudelski-Nagra	–	–	–	–	6 678	1 106	–	–
Total associated companies	**7 857**	**7 459**	**3 904**	**4 603**	**6 678**	**1 106**	**1 402**	**2 000**
Audio Technology Switzerland SA	–	–	–	–	–	–	1 916	1 751
Kudelski Horizon Sàrl	–	–	51	214	48	–	–	–
Kudelski Global Financing DAC	334 823	–	–	–	–	–	45 069	–
Total other related	**334 823**	**–**	**51**	**214**	**48**	**–**	**46 986**	**1 751**

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. Kudelski Global Financing DAC is a special purpose entity established in connection with the Group's trade receivables securitization (refer to note 19). Fonds de prévoyance Kudelski-Nagra represents the Swiss pension plan.

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	2023	2022
Salaries and other short-term employees benefits	5 466	6 565
Post-employments benefits	68	61
Share-based payments	–	164
	5 533	**6 791**

41. SHAREHOLDINGS AND LOANS

PRINCIPAL SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
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, 2023 and 2022, the members of the Board of Directors and members of Group management had the following interest in the company (without including shares from 2023 and 2022 variable compensation - issued in 2023 and 2024 respectively):

	31.12.2023	31.12.2022
	Bearer shares	Bearer shares
Board of Directors		
Kudelski André, chairman (as member of the family pool)	10 962 923	10 922 923
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	**12 001 126**	**11 961 126**
Management		
Kudelski André, CEO	see above	see above
Saladini Mauro, CFO	215 854	220 854
Solbakken Morten, COO	118 315	100 935
Goldberg Nancy, CMO	81 595	66 708
Total Management (excluding CEO)	**415 764**	**388 497**

The Kudelski family pool also owns 46 300 000 registered shares of Kudelski SA as of December 31, 2023 and 2022.

No loans were granted in 2023 and 2022 to the members of the Board of Directors and Group management.

At December 31, 2023, Mauro Saladini owned kCHF 60 (2022: kCHF 60) nominal value of the bond maturing in 2024.

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42. CATEGORIES OF FINANCIAL INSTRUMENTS

The financial assets and liabilities are classified as follow as of December 31, 2023:

Assets as per balance sheet date December 31, 2023 (in USD'000)	**Note**	**Financial assets at fair value through profit or loss**	**Financial Assets at amortized costs**	**Total 31.12.2023**
Financial assets and non-current assets:				
- equity instruments with no quoted market price (level 3)	18	1 589	–	1 589
- securitized beneficial interests	18	45 069	–	45 069
- long-term loans	18	–	11 928	11 928
- state and government institutions	18	–	4 306	4 306
- trade accounts receivable - long-term portion	18	–	3 951	3 951
- guarantee deposits	18	–	1 846	1 846
- prepaid expenses and accrued income (long-term)	18	–	71	71
Trade accounts receivable	21	–	103 654	103 654
Other current assets:				
- state and government institutions	22	–	17 087	17 087
- other receivable (third and related parties)	22	–	3 407	3 407
Cash and cash equivalents	24	–	56 376	56 376
Derivative financial instruments (level 2)	35	–	–	–
		46 658	**202 624**	**249 282**

Liabilities as per balance sheet date December 31, 2023 (in USD'000)	**Note**	**Financial liabilities at fair value through profit or loss**	**Financial Liabilities at amortized costs**	**Total 31.12.2023**
Long-term financial debt	27	–	10 484	10 484
Long-term lease obligations	15	–	73 901	73 901
Other long-term liabilities:				
- deferred consideration	30	–	1 679	1 679
- contingent consideration (level 3)	30	1 679	–	1 679
- loans and others	30	–	6 111	6 111
Short-term financial debt	31	–	231 034	231 034
Short-term lease obligations	15	–	14 159	14 159
Trade accounts payable	32	–	84 190	84 190
Other current liabilities:				
- payable to pension fund	34	–	7 592	7 592
- other payables	34	–	17 030	17 030
- accrued expenses	34	–	88 735	88 735
- current income tax		–	2 106	2 106
Derivative financial instruments (level 2)	35	45	–	45
		1 724	**537 022**	**538 746**

And for 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
- securitized beneficial interests	18	–	–	–
- 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	21	–	152 909	152 909
Other current assets:				
- state and government institutions	22	–	25 800	25 800
- other receivable (third and related parties)	22	–	11 717	11 717
Cash and cash equivalents	24	–	62 167	62 167
Derivative financial instruments (level 2)	35	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	27	–	182 262	182 262
Long-term lease obligations	15	–	75 035	75 035
Other long-term liabilities:				
- deferred consideration	30	–	1 547	1 547
- contingent consideration (level 3)	30	1 547	–	1 547
- loans and others	30	–	6 279	6 279
Short-term financial debt	31	–	76 793	76 793
Short-term lease obligations	15	–	13 777	13 777
Trade accounts payable	32	–	67 972	67 972
Other current liabilities:				
- payable to pension fund	34	–	1 583	1 583
- other payables	34	–	15 322	15 322
- accrued expenses	34	–	77 781	77 781
- current income tax		–	2 512	2 512
Derivative financial instruments (level 2)	35	88	–	88
		1 635	**520 862**	**522 497**

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, 2023 and 2022:

In USD'000		Note	31.12.2023	31.12.2022
Financial assets at fair value through profit or loss:				
- derivative financial instruments	level 2	35	–	143
- equity instuments with no quoted market price	level 3	18	1 589	1 137
- securitized beneficial interests	level 3	18	45 069	–
Total financial assets			**46 658**	**1 280**
Financial liabilities:				
- derivative financial instruments	level 2	35	45	88
- contingent consideration (long-term portion)	level 3	30	1 679	1 547
Total financial liabilities			**1 724**	**1 635**

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% (2022: 10.0%). The fair value of securitized beneficial interests are determined using a discounted cash flow method provided by the control party which considers the credit quality of the underlying assets.

RECONCILIATION OF LEVEL 3 FAIR VALUES:

The following table shows a reconciliation for the level 3 fair values:

In USD'000	Securitized beneficial interests	Equity instruments with no quoted market price	Contingent liabilities
Balance at January 1, 2022	–	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**
Sale of receivables	334 823	–	–
Cash on SPE account	9 951	–	–
Funding drawn	-33 820	–	–
Settlement of trade receivables, net	-263 866	–	–
Acquisition	–	336	–
Interest income (recognized in other finance income/(expense), net)	1 128	–	–
Interest received	-797	–	–
Remeasurement (recognized in other finance income/(expense), net)	-1 749	–	-75
Purchase discount (recognized in other finance income/(expense), net)	-4 128	–	–
Discount effect (recognized in interest expense)	–	–	-113
Currency translation adjustment	3 527	116	55
Balance at December 31, 2023	**45 069**	**1 589**	**-1 679**

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 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Financial liabilities				
- CHF 150 million bond	172 629	124 916	157 610	137 791

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
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Bonds	175 317	2 382	–	160 155	–	–	-2 688	-4 927	172 629	157 610
Long-term bank loans	–	–	11 198	26 193	–	–	-714	-1 631	10 483	24 562
Other long-term financial liabilities	–	–	5 159	6 752	6 335	5 684	-1 709	-2 072	9 786	10 364
Short-term financial debt	55 013	76 486	–	–	–	–	-1 623	-259	53 390	76 227
Other short-term financial liabiliities	5 015	656	–	–	–	–	–	–	5 015	656
Trade accounts payable	84 190	67 972	–	–	–	–	–	–	84 190	67 972
Payable to pension fund	7 592	1 583	–	–	–	–	–	–	7 592	1 583
Accrued expenses	88 735	77 781	–	–	–	–	–	–	88 735	77 781
Other payables	17 030	15 322	–	–	–	–	–	–	17 030	15 322
Lease obligations	14 412	14 054	36 608	37 781	51 303	51 965	-14 263	-14 989	88 061	88 812
Derivatives	45	–	–	–	–	–	–	–	45	–
Total	**447 350**	**256 237**	**52 965**	**230 881**	**57 639**	**57 649**	**-20 998**	**-23 879**	**536 956**	**520 889**

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% (2022: 10%) increase and decrease in the CHF and a 10% (2022: 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	2023	2022	2023	2022
Post-tax net income				
- Increase	4 415	-8 427	-8 513	-7 178
- Decrease	-4 415	8 394	8 513	7 086
Comprehensive income (post-tax effect)				
- Increase	-1 450	-1 426	4 351	1 670
- Decrease	1 450	1 447	-4 351	-2 297

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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 (2022: 100 basis points increase or 100 decrease)
- EUR: increase of 100 basis points and decrease of 100 basis points (2022: 100 basis points increase or 100 decrease)
- CHF: increase of 100 basis points and decrease of 100 basis points (2022: 100 basis points increase or 100 decrease)

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, 2023 would decrease by kUSD 18 and increase by kUSD 18, respectively. (2022: decrease by kUSD 165 and increase by kUSD 55). This is mainly due to the interest rate exposure on floating rate debt.
- other comprehensive income would not be impacted in 2023 and 2022.

Equity prices

The Group is not materially exposed to any equity price fluctuation.

46. COLLATERAL RECEIVED AND GIVEN

In USD'000	31.12.2023	31.12.2022
Guarantees in favor of third parties	5 408	9 787

47. RISK CONCENTRATION

At December 31, 2023, the Group had securitized beneficial interests relating to its trade receivables securitization program with exposure representing more than 10% of financial assets (refer to note 19 and note 43). At December 31, 2022, 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, 2023 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, 2023 was 34.5% (2022: 0.8%).

2023 operating cash flow was positive USD 63.9 million (2022: positive USD 1.5 million) mainly reflecting USD 28.7 million Operating income before depreciation, amortization and impairment and cash inflows from working capital.

50. NET DEBT RECONCILIATION

In USD'000	31.12.2023	31.12.2022
Cash and cash equivalents	56 376	62 167
Long-term financial debt	-10 483	-182 172
Long-term lease obligations	-73 901	-75 035
Short-term financial debt	-231 034	-76 883
Short-term lease obligations	-14 159	-13 777
Net debt	**-273 202**	**-285 700**

In USD'000	Note:	Cash and cash equivalents	Long-term debt	Short-term debt	Lease obligations	Total
Net debt at January 1, 2022		**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	28	–	63	-104	–	-42
Net debt at December 31, 2022		**62 167**	**-182 172**	**-76 883**	**-88 812**	**-285 700**
Cash flows		-5 727	–	–	–	-5 727
Reclassification		–	162 350	-162 350	–	–
Transfer from Payables and other current liabilities		–	-1 046	-4 297	–	-5 343
Lease addition		–	–	–	-11 153	-11 153
Reimbursment of bank overdrafts, long-term loans and lease obligations		–	16 122	30 704	15 664	62 490
Increase in bank overdrafts, long-term loans		–	–	-4 326	–	-4 326
Covid 19 subsidies		–	-244	–	–	-244
Termination of leasing contracts		–	–	–	1 994	1 994
Accrued interests		–	–	–	-2 797	-2 797
Foreign exchange adjustments		-64	-5 401	-13 882	-2 957	-22 304
Amortization of transaction cost less premium and gain on bond repurchase	28	–	-92	–	–	-92
Net debt at December 31, 2023		**56 376**	**-10 483**	**-231 034**	**-88 061**	**-273 202**

51. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On February 21, 2024, subsequent to the reporting period but before the financial statements were authorized for issue, the Board of Directors of Kudelski SA made a significant decision to initiate the sale of SKIDATA. The Board expects that divesting SKIDATA would generate sufficient funds to address its financial obligations and support the Group's liquidity position.

In accordance with IAS 10 - Events after the Reporting Period, the Group has evaluated this subsequent event to determine its impact on the financial statements. As the decision to sell SKIDATA occurred after the reporting period but before the financial statements were authorized for issue, it is considered a non-adjusting event. Therefore, no adjustments have been made to the financial statements for this event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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	
	2023	2022	2023	2022
1 CHF	1.1834	1.0811	1.1130	1.0474
1 EUR	1.1071	1.0703	1.0814	1.0526
100 CNY	14.0828	14.4865	14.1346	14.8748
100 NOK	9.8325	10.1946	9.4760	10.4282
1 GBP	1.2741	1.2097	1.2435	1.2354
100 BRL	20.5917	18.9189	20.0334	19.4181
100 INR	1.2021	1.2059	1.2109	1.2728
1 SGD	0.7580	0.7459	0.7447	0.7254
100 ZAR	5.4201	5.8919	5.4257	6.1305
100 RUB	1.1302	1.3481	1.1856	1.4884
1 AUD	0.6832	0.6822	0.6645	0.6944

53. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issuance on February 21, 2024.

54. PRINCIPAL OPERATING COMPANIES

Company	Place of incorporation	Activity	Digital TV	Cyber-security	Internet of Things	Public Access	Corporate	Percentage held 2023	Percentage held 2022
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 2023

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 2023, the consolidated balance sheet as at 31 December 2023, the consolidated cash flow statement, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 4 to 57) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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.

Material uncertainty related to going concern

We draw your attention to note 1 (B) to the consolidated financial statements, which states that the Group experiences liquidity issues and will need to obtain additional liquidity for a repayment of a bond in September 2024. This, along with other matters as described in note 1 (B), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview	Overall Group materiality: USD 3'500'000 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.

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As key audit matter the following area of focus has been identified:
Goodwill impairment tests Cybersecurity, Internet of Things and Digital TV

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	USD 3'500'000
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.

Audit scope

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.

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.

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. In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Goodwill impairment tests Cybersecurity, Internet of Things and Digital TV

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 totaling USD 334.9 million at 31 December 2023, comprising USD 61.7 million related to the Cybersecurity segment, USD 34.1 million related to the Internet of Things segment and 203.8 million related to the Digital TV segment. We focused on the goodwill related to Cybersecurity, Internet of Things and Digital TV in view of the significance of the amounts involved, and the judgement used by management to estimate future financial results. The assessment of the carrying value of the goodwill balances is highly dependent on management's estimate of the future cash flows expected to arise from the cash-generating unit (CGU) 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.	We assessed the Group's allocation of goodwill to the CGUs Cybersecurity, Internet of Things and Digital TV 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, Internet of Things and Digital TV and performed the following procedures: - Assessed the mathematical accuracy of the model and traced amounts to underlying consolidated financial and other information, as applicable. - Assessed the reasonableness 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 inquired 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 assessed, with the support of our valuation specialists, the reasonableness of the cash flow growth rate after the forecast period assumption for the three divisions. - Together with our specialists, we evaluated the reasonableness of the discount rates applied for the three 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 consolidated financial statements. Our audit approach allowed us to conclude on the goodwill impairment tests.

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 compensation report and our auditor's reports thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available 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.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 judgement 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 regarding 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

During our audit, performed in accordance with article 728a para. 1 item 3 CO and PS-CH 890, we noted that an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements is adequately documented but has not been fully implemented in all material respects for the purchase and payable process that is material to the Group.

In our opinion, except for the matter described in the preceding paragraph, an internal control system exists that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Luc Schulthess

Licensed audit expert
Auditor in charge

Nicolas Daehler

Licensed audit expert

Lausanne, 21 February 2024

BALANCE SHEETS AT DECEMBER 31, 2023 AND 2022

ASSETS

In CHF'000	Notes	31.12.2023	31.12.2022
Current assets			
Cash and cash equivalents		2 253	1 352
Accounts receivable from Group companies		12 490	14 461
Other current receivables and prepaid expenses	3.2	489	488
Total current assets		**15 232**	**16 301**
Fixed assets			
Loans to Group companies		173 534	168 093
Loan to third parties	3.3	38 166	397
Investments	3.4	533 682	723 738
Total fixed assets		**745 382**	**892 228**
Total assets		**760 614**	**908 529**

SHAREHOLDERS' EQUITY AND LIABILITIES

In CHF'000	Notes	31.12.2023	31.12.2022
Short-term liabilities			
Short-term interest-bearing liabilities :			
- Bank, short-term borrowings		24 970	39 820
- Bonds	3.5	145 925	–
Other short-term liabilities :			
- due to third parties		933	27
- due to Group companies		142 287	131 541
Accrued expenses		1 346	1 114
Short term provisions	3.6	11 819	11 249
Total short-term liabilities		**327 280**	**183 751**
Long-term liabilities			
Long-term interest-bearing liabilities :			
- Bonds	3.5	–	145 925
Other long-term liabilities :			
- due to Group companies		39 282	–
Total long-term liabilities		**39 282**	**145 925**
Total liabilities		**366 562**	**329 676**
Shareholders' equity			
Share capital		448 177	446 474
Legal reserves:			
- from retained earnings		90 000	90 000
- from capital contribution		65 914	65 914
Retained earnings		-23 537	18 642
Net (loss) / income		-186 502	-42 179
Total shareholders' equity	**3.7**	**394 052**	**578 852**
Total liabilities and shareholders' equity		**760 614**	**908 529**

INCOME STATEMENTS AND PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2023

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In CHF'000	Notes	2023	2022
Other non operating income		5	2
Financial income	4.1	4 730	5 381
Gain (loss) on sale of investments	4.2	–	-16 741
Administrative and other expenses		-3 055	-3 008
Financial expenses and exchange result	4.3	-4 580	6 567
Impairment of financial fixed assets	4.4	-182 969	-33 724
Income/(loss) before tax		**-185 868**	**-41 523**
Direct taxes (other than income tax)		-634	-656
Net income/(loss)		**-186 502**	**-42 179**

PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2023

In CHF'000	Legal reserves from capital contribution	Retained earnings
Balance brought forward from previous year	65 914	-23 537
Net result	–	-186 502
Total available earnings	**65 914**	**-210 039**

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 2023

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 2023

3. NOTES TO THE BALANCE SHEETS

3.1 GOING CONCERN

These financial statements have been prepared based on the going concern principle, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

The company has a CHF 150 million bond maturing in September 2024, of which CHF 4.1 million has been repurchased in prior years, resulting in a remaining principal balance of CHF 145.9 million at maturity.

In response to this financial obligation, The Board of Directors of Kudelski SA has decided to divest its SKIDATA investments. Preliminary assessments conducted by management, indicative offers received by interested third parties and early valuation models from an investment bank indicate that this divesture will generate sufficient proceeds to satisfy the company's financial obligations within its scheduled maturity. The company expects to close the sale of SKIDATA prior to the scheduled repayment of its outstanding bond. In the event the sale of SKIDATA does not occur before this scheduled maturity, the Board of Directors may consider alternative financing options, though at potentially unfavorable conditions compared to our existing financing facilities.

For this reason, the statutory financial statements are prepared on a going concern basis. The liquidity situation and going concern of the company would be endangered if the above measures do not materialize. Consequently, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern and, therefore, Kudelski SA may be unable to realize its assets and discharge its liabilities in the normal course of business.

3.2 OTHER CURRENT RECEIVABLES AND PREPAID EXPENSES

In CHF'000	31.12.2023	31.12.2022
Prepaid expenses	202	476
Other accounts receivable	287	12
	489	**488**

Prepaid expenses mainly includes the amortized cost of the difference between nominal value and net proceeds less issuance costs of the bonds (note 3.5). These amounts are allocated against income statement over the contractual periods of their underlying borrowings.

3.3 LOAN TO THIRD PARTY

As of December 31, 2023, the loan to third parties includes kCHF 37 804 (2022: kCHF 0) towards Kudelski Global Financing DAC, a special purpose entity domiciled and incorporated in Ireland. This loan is in a connection with a securitization program whereby selected subsidiaries are selling eligible receivable to this entity.
The remainder of kCHF 362 (2022: kCHF 397) correspond to a loan to another third party.

3.4 INVESTMENTS

DIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2023	2022
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
SmarDTV SA	CH – Cheseaux	Conditional access modules and set-top-boxes	kCHF	1 000	–	M
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
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	100

M: Merged companies
L: Liquidated companies
S: Sold to another Group company

NOTES TO THE FINANCIAL STATEMENTS 2023

SIGNIFICANT INDIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2023	2022
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

3.5 BONDS

In CHF'000	2023	2022
Initial balance	**145 925**	**332 290**
Repurchase	–	-13 890
Repayment	–	-172 475
Liability component as of December 31	**145 925**	**145 925**
of which:		
- short-term portion (bond 2016/2024)	145 925	–
- long-term portion (bond 2016/2024)	–	145 925
	145 925	**145 925**

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 . 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 0 in nominal value of this bond in 2023 (2022: kCHF 1 765).

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.

3.6 SHORT TERM PROVISIONS

The short-term provisions consists in an unrealized exchange gains in foreign currencies for kCHF 11 819 (2022: kCHF 11 249).

3.7 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, 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 loss	–	–	–	-42 179	-42 179
As of December 31, 2022	**446 474**	**90 000**	**65 914**	**-23 537**	**578 852**
Share capital increase	1 702	–	–	–	1 702
Net loss	–	–	–	-186 502	-186 502
As of December 31, 2023	**448 177**	**90 000**	**65 914**	**-210 039**	**394 052**

SHARE CAPITAL

In CHF'000	31.12.2023	31.12.2022
51'392'064 / 51'179'295 bearer shares, at CHF 8 each	411 137	409 434
46'300'000 registered shares, at CHF 0.80 each	37 040	37 040
	448 177	**446 474**

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	2023	2022
Conditional share capital as of January 1	85 076	84 614
Increase of conditional share capital	–	4 000
Employee share purchase plan	-590	-527
Shares allotted to employees	-1 112	-3 012
Conditional share capital at December 31	**83 374**	**85 076**
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:		
421'692 / 634'461 bearer shares, at CHF 8 each	3 374	5 076
	83 374	**85 076**

AUTHORIZED SHARE CAPITAL (ARTICLE 7 OF ARTICLES OF INCORPORATION)

In CHF'000	31.12.2023	31.12.2022
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.

NOTES TO THE FINANCIAL STATEMENTS 2023

MAJOR SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
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	2023	2022
Dividends received from Group subsidiaries	2 308	4 101
Interest on loans to Group subsidiaries	1 420	1 169
Income from the securitization program	1 002	–
Gain on bonds repurchase	–	111
	4 730	**5 381**

The income derived from the securitization program pertains to the funds granted to Kudelski Global Financing DAC. This encompasses interest income generated from the loan granted to this entity, as well as service fees received for administering the program.

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	2023	2022
Net currency exchange result	12	12 157
Interest on loans from Group subsidiaries	-707	-612
Interest expenses and bank charges	-3 886	-4 979
	-4 580	**6 567**

4.4 IMPAIRMENT OF FINANCIAL FIXED ASSETS

In CHF'000	2023	2022
Value adjustment on investments and loans to subsidiaries	181 491	33 724
Provision on loan to third parties	1 478	–
	182 969	**33 724**

As part of our 2023 impairment assessment, we concluded that the recoverable amounts of the Digital TV and Internet of Things cash-generating units were lower than their respective carrying value. Consequently, we recognized an impairment charge of kCHF 171 428 (2022: kCHF 32 500) for the Digital TV cash-generating unit and kCHF 12 386 (2022: kCHF 0) for the Internet of Things cash-generating unit. In 2022, an additional impairment charge of KCHF 1 224 was recognized, which

relates to the final liquidation of a direct investment.
The provision on loan to third parties relates to a remeasurement of the loan note granted to Kudelski Global Financing DAC in connection with the securitization program.

5. COMMITMENTS AND CONTINGENCIES

In CHF'000	31.12.2023	31.12.2022
Guarantee commitments		
Commitment in favor of third parties and Group companies	30 196	33 450
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 2023 and 2022 did not exceed ten people.

7. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On February 21, 2024, subsequent to the reporting period but before the financial statements were authorized for issue, the Board of Directors of Kudelski SA made a significant decision to initiate the sale of SKIDATA GmbH.

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the financial statements 2023

pwc

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 2023, 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 64 to 72) 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.

Material uncertainty related to going concern

We draw your attention to note 3.1 to the financial statements, which states that the Company experiences liquidity issues and will need to obtain additional liquidity for a repayment of a bond in September 2024. This, along with other matters as described in note 3.1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Overall materiality: CHF 7'500'000

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

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 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 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 7’500'000
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. In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matter described below to be the key audit matter to be communicated in our report.

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 534 million and CHF 174 million respectively. The Company has allocated the investments in subsidiaries and loans to Group companies to four Cash Generating Units (CGUs): Digital TV (DTV): CHF 347 million Public Access (PA): CHF 191 million Cybersecurity (CS): CHF 89 million Internet of Things (IoT): CHF 81 million We focused on these areas in view of the significance of the amounts involved, some business segments’ operating performance during 2023 and the judgement used by management estimating future financial results. The recoverable amount of the investments and loans is determined by management based on value-in-use calculations, which depend on cash flow projects and	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 four CGUs and performed the following procedures: - Assessed the mathematical accuracy of the model and traced amounts to underlying financial and other information, as applicable. - Assessed the quality of the cash flow projections by comparing the actual results to prior year's 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.

judgement of growth rates. Refer to note 2 – Accounting policies: Financial Assets and note 4.4 – Impairment of financial fixed assets	- We inquired with management to substantiate their key assumptions in the cash flow projections during the forecast period and its intention and ability to execute their strategic initiatives. - We assessed, with the support of our valuation specialists, the reasonableness of the cash flow growth rate after the forecast period. - Together with our specialists, we evaluated the reasonableness of the discount rate applied to those future cash flows. - We reviewed and validated disclosures regarding the valuation and impairment of investments in subsidiaries in the Company's financial statements. Our audit approach allowed us to conclude on the valuation of investments in subsidiaries 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 compensation report and our auditor's reports thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 when it becomes available 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.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of 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 judgement 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 regarding 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

During our audit, performed in accordance with article 728a para. 1 item 3 CO and PS-CH 890, we noted that an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements is adequately documented but has not been fully implemented in all material respects for the purchase and payable process that is material to the Company.

In our opinion, except for the matter described in the preceding paragraph, an internal control system exists that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

We further confirm that the proposed carry forward of the 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, 21 February 2024

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