KUDELSKI GROUP
FINANCIAL STATEMENTS 2024

CONTENTS

KUDELSKI GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023	P.	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023	P.	5
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2024 AND 2023	P.	6
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023	P.	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023	P.	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024	P.	9
REPORT OF THE STATUTORY AUDITOR	P.	57

KUDELSKI SA FINANCIAL STATEMENTS

BALANCE SHEET AT DECEMBER 31, 2024 AND 2023	P.	63
INCOME STATEMENT AND PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2024	P.	64
NOTES TO THE FINANCIAL STATEMENTS 2024	P.	65
REPORT OF THE STATUTORY AUDITOR	P.	72

CONSOLIDATED INCOME STATEMENT

(FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023)

In USD'000	Notes	2024	Restated 2023*
Revenues	5	383 728	411 700
Other operating income	6	9 280	7 607
Total revenues and other operating income		**393 008**	**419 308**
Cost of material, licenses and services		-78 358	-80 733
Employee benefits expense	7	-251 154	-258 182
Other operating expenses	8	-76 563	-83 778
Operating income before depreciation, amortization and impairment		**-13 067**	**-3 385**
Depreciation, amortization and impairment	9	-107 132	-14 398
Operating income		**-120 199**	**-17 783**
Interest expense	10	-18 452	-7 044
Other finance income/(expense), net	11	-1 950	-4 994
Share of result of associates	17	3 168	-128
Income before tax		**-137 433**	**-29 948**
Income tax expense	12	-13 724	-4 207
Net income for the period from continuing operations		**-151 158**	**-34 154**
Net result from discontinued operations	41	161 731	9 646
Net income for the period		**10 573**	**-24 508**
Attributable to:			
- Equity holders of the company		*11 412*	*-29 396*
- Non-controlling interests		*-838*	*4 888*

Earnings per share (in USD)

Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	13	0.2036	-0.5252
- Continuing operations		*-2.6653*	*-0.6824*
- Discontinued operations		*2.8689*	*0.1572*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	13	0.0204	-0.0525
- Continuing operations		*-0.2665*	*-0.0682*
- Discontinued operations		*0.2869*	*0.0157*

* Refer to note 4 for details regarding restatement as a result of an error and note 41 for details regarding restatement of a discontinued operation.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023)

In USD'000	2024	2023
Net income	**10 573**	**-24 508**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	34 121	-19 443
Cash flow hedges, net of income tax	–	-84
	34 121	**-19 526**
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	-8 825	-15 533
	-8 825	**-15 533**
Total other comprehensive income, net of tax	**25 296**	**-35 059**
Total comprehensive income	**35 870**	**-59 567**
Attributable to:		
Shareholders of Kudelski SA	36 890	-64 726
- Continuing operations	*-158 263*	*-86 544*
- Discontinued operations	*195 153*	*21 818*
Non-controlling interests	-1 020	5 158

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

CONSOLIDATED BALANCE SHEET
(AT DECEMBER 31, 2024 AND 2023)

In USD'000	Notes	31.12.2024	31.12.2023
ASSETS			
Non-current assets			
Tangible fixed assets	14	5 921	66 571
Intangible assets	15	206 256	348 415
Right-of-use assets	16	34 717	48 500
Investments in associates	17	9 946	11 307
Deferred income tax assets	18	20 319	46 962
Financial assets at amortized cost	19	17 240	22 101
Financial assets at fair value through profit and loss	19	34 324	46 658
Other non-current assets	19	–	1 091
Total non-current assets		**328 722**	**591 606**
Current assets			
Inventories	21	14 738	77 877
Trade accounts receivable	22	35 856	103 654
Contract assets	22	2 866	17 019
Other financial assets at amortized cost	23	14 497	25 322
Other current assets	24	48 035	49 714
Cash and cash equivalents	25	126 336	56 376
Total current assets		**242 327**	**329 962**
Total assets		**571 050**	**921 567**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	346 624	346 084
Reserves		-39 707	-76 132
Equity attributable to equity holders of the parent		**306 917**	**269 952**
Non-controlling interests	27	7 469	27 050
Total equity		**314 385**	**297 003**
Non-current liabilities			
Long-term financial debt	28	–	10 483
Long-term lease obligations	16	58 558	73 901
Deferred income tax liabilities	18	–	386
Employee benefits liabilities	29	23 043	22 653
Other long-term liabilities	30	5 432	9 786
Total non-current liabilities		**87 034**	**117 209**
Current liabilities			
Short-term financial debt	31	673	231 034
Short-term lease obligations	16	9 805	14 159
Trade accounts payable	33	30 414	84 190
Contract liabilities	34	55 977	59 632
Other current liabilities	35	71 310	113 357
Current income taxes		1 406	2 106
Derivative financial instruments	36	28	45
Provisions for other liabilities and charges	37	19	2 832
Total current liabilities		**169 631**	**507 355**
Total liabilities		**256 665**	**624 564**
Total equity and liabilities		**571 050**	**921 567**

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

CONSOLIDATED CASH FLOW STATEMENT

(FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023)

In USD'000	Notes	2024	2023
Net income for the year		**10 573**	**-24 508**
Adjustments for net income non-cash items:			
- Current and deferred income tax		15 992	-3 530
- Interests, allocation of transaction costs and foreign exchange differences		15 533	13 433
- Depreciation, amortization and impairment	9	107 132	30 729
- Share of result of associates	17	-3 544	-1 070
- Non-cash employee benefits (income) / expense		2 694	-542
- Additional provisions net of unused amounts reversed		-183	171
- Non-cash government grant income		-3 118	-5 354
- Other non-cash (income) / expenses		1 227	-3 099
Adjustments for items for which cash effects are investing or financing cash flows:			
- Net result on sales of subsidiaries and operations		-169 097	–
- Other non-operating cash items		11	-214
Adjustments for change in working capital:			
- Change in inventories		2 214	-2 310
- Change in trade accounts receivable		8 498	22 167
- Change in trade accounts payable and contract liabilities		-30 929	9 031
- Change in accrued expenses		-9 635	3 729
- Change in other net current working capital headings		26 327	27 376
Government grant from previous periods received		1 615	5 959
Dividends received from associated companies	17	503	1 041
Interest paid		-20 691	-8 769
Interest received		1 737	924
Income tax paid		-2 226	-1 312
Cash flow from operating activities		**-45 366**	**63 851**
Purchases of intangible fixed assets	15	-1 666	-2 827
Purchases of tangible fixed assets	14	-3 559	-4 202
Proceeds from sales of tangible and intangible fixed assets		55	280
Investment in financial assets and loans granted		–	-444
Divestment of financial assets and loan reimbursement		105	143
Net proceeds from the disposal of subsidiaries, expluding disposed cash	41	339 261	13
Net proceeds from the sale of controlling interest in subsidiary, excluding disposed cash	27	5 945	–
Sale of associated companies	17	5 061	–
Cash flow from investing activities		**345 202**	**-7 037**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities		-221 774	-46 826
Increase in bank overdrafts, long-term loans and other non-current liabilities		16 435	4 326
Payments of lease liabilities		-14 539	-15 664
Proceeds from employee share purchase program	40	52	73
Dividends paid to non-controlling interests		-6 081	-4 450
Cash flow from financing activities		**-225 907**	**-62 541**
Effect of foreign exchange rate changes on cash and cash equivalents		-3 969	-64
Net movement in cash and cash equivalents		**69 960**	**-5 791**
Cash and cash equivalents at the beginning of the year	25	56 376	62 167
Cash and cash equivalents at the end of the year	25	126 336	56 376
Net movement in cash and cash equivalents		**69 960**	**-5 791**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023)

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, 2023		**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	40	657	-552	–	–	–	–	105
Shares issued to employees	40	1 238	-983	–	–	–	–	255
Dividends paid to non-controlling interests		–	–	–	–	–	-4 450	-4 450
Sale of non-controlling interest		–	–	–	–	–	-912	-912
December 31, 2023		**346 084**	**57 454**	**-83 201**	**-2 681**	**-47 703**	**27 050**	**297 003**
Net income		–	–	11 412	–	–	-838	10 573
Other comprehensive income		–	–	-8 825	–	34 303	-182	25 296
Total comprehensive income		**–**	**–**	**2 586**	**–**	**34 303**	**-1 020**	**35 870**
Employee share purchase program	40	540	-465	–	–	–	–	75
Shares issued to employees	40	–	–	–	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	-6 081	-6 081
Sale of controlling interest in subsidiary	27	–	–	–	–	–	-12 481	-12 481
December 31, 2024		**346 624**	**56 989**	**-80 615**	**-2 681**	**-13 400**	**7 468**	**314 385**

Fair value and other reserves as of December 31, 2024 include kUSD -2 681 (2023: kUSD -2 681) of unrealized loss on available-for-sale financial assets and an unrealized gain of kUSD 0 (2023: 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 2024

1. MATERIAL 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) Group accounting

(a) Subsidiaries

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

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

(b) Business combinations

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

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

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the income statement. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the

Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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

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

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

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

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

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

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

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

(a) Hardware
Revenue from hardware sales is recognized when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to a specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the agreement, the acceptance provisions have lapsed, or the Group has objective evidence that all the criteria for acceptance have been satisfied. In certain instances, we leverage 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

(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.

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

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

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

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

(G) Derivative financial instruments

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

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

(a) Derivatives that do not qualify for hedge accounting

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

(b) Cash flow hedge

The Group designates the derivatives which qualify as hedges of a forecast transaction (cash flow hedge). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the economic relationship exists between the hedged item and the hedging instrument. The Group enters into hedging instruments that have similar critical terms as the hedged items, such as reference rates, notional amounts and maturities.
Changes in intrinsic value of derivative financial instruments that meet hedge qualifying criteria are recognized in the 'cash flow hedge reserve' within equity. Changes in fair value of derivative instruments attributable to time value are recognized in the 'cost of hedging reserve' within equity. The amounts accumulated in hedging reserves of OCI are reclassified to profit or loss in the same period during which the hedged expected future cash flow affects the income statement.

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

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

(H) Taxes

Taxes reported in the consolidated income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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.

(I) Tangible fixed assets

(a) General

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

Building acquisitions or construction and building improvements are allocated to components. The costs less residual values are depreciated over their useful lives on a straight-line basis. Such useful lives may be between 4 to 50 years. Depreciation starts when the underlying assets are ready for use.

Depreciation is calculated on a straight-line basis over each asset's useful life, according to the following schedule:

Technical equipment and machinery

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

Other equipment

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

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

(b) Fixed assets made available to clients

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

(c) Borrowing costs

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

(J) Intangible assets

(a) Goodwill

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

(b) Internal research and development

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

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

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

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

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

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

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

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

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

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

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

(L) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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.

(M) 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.

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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.

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

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

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

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

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

(Y) New and amended accounting standards and IFRIC interpretations
Standards and Interpretations effective in the current period and change in accounting policies
The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2023. 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, 2025 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 15). 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 18). In order to assess whether there is any future benefit, forecasts are made of the future taxable profits by legal entity. Actual outcomes could vary significantly from forecasts of future profits and could therefore significantly modify the deferred tax asset and the income taxes. Furthermore, subsequent changes in tax laws, such as non-exhaustive changes in tax rates, the proportion of tax losses that could be offset with future profits or changes in forfeiting periods which occur after the accounts have been approved might affect the tax asset capitalized.

Retirement benefit plans

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

Assumptions used (note 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.

Principal vs. agent consideration

Under IFRS 15, the Group evaluates whether it acts as a principal or an agent in transactions involving third-party goods or services. This assessment is critical in determining the appropriate revenue recognition treatment and is based on whether the Group controls the specified good or service before it is transferred to the customer.

The determination of whether the Group is acting as a principal or an agent requires significant judgment and considers the following factors:

• Control before transfer - the Group assesses whether it obtains control over a good or service before it is transferred to a customer. Control is evaluated based on the ability to direct the use of and obtain substantially all of the benefits from the good or service.

• Inventory risk - the Group considers whether it bears inventory risk before a good or service is transferred to the customer or after transfer of control to the customer

• Pricing discretion - the Group examines whether it has discretion in setting prices for a good or service, which may indicate control over the good or service before transfer

• Fulfillment obligation - the Group evaluates whether it is primarily responsible for fulfilling the contract, which suggests that it is acting as a principal.

Management exercises significant judgment in applying these criteria to complex transactions, particularly in arrangements involving multiple parties. Any changes in these judgments could have a material impact on the Group's reported revenue and financial performance.

The Group continuously monitors and reassesses these judgments to ensure consistent application and compliance with IFRS requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

4. RESTATEMENT DUE TO ERROR

During 2024, the Group reassessed its revenue recognition methodology under IFRS 15 and identified an error in the previously issued financial statements for the year ended December 31, 2023. The error was due to misclassification whereby it was determined that certain transactions in the Group's Cybersecurity segment previously reported on a gross basis were more appropriately classified on a net basis. This restatement has no impact on the Group's operating income, cash flows or overall financial position.

Prior period amounts have been restated to conform to the current presentation as follows:

	Cybersecurity		
In USD'000	**2023 as Published**	**Correction**	**2023 Restated**
Revenues	119 316	-12 770	106 546
Cost of material, licenses and services	-37 135	12 770	-24 365
Operating income before depreciation, amortization and impairment	**-9 825**	**–**	**-9 825**

REVENUE CATEGORIES

	Cybersecurity		
In USD'000	**2023 as Published**	**Correction**	**2023 Restated**
Europe	54 988	–	54 988
Americas	63 778	-12 770	51 007
Asia and Africa	551	–	551
	119 316	**-12 770**	**106 546**
Sale of goods	10 362	–	10 362
Services rendered	80 331	–	80 331
Royalties and licenses	28 623	-12 770	15 852
	119 316	**-12 770**	**106 546**

5. 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 three operating segments which are reflected in internal management reporting as follows:
- Digital TV
- Cybersecurity
- Internet of Things (IoT)

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. In addition, IoT provides asset tracking solutions, including in particular a solution set for car dealerships enabling car dealers to manage and protect their car inventory and allowing consumers to locate stolen cars.

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 2024	Internet of Things 2024	Cyber-security 2024	Corporate Common Functions 2024	Total 2024
Revenues from external customers	227 826	47 432	108 470	–	383 728
Other operating income - operating segments	2 669	862	9	5 740	9 280
Total segment revenue and other operating income	**230 495**	**48 293**	**108 480**	**5 740**	**393 008**
Cost of materials, licenses and services	-30 958	-23 373	-24 027	–	-78 358
Operating expenses	-173 370	-46 667	-89 269	-18 410	-327 717
Operating income before depreciation, amortization and impairment	**26 166**	**-21 747**	**-4 816**	**-12 670**	**-13 067**
Depreciation, amortization and impairment	-89 850	-1 818	-2 726	-12 738	-107 132
Operating income - excluding corporate common functions	**-63 684**	**-23 565**	**-7 542**	**-25 408**	**-120 199**
Interest expense and other finance income/(expense), net					-20 402
Share of result of associates	3 168	–	–	–	3 168
Income before tax					**-137 433**
	31.12.2024	31.12.2024	31.12.2024	31.12.2024	31.12.2024
Total segment assets	**413 030**	**60 569**	**87 017**	**–**	**560 617**

In USD'000	Digital TV Restated 2023	Internet of Things Restated 2023	Cyber-security Restated 2023	Corporate Common Functions Restated 2023	Total Restated 2023
Revenues from external customers	257 796	47 359	106 546	–	411 700
Other operating income - operating segments	6 817	790	–	–	7 607
Total segment revenue and other operating income	**264 613**	**48 149**	**106 546**	**–**	**419 308**
Cost of materials, licenses and services	-31 887	-24 481	-24 365	–	-80 733
Operating expenses	-192 051	-36 616	-92 006	-21 287	-341 959
Operating income before depreciation, amortization and impairment	**40 675**	**-12 948**	**-9 825**	**-21 287**	**-3 385**
Depreciation, amortization and impairment	-11 133	-724	-2 181	-360	-14 398
Operating income - excluding corporate common functions	**29 542**	**-13 672**	**-12 007**	**-21 647**	**-17 783**
Interest expense and other finance income/(expense), net					-12 037
Share of result of associates	-128	–	–	–	-128
Income before tax from continuing operations					**-29 948**
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Total segment assets	**495 167**	**50 649**	**92 686**	**–**	**638 502**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

Prior year figures have been restated to reflect the divestment of SKIDATA (note 41) and the correction of an error (note 4).

In USD'000	31.12.2024	31.12.2023
Total segment assets	560 617	638 502
Cash and cash equivalents	4 597	2 666
Other current assets	103	184
Financial assets and other non-current assets	5 733	5 324
Change in scope	–	274 891
Total Assets as per Balance Sheet	**571 050**	**921 567**

GEOGRAPHICAL INFORMATION

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

	Revenues from external customers		Non-current assets	
In USD'000	2024	Restated 2023	31.12.2024	31.12.2023
Switzerland	32 815	35 343	27 981	37 894
United States of America	136 576	150 605	146 731	266 516
France	37 729	37 290	5 265	32 767
Germany	20 305	20 714	3 638	4 769
Austria	2 384	2 443	0	40 005
Rest of the world	153 919	166 306	73 225	93 935
	383 728	**412 701**	**256 840**	**475 885**

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

REVENUE CATEGORIES

	Digital TV		Internet of Things		Cybersecurity	
In USD'000	2024	Restated 2023	2024	Restated 2023	2024	Restated 2023
Europe	105 253	116 511	4 609	4 547	59 996	54 988
Americas	76 345	90 617	42 764	42 506	47 679	51 007
Asia and Africa	46 228	50 667	59	306	795	551
	227 826	**257 796**	**47 432**	**47 359**	**108 470**	**106 546**
Sale of goods	20 869	32 578	38 316	37 987	17 050	10 362
Services rendered	129 558	144 350	7 520	8 020	80 782	80 331
Royalties and licenses	77 398	80 868	1 596	1 352	10 638	15 852
	227 826	**257 796**	**47 432**	**47 359**	**108 470**	**106 546**

6. OTHER OPERATING INCOME

In USD'000	2024	Restated 2023
Government grants (research, development and training)	3 088	2 846
COVID-19 subsidies	31	281
Income from rental of property	4 999	2 450
Gain on disposal of assets	-11	46
Gain on disposal of subsidiary	–	623
Contingent consideration received	–	945
Others	1 174	416
	9 280	**7 607**

7. EMPLOYEE BENEFITS EXPENSE

In USD'000	Note	2024	Restated 2023
Wages and salaries		205 576	213 042
Social security costs		27 099	27 560
Defined benefit plans expenses	29	8 981	6 904
Defined contribution plans expenses		4 580	5 167
Other personnel expenses		4 917	5 509
		251 154	**258 182**

8. OTHER OPERATING EXPENSES

In USD'000	2024	Restated 2023
Development and engineering expenses	11 363	10 375
Travel, entertainment and lodging expenses	16 352	16 288
Legal, experts and consultancy expenses	11 975	10 954
Administration expenses	3 830	3 224
Computer and telecommunications expenses	21 995	19 671
Building and infrastructure expenses	6 082	6 854
Marketing and sales expenses	5 290	7 067
Taxes other than income tax	1 677	2 031
Change in provisions	-4 559	4 140
Insurance, vehicles and others	2 558	3 174
	76 563	**83 778**

9. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

In USD'000	Note	2024	Restated 2023
Land and buildings	14	14 018	1 245
Equipment and machines	14	1 720	1 712
Total depreciation and impairment of tangible fixed assets		**15 739**	**2 957**
Land and buildings	16	7 646	6 906
Vehicles, equipment and other	16	25	35
Total depreciation and impairment of right-of-use assets		**7 671**	**6 941**
Intangible assets	15	83 722	4 501
Total amortization and impairment on intangible fixed assets		**83 722**	**4 501**
Depreciation, amortization and impairment		**107 132**	**14 398**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

10. INTEREST EXPENSE

In USD'000	Note	2024	Restated 2023
Interest expense:			
- Bond 2016-2024	32	1 933	2 544
- Bridge loan		12 595	–
- Net interest expense recognized on defined benefit plans	29	261	-166
- Interest on lease obligations	16	2 190	2 075
- Other interest and bank charges		1 472	2 590
		18 452	**7 044**

In 2024, the Group secured a CHF 150 million senior secured bridge loan to strengthen its cash position, serving as a contingency in case the SKIDATA sale did not close in time to repay the outstanding bond. The loan had a maturity of 18 months after the closing date. During 2024, the Group drew kCHF 15 000, which was repaid in full following the sale of SKIDATA. The agreement included a 6% commitment fee for one year on the undrawn portion of the facility, as well as a prepayment fee on the drawn portion. The cost of this credit facility, including transaction costs directly attributable to the borrowing, has been disclosed as 'Bridge loan' in the table above.

11. OTHER FINANCE INCOME/(EXPENSE), NET

In USD'000	Note	2024	Restated 2023
Interest income		1 986	1 366
Net gains/(losses) on foreign exchange related derivative financial instruments		559	12
Net foreign exchange transaction gains/(losses)		1 841	-809
Trade receivables securitization		-2 987	-3 299
Remeasurement of securitized beneficial interests	45	-2 945	-1 749
Others		-404	-515
		-1 950	**-4 994**

12. INCOME TAX EXPENSE

In USD'000	Note	2024	Restated 2023
Current income tax		-2 304	-2 964
Deferred income tax	18	-10 386	325
Non-refundable withholding tax		-1 035	-1 567
		-13 724	**-4 207**

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	2024	Restated 2023
Income before tax	**-137 433**	**-29 948**
Expected tax calculated at domestic tax rates in the respective countries	33 418	2 905
Effect of income not subject to income tax or taxed at reduced rates	947	1 013
Effect of Goodwill impairment not deductible for tax purposes	-21 342	–
Effect of utilization of previously unrecognized tax asset on tax losses carried forward and temporary differences	735	2 327
Effect of temporary differences and tax losses not recognized and deferred tax assets written-off	-27 641	-9 770
Effect of changes in tax rates	80	-59
Effect of associates' result reported net of tax	83	–
Effect of disallowed expenditures	-328	-177
Effect of prior year income taxes	370	-90
Effect of non-refundable withholding tax	-1 035	-1 567
Tax expense	**-13 724**	**-4 207**

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 1 207 (2022: kUSD 1 055) and is included in 'Other' in the above table.

The weighted average applicable tax rate increased from 9.7% in 2023 to 24.3 % in 2024. The increase can be explained by a different profit split between countries.

13. 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	2024	Restated 2023
Net income attributable to bearer shareholders	10 469	-26 964
- Continuing operations	*-137 064*	*-35 036*
- Discontinued operations	*147 533*	*8 072*
Net income attributable to registered shareholders	943	-2 432
- Continuing operations	*-12 340*	*-3 159*
- Discontinued operations	*13 283*	*728*
Total net income attributable to equity holders	**11 412**	**-29 396**
Weighted average number of bearer shares outstanding	51 425 543	51 343 469
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)	0.2036	-0.5252
- Continuing operations	*-2.6653*	*-0.6824*
- Discontinued operations	*2.8689*	*0.1572*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	0.0204	-0.0525
- Continuing operations	*-0.2665*	*-0.0682*
- Discontinued operations	*0.2869*	*0.0157*

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 2024

14. 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, 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 January 1, 2024	**6 880**	**52 120**	**13 612**	**82 425**	**15 649**	**170 686**
Additions	–	111	1 040	1 862	546	3 559
Disposals and retirements	–	-10	-17	-7 913	-1 018	-8 958
Change in scope	-6 880	-51 806	-4 905	-45 291	-4 436	-113 319
Currency translation effects	–	-453	-374	-2 112	-677	-3 616
Reclassification & others	–	38	93	-187	26	-30
As of December 31, 2024	**–**	**–**	**9 448**	**28 785**	**10 089**	**48 322**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2023	**–**	**-12 646**	**-8 065**	**-62 160**	**-12 440**	**-95 311**
Systematic depreciation	–	-270	-975	-874	-838	-2 957
Disposals and retirements	–	–	965	3 368	1 358	5 691
Depreciation and impairment reclassified as discontinued operations	–	-519	-481	-3 485	-399	-4 884
Currency translation effects	–	-367	-272	-5 478	-537	-6 654
Reclassification & others	–	–	–	-24	24	–
As of January 1, 2024	**–**	**-13 802**	**-8 829**	**-68 653**	**-12 831**	**-104 114**
Systematic depreciation	–	-90	-1 184	-969	-738	-2 980
Impairment	–	-12 739	-6	-13	-1	-12 758
Disposals and retirements	–	–	17	7 882	993	8 892
Change in scope	–	26 375	3 079	33 008	3 420	65 882
Currency translation effects	–	256	146	1 716	559	2 677
Reclassification & others	–	–	0	15	-16	–
As of December 31, 2024	**–**	**–**	**-6 775**	**-27 014**	**-8 613**	**-42 401**
Net book values as of December 31, 2023	**6 880**	**38 318**	**4 784**	**13 772**	**2 818**	**66 571**
Net book values as of December 31, 2024	**–**	**–**	**2 674**	**1 771**	**1 477**	**5 921**
Useful life in years	Indefinite	10 – 50	4 – 8	4 – 10	4 – 7	

In USD'000	31.12.2024	31.12.2023
Corporate buildings on land whose owner has granted a permanent and specific right of use	–	8 494

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.

During 2024, the Group recognized an impairment adjustment on real estate assets prior to the sale of a subsidiary. The adjustment is primarily due to declining market rental and the termination of a significant lease agreement (note 27).

15. 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, 2023	**92 000**	**66 985**	**70 834**	**337 230**	**425**	**567 473**
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	10 364
As of January 1, 2024	**98 363**	**63 755**	**79 154**	**334 947**	**441**	**576 660**
Additions	1 437	–	229	–	–	1 666
Disposals and retirements	-47	–	-13 312	–	–	-13 359
Change in scope	-29 235	-10 270	-17 154	-34 964	-171	-91 795
Reclassification & others	-1 096	–	1 126	–	–	30
Currency translation effects	-4 059	-4 398	-3 927	-12 531	-17	-24 932
As of December 31, 2024	**65 362**	**49 087**	**46 118**	**287 451**	**253**	**448 271**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2023	**-83 339**	**-58 338**	**-66 344**	**–**	**-424**	**-208 445**
Systematic amortization	-438	-3 496	-567	–	–	-4 501
Recovery of amortization on disposal and retirements	495	1 078	322	–	–	1 896
Amortization reclassified as dicontinued operations	-2 319	-1 111	-1 331	–	-1	-4 762
Currency translation effects	-7 925	861	-5 352	–	-17	-12 433
As of January 1, 2024	**-93 525**	**-61 006**	**-73 273**	**–**	**-441**	**-228 245**
Systematic amortization	-107	-931	-390	–	–	-1 428
Impairment	-39	–	-171	-82 084	–	-82 294
Recovery of amortization on disposal and retirements	47	–	13 312	–	–	13 359
Change in scope	24 435	8 701	11 258	–	171	44 567
Currency translation effects	3 940	4 289	3 782	–	17	12 028
As of December 31, 2024	**-65 249**	**-48 947**	**-45 482**	**-82 084**	**-253**	**-242 015**
Net book values as of December 31, 2023	**4 837**	**2 749**	**5 882**	**334 947**	**–**	**348 415**
Net book values as of December 31, 2024	**113**	**140**	**636**	**205 367**	**–**	**206 256**
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.

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 three operating segments: Digital TV, Cybersecurity, and Internet of Things (IoT) (note 5).

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.

Management believes that the current market value of the company does not accurately reflect its intrinsic value. This assessment is based on several factors, including, the long-term growth potential of the different businesses, the Group's cash position at the end of the reporting period, as well as unsolicited offers received for a division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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

2024	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	113 469	5 years	-4% to 4%	0.8%	Declining	2.0%	13.0%
Cybersecurity	59 215	5 years	9% to 20%	11.8%	Improvement	2.0%	13.5%
IoT	32 684	5 years	18% to 26%	23.7%	Improvement	2.0%	13.0%
	205 367						

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						

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 faced challenges in 2024, experiencing double-digit revenue decline across regional markets, necessitating a fundamental reassessment of the segment's strategy and operational approach. While new product initiatives including watermarking/streaming/anti-piracy solutions, OpenTV Enterprise, and Sports demonstrated encouraging growth trajectories, this positive momentum proved insufficient to offset the accelerating decline in legacy broadcast and broadband product lines. While Digital TV reduced its 2024 spendings, operating profit experienced material decline in 2024. As revised projections are built on the lower 2024 base, the Group took an impairment of USD 82.1 million on the Goodwill of this Cash-Generating Unit.

Digital TV revenue assumptions are based on bottom-up projections by product groups 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 Watermarking/streaming/anti-piracy and Sports 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 and services margins will continue to grow in line with historical patterns, while margins for technology 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 2024, Kudelski Security executed a comprehensive strategic consolidation of operations, systematically evaluating and refocusing the business on areas demonstrating strong value creation potential. Cybersecurity is expected to continue to benefit from favorable technology adoption trends and maintain a growth momentum. For planning purposes, 2025 gross profit growth is anticipated to be in line with the average of 2023 and 2024. Gross profit growth is then expected to revert to higher historical rates over the planning period, as the segment continues to gain traction in the higher margin managed security services space and innovation space.

Internet of Things (IoT)
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.

The IoT business plan is built on the hypothesis that the asset tracking product line will continue to gain traction. Following exceptional growth rates in 2022 and 2023, the IoT segment underwent a transformative year in 2024, characterized by a revenue consolidation at a high level and by operational optimization measures aimed at sustaining future growth.

The focus on developing and scaling the asset tracking business had unintended consequences for the Lab and IoT Security business, leading to stagnating revenue in 2024. Similarly, while some of the cost increases in this segment were justified by the need to establish a strong operating base to support future growth, a lack of focus on cost control is a further factor explaining the negative cost development.

These developments have prompted a strategic reorganization. Looking ahead to 2025, the IoT segment has refined its strategic focus to concentrate primarily on asset tracking, with a carefully planned expansion into indirect channel sales for car dealerships, and a gradual expansion into new verticals. As a result, the Group has decided to carve out the Lab and IoT Security activities from the IoT operating segment and to transfer them to the Digital TV segment.

Since an impairment has been recognized for Digital TV, any reasonably possible change in key assumptions, without adjustments to the cost structure, would result in additional impairment. Specifically:
• A 2% increase in the discount rate would lead to an additional impairment of USD 24.4 million.
• A terminal growth rate of 0% would result in an additional impairment of USD 17.8 million.
• A USD 10.0 million reduction in recurring revenue would lead to an additional impairment of USD 81.8 million.

For Cybersecurity and IoT, reasonably possible changes in the revenue growth assumptions could result in a potential Goodwill impairment. Although the annual planned growth assumptions have been reduced in the 2024 plan, a 7.09% (2023: 26.33%) reduction in the Cybersecurity segment (resulting in CAGR of 11.00%) and a 22.57% (2023: 16.10%) reduction in the assumed compound annual growth rate in the IoT segment (resulting in a CAGR of 18.3%), 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 33.6 million and USD 69.9 million respectively (2023: USD 120.5 and USD 63.0).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

16. LEASING

In USD'000	31.12.2024	31.12.2023
Land and buildings	34 703	44 113
Vehicles, equipment and other	14	4 388
	34 717	**48 500**

In USD'000	Land	Building & leasehold facilities	Vehicles	Equipment	Total
GROSS RIGHT-OF-USE ASSETS					
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 January 1, 2024	**648**	**72 943**	**7 959**	**105**	**81 655**
Additions	44	13 813	3 644	16	17 517
Disposals and retirements	–	-10 549	-1 210	-54	-11 813
Change in scope	-677	-20 334	-10 122	-64	-31 196
Currency translation effects	-15	-2 967	-172	-4	-3 158
As of December 31, 2024	**0**	**52 905**	**100**	**-0**	**53 005**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As of January 1, 2023	**-158**	**-27 159**	**-4 306**	**-140**	**-31 763**
Systematic depreciation	–	-6 906	-35	–	-6 941
Recovery of depreciation on disposal and retirements	159	9 620	3 134	107	13 021
Depreciation reclassified as discontinued operations	-40	-4 317	-2 296	-32	-6 685
Currency translation effects	-2	-676	-108	-1	-787
As of January 1, 2024	**-40**	**-29 438**	**-3 611**	**-66**	**-33 155**
Systematic depreciation	–	-7 646	-25	–	-7 671
Recovery of depreciation on disposal and retirements	–	9 601	1 085	46	10 732
Change in scope	40	8 426	2 386	17	10 869
Currency translation effects	1	854	80	2	937
As of December 31, 2024	**0**	**-18 202**	**-85**	**0**	**-18 288**
Net book values as of December 31, 2023	**607**	**43 505**	**4 348**	**40**	**48 500**
Net book values as of December 31, 2024	**0**	**34 703**	**14**	**0**	**34 717**
Useful life in years	4 – 10	2 – 15	2 – 5	2 – 5	

Lease costs from continuing operations are recorded in the income statement as depreciation expense in the amont of kUSD 7 671 (2023: kUSD 6 941) and interest expense of kUSD 2 190 (2023: kUSD 2 075), and are recognized in the cash flow statement as adjustments for net income non-cash items in operating activities. Lease payments of kUSD 14 539 (2023: kUSD 15 664) which represent the reduction of the lease liability are recognized in the cash flow statement as an outflow from financing activities and include payments from operations that have been discontinued for kUSD 4 816 (2023: kUSD 6 989). Operating lease costs relating to short-term leases of kUSD 6 063 (2023: kUSD 6 103) and low-value leases of kUSD 185 (2023: kUSD 212) remain fully recognized as an operational expense. The total cash outflow for leases from continuing operations in 2024 was kUSD 18 162 (2023: kUSD 17 065).

The Group's remaining contractual maturities of lease obligations at December 31, 2024 and 2023 are as follows:

In USD'000	2024	2023
Within one year	9 805	14 159
In the second to fifth year inclusive	26 533	34 545
More than five years	32 025	39 356
	68 363	**88 061**

17. INVESTMENTS IN ASSOCIATES

In USD'000	Note	2024	2023
At January 1		**11 307**	**10 667**
Sale of controlling interest in subsidiary	27	6 085	–
Sale of an associate		-5 061	–
Share of profit - continuing operations		3 168	-128
Share of profit - discontinued operations		376	1 198
Dividends received		-503	-1 041
Decrease in scope		-5 057	–
Currency translation effects		-369	611
At December 31		**9 945**	**11 307**

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

		Interest held	
Name of associate	**Principal activity**	**2024**	**2023**
APT-SkiData Ltd, United Kingdom	Sales of Public Access products	0.0%	26.0%
SKIDATA Parking Systems, Hong-Kong	Sales of Public Access products	0.0%	26.0%
SKIDATA India Private Limited, India	Sales of Public Access products	0.0%	49.0%
SJack GmbH, Austria	Sales of Public Access products	0.0%	26.0%
Swiss Peak Experience SA, Switzerland	Sales of Public Access products	0.0%	45.0%
iWedia SA, Switzerland	Middleware for set-top-boxes	40.0%	40.0%
275 Sacramento Street LLC	Real estate company	25.0%	0.0%
Kudelski Buildings Sàrl	Real estate company	0.0%	22.5%

SUMMARIZED FINANCIAL INFORMATION OF THE GROUP'S ASSOCIATES

In USD'000	31.12.2024	31.12.2023
Total assets	51 578	109 394
Total liabilities	17 296	61 128
Net assets	34 281	48 266
Group's share of associates' net assets	9 946	13 628

	2024	2023
Revenue	46 613	51 965
Result of the period	4 484	3 762
Group's share of associates' result for the period	3 544	1 070

On April 19, 2024, the Group sold its investment in Kudelski Buildings Sàrl to a related party for kUSD 5 061, resulting in a gain on disposal of kUSD 2 707 which is included in 'Share of result of associates' in the consolidated income statement. APT-SKIDATA Ltd, SKIDATA Parking Systems, SKIDATA India Private Limited, SJack GmbH and Swiss Peak Experience SA were divested during 2024 with the sale of SKIDATA (note 41).

18. 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	31.12.2024	31.12.2023
Deferred tax assets	20 319	46 962
Deferred tax liabilities	–	-386
	20 319	**46 576**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

Movement on the deferred income tax account is as follows:

In USD'000	Note	2024	2023
At January 1		**46 576**	**38 473**
Exchange differences		-1 298	1 936
Recognized against other comprehensive income		1 481	2 448
Change in scope of consolidation		-16 054	190
Income statement (expense)/income	12	-10 386	3 530
At December 31		**20 319**	**46 576**

The movement in deferred tax assets and liabilities during 2024, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

In USD'000	At January 1, 2024	Income statement effect	Other comprehensive income	Change in scope of consolidation	Currency translation effects	At December 31, 2024
Deferred tax assets associated with						
- intangibles	1 517	-265	–	–	-94	1 159
- employee benefits	3 442	199	1 481	-1 145	-292	3 685
- tax losses	29 556	-9 710	–	-8 934	-647	10 266
- provisions and other elements tax deductible when paid	4 736	370	–	-3 094	-258	1 754
- intercompany profit elimination	3 486	28	–	-3 511	-2	-0
- leases	5 399	-939	–	-203	-197	4 060
- others	378	-156	–	-13	-20	189
Total deferred tax assets (gross)	**48 513**	**-10 472**	**1 481**	**-16 900**	**-1 509**	**21 113**
Deferred tax liabilities associated with						
- intangibles	-519	208	–	263	13	-35
- provisions and accelerated tax depreciation	-154	-8	–	205	-5	39
- others	-1 264	-114	–	378	203	-798
Total deferred tax liabilities (gross)	**-1 937**	**86**	**–**	**846**	**211**	**-794**
Net deferred tax asset/(liability)	**46 576**	**-10 386**	**1 481**	**-16 054**	**-1 298**	**20 319**

And for 2023:

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**

UNRECOGNIZED TAX LOSSES CARRIED FORWARD

At the balance sheet date, the Group has unused tax losses and temporary differences of mUSD 1 314.2 (2023: mUSD 1 615.4) available for offset against future profits. A deferred tax asset has been recognized in respect of mUSD 223.1 (2023: mUSD 331.1) 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 1 091.1 (2023: mUSD 1 284.3) 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	2024	2023
Expiration within:		
One year	142.8	202.2
Two years	145.3	78.7
Three years	25.2	155.7
Four years	21.7	34.1
Five years	83.1	11.0
More than five years	673.1	802.7
Total	**1 091.1**	**1 284.3**

Despite some subsidiaries incurring losses, deferred tax assets on tax losses have been recognized based on expectations of future taxable profits, supported by management's assessment of sufficient probability of recovery in accordance with IAS 12.

19. FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

In USD'000	31.12.2024	31.12.2023
Financial assets at amortized cost:		
Loan – third party	11 928	11 928
State and government institutions	4 008	4 306
Trade accounts receivable (long-term portion)	379	3 951
Guarantee deposits	921	1 846
Prepaid expenses and accrued income (long-term portion)	3	71
Total financial assets at amortized cost	**17 240**	**22 101**
Financial assets at fair value through profit or loss:		
Equity instruments (level 3)	1 162	1 589
Securitized beneficial interests (level 3)	33 162	45 069
Total financial assets at fair value through profit or loss	**34 324**	**46 658**
Other non-current assets:		
Deferred rent	–	1 091
Total other non-current assets	**–**	**1 091**
Total	**51 563**	**69 850**

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% (2023: 2.00%). 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.

20. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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, 2024, the Group sold kUSD 400 909 (2023: 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 5 201 (2023: kUSD 4 128) and has been recognized within ‘Other finance income/(expense), net’ in the Consolidated Income Statement.

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, 2024, the Group earned interest of kUSD 2 477 (2023: kUSD 914) in respect of these loan receivables, recognized within ‘Other finance income/(expense), net’ in the Consolidated Income Statement.

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, 2024, the Group earned servicing fees of kUSD 348 (2023: kUSD 214) recognized within ‘Other finance income/(expense), net’ in the Consolidated Income Statement.

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, 2024, the sale of trade receivables has resulted in the recognition of loans to the SPE totalling kUSD 37 856 (2023: kUSD 46 818), presented within ‘Financial assets at fair value through profit and loss’ in the Consolidated Balance Sheet. 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, 2024 was kUSD -4 694 (2023: 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 45).

21. INVENTORIES

In USD'000	31.12.2024	31.12.2023
Raw materials	3 213	4 177
Work in progress	–	8 774
Finished goods	11 525	64 925
	14 738	**77 877**

The cost of inventories recognised as an expense in continuing operations includes kUSD 2 468 (2023: kUSD 1) in respect of write-downs, and has been reduced by kUSD 0 (2023: kUSD 151) 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 -3 092 (2023: kUSD -3 493).

22. TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

In USD'000	31.12.2024	31.12.2023
Trade accounts receivable	43 898	116 169
Less: provision for impairment	-8 508	-14 358
Trade accounts receivable related parties	465	1 843
Trade accounts receivable - net	**35 856**	**103 654**
Contract assets	3 636	18 605
Less: provision for impairment	-770	-1 587
Contract assets - net	**2 866**	**17 019**

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	2024	2023	2024	2023
January 1,	**-1 587**	**-2 334**	**-14 358**	**-15 194**
Provision for impairment charged to income statement	-140	-139	-2 128	-1 481
Utilization	–	–	676	1 872
Reversal	797	956	4 320	295
Change in scope	97	-3	2 915	1 295
Translation effects	61	-66	67	-1 144
December 31,	**-770**	**-1 587**	**-8 508**	**-14 358**

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 -2 128 (2023: kUSD -1 481). 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 2024

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, 2024 and 2023 were determined as follows:

In USD'000	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2024	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2023
Trade accounts receivable not overdue	25 117	0.4%	103	64 818	0.4%	258
Past due:						
- not more than one month	4 709	1.1%	52	16 467	0.5%	75
- more than one month and not more than three months	2 542	4.3%	110	11 919	1.4%	169
- more than three months and not more than six months	1 676	8.8%	148	5 279	5.7%	301
- more than six months and not more than one year	2 377	37.7%	895	5 370	36.9%	1 982
- more than one year	7 478	96.3%	7 198	12 316	94.0%	11 572
Total	**43 898**		**8 508**	**116 169**		**14 358**
Contract assets	3 636	21.2%	770	18 605	8.5%	1 587
Total	**3 636**		**770**	**18 605**		**1 587**

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.

23. OTHER FINANCIAL ASSETS AT AMORTIZED COST

In USD'000	31.12.2024	31.12.2023
Other receivables - third parties	3 273	1 931
Other receivables - related parties	1 378	1 476
Advances to suppliers and employees	692	4 829
State and government institutions	9 154	17 087
	14 497	**25 322**

24. OTHER CURRENT ASSETS

In USD'000	31.12.2024	31.12.2023
Prepaid expenses	9 778	16 093
Accrued income	38 240	33 592
Other assets	16	29
	48 035	**49 714**

25. CASH AND CASH EQUIVALENTS

In USD'000	31.12.2024	31.12.2023
Cash at bank and in hand	96 276	49 151
Short-term deposits	30 059	7 225
	126 336	**56 376**

The effective interest rate on short term deposits was 4.45% (2023: 0.00%). The Group only enters into transactions with highly rated banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

26. SHARE CAPITAL

ISSUED AND FULLY PAID SHARE CAPITAL

The share capital consists of 51 451 506 (2023:51 392 064) bearer shares at CHF 8.00 par value each and 46 300 000 (2023: 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 346 624 (2023 kUSD 346 084).

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).

CAPITAL BAND

On April 19, 2024, the Annual General Meeting of the Company approved a capital band as a replacement of the authorized share capital. Until April 21, 2024, the authorized share capital was comprised of 3,768,164 bearer shares at CHF 8.00 per share and 3 200 000 registered shares at CHF 0.80 per share for the purpose of acquiring companies or parts of companies. Until and including April 19, 2029, the Board of Directors is authorized to conduct one or more increases and/or reductions of the share capital within the upper limit of CHF 492 994 160 and the lower limit of CHF 403 358 864, corresponding to issuance or cancellation of 5 139 206 bearer shares with a nominal value of CHF 8.00 each and 4 630 000 registered shares with a nominal value of CHF 0.80 each. In case of a capital increase, the Board of Directors would determine the number of shares, the date of issue of any such new shares, the issue price, type of contributions, the conditions of exercising subscription rights, and the beginning of the dividend entitlement.

CONDITIONAL SHARE CAPITAL

Conditional share capital consists of 10 000 000 (2023: 10 000 000) bearer shares at CHF 8.00 each to satisfy convertible bond exercise right and 362 250 (2023: 421 692) bearer shares at CHF 8.00 each to satisfy option exercise or share subscriptions to employees.

27. NON-CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group's subsidiaries in which it has material non-controlling interests, before any intercompany elimination:

	31.12.2024		31.12.2023	
In USD'000	**Nagrastar**	**275 Sacramento Street LLC**	**Nagrastar**	**275 Sacramento Street LLC**
Non-controlling interests percentage	**50.0%**	**See note below**	**50.0%**	**50.1%**
Non-current assets	1 630	–	1 580	37 743
Current Assets	20 758	–	20 741	210
Non-current liabilities	–	–	8	50
Current liabilities	7 451	–	6 557	190
Total Equity	**14 937**	**–**	**15 756**	**37 712**
Non-controlling interests percentage	50%	See note below	50%	50.1%
Theoritical amount of non-controlling interests	7 469	–	7 878	18 894
Carrying amount of non-controlling interests	**7 469**	**–**	**7 878**	**18 894**
	–			
Revenue	16 100	5 608	18 369	4 183
Net result	4 181	-7 673	5 555	2 529
Total comprehensive income	4 181	-7 673	5 555	2 529
Total comprehensive income allocated to non-controlling interests	2 090	-3 844	2 777	1 267
Dividend paid to non controlling interests	-2 500	-2 831	-2 500	-1 353
Net increase /(decrease) in cash and cash equivalents	1 414	-142	-907	-28

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

SALE OF CONTROLLING INTEREST IN SUBSIDIARY

On May 1, 2024, the Group sold 24.95% of its membership interest in 275 Sacramento Street LLC to related parties for kUSD 6 085. Prior to the sale transaction, the Group recognized an impairment adjustment of kUSD 12 739 in order to properly reflect the market value of the subsidiary's real estate assets prior to the sale. This adjustment is primarily the result of deteriorating market rental conditions and the termination of a significant lease agreement with a major tenant.

Subsequent to the sale transaction, management has determined the Group no longer has a controlling financial interest in 275 Sacramento Street LLC and therefore no longer consolidates the entity. All activity prior to the deconsolidation event has been included in the consolidated income statement for the year ended December 31, 2024 in continuing operations. The carrying value of the Group's retained membership interest in 275 Sacramento Street LLC is kUSD 6 245 and is included as 'Investment in associates' in the consolidated balance sheet as of December 31, 2024.

28. LONG TERM FINANCIAL DEBT

In USD'000	31.12.2024	31.12.2023
Long-term bank loans	–	10 483
	–	**10 483**

Long-term bank loans effective interest rate is 0.49% (2023: 3.09%).

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 six (2023: thirteen) 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 reduction of the number of plans is due to the divestment of SKIDATA during 2024 (note 41). The financial impacts relating to this divestment are disclosed as 'Structure variations' in the tables below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

The following table sets forth the status of the pension plans and the amount that is recognized in the balance sheet:

In USD'000	31.12.2024	31.12.2023
Fair value of plan assets	237 039	260 738
Defined benefit obligation	-260 082	-283 391
Funded status	**-23 043**	**-22 653**
Other comprehensive income	17 937	27 591
Prepaid/(accrued) pension cost	-40 980	-50 244
Funded status	**-23 043**	**-22 653**

In accordance with IAS 19, the following amount is recorded as net pension cost in the income statement for the financial years 2024 and 2023:

In USD'000	Note	2024	Restated 2023
Service cost		-9 036	-7 297
Amortization of gains/(losses)		-13	10
Curtailment gain / (loss)		69	76
Impact of plan amendment		–	308
Total recognized in employee benefits expense	**7**	**-8 981**	**-6 904**
Interest cost		-3 709	-5 162
Interest income		3 448	5 328
Total recognized in interest expense	**10**	**-261**	**166**
Net pension (cost)/income		**-9 242**	**-6 738**

The impact of plan amendment relates to a 2024 change in benefits of the French pension plans.

The main assumptions used for the calculation of the pension cost and the defined benefit obligation for the years 2024 and 2023 are as follows:

	31.12.2024	31.12.2023
Switzerland		
Financial assumptions:		
- Discount rate	1.05%	1.50%
- 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%	13.0%
- 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	67% pension 33% lump sum
Abroad		
- Discount rate	4.97%	4.47%
- Rate of future increase in compensations	5.19%	4.91%
- Turnover *(on average)*	5.1%	7.5%

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

	31.12.2024	31.12.2023
Weighted average duration of the defined benefit obligation in years		
Switzerland	16.8	16.2
Abroad	10.9	10.7

The changes in defined benefit obligation and fair value of plan assets during the years 2024 and 2023 are as follows:

A. Change in defined benefit obligation

In USD'000	2024	2023 Restated
Defined benefit obligation as of 1.1.	**-283 391**	**-226 883**
Service cost	-9 492	-7 297
Employees' contributions	-6 208	-6 394
Interest cost	-3 886	-5 162
Change in demographic assumptions	-346	4 884
Change in financial assumptions	-20 303	-32 418
Other actuarial gains / (losses)	-3 135	3 790
Benefits payments	16 752	8 502
Exchange rate difference	18 456	-22 441
Curtailment	69	76
Plan amendment	–	308
Structure variations	31 403	-356
Defined benefit obligation as of December 31,	**-260 082**	**-283 391**

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	2024	2023
Fair value of plan assets as of 1.1.	**260 738**	**222 221**
Interest income	3 448	5 328
Return on plan assets excluding interest income	13 284	5 354
Employees' contributions	6 208	6 394
Employer's contribution	7 949	8 090
Benefit payments	-16 752	-8 728
Structure variations	-20 699	–
Exchange rate difference	-17 137	22 079
Fair value of plan assets as of December 31,	**237 039**	**260 738**

The actual return on plan assets amounts to kUSD 16 731 in 2024 (2023: kUSD 10 682) and includes an assumed interest income. The estimated employer's contribution to the pension plans for the year 2025 is kUSD 6 720.

The categories of plan assets, all of which are easily convertible to cash, are stated at their fair value at December 31, 2024 and 2023 as follows:

In USD'000	31.12.2024	Proportion in % 31.12.2024	31.12.2023	Proportion in % 31.12.2023
Cash	1 725	0.7%	6 885	2.6%
Swiss bonds	19 419	8.2%	21 380	8.2%
Non-Swiss bonds	70 046	29.6%	74 840	28.7%
Swiss shares	40 595	17.1%	43 573	16.7%
Non-Swiss shares	35 564	15.0%	41 493	15.9%
Real estate	41 739	17.6%	43 205	16.6%
Alternative investments	27 951	11.8%	29 363	11.3%
Total	**237 039**	**100.0%**	**260 738**	**100.0%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

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
2025	13 470	247
2026	11 114	–
2027	12 151	–
2028	9 992	191
2029	10 703	171
2030-2034	50 698	924

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 2024 year-end defined benefit obligation		Change in 2023 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	-19 867	-187	-20 121	-663
50 basis point decrease in discount rate	22 779	203	23 019	716
50 basis point increase in rate of salary increase	148	n/a	574	n/a
50 basis point decrease in rate of salary increase	-157	n/a	-592	n/a
50 basis point increase in rate of pension increase	12 992	n/a	12 919	n/a
50 basis point decrease in rate of pension increase	-11 792	n/a	-11 417	n/a
50 basis point increase of interest in saving accounts	7 142	n/a	7 586	n/a
50 basis point decrease of interest in saving accounts	-6 795	n/a	-7 218	n/a
50 basis point increase of turnover	-875	n/a	-643	n/a
50 basis point decrease of turnover	906	n/a	664	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	31.12.2024	31.12.2023
Long-term loans - third parties	5 208	5 738
Deferred consideration	–	1 679
Contingent consideration	–	1 679
Other long-term liabilities	–	373
Deferred income	225	316
	5 432	**9 786**

The effective interest rate on long-term loans is 0.00% (2023: 0.00%.)

Deferred and contingent consideration balances included the long-term portions of deferred fixed and contingent earn-out payments in connection with business acquisitions. The related balances were divested during 2024 with the sale of SKIDATA (note 41).

31. SHORT TERM FINANCIAL DEBT

In USD'000	Note	31.12.2024	31.12.2023
CHF 150 million 1.5% bond 2016/2024	32	–	172 629
Short-term bank borrowings		2	53 390
Other short-term financial liabilities		671	5 015
		673	**231 034**

The average effective interest rate paid in 2024 for short-term bank borrowings was 5.95% (2023: 4.64%).

32. BOND

In September 2016, Kudelski SA issued a 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%. On September 27, 2024, the Group reimbursed nominal value kUSD 172 549 relating to the 2016-2024 bond. Bond is recognized in the consolidated balance sheet as of December 31, as follows:

In USD'000	2024	2023
Initial balance	**172 629**	**157 610**
Amortization of transaction costs less premium	61	92
Reimbursement	-172 549	–
Currency translation effects	-140	14 927
Liability component as of December 31	**–**	**172 629**

33. TRADE ACCOUNTS PAYABLE

In USD'000	31.12.2024	31.12.2023
Trade accounts payable – third parties	30 414	84 141
Trade accounts payable – related parties	–	48
	30 414	**84 190**

34. CONTRACT LIABILITIES

In USD'000	31.12.2024	31.12.2023
Amounts due to customers for contract work	2 959	2 752
Advances from clients	2 739	16 768
Deferred income	50 279	40 112
	55 977	**59 632**

35. OTHER CURRENT LIABILITIES

In USD'000	31.12.2024	31.12.2023
Accrued expenses	57 259	88 735
Payable to pension fund	1 608	7 592
Other payables	12 443	17 030
	71 310	**113 357**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

36. 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 classified as "held-for-trading" for accounting purposes and are accounted for at fair value through profit or loss.

	Assets		Liabilities	
In USD'000	**31.12.2024**	**31.12.2023**	**31.12.2024**	**31.12.2023**
Held-for-trading:				
- Foreign currency options	–	–	-28	–
- FX swaps	–	–	–	-45
Total of derivatives financial instruments	**–**	**–**	**-28**	**-45**

There were no amounts included in the cost of hedging reserve and no long-term derivative instruments outstanding at December 31, 2024 and 2023. For 2023, amounts included in cost of hedging reserve during the year related to the time value of options. All the amounts in the hedging reserve were in respect of transaction-related items, namely forecast sales transactions. The notional amount of options qualifying for hedge accounting amounted to mUSD 12 and mEUR 24 with maturities between January and October and average strike rate of USD/CHF 0.9880 and EUR/CHF 0.9953 in 2023.

37. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

In USD'000	Restructuring provisions	Provision for warranty	Litigations and others	Total 2024	Total 2023
As of January 1	**22**	**2 750**	**60**	**2 832**	**2 600**
Additional provisions	79	–	12	91	981
Change in scope of consolidation	–	-2 535	-43	-2 578	–
Unused amounts reversed	–	-150	–	-150	-720
Used during the year	-81	-8	-27	-116	-89
Exchange differences	-1	-56	-2	-60	61
As of December 31	**19**	**0**	**0**	**19**	**2 832**
Thereof:					
- Short-term	19	–	–	19	2 832
- Long-term	–	–	–	–	–
	19	**–**	**–**	**19**	**2 832**

Restructuring provisions

Restructuring provisions in 2024 and 2023 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.

38. RESEARCH AND DEVELOPMENT

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

In USD'000	2024	Restated 2023
Research and development	106 257	108 244

39. 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, 2024.

40. 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 2024	Shares 2023
Shares underwritten by employees	49 535	61 485
Bonus shares from ESPP	9 907	12 297
Total employee share program	**59 442**	**73 782**
Amount paid by employee (In USD'000)	52	73
Booked corporate charges (excluding social charges) (In USD'000)	23	32
	75	**105**

SHARES ISSUED TO EMPLOYEES

In 2024, 0 (2023: 138 987) bearer shares of Kudelski SA were given to employees for no consideration as part of their compensation, of which 0 (2023: 124 467) include a seven-year blocking period, 0 (2023: 14 520) include a three-year blocking period. The fair value recognized for this equity based compensation is kUSD 0 (2023: kUSD 255).

41. DISCONTINUED OPERATIONS

On September 13, 2024, the Group completed the sale of its interest in SKIDATA to ASSA ABLOY for total consideration of kUSD 339 261. Accordingly, the financial results of SKIDATA have been presented as a discontinued operation for the current and comparative prior period.

FINANCIAL RESULTS OF DISCONTINUED OPERATIONS

The results of SKIDATA for the period from January 1, 2024 to September 13, 2024 and for the year ended December 31, 2023 are as follows:

In USD'000	2024	2023
Revenues and other operating income	214 011	329 403
Expenses	-192 202	-313 663
Operating result	**21 808**	**15 740**
Finance costs	-4 965	-6 085
Operating result before tax from discontinued operations	**16 844**	**9 655**
Income tax	-2 267	-9
Net operating result from discontinued operations	**14 577**	**9 646**
Proceeds from sale	339 261	–
Carrying value of net assets sold	-170 165	–
Transaction costs	-21 942	–
Net gain on disposal	**147 154**	**–**
Net result of discontinued operations	**161 731**	**9 646**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

CASH FLOW INFORMATION FOR DISCONTINUED OPERATIONS

In USD'000	2024	2023
Cash flow used in operating activities	10 426	41 897
Cash flow used in investing activities	-3 246	-3 169
Cash flow from financing activities	-8 096	-15 051

NET ASSETS OF THE DISPOSAL GROUP

The following represents the assets and liabilities of SKIDATA considered part of the disposal group:

In USD'000	13.09.2024	31.12.2023
Non-current assets:		
Tangible fixed assets	24 054	22 423
Intangible assets	47 581	46 422
Right-of-use assets	20 753	14 973
Investments in associates	5 164	4 940
Deferred income tax assets	16 549	11 242
Financial assets at amortized cost	1 278	1 040
Financial assets at fair value through profit and loss	344	344
Total non-current assets	**115 723**	**101 383**
Current assets:		
Inventories	58 509	57 521
Trade accounts receivable	47 030	61 264
Contract assets	36 239	15 254
Other financial assets at amortized cost	12 041	8 941
Other current assets	2 804	3 863
Cash and cash equivalents	20 012	22 543
Total current assets	**176 635**	**169 387**
Total assets of the disposal group	**292 358**	**270 770**
Non-current liabilities:		
Long-term financial debt	9 590	9 595
Long-term lease obligations	11 261	10 588
Deferred income tax liabilities	2 139	376
Employee benefit liabilities	11 528	9 695
Other long-term liabilities	3 440	3 376
Total non-current liabilities	**37 958**	**33 630**
Current liabilities:		
Short-term financial debt	20 776	23 376
Short-term lease obligations	6 443	5 829
Trade accounts payable	20 823	33 907
Contract liabilities	36 847	21 720
Other current liabilities	28 358	27 643
Current income taxes	–	1 095
Provisions for other liabilities and charges	2 536	2 810
Total current liabilities	**115 785**	**116 378**
Total liabilities of the disposal group	**153 743**	**150 008**
Components of OCI recycled upon disposal	**31 550**	**37 147**
Total net assets of the disposal group	**170 165**	**157 909**

42. 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 transactions with related parties, associates or joint ventures that are not members of the Group:

In USD'000	Sale of goods and services 2024	Sale of goods and services 2023	Purchase of goods and services 2024	Purchase of goods and services 2023	Amounts owed to related parties 31.12.2024	Amounts owed to related parties 31.12.2023	Amounts owed by related parties 31.12.2024	Amounts owed by related parties 31.12.2023
APT-Skidata Ltd	–	–	–	–	–	–	–	715
SKIDATA Parking System Ltd	–	–	–	–	–	–	–	226
SKIDATA India Private Limited	–	–	–	–	–	–	–	450
HVK Logistics	–	–	–	–	–	–	54	12
Fonds de prévoyance Kudelski-Nagra	–	–	–	–	987	6 678	–	–
275 Sacramento Street LLC	–	–	1 850	–	–	–	–	–
Total associated companies	**–**	**–**	**1 850**	**–**	**987**	**6 678**	**54**	**1 402**
Audio Technology Switzerland SA	–	–	–	–	–	–	1 789	1 916
Kudelski Buildings Sàrl	–	–	4 067	3 904	15	–	–	–
Kudelski Horizon Sàrl	–	–	52	51	5	48	–	–
Kudelski Global Financing DAC	400 909	334 823	–	–	–	–	33 162	45 069
Total other related	**400 909**	**334 823**	**4 118**	**3 955**	**21**	**48**	**34 951**	**46 986**

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 (note 20). Fonds de prévoyance Kudelski-Nagra represents the Swiss pension plan. 275 Sacramento Street LLC is a real estate company in which the Group owns a minority share (note 17). APT SKIDATA, SKIDATA Parking System Ltd and SKIDATA India Private Limited are sales representative companies for SKIDATA Group which was divested during 2024 (note 41).

Services provided to/by associates and other related parties are performed at arm's length. The associates are listed in note 17. Outstanding balances are unsecured and are repayable in cash.

During 2024, there were two transactions with related parties whereby the Group sold its interests in Kudelski Building Sàrl and 275 Sacramento Street LLC. Additional information is disclosed in note 17 and note 27.

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	2024	2023
Salaries and other short-term employees benefits	9 793	5 466
Post-employments benefits	67	68
	9 859	**5 533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

43. SHAREHOLDINGS AND LOANS

PRINCIPAL SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
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, 2024 and 2023, the members of the Board of Directors and members of Group management had the following interest in the company:

	31.12.2024	31.12.2023
	Bearer shares	Bearer shares
Board of Directors		
Kudelski André, chairman (as member of the family pool)	10 962 923	10 962 923
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**	**12 001 126**
Management		
Kudelski André, CEO	see above	see above
Saladini Mauro, CFO	159 439	215 854
Solbakken Morten, COO	118 315	118 315
Goldberg Nancy, CMO	81 595	81 595
Total Management (excluding CEO)	**359 349**	**415 764**

The Kudelski family pool also owns 46 300 000 registered shares of Kudelski SA as of December 31, 2024 and 2023.
No loans were granted in 2024 and 2023 to the members of the Board of Directors and Group management.

At December 31, 2023, Mauro Saladini owned kCHF 60 nominal value of the bond that has been repaid in 2024.

44. CATEGORIES OF FINANCIAL INSTRUMENTS

The financial assets and liabilities are classified as follow as of December 31, 2024:

Assets as per balance sheet date December 31, 2024 (in USD'000)	Note	Financial assets at fair value through profit or loss	Financial Assets at amortized costs	Total 31.12.2024
Financial assets and non-current assets:				
- equity instruments with no quoted market price (level 3)	19	1 162	–	1 162
- securitized beneficial interests	19	33 162	–	33 162
- long-term loans	19	–	11 928	11 928
- state and government institutions	19	–	4 008	4 008
- trade accounts receivable - long-term portion	19	–	379	379
- guarantee deposits	19	–	921	921
- prepaid expenses and accrued income (long-term)	19	–	3	3
Trade accounts receivable	22	–	35 856	35 856
Other current assets:				
- state and government institutions	23	–	9 154	9 154
- other receivable (third and related parties)	23	–	4 651	4 651
Cash and cash equivalents	25	–	126 336	126 336
		34 324	**193 236**	**227 560**

Liabilities as per balance sheet date December 31, 2024 (in USD'000)	Note	Financial liabilities at fair value through profit or loss	Financial Liabilities at amortized costs	Total 31.12.2024
Long-term lease obligations	16	–	58 558	58 558
Other long-term liabilities:				
- loans and others	30	–	5 208	5 208
Short-term financial debt	31	–	673	673
Short-term lease obligations	16	–	9 806	9 806
Trade accounts payable	33	–	30 414	30 414
Other current liabilities:				
- payable to pension fund	35	–	1 608	1 608
- other payables	35	–	12 443	12 443
- accrued expenses	35	–	57 259	57 259
- current income tax		–	1 406	1 406
Derivative financial instruments (level 2)	36	28	–	28
		28	**177 374**	**177 402**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

And for 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)	19	1 589	–	1 589
- securitized beneficial interests	19	45 069	–	45 069
- long-term loans	19	–	11 928	11 928
- state and government institutions	19	–	4 306	4 306
- trade accounts receivable - long-term portion	19	–	3 951	3 951
- guarantee deposits	19	–	1 846	1 846
- prepaid expenses and accrued income (long-term)	19	–	71	71
Trade accounts receivable	22	–	103 654	103 654
Other current assets:				
- state and government institutions	23	–	17 087	17 087
- other receivable (third and related parties)	23	–	3 407	3 407
Cash and cash equivalents	25	–	56 376	56 376
		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	28	–	10 484	10 484
Long-term lease obligations	16	–	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	16	–	14 159	14 159
Trade accounts payable	33	–	84 190	84 190
Other current liabilities:				
- payable to pension fund	35	–	7 592	7 592
- other payables	35	–	17 030	17 030
- accrued expenses	35	–	88 735	88 735
- current income tax		–	2 106	2 106
Derivative financial instruments (level 2)	36	45	–	45
		1 724	537 022	538 746

45. 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)

The table below illustrates the three hierarchical levels for valuing financial instruments carried at fair value:

In USD'000		Note	31.12.2024	31.12.2023
Financial assets at fair value through profit or loss:				
- equity instuments with no quoted market price	level 3	19	1 162	1 589
- securitized beneficial interests	level 3	19	33 162	45 069
Total financial assets			**34 324**	**46 658**
Financial liabilities:				
- derivative financial instruments	level 2	36	28	45
- contingent consideration (long-term portion)	level 3	30	–	1 679
Total financial liabilities			**28**	**1 724**

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. 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. Level 3 contingent consideration consisted of earn-out payments on companies that have been acquired by the Public Access segment and were divested during 2024 with the sale of SKIDATA (note 41).

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, 2023	**–**	**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**
Sale of receivables	400 909	–	–
Change in cash in SPE account	2 172	–	–
Settlement of trade receivables, net	-408 684	–	–
Interest income (recognized in other finance income/(expense), net)	2 825	–	–
Interest received	-3 005	–	–
Remeasurement (recognized in other finance income/(expense), net)	-2 945	–	–
Purchase discount (recognized in other finance income/(expense), net)	-5 201	–	–
Decrease in scope	–	-336	1 679
Currency translation adjustment	2 022	-91	–
Balance at December 31, 2024	**33 162**	**1 162**	**-0**

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

46. 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
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Bonds	–	175 317	–	–	–	–	–	-2 688	–	172 629
Long-term bank loans	–	–	–	11 198	–	–	–	-714	–	10 483
Other long-term financial liabilities	–	–	5 208	5 159	–	6 335	–	-1 709	5 208	9 786
Short-term financial debt	673	55 013	–	–	–	–	–	-1 623	673	53 390
Other short-term financial liabiliities	–	5 015	–	–	–	–	–	–	–	5 015
Trade accounts payable	30 414	84 190	–	–	–	–	–	–	30 414	84 190
Payable to pension fund	1 608	7 592	–	–	–	–	–	–	1 608	7 592
Accrued expenses	57 259	88 735	–	–	–	–	–	–	57 259	88 735
Other payables	12 443	17 030	–	–	–	–	–	–	12 443	17 030
Lease obligations	11 419	14 412	30 824	36 608	34 683	51 303	-8 562	-14 263	68 363	88 061
Derivatives	28	45	–	–	–	–	–	–	28	45
Total	**113 843**	**447 350**	**36 032**	**52 965**	**34 683**	**57 639**	**-8 562**	**-20 998**	**175 995**	**536 956**

47. 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% (2023: 10%) increase and decrease in the CHF and a 10% (2023: 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	2024	2023	2024	2023
Post-tax net income				
- Increase	-4 750	4 415	4 321	-8 513
- Decrease	4 637	-4 415	-4 321	8 513
Comprehensive income (post-tax effect)				
- Increase	–	-1 450	–	4 351
- Decrease	–	1 450	–	-4 351

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 (2023: 100 basis points increase or 100 decrease)
- EUR: increase of 100 basis points and decrease of 100 basis points (2023: 100 basis points increase or 100 decrease)
- CHF: increase of 100 basis points and decrease of 100 basis points (2023: 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, 2024 would increase by kUSD 956 and decrease by kUSD 956, respectively. (2023: decrease by kUSD 18 and increase by kUSD 18). This is mainly due to the interest rate exposure of the Group's interest-bearing cash balances.
- other comprehensive income would not be impacted in 2024 and 2023.

Equity prices

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

48. COLLATERAL RECEIVED AND GIVEN

In USD'000	31.12.2024	31.12.2023
Guarantees in favor of third parties	2 991	5 408

49. RISK CONCENTRATION

At December 31, 2024 and 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 20 and note 45).

50. 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, 2024 was representative of the Group risk profile at that date and is determined by Group management to be representative for future periods.

51. 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 through various metrics, including operating cash flow. The operating cash flow to net financial debt ratio is currently not a relevant metric as the Group does not have any net financial debt: as of end of 2024, the Group had a net cash position of USD 126.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

52. NET DEBT RECONCILIATION

In USD'000	31.12.2024	31.12.2023
Cash and cash equivalents	126 336	56 376
Long-term financial debt	–	-10 483
Long-term lease obligations	-58 558	-73 901
Short-term financial debt	-673	-231 034
Short-term lease obligations	-9 805	-14 159
Net debt	**57 300**	**-273 202**

In USD'000	Note:	Cash and cash equivalents	Long-term debt	Short-term debt	Lease obligations	Total
Net debt at January 1, 2023		**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		–	–	–		–
Foreign exchange adjustments		-64	-5 401	-13 882	-5 754	-25 101
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**
Cash flows		73 930				73 930
Decrease in scope			9 374	20 307	17 005	46 686
Transfer from Payables and other current liabilities				4 297		4 297
Lease addition					-17 931	-17 931
Reimbursment of bank overdrafts, long-term loans and lease obligations			868	220 906	14 539	236 313
Increase in bank overdrafts, long-term loans				-16 435		-16 435
Termination of leasing contracts					1 010	1 010
Accrued interests				-596		-596
Foreign exchange adjustments		-3 970	242	1 946	5 075	3 292
Amortization of transaction cost less premium and gain on bond repurchase	28			-64		-64
Net cash / (debt) at December 31, 2024		**126 336**	**0**	**-673**	**-68 363**	**57 300**

53. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On February 4, 2025, the Group announced a reorganization of its operational structure following the divestment of SKIDATA during 2024. The transformation aligns with the Group's ongoing effort to strenghten its core digital security business and includes various cost-reduction measures including workforce reductions across the Group's business segments and corporate functions. The changes announced are expected to be substantially completed during the first half of 2025.

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 reorganization plan was communicated after the reporting period but before the financial statements were authorized for issue, it is considered a non-adjusting event. Therefore, no provisions or adjustments have been made to the financial statements for this event.

54. PRINCIPAL CURRENCY TRANSLATION RATES

	Year end rates used for the consolidated balance sheet		Average rates used for the consolidated income and cash flow statement	
	2024	2023	2024	2023
1 CHF	1.1049	1.1834	1.1354	1.1130
1 EUR	1.0397	1.1071	1.0816	1.0814
100 NOK	8.8136	9.8325	9.3006	9.4760
1 GBP	1.2550	1.2741	1.2778	1.2435
100 BRL	16.2413	20.5917	18.6271	20.0334
100 INR	1.1689	1.2021	1.1951	1.2109
1 SGD	0.7369	0.7580	0.7482	0.7447
1 AUD	0.6228	0.6832	0.6595	0.6645

55. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issuance on February 26, 2025.

56. PRINCIPAL OPERATING COMPANIES

Company	Place of incorporation	Activity	Digital TV	Cyber-security	Internet of Things	Public Access	Corporate	Percentage held 2024	Percentage held 2023
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				•		0	100
Kudelski SA	CH – Cheseaux	Holding, parent company of the Group					•	100	100
Kudelski Corporate, Inc.	US – Delaware	Support					•	M	100

These principal companies are all subsidiaries. In 2024, Kudelski Corporate Inc. was merged into Nagra USA LLC through a reverse merger.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2024

57. 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 2024

pwc

Report of the statutory auditor

to the General Meeting of Kudelski SA, Cheseaux-sur-Lausanne

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Kudelski SA and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2024, the consolidated balance sheet as at 31 December 2024, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

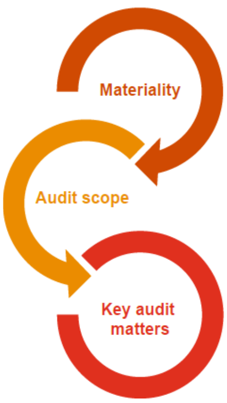
In our opinion, the consolidated financial statements pages 4 to 56 give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach



Overview

Overall group materiality: KUSD 1'950

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

As key audit matters the following areas of focus have been identified:

Goodwill impairment tests Cybersecurity, Internet of Things and Digital TV

Sale of SKIDATA

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.

PricewaterhouseCoopers SA, Avenue Charles-Ferdinand-Ramuz 45, 1009 Pully
Téléphone : +41 58 792 81 00, www.pwc.ch

pwc

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	KUSD 1'950
Benchmark applied	Total revenues
Rationale for the materiality benchmark applied	We have chosen Total revenues as a benchmark for determining materiality, as it represents an important characteristic and the Group had volatile results in the past. It is further a generally accepted benchmark.

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.

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 15 to the consolidated financial statements, the Group has goodwill totalling KUSD 205'367 at 31 December 2024, comprising KUSD 59'215 related to the Cybersecurity segment, KUSD 32'684 related to the Internet of Things segment and KUSD 113'469 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.	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.

Refer to note 2 – Critical accounting estimates and judgements and note 15 – Intangible assets for details of management's impairment test and assumptions.	- Reconciled the 5-year projections to the budget that was subject to scrutiny and approval by the Chairman of 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 segments. - Together with our specialists, we evaluated the reasonableness of the discount rates applied for the three segments. - 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. As a results of our procedures, we determined that the conclusions reached by management with regards to the recoverability of the carrying amounts of goodwill are reasonable and supportable.

Sale of SKIDATA

Key audit matter	How our audit addressed the key audit matter
As described in the Note 41 to the consolidated financial statements, the Group completed the sale of its interest in SKIDATA to ASSA ABLOY for total consideration of KUSD 339'261. Given the significance of the transaction on the consolidated financial statements, we consider the transaction to be a key audit matter for our audit The transaction involved a substantial proceeds from sale and required careful evaluation of the terms and conditions of the sale agreement.	We assessed the accounting and the related disclosures of the transaction in accordance with the relevant accounting standards by performing the following: - We read the sale agreement, including the terms and conditions of the transaction, to understand the nature of the sale and the consideration received by the entity. -We identified the risks associated with the accounting for the transaction, including the potential for overstatement or understatement of the net result, the carrying value of net assets sold, the transaction costs , and the completeness of disclosures. - We performed substantive testing to verify the accuracy and completeness of the sale transaction, including testing the underlying documentation. - We evaluated whether the sale transaction was accounted for in accordance with relevant accounting standards, and disclosure requirements. On the basis of the work performed, we concluded that the sale of SKIDATA was appropriately accounted for and disclosed in the consolidated financial statements.

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 do not express any form of assurance conclusion thereon.

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

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, ISA 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, ISA 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.

pwc

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of 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.

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

PricewaterhouseCoopers SA

Corinne Pointet Chambettaz Licensed audit expert Auditor in charge	Nicolas Daehler Licensed audit expert

Pully, 26 February 2025

BALANCE SHEET AT DECEMBER 31, 2024 AND 2023

ASSETS

In CHF'000	Notes	31.12.2024	31.12.2023
Current assets			
Cash and cash equivalents		4 161	2 253
Accounts receivable from Group companies		15 514	12 490
Other current receivables and prepaid expenses	3.2	229	489
Total current assets		**19 904**	**15 232**
Fixed assets			
Loans to Group companies		49 835	173 534
Loan to third parties	3.3	30 266	38 166
Investments	3.4	347 592	533 682
Total fixed assets		**427 693**	**745 382**
Total assets		**447 597**	**760 614**

SHAREHOLDERS' EQUITY AND LIABILITIES

In CHF'000	Notes	31.12.2024	31.12.2023
Short-term liabilities			
Short-term interest-bearing liabilities :			
- Bank, short-term borrowings		–	24 970
- Bond	3.5	–	145 925
Other short-term liabilities :			
- due to third parties		465	933
- due to Group companies		30 338	142 287
Accrued expenses		1 080	1 346
Short term provisions	3.6	–	11 819
Total short-term liabilities		**31 883**	**327 280**
Long-term liabilities			
Other long-term liabilities :			
- due to Group companies		34 127	39 282
Total long-term liabilities		**34 127**	**39 282**
Total liabilities		**66 010**	**366 562**
Shareholders' equity			
Share capital		448 652	448 177
Legal reserves:		–	
- from retained earnings		90 000	90 000
- from capital contribution		65 914	65 914
Retained earnings		-210 039	-23 537
Net (loss) / income		-12 941	-186 502
Total shareholders' equity	**3.7**	**381 587**	**394 052**
Total liabilities and shareholders' equity		**447 597**	**760 614**

INCOME STATEMENT AND PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2024

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

In CHF'000	Notes	2024	2023
Other non operating income		6	5
Financial income	4.1	36 733	4 730
Gain (loss) on sale of investments	4.2	171 108	–
Administrative and other expenses		-17 866	-3 055
Financial expenses and exchange result	4.3	-14 037	-4 580
Impairment of financial fixed assets	4.4	-188 266	-182 969
Income/(loss) before tax		**-12 322**	**-185 868**
Direct taxes (other than income tax)		-618	-634
Net income/(loss)		**-12 941**	**-186 502**

PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2024

In CHF'000	Legal reserves from capital contribu-tion	Retained earnings
Balance brought forward from previous year	65 914	-210 039
Net result	–	-12 941
Total available earnings	**65 914**	**-222 980**

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 2024

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 three buckets for impairment testing. The three buckets are the cash generating units, which are defined within the framework of the Group as the operating segments; Digital TV, Cybersecurity and Internet of Things (IoT).

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 2024

3. NOTES TO THE BALANCE SHEET

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.

3.2 OTHER CURRENT RECEIVABLES AND PREPAID EXPENSES

In CHF'000	31.12.2024	31.12.2023
Prepaid expenses	41	202
Other accounts receivable	188	287
	229	**489**

3.3 LOAN TO THIRD PARTIES

As of December 31, 2024, the loan to third parties includes kCHF 29 878 (2023: kCHF 37 804) 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 388 (2023: kCHF 362) correspond to a loan to another third party.

3.4 INVESTMENTS

DIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2024	2023
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
Nagra USA LLC / Kudelski Corporate Inc.	US – Phoenix	Holding	kUSD	10	100	100
SKIDATA GmbH	AT - Salzburg	Public access	kEUR	3 634	S	100
Kud Sàrl	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 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

In 2024, Kudelski Corporate Inc. was merged into Nagra USA LLC through a reverse merger.

NOTES TO THE FINANCIAL STATEMENTS 2024

SIGNIFICANT INDIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2024	2023
Nagra USA, LLC	US – Phoenix	Services, sales and support	kUSD	10	M	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	S	100
SKIDATA (Schweiz) AG	CH - Adliswil	Public access	kCHF	150	S	100
SKIDATA Inc.	US – Van Nuys	Public access	kUSD	5 510	S	100
SKIDATA Australasia Pty Ltd	AU – Melbourne	Public access	kAUD	5 472	S	100

3.5 BONDS

In CHF'000	2024	2023
Initial balance	**145 925**	**145 925**
Repurchase	–	–
Repayment	-145 925	–
Liability component as of December 31	**–**	**145 925**

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 fully repaid the bond in September 2024.

The 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 0 (2023: kCHF 11 819).

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, 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 increase	475	–	–	–	475
Net loss	–	–	–	-12 941	-12 941
As of December 31, 2024	**448 652**	**90 000**	**65 914**	**-222 980**	**381 587**

SHARE CAPITAL

In CHF'000	31.12.2024	31.12.2023
51'451'506 / 51'392'064 bearer shares, at CHF 8 each	411 612	411 137
46'300'000 registered shares, at CHF 0.80 each	37 040	37 040
	448 652	**448 177**

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	2024	2023
Conditional share capital as of January 1	83 374	85 076
Employee share purchase plan	-476	-590
Shares allotted to employees	–	-1 112
Conditional share capital at December 31	**82 898**	**83 374**
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:		
362'250 / 421'692 bearer shares, at CHF 8 each	2 898	3 374
	82 898	**83 374**

CAPITAL BAND (ARTICLE 7 OF ARTICLES OF INCORPORATION)

On April 19, 2024, the Annual General Meeting of the Company approved a capital band as a replacement of the authorized share capital. Until April 21, 2024, the authorized share capital was comprised of 3,768,164 bearer shares at CHF 8.00 per share and 3 200 000 registered shares at CHF 0.80 per share for the purpose of acquiring companies or parts of companies. Until and including April 19, 2029, the Board of Directors is authorized to conduct one or more increases and/or reductions of the share capital within the upper limit of CHF 492 994 160 and the lower limit of CHF 403 358 864, corresponding to issuance or cancellation of 5,139,206 bearer shares with a nominal value of CHF 8.00 each and 4 630 000 registered shares with a nominal value of CHF 0.80 each. In case of a capital increase, the Board of Directors would determine the number of shares, the date of issue of any such new shares, the issue price, type of contributions, the conditions of exercising subscription rights, and the beginning of the dividend entitlement.

NOTES TO THE FINANCIAL STATEMENTS 2024

MAJOR SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
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 STATEMENT

4.1 FINANCIAL INCOME

In CHF'000	2024	2023
Dividends received from Group subsidiaries	19 906	2 308
Foreign exchange gains	13 013	–
Interest on loans to Group subsidiaries	1 203	1 420
Income from the securitization program	2 487	1 002
Interest on loans to third parties	124	–
	36 733	**4 730**

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 ON SALE OF INVESTMENTS

2024 gain on sale of investments relates to the sale of SKIDATA GmbH (including all of its subsidiaries, but without SKIDATA Inc., which was owned by another Group entity) for a proceeds of kCHF 287 965. Direct transaction costs including stamp duty under this heading were at kCHF 1,367 while the investment value in the balance was at kCHF 115,490 resulting in a gain of kCHF 171,108.

4.3 FINANCIAL EXPENSES AND EXCHANGE RESULTS

In CHF'000	2024	2023
Net currency exchange result	–	12
Interest on loans from Group subsidiaries	-10 851	-707
Interest expenses and bank charges	-3 186	-3 886
	-14 037	**-4 580**

4.4 IMPAIRMENT OF FINANCIAL FIXED ASSETS

In CHF'000	2024	2023
Value adjustment on investments and loans to subsidiaries	185 600	181 491
Provision on loan to third parties	2 666	1 478
	188 266	**182 969**

As part of our 2024 impairment assessment, we concluded that the recoverable amounts of the Digital TV and Internet of Things were lower than their respective carrying value. Consequently, we recognized an impairment charge of kCHF 166 600 (2023: kCHF 171 428) for the Digital TV cash-generating unit and kCHF 19 000 (2023: kCHF 12 386) for the Internet of Things cash-generating unit. 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	31.12.2024	31.12.2023
Guarantee commitments		
Commitment in favor of third parties and Group companies	400	30 196
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 2024 and 2023 did not exceed ten people.

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the financial statements 2024

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 2024, 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 63 to 71 comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: KCHF 4'475

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 matters the following areas of focus have been identified:

Valuation of investments in subsidiaries and loans to Group companies

Sale of SKIDATA

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.

PricewaterhouseCoopers SA, Avenue Charles-Ferdinand-Ramuz 45, 1009 Pully
Téléphone : +41 58 792 81 00, www.pwc.ch

pwc

Overall materiality	KCHF 4'475
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because Kudelski SA is a holding company that mainly holds investments in subsidiaries. Total assets is a generally accepted benchmark for determining the materiality according to auditing standards.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries and loans to Group companies

Key audit matter	How our audit addressed the key audit matter
Kudelski SA's investments and loans to Group companies are valued at KCHF 347'592 and KCHF 49'835 respectively. The Company has allocated the investments in subsidiaries and loans to Group companies to three Cash Generating Units (CGUs): Digital TV (DTV), Cybersecurity (CS),Internet of Things (IoT). We focused on these areas in view of the significance of the amounts involved, some business segments' operating performance during 2024 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 judgment of growth rates. Refer to note 2 – Accounting policies: Financial Assets and note 4.4 – Impairment of financial fixed assets.	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 three 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 reasonableness 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 Chairman of the Board of Directors and gained an understanding of the process undertaken to develop the projections. - 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.

Sale of SKIDATA

Key audit matter	How our audit addressed the key audit matter
As described in the Note 4.2 to the financial statements, the Group completed the sale of its interest in SKIDATA (including all of its subsidiaries, but without Skidata Inc., which was owned by another Group entity) to ASSA ABLOY for total consideration of KCHF 287'965. This sale during the year ended 31 December 2024, was identified as a key audit matter due to the significant impact on the financial statements associated with the transaction. The sale involved a substantial consideration and required careful evaluation of the terms of the sale agreement.	We assessed the accounting and the related disclosures of the transaction in accordance with the relevant accounting standards by performing the following: - We read the sale agreement, including the terms and conditions of the transaction, to understand the nature of the sale and the consideration received by the entity. -We identified the risks associated with the accounting for the transaction, including the potential for overstatement or understatement of the net result, the carrying value of net assets sold, the transaction costs, and the completeness of disclosures. - We performed substantive testing to verify the accuracy and completeness of the sale transaction, including testing the underlying documentation. - We evaluated whether the sale transaction was accounted for in accordance with relevant accounting standards, and disclosure requirements. On the basis of the work performed, we concluded that the sale of SKIDATA was appropriately accounted for and disclosed in the financial statements.

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 do not express any form of assurance conclusion thereon.

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

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

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

Based on our audit according to article 728a para. 1 item 2 CO, we confirm that the Board of Directors' proposal complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Corinne Pointet Chambettaz	Nicolas Daehler
Licensed audit expert	Licensed audit expert
Auditor in charge	

Pully, 26 February 2025

KUDELSKI SA
22-24, Route de Genève · P.O. Box 134 · 1033 Cheseaux · Switzerland
T +41 21 732 01 01 · F +41 21 732 01 00 · info@nagra.com · www.nagra.com