KUDELSKI GROUP
FINANCIAL STATEMENTS
2023

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

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

Earnings per share (in USD)

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

In USD'000	2023	2022
Net income	**-24 508**	**-16 255**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	-19 443	-19 891
Cash flow hedges, net of income tax	-84	-66
	-19 526	**-19 956**
Other comprehensive income never to be reclassified into the consolidated income statement in subsequent periods:		
Remeasurements on post employment benefit obligations, net of income tax	-15 533	18 095
	-15 533	**18 095**
Total other comprehensive income, net of tax	**-35 059**	**-1 861**
Total comprehensive income	**-59 567**	**-18 116**
Attributable to:		
Shareholders of Kudelski SA	-64 726	-22 441
Non-controlling interests	5 158	4 325

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

CONSOLIDATED BALANCE SHEETS
(AT DECEMBER 31, 2023 AND 2022)

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

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

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

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

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

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

In USD'000	Notes	Share capital	Share premium	Retained earnings	Fair value and other reserves	Currency translation adjustment	Non-controlling interests	Total equity
January 1, 2022		**340 484**	**64 565**	**-32 708**	**-2 532**	**-8 180**	**35 033**	**396 662**
Net income		–	–	-20 661	–	–	4 406	-16 255
Other comprehensive income		–	–	18 095	-66	-19 810	-81	-1 861
Total comprehensive income		**–**	**–**	**-2 565**	**-66**	**-19 810**	**4 325**	**-18 116**
Employee share purchase program	39	552	-384	–	–	–	–	168
Shares issued to employees	39	3 155	-2 193	–	–	–	–	962
Dividends paid to shareholders	38	–	-2 999	-2 999	–	–		-5 999
Dividends paid to non-controlling interests		–	–	–	–	–	-12 105	-12 105
December 31, 2022		**344 190**	**58 989**	**-38 273**	**-2 598**	**-27 990**	**27 254**	**361 573**
Net income		–	–	-29 396	–	–	4 888	-24 508
Other comprehensive income		–	–	-15 533	-84	-19 714	271	-35 059
Total comprehensive income		**–**	**–**	**-44 929**	**-84**	**-19 714**	**5 158**	**-59 567**
Employee share purchase program	39	657	-552	–	–	–	–	105
Shares issued to employees	39	1 238	-983	–	–	–	–	255
Dividends paid to non-controlling interests		–	–	–	–	–	-4 450	-4 450
December 31, 2023		**346 084**	**57 454**	**-83 201**	**-2 681**	**-47 703**	**27 050**	**297 003**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

1. SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation

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

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

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

(B) Going concern

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

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

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

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

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

(C) Group accounting

(a) Subsidiaries

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

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

(b) Business combinations

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Associates

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

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

(D) Foreign currencies

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

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

Income, expense and cash flows of the consolidated companies have been translated into U.S. dollars using average exchange rates. Assets and liabilities are translated at the closing rate at the date of the balance sheet. All resulting translation differences, including those arising from the translation of any net investment in foreign entities, are recognized in other comprehen-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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

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

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

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

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

(b) Software, licenses and royalties
Revenue from software sales is recognized at the point in time when the customer acquires the right to use the software under license and control transfers to the customer. Revenue from licensing arrangements is recognized upon commencement of the term of the license agreement or when the renewal term begins, as applicable. Royalty revenue is recognized upon sale or usage of the product to which the royalty relates.

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

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

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

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

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

(d) Significant financing components

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

(e) Variable consideration

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

(f) Interest income

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

(F) Government grants

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

(G) Cost of material, licenses and services

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

Cost of licenses includes amounts charged by external suppliers for 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.

(H) Derivative financial instruments

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

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

(a) Derivatives that do not qualify for hedge accounting

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

(b) Cash flow hedge

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

have similar critical terms as the hedged items, such as reference rates, notional amounts and maturities.
Changes in intrinsic value of derivative financial instruments that meet hedge qualifying criteria are recognized in the 'cash flow hedge reserve' within equity. Changes in fair value of derivative instruments attributable to time value are recognized in the 'cost of hedging reserve' within equity. The amounts accumulated in hedging reserves of OCI are reclassified to profit or loss in the same period during which the hedged expected future cash flow affects the income statement.

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

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

(I) Taxes

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

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

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

(J) Tangible fixed assets

(a) General

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

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

Technical equipment and machinery

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

Other equipment

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

Each assets' residual values and useful

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

(b) Fixed assets made available to clients

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

(c) Borrowing costs

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

(K) Intangible assets

(a) Goodwill

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

(b) Internal research and development

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

(c) External research and development

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

(d) Computer software

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

(e) Customer lists, Trademarks and Brands

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

(f) Other intangibles in connection with business combinations

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

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

(L) Leases

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

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

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

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

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

(M) Financial assets

(a) Classification

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

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

(b) Measurement

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

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

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

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

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

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

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

(c) Impairment

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

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

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

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

(N) Inventories

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

(O) Trade accounts receivable

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

(P) Contract assets

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

(Q) Cash and cash equivalents

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

(R) Share capital

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

(S) Borrowings

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

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

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

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of the loan as 'Other operating income'.

(T) Provisions

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

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

(U) Employee benefits

(a) Pension obligations

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

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

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

(b) Other long-term employee benefits

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

(c) Employee Share Purchase Program (ESPP)

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

(d) Profit sharing and bonus plan

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

(e) Other employee benefits

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

(V) Trade accounts payable

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

(W) Contract liabilities

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

(X) Dividends

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

(Y) Non-current assets held for sale

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

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

(Z) New and amended accounting standards and IFRIC interpretations

Standards and Interpretations effective in the current period and change in accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2022.

The Group has applied the following amendments and interpretations effective from January 1, 2023:

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

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

Standard and Interpretations in issue not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after January 1, 2024 or later periods, and which the Group has not early adopted. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of goodwill

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

Income tax and deferred tax assets

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

Retirement benefit plans

The Group sponsors pension and other retirement plans in various forms covering employees who meet eligibility requirements. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to these plans. The factors include both financial and demographical assumptions. Financial assumptions comprise discount rate, salary and expected pension increases, interest rate credited in savings accounts, and returns on plan as-

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sets. Demographic assumptions include employee turnover, retirement payment forms (capital vs. annuity), mortality tables and disability assumptions. Demographic assumptions are based on past experience. In addition, the Group's actuarial consultants use statistical information such as withdrawal and mortality rates for their estimates.

Assumptions used (note 29) may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants, among other factors. Depending on events, such differences could have a material effect on our total equity.

3. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

The Group does not enter into any financial transactions containing a risk that cannot be quantified at the time the transaction is concluded (it does not sell assets short). The Group only sells existing assets or hedges transactions and future transactions that are likely to happen. Future transaction hedges are contracted according to treasury policy based on a foreign exchange cash flow forecast. In the case of liquid funds, it writes options on assets it has, or on positions it wants to acquire, and for which it has the required liquidity. The Group therefore expects that any loss in value for these instruments would be generally offset by increases in the value of the hedged transactions.

(a) Foreign exchange risk

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

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

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

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

(b) Interest rates

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

Other price risks

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

Credit risk management

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

In 2023, the Kudelski Group with certain of its subsidiaries implemented a trade receivables securitization program (Program") with a financial institution. The Program is designed to enhance the Group's financial flexibility by providing an additional source of liquidity for its operations.. The Group defines counterparties as having similar characteristics if they are related entities. With the exception of the Program and of cash balances deposited with a highly rated bank, concentration of credit risk did not exceed 10% of gross monetary assets at the end of the year, . The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum amount of credit risk is the carrying amount of the financial assets.

Liquidity risk management

The Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. Exposure arises in the event that debt obligations cannot be met when due, or external borrowings cannot be refinanced.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

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4. OPERATING SEGMENTS

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

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

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

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

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

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

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

In USD'000	Digital TV 2023	Public Access 2023	Cyber-security 2023	Internet of Things 2023	Total 2023
Revenues from external customers	257 796	326 364	119 316	47 359	750 834
Other operating income - operating segments	6 817	3 040	–	790	10 647
Total segment revenue and other operating income	**264 613**	**329 403**	**119 316**	**48 149**	**761 482**
Cost of materials, licenses and services	-31 887	-135 741	-37 135	-24 481	-229 244
Operating expenses	-192 051	-166 415	-92 006	-36 616	-487 088
Operating income before depreciation, amortization and impairment	**40 676**	**27 247**	**-9 825**	**-12 948**	**45 149**
Depreciation, amortization and impairment	-11 132	-16 693	-2 181	-724	-30 729
Operating income - excluding corporate common functions	**29 544**	**10 554**	**-12 007**	**-13 672**	**14 420**
Corporate common function expenses					-16 462
Interest expense and other finance income/(expense), net					-19 321
Share of result of associates	-128	1 198	–	–	1 070
Income before tax					**-20 293**
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Total segment assets	**495 167**	**274 891**	**92 686**	**50 649**	**913 393**

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

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

GEOGRAPHICAL INFORMATION

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

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

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

REVENUE CATEGORIES

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

5. OTHER OPERATING INCOME

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

6. EMPLOYEE BENEFITS EXPENSE

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

7. OTHER OPERATING EXPENSES

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

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

9. INTEREST EXPENSE

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

10. OTHER FINANCE INCOME/(EXPENSE), NET

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

11. INCOME TAX EXPENSE

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

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

In USD'000	2023	2022
Income before tax	**-20 293**	**-10 390**
Expected tax calculated at domestic tax rates in the respective countries	587	1 707
Effect of income not subject to income tax or taxed at reduced rates	2 272	2 004
Effect of utilization of previously unrecognized tax asset on tax losses carried forward and temporary differences	5 105	3 559
Effect of temporary differences and tax losses not recognized and deferred tax assets written-off	-10 208	-11 604
Effect of changes in tax rates	-152	320
Effect of associates' result reported net of tax	86	174
Effect of disallowed expenditures	-1 352	-747
Effect of prior year income taxes	-80	-1 454
Effect of non-refundable withholding tax	-1 608	-772
Other	1 135	948
Tax expense	**-4 215**	**-5 865**

Income before tax for tax-transparent companies includes the full income before tax of non-fully-owned subsidiaries whose income taxes are paid by the subsidiaries' shareholders. However, the Group only recognizes its ownership percentage tax portion. The theoretical tax impact if the Group had recognized 100% of the taxes on these subsidiaries amounts to kUSD 1 055 (2022: kUSD 1 028) and is included in 'Other' in the above table.

The weighted average applicable tax rate decreased from 16.4% in 2022 to 2.9% in 2023. The decrease can be explained by a different profit split between countries.

12. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share

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

In USD'000	2023	2022
Net income attributable to bearer shareholders	-26 964	-18 945
Net income attributable to registered shareholders	-2 432	-1 715
Total net income attributable to equity holders	**-29 396**	**-20 661**
Weighted average number of bearer shares outstanding	51 343 469	51 145 414
Weighted average number of registered shares outstanding	46 300 000	46 300 000
Basic and diluted earnings per share (in USD)		
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	-0.5252	-0.3704
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	-0.0525	-0.0370

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

13. TANGIBLE FIXED ASSETS

In USD'000	Land	Buildings	Building improve-ments	Technical equipment and machinery	Other equipment	Total
GROSS VALUES AT COST						
As of January 1, 2022	**6 880**	**52 781**	**12 982**	**101 509**	**19 543**	**193 694**
Additions	–	217	2 545	788	1 142	4 692
Disposals and retirements	–	-13	-2 778	-23 077	-4 944	-30 813
Currency translation effects	–	-1 136	-161	-2 471	-468	-4 237
Reclassification & others	–	–	99	43	-142	–
As of January 1, 2023	**6 880**	**51 849**	**12 687**	**76 790**	**15 131**	**163 337**
Additions	–	10	930	1 987	1 275	4 202
Disposals and retirements	–	–	-995	-2 655	-1 403	-5 053
Currency translation effects	–	659	566	6 006	671	7 902
Reclassification & others	–	-399	423	298	-24	298
As of December 31, 2023	**6 880**	**52 120**	**13 612**	**82 425**	**15 649**	**170 686**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2022	**–**	**-12 357**	**-9 735**	**-81 561**	**-16 102**	**-119 754**
Systematic depreciation	–	-864	-1 195	-4 384	-1 218	-7 662
Impairment	–	–	–	–	-322	-322
Disposals and retirements	–	13	2 758	22 530	4 688	29 989
Currency translation effects	–	562	107	1 397	372	2 438
Reclassification & others	–	–	–	-142	142	–
As of January 1, 2023	**–**	**-12 646**	**-8 065**	**-62 160**	**-12 440**	**-95 311**
Systematic depreciation	–	-789	-1 454	-3 610	-1 237	-7 090
Impairment	–	–	-2	-748	–	-751
Disposals and retirements	–	–	965	3 368	1 358	5 691
Currency translation effects	–	-367	-272	-5 478	-537	-6 654
Reclassification & others	–	–	–	-24	24	–
As of December 31, 2023	**–**	**-13 802**	**-8 829**	**-68 653**	**-12 831**	**-104 114**
Net book values as of December 31, 2022	**6 880**	**39 203**	**4 622**	**14 630**	**2 691**	**68 026**
Net book values as of December 31, 2023	**6 880**	**38 318**	**4 784**	**13 772**	**2 818**	**66 571**
Useful life in years	Indefinite	10 – 50	4 – 8	4 – 10	4 – 7	

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

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

The Group reviews the estimated useful lives and residual values of its fixed assets on an ongoing basis, based upon, among other things, its experience with similar assets, conditions in the relevant market, and prevailing industry practice.

14. INTANGIBLE ASSETS

In USD'000	Technol-ogy	Customer lists, Trade-marks & Brands	Software	Goodwill	Other intangibles	Total
GROSS VALUES AT COST						
As of January 1, 2022	**123 964**	**72 000**	**70 234**	**350 977**	**443**	**617 618**
Additions	528	–	3 483	–	–	4 011
Disposals and retirements	-28 673	–	-1 562	–	–	-30 234
Currency translation effects	-3 819	-5 015	-1 311	-13 747	-19	-23 912
As of January 1, 2023	**92 000**	**66 985**	**70 844**	**337 230**	**425**	**567 483**
Additions	361	–	2 466	–	–	2 827
Disposals and retirements	-1 141	-2 158	-407	–	–	-3 706
Reclassification & others	-1 003	–	705	–	–	-298
Currency translation effects	8 146	-1 072	5 557	-2 283	17	10 365
As of December 31, 2023	**98 363**	**63 755**	**79 164**	**334 947**	**441**	**576 671**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2022	**-112 725**	**-57 204**	**-66 643**	**–**	**-439**	**-237 011**
Systematic amortization	-2 486	-5 119	-2 469	–	-3	-10 076
Impairment	–	–	-5	–	–	-5
Recovery of amortization on disposal and retirements	28 673	–	1 561	–	–	30 234
Currency translation effects	3 200	3 985	1 201	–	18	8 404
As of January 1, 2023	**-83 339**	**-58 338**	**-66 354**	**–**	**-424**	**-208 454**
Systematic amortization	-2 757	-4 607	-1 898	–	-1	-9 263
Recovery of amortization on disposal and retirements	495	1 078	322	–	–	1 895
Currency translation effects	-7 925	861	-5 352	–	-17	-12 433
As of December 31, 2023	**-93 526**	**-61 006**	**-73 283**	**–**	**-441**	**-228 256**
Net book values as of December 31, 2022	**8 661**	**8 647**	**4 489**	**337 230**	**1**	**359 028**
Net book values as of December 31, 2023	**4 837**	**2 749**	**5 882**	**334 947**	**–**	**348 415**
Useful life in years	4 – 10	5 – 10	3 – 4	Indefinite	4	

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

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

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

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

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

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

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

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

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

Cybersecurity
The Kudelski Security leadership team provided a 5-Year P&L forecast. To develop this plan, the leadership team reviewed and developed a forecast for each of its lines of business (technology, services, managed security) in each of the geographical areas of operation (US and EMEA). Management assumed growth rates by line of business and geography taking into account factors such as market outlook, positioning, growth investments and past track record. The gross margins for each business line are determined by projecting the anticipated business mix within each line. It is anticipated that managed security margins will continue to grow in line with historical patterns, while margins for technology and services are expected to remain stable at this year's levels. OPEX growth was determined taking into account the capacity required to deliver the planned revenue base and to sustain further growth. Group management evaluated and adjusted the forecast submission to take into account business development risks and to ensure that the strategic focus areas are in line with reasonable growth and spending assumptions.

In 2023, Cybersecurity maintained the strong gross profit momentum of the last few years. In line with prior years, Cybersecurity was able to continue growing its high value-added business lines, including in particular managed security services. Cybersecurity is expected to continue to benefit from favorable technology adoption trends and maintain a growth momentum. For planning purposes, 2024 gross profit growth is anticipated to be in line with previous years. Gross profit is then expected to continue to grow at lower rates in the double-digit rates range over the planning period, as the segment continues to gain traction in the higher margin managed security services space and innovation space.

Internet of Things (IoT)
The IoT business plan is built on the hypothesis that the asset tracking product line will contrinue to gain traction. Following exceptional growth rates in 2022 and 2023, the plan assumes that this business line will continue to grow at solid double digit rates over the planning period. However, average growth rates are anticipated to be a fraction of the historical rates. The Lab business is anticipated to contribute less than 10% of the total yearly revenues throughout the planning period. On the other hand, initiatives including in particular the commercialization of the KeyStream platform are anticipated to gradually gain traction and represent around 15-20% of total segment revenues in the late years of the planning period.

IoT revenue projections by business line are based on product sales projections and take into account the existing customer pipeline and backlog. Projections are subsequently adjusted at the Group management level to include contingencies related to the uncertainty of the business development. Operating cost assumptions are mainly based on the cost base required for the implementation of the current product roadmap as well as the further development of the product portfolio.
In 2023, the Internet of Things (IoT) segment delivered exceptional performance, nearly tripling its top-line figures and materially exceeding expectations. This surge was primarily propelled by RecovR, an asset tracking solution targeting car dealerships, notably securing a significant contract with CarMax, one of the largest dealerships in the US. The demand for RecovR remains robust, with the launch of RecovR for Keys further poised to drive sustained growth in 2024 and beyond. This strategic shift towards the flourishing asset tracking market led to a decreased emphasis on the Lab and Design business and the keySTREAM platform, resulting in stagnant revenues from these product lines compared to 2022. The Group expects growth momentum with solid double-digit growth rates to continue for the following years, driven by continued growth of its asset tracking product portfolio and volume deployments of the KeySTREAM platform.

Public Access
Public Access revenue assumptions are based on the observed structural development trends of existing products and customers. The SKIDATA management team developed sales and gross profit assumptions by region (APAC, Europe, Latin America, MEA, North America and Central) and validated these assumptions against projections by product groups (i.e., new facilities, modernizations and extensions, operational services, consumable products, SaaS). Projections are subsequently adjusted at the Group management level to include contingencies related to the uncertainty of the business development. Margin assumptions are derived from historical performance, pricing trends, and expected product mix. Operating cost assumptions are based on historical expenditures and projected based on anticipated business actions and outlook over the forecast period.
Public Access delivered a robust performance in 2023, growing revenues by over 16% compared to the previous year. Particularly notable was the US affiliate's recovery, marking a growth of close to 30% compared to its 2022 figures. Management expects this growth momentum to extend into 2024 and anticipates a return to historical revenue growth rates in the following years of the planning period.

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For Public Access, management believes that reasonably possible changes to any of the above key assumptions would not cause the operating segment's recoverable amount to fall below the carrying value of the segment.

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

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

15. LEASING

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

In USD'000	Land	Building & leasehold facilities	Vehicles	Equipment	Total
GROSS RIGHT-OF-USE ASSETS					
As of January 1, 2022	**820**	**73 564**	**7 977**	**306**	**82 667**
Additions	–	11 845	3 350	22	15 217
Disposals and retirements	–	-10 472	-2 591	-108	-13 171
Currency translation effects	-46	-2 083	-359	-25	-2 513
As of January 1, 2023	**774**	**72 854**	**8 377**	**195**	**82 200**
Additions	633	7 703	2 802	16	11 153
Disposals and retirements	-782	-10 563	-3 446	-107	-14 898
Currency translation effects	23	2 949	227	2	3 201
As of December 31, 2023	**648**	**72 943**	**7 959**	**105**	**81 655**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As of January 1, 2022	**-127**	**-26 959**	**-4 644**	**-191**	**-31 921**
Systematic depreciation	-38	-11 753	-2 381	-73	-14 245
Recovery of depreciation on disposal and retirements	–	10 472	2 506	108	13 087
Currency translation effects	6	1 081	213	16	1 316
As of January 1, 2023	**-158**	**-27 159**	**-4 306**	**-140**	**-31 763**
Systematic depreciation	-40	-11 223	-2 331	-32	-13 626
Recovery of depreciation on disposal and retirements	159	9 620	3 134	107	13 021
Currency translation effects	-2	-676	-108	-1	-787
As of December 31, 2023	**-40**	**-29 438**	**-3 611**	**-66**	**-33 155**
Net book values as of December 31, 2022	**616**	**45 695**	**4 071**	**55**	**50 437**
Net book values as of December 31, 2023	**607**	**43 505**	**4 348**	**40**	**48 500**
Useful life in years	4 – 10	2 – 15	2 – 5	2 – 5	

Lease costs are recorded in the income statement as depreciation expense in the amont of kUSD 13626 (2022: kUSD 14245) and interest expense of kUSD 2818 (2022: kUSD 2639), and are recognized in the cash flow statement as adjustments for net income non-cash items in operating activities. Lease payments of kUSD 15664 (2022: kUSD 16249) which represent the reduction of the lease liability are recognized in the cash flow statement as an outflow from financing activities. Operating lease costs relating to short-term leases of kUSD 6060 (2022: kUSD 6062) and low-value leases of kUSD 389 (2022: kUSD 293) remain fully recognized as an operational expense. The total cash outflow for leases in 2023 was kUSD 24988 (2022: kUSD 25243).

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

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

16. INVESTMENTS IN ASSOCIATES

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

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

		Interest held	
Name of associate	**Principal activity**	**2023**	**2022**
APT-SkiData Ltd, United Kingdom	Sales of Public Access products	26.0%	26.0%
SKIDATA Parking Systems, Hong-Kong	Sales of Public Access products	26.0%	26.0%
SKIDATA India Private Limited, India	Sales of Public Access products	49.0%	49.0%
SJack GmbH, Austria	Sales of Public Access products	26.0%	26.0%
Swiss Peak Experience SA, Switzerland	Sales of Public Access products	45.0%	45.0%
iWedia SA, Switzerland	Middleware for set-top-boxes	40.0%	40.0%
Kudelski Buildings Sàrl	Real estate company	22.5%	22.5%

SUMMARIZED FINANCIAL INFORMATION OF THE GROUP'S ASSOCIATES

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

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

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17. DEFERRED INCOME TAXES

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

In USD'000	31.12.2023	31.12.2022
Deferred tax assets	46 962	39 593
Deferred tax liabilities	-386	-1 120
	46 576	**38 473**

Movement on the deferred income tax account is as follows:

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

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

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

And for 2022:

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

UNRECOGNIZED TAX LOSSES CARRIED FORWARD

At the balance sheet date, the Group has unused tax losses and temporary differences of mUSD 1 615.4 (2022: mUSD 1 279.5) available for offset against future profits. A deferred tax asset has been recognized in respect of mUSD 331.1 (2022: mUSD 268.5) of such losses and temporary differences. The utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. No deferred tax asset has been recognized for the remaining mUSD 1 284.3 (2022: mUSD 1 011.0) due to the unpredictability of future profit streams. The amount of unused tax losses carried forward which have not been capitalized as deferred tax assets, with their expiry dates, is as follows:

In USD million	2023	2022
Expiration within:		
One year	202.2	23.3
Two years	78.7	114.7
Three years	155.7	139.9
Four years	34.1	142.4
Five years	11.0	31.3
More than five years	802.7	559.4
Total	**1 284.3**	**1 011.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

18. FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

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

The equity instruments are measured using a discounted cash flow method provided by the company on a yearly basis.

The effective interest rate on third party loans is 2.00% (2022: 1.90%). State and government institutions include government grants for R&D projects that will not be received within the next 12 months. The long-term portion of trade accounts receivable includes, among others, discounted revenues related to the licensing of the Group intellectual property portfolio.

19. TRADE RECEIVABLES SECURITIZATION

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

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

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

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

JUDGEMENTS RELATING TO CONSOLIDATION OF THE SPE

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

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

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

DERECOGNITION OF TRANSFERRED FINANCIAL ASSETS

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

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

20. INVENTORIES

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

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

Changes in inventories of finished goods and work in progress included in cost of material are kUSD 3 503 (2022: kUSD 15 712).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

21. TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

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

Before accepting a new customer, the Group performs a credit scoring to assess the potential customer's credit quality and defines specific credit limits. Limits and scoring are regularly reviewed. Furthermore, for low value added business deliveries, the Group usually works on a back to back basis.

The following table summarizes the movement in the provisions for impairment of trade accounts receivable and contract assets:

	Contract assets		Trade accounts receivable	
In USD'000	2023	2022	2023	2022
January 1,	**-2 334**	**-1 108**	**-15 194**	**-16 166**
Provision for impairment charged to income statement	-139	-1 250	-1 999	-4 486
Utilization	–	–	3 406	638
Reversal	956	44	193	4 562
Change in scope	–	–	226	–
Translation effects	-69	-20	-991	258
December 31,	**-1 587**	**-2 334**	**-14 358**	**-15 194**

The creation and release of the provision for impairment are included in other operating expenses in the income statement. Provisions recognized for the impairment of trade receivables amount to kUSD -1 999 (2022: kUSD -4 486). Amounts charged to the provision for impairment account are written-off when there is no expectation to recover additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade accounts receivables and contract assets. On that basis, the provisions for impairment of trade accounts receivable and contract assets as of December 31, 2023 and 2022 were determined as follows:

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

The expected loss rates are based on payment profiles of sales from the individual Group companies and corresponding historical credit losses. The average loss rates displayed above may vary due to the mix of outstanding receivables within the Group companies.

22. OTHER FINANCIAL ASSETS AT AMORTIZED COST

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

23. OTHER CURRENT ASSETS

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

24. CASH AND CASH EQUIVALENTS

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

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

25. SHARE CAPITAL

ISSUED AND FULLY PAID SHARE CAPITAL

The share capital consists of 51 392 064 (2022: 51 179 295) bearer shares at CHF 8.00 par value each and 46 300 000 (2022: 46 300 000) registered shares at CHF 0.80 par value each. Each share confers the right to vote and is fully paid up. The counter-value for the share capital is kUSD 346 084 (2022 kUSD 344 190).

The registered shares are neither listed nor traded on any stock exchange. The bearer shares have been listed on the main market of the SIX since August 2, 1999 (ticker: KUD, security number: 1 226 836; ISIN CH0012268360).

AUTHORIZED SHARE CAPITAL

The Board of Directors is authorized to increase the share capital in one or more stages until April 21, 2024 by a maximum amount of CHF 32 705 312 through the issuance of 3 768 164 bearer shares with a nominal value of CHF 8.00 per share and 3 200 000 registered shares with a nominal value of CHF 0.80 per share to be fully paid up. The issuance price, the nature of the contributions, the date from which new shares shall give entitlement to dividends and other modalities of any share issuance shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or abroad. All statutory restrictions on the transfer of shares are applicable to new registered shares.

CONDITIONAL SHARE CAPITAL

Conditional share capital consists of 10 000 000 (2022: 10 000 000) bearer shares at CHF 8.00 each to satisfy convertible bond exercise right and 421 692 (2022: 634 461) bearer shares at CHF 8.00 each to satisfy option exercise or share subscriptions to employees.

26. NON-CONTROLLING INTERESTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

27. LONG TERM FINANCIAL DEBT

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

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

28. BONDS

In May 2015, Kudelski SA issued a CHF 200 million bond with a subscription price of 100%, bearing an annual interest rate of 1.875% and maturing on August 12, 2022 at par. The proceeds amounted to kCHF 200 000 (kUSD 214 891) less issuance costs of kCHF 870 (kUSD 939) totaling an initial net proceed of kCHF 199 130 (kUSD 213 952) and resulting in an effective interest rate of 1.97%.

During 2022, the Group repurchased nominal value kUSD 12 700 relating to the 2015-2022 bond and on August 12, 2022, the Group reimbursed nominal value kUSD 183 308 relating to the 2015-2022 bond. Total cash paid relating to the repurchase and reimbursement, excluding accrued interest, was kUSD 196 043.

In September 2016, Kudelski SA issued an additional CHF 150 million bond with a subscription price of 100%, bearing an annual interest rate of 1.5% and maturing on September 27, 2024 at par. The proceeds amounted to kCHF 150’000 (kUSD 154 384) less issuance costs of kCHF 665 (kUSD 684) totaling an initial net proceed of kCHF 149’335 (kUSD 153 700) and resulting in an effective interest rate of 1.58%.

During 2022, the Group repurchased nominal value of kUSD 1 849 relating to the 2016-2024 bond. Total cash paid excluding accrued interest was kUSD 1 694. The gain on repurchase of kUSD 121 was included in ‘Other finance income/(expense), net’ in the consolidated income statement. There were no repurchases during 2023.

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

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

29. EMPLOYEE BENEFITS LIABILITIES

Defined benefit plan income, expense, plan assets and defined benefit obligations are determined by independent actuaries. Defined benefit obligations are calculated using the "Projected Unit Credit" method, and plan assets have been measured at fair market values. Most of the employee benefit obligation results from the Swiss pension plan.

SWITZERLAND

In addition to the legally required social security schemes, the Group has an independent pension plan. Swiss legislation prescribes that both the employer and the employee contribute a fixed percentage of the employee's insured salary to an external pension fund. Additional employers or employees' contribution may be required whenever the plan's statutory funding ratio falls below a certain level. The pension plan is run by a separate legal entity, governed by a Board of Trustees which consists of representatives nominated by the Group and by the active insured employees. The Board of Trustees is responsible for the plan design and the asset investment strategy. This plan covers all employees in Switzerland and is treated as a defined benefit plan with associated risks exposure being:

- Mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plan's liabilities. In order to minimize the risk, mortality assumptions are reviewed on a regular basis.
- Market and liquidity risks: these are the risks that the investments do not meet the expected returns over the medium to long term. This also encompasses the mismatch between assets and liabilities. In order to minimize the risks, the structure of the portfolios is reviewed on a regular basis.

ABROAD

Outside Switzerland, the Group sponsors thirteen (2022: twelve) other post-employment benefit plans treated as defined benefit plan according to IAS 19. Post-employment benefit plan may include jubilee and termination benefits. Other post-employment benefit plans are not funded.

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

In USD'000	31.12.2023	31.12.2022
Fair value of plan assets	260 738	222 221
Defined benefit obligation	-283 391	-226 883
Funded status	**-22 653**	**-4 662**
Other comprehensive income	27 591	42 547
Prepaid/(accrued) pension cost	-50 244	-47 209
Funded status	**-22 653**	**-4 662**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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

	31.12.2023	31.12.2022
Switzerland		
Financial assumptions:		
- Discount rate	1.50%	2.30%
- Rate of future increase in compensations	1.50%	1.50%
- Rate of future increase in current pensions	0.75%	0.75%
Demographic assumptions:		
- Interest rate credited on savings accounts	2.00%	2.00%
- Turnover *(on average)*	13.0%	12.0%
- Demographic basis	LPP 2020 generational probability risk for disability reduced 25%	LPP 2020 generational probability risk for disability reduced 25%
- Retirement payment form	67% pension 33% lump sum	75% pension 25% lump sum
Abroad		
- Discount rate	4.47%	4.12%
- Rate of future increase in compensations	4.91%	4.90%
- Turnover *(on average)*	7.5%	8.1%

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

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

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

A. Change in defined benefit obligation

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

Changes in demographic assumptions result from analysis of trends over the last six years and the impacts are disclosed in the above table under ‘Changes in demographic assumptions’. Other actuarial gains/(losses) are experience gains/(losses) arising due to differences between assumed and actual results.

B. Change in fair value of plan assets

In USD'000	2023	2022
Fair value of plan assets as of 1.1.	**222 221**	**244 445**
Interest income	5 328	835
Return on plan assets excluding interest income	5 354	-29 063
Employees' contributions	6 394	5 861
Employer's contribution	8 090	8 332
Benefit payments	-8 728	-4 424
Exchange rate difference	22 079	-3 764
Fair value of plan assets as of December 31,	**260 738**	**222 221**

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

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

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

Plan assets are quoted on liquid markets except for certain real estate assets. The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance and thus of generating income on a long-term basis in order to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments.

The expected benefit payments for the next ten years are as follows :

In USD'000	Switzerland	Abroad
2024	14 359	521
2025	13 868	172
2026	11 641	679
2027	13 912	275
2028	10 956	812
2029-2033	58 096	4 805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

The following table shows the sensitivity of the defined benefit pension obligations to the principal actuarial assumptions based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period:

	Change in 2023 year-end defined benefit obligation		Change in 2022 year-end defined benefit obligation	
	Switzerland	Abroad	Switzerland	Abroad
	In USD'000	In USD'000	In USD'000	In USD'000
50 basis point increase in discount rate	-20 121	-663	-16 129	-853
50 basis point decrease in discount rate	23 019	716	18 460	570
50 basis point increase in rate of salary increase	574	n/a	291	n/a
50 basis point decrease in rate of salary increase	-592	n/a	-319	n/a
50 basis point increase in rate of pension increase	12 919	n/a	10 096	n/a
50 basis point decrease in rate of pension increase	-11 417	n/a	-9 205	n/a
50 basis point increase of interest in saving accounts	7 586	n/a	6 301	n/a
50 basis point decrease of interest in saving accounts	-7 218	n/a	-5 984	n/a
50 basis point increase of turnover	-643	n/a	-78	n/a
50 basis point decrease of turnover	664	n/a	52	n/a

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

30. OTHER LONG TERM LIABILITIES

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

The effective interest rate on long-term loans is 0.00% (2022: 2.00%.)

Deferred and contingent consideration balances include the long-term portions of deferred fixed and contingent earn-out payments in connection with business acquisitions. Assumptions for contingent consideration include a discount rate of 10.0% and are dependent on the achievement of certain financial performance targets of the acquired companies and are reviewed by management on a periodic basis.

31. SHORT TERM FINANCIAL DEBT

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

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

32. TRADE ACCOUNTS PAYABLE

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

33. CONTRACT LIABILITIES

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

34. OTHER CURRENT LIABILITIES

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

35. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are only used for economic hedging purposes and not as speculative instruments. Where derivatives do not meet the hedge accounting criteria or where the Group chooses not to designate derivatives as hedging instruments, they are classfied as "held-for-trading" for accounting purposes and are accounted for at fair value through profit or loss.

	Assets		Liabilities	
In USD'000	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Cash flow hedge:				
- Foreign currency options	–	143	–	–
Held-for-trading:				
- Foreign currency options	–	–	–	-88
- FX swaps	–	–	-45	–
Total of derivatives financial instruments	**–**	**143**	**-45**	**-88**

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

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In USD'000	Cost of hedging reserve	Intrinsic value of options	Total hedge reserves
Balance at January 1, 2022	-7	158	151
Change in fair value of hedging instruments recognized in OCI	–	816	816
Cost of hedging deferred and recognized in OCI	-735	–	-735
Reclassified from OCI to profit or loss	7	-158	-151
Balance at December 31, 2022	**-735**	**816**	**81**
Reclassified from OCI to profit or loss	735	-816	-81
Balance at December 31, 2023	**–**	**–**	**–**

The amounts included in cost of hedging reserve relate to the time value of options. All the amounts in the hedging reserve are in respect of transaction-related items, namely forecast sales transactions. The notional amount of options qualifiying for hedge accounting amounted to mUSD 12 and mEUR 24 in 2023 (2022: mUSD 45 and mEUR 8) with maturities between January and October and average strike rate of USD/CHF 0.9880 and EUR/CHF 0.9953 in 2023 (2022: USD/CHF 0.9324 and EUR/CHF 0.9750). The foreign currency options are denominated in the same currency as the highly probable future sales transactions, therefore the hedge ration is 1:1. There was no hedge ineffectiveness during 2023 and 2022 relating to foreign currency options.

36. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

Restructuring provisions

Restructuring provisions in 2023 and 2022 primarily relate to headcount reduction measures impacting the Group's Digital TV operations.

Litigations and others

A number of Group companies are the subject of litigation arising out of the normal conduct of their business, as a result of which claims could be made against them. Such claims, in whole or in part, might not be covered by insurance. This provision disclosed in short-term covers legal fees and lawsuits and is valued according to management's best estimate.

Provision for warranty

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

37. RESEARCH AND DEVELOPMENT

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

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

38. DIVIDEND

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

39. EMPLOYEE SHARE PARTICIPATION PLANS

EMPLOYEE SHARE PURCHASE PROGRAM (ESPP)

The Group has set up a plan to allow employees of certain Group companies preferential conditions to buy Kudelski SA bearer shares. All such shares purchased, and the additional shares obtained through this plan, are subject to a three-year blocking period.

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

SHARES ISSUED TO EMPLOYEES

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

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40. RELATED PARTIES

Trading transactions

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated in consolidation and are not disclosed in this note.

During the year, Group entities entered into the following significant trading transactions with related parties, associates or joint ventures that are not members of the Group:

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

APT SKIDATA, SKIDATA Parking System Ltd and SKIDATA India Private Limited are sales representative companies for SKIDATA Group. iWedia SA is a partner in providing middleware and other software components for digital TV solutions. Audio Technology Switzerland SA is considered as a related party as some Kudelski Board members invested in the company. Kudelski Global Financing DAC is a special purpose entity established in connection with the Group's trade receivables securitization (refer to note 19). Fonds de prévoyance Kudelski-Nagra represents the Swiss pension plan.

Services provided to/by associates and other related parties are performed at arm's length. The associates are listed in note 16. Outstanding balances are unsecured and are repayable in cash.

Key management compensation

Key management includes directors (executives and non-executives) and members of the Executive Committee. The compensation paid or payable to key management is shown below:

In USD'000	2023	2022
Salaries and other short-term employees benefits	5 466	6 565
Post-employments benefits	68	61
Share-based payments	–	164
	5 533	**6 791**

41. SHAREHOLDINGS AND LOANS

PRINCIPAL SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Kudelski family pool	59%	59%	28%	28%
Kudelski family interests outside Kudelski family pool	4%	4%	7%	7%

The Kudelski family pool includes Mr. André Kudelski, Mrs. Marguerite Kudelski, Mrs. Isabelle Kudelski Haldy, Mrs. Irene Kudelski Mauroux and their respective descendants. The Kudelski family interests outside Kudelski family pool are two discretionary and irrevocable trusts of which the beneficiaries are family members of Mr. André Kudelski.

BOARD OF DIRECTORS AND MANAGEMENT

As of December 31, 2023 and 2022, the members of the Board of Directors and members of Group management had the following interest in the company (without including shares from 2023 and 2022 variable compensation - issued in 2023 and 2024 respectively):

	31.12.2023	31.12.2022
	Bearer shares	Bearer shares
Board of Directors		
Kudelski André, chairman (as member of the family pool)	10 962 923	10 922 923
Smadja Claude, vice chairman	1 300	1 300
Dassault Laurent, member	1 032 653	1 032 653
Foetisch Patrick, member	1 000	1 000
Kudelski Marguerite, (as member of the family pool)	see above	see above
Lescure Pierre, member	2 000	2 000
Ross Alec, member	1 250	1 250
Total board members	**12 001 126**	**11 961 126**
Management		
Kudelski André, CEO	see above	see above
Saladini Mauro, CFO	215 854	220 854
Solbakken Morten, COO	118 315	100 935
Goldberg Nancy, CMO	81 595	66 708
Total Management (excluding CEO)	**415 764**	**388 497**

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

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

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

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42. CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

And for 2022:

Assets as per balance sheet date December 31, 2022 (in USD'000)	Note	Financial assets at fair value through profit or loss	Financial Assets at amortized costs	Total 31.12.2022
Financial assets and non current assets:				
- equity instruments with no quoted market price (level 3)	18	1 137	–	1 137
- securitized beneficial interests	18	–	–	–
- long-term loans	18	–	11 928	11 928
- state and government institutions	18	–	4 317	4 317
- trade accounts receivable - long-term portion	18	–	4 597	4 597
- guarantee deposits	18	–	1 809	1 809
- prepaid expenses and accrued income (long-term)	18	–	90	90
Trade accounts receivable	21	–	152 909	152 909
Other current assets:				
- state and government institutions	22	–	25 800	25 800
- other receivable (third and related parties)	22	–	11 717	11 717
Cash and cash equivalents	24	–	62 167	62 167
Derivative financial instruments (level 2)	35	143	–	143
		1 280	**275 334**	**276 615**

Liabilities as per balance sheet date December 31, 2022 (in USD'000)	Note	Financial liabilities at fair value through profit or loss	Financial Liabilities at amortized costs	Total 31.12.2022
Long-term financial debt	27	–	182 262	182 262
Long-term lease obligations	15	–	75 035	75 035
Other long-term liabilities:				
- deferred consideration	30	–	1 547	1 547
- contingent consideration (level 3)	30	1 547	–	1 547
- loans and others	30	–	6 279	6 279
Short-term financial debt	31	–	76 793	76 793
Short-term lease obligations	15	–	13 777	13 777
Trade accounts payable	32	–	67 972	67 972
Other current liabilities:				
- payable to pension fund	34	–	1 583	1 583
- other payables	34	–	15 322	15 322
- accrued expenses	34	–	77 781	77 781
- current income tax		–	2 512	2 512
Derivative financial instruments (level 2)	35	88	–	88
		1 635	**520 862**	**522 497**

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS requires disclosure of fair value measurement by level according to the following fair value measurement hierarchy:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

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The table below illustrates the three hierarchical levels for valuing financial instruments carried at fair value as of December 31, 2023 and 2022:

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

The fair value of level 3 equity instruments with no quoted market price is determined using a discounted cash flow method provided by the company. Level 3 contingent consideration consists of earn-out payments on companies that have been acquired. The fair value is measured using projections reviewed by management and discount rate of 10.0% (2022: 10.0%). The fair value of securitized beneficial interests are determined using a discounted cash flow method provided by the control party which considers the credit quality of the underlying assets.

RECONCILIATION OF LEVEL 3 FAIR VALUES:

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

In USD'000	Securitized beneficial interests	Equity instruments with no quoted market price	Contingent liabilities
Balance at January 1, 2022	–	1 152	-1 255
Remeasurement (recognized in other finance income/(expense), net)	–	–	-175
Discount effect (recognized in interest expense)	–	–	-110
Currency translation adjustment	–	-15	-8
Balance at December 31, 2022	**–**	**1 137**	**-1 547**
Sale of receivables	334 823	–	–
Cash on SPE account	9 951	–	–
Funding drawn	-33 820	–	–
Settlement of trade receivables, net	-263 866	–	–
Acquisition	–	336	–
Interest income (recognized in other finance income/(expense), net)	1 128	–	–
Interest received	-797	–	–
Remeasurement (recognized in other finance income/(expense), net)	-1 749	–	-75
Purchase discount (recognized in other finance income/(expense), net)	-4 128	–	–
Discount effect (recognized in interest expense)	–	–	-113
Currency translation adjustment	3 527	116	55
Balance at December 31, 2023	**45 069**	**1 589**	**-1 679**

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values:

In USD'000	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Financial liabilities				
- CHF 150 million bond	172 629	124 916	157 610	137 791

44. MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

The following table analyses the Group's remaining contractual maturities for its non-derivative financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table below includes both interest and principal cash flows. The adjustment columns represent the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet. Balances due within one year equal their carrying amounts as the impact of discounting is not significant.

In USD'000	Due within 1 year	Due within 1 year	Due > 1 year < 5 years	Due > 1 year < 5 years	Due > 5 years	Due > 5 years	Adjustment	Adjustment	Total book value	Total book value
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Bonds	175 317	2 382	–	160 155	–	–	-2 688	-4 927	172 629	157 610
Long-term bank loans	–	–	11 198	26 193	–	–	-714	-1 631	10 483	24 562
Other long-term financial liabilities	–	–	5 159	6 752	6 335	5 684	-1 709	-2 072	9 786	10 364
Short-term financial debt	55 013	76 486	–	–	–	–	-1 623	-259	53 390	76 227
Other short-term financial liabiliities	5 015	656	–	–	–	–	–	–	5 015	656
Trade accounts payable	84 190	67 972	–	–	–	–	–	–	84 190	67 972
Payable to pension fund	7 592	1 583	–	–	–	–	–	–	7 592	1 583
Accrued expenses	88 735	77 781	–	–	–	–	–	–	88 735	77 781
Other payables	17 030	15 322	–	–	–	–	–	–	17 030	15 322
Lease obligations	14 412	14 054	36 608	37 781	51 303	51 965	-14 263	-14 989	88 061	88 812
Derivatives	45	–	–	–	–	–	–	–	45	–
Total	**447 350**	**256 237**	**52 965**	**230 881**	**57 639**	**57 649**	**-20 998**	**-23 879**	**536 956**	**520 889**

45. SENSITIVITY ANALYSIS

Foreign currency

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters utilizing derivative instruments.

The Group is mainly exposed to the CHF and the EUR. The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in the CHF and a 10% (2022: 10%) increase or decrease in the EUR compared to the presentation currency. The sensitivity rate used approximates the fluctuation considered by management when performing risk analysis. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at period end for the above mentioned change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in post-tax profit when the foreign currency strengthens against the relevant currency.

	CHF		EUR	
In USD'000	2023	2022	2023	2022
Post-tax net income				
- Increase	4 415	-8 427	-8 513	-7 178
- Decrease	-4 415	8 394	8 513	7 086
Comprehensive income (post-tax effect)				
- Increase	-1 450	-1 426	4 351	1 670
- Decrease	1 450	1 447	-4 351	-2 297

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Interest rates

The sensitivity analysis aims to disclose the impact of a market change in interest rates. The sensitivity analysis below is based on the exposure to interest rates for financial instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of financial instruments that have floating rates.

The following rates, corresponding to each currency, represent management's assessment of the reasonable possible change in interest rates for purposes of reporting interest rate sensitivity. Prior year sensitivity has been re-presented for comparison purposes:

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

If interest rates had been higher/lower on the above mentioned possible change in interest rates and all other variables were held constant, the Group's:

- post-tax profit for the year ended December 31, 2023 would decrease by kUSD 18 and increase by kUSD 18, respectively. (2022: decrease by kUSD 165 and increase by kUSD 55). This is mainly due to the interest rate exposure on floating rate debt.
- other comprehensive income would not be impacted in 2023 and 2022.

Equity prices

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

46. COLLATERAL RECEIVED AND GIVEN

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

47. RISK CONCENTRATION

At December 31, 2023, the Group had securitized beneficial interests relating to its trade receivables securitization program with exposure representing more than 10% of financial assets (refer to note 19 and note 43). At December 31, 2022, no financial asset exposure was more than 10% of the financial assets.

48. FINANCIAL INSTRUMENTS - UNREPRESENTATIVE RISK EXPOSURE AT REPORTING DATE

The quantative data required for IFRS 7 disclosures encompassing market, credit and liquidity risk for the year ended December 31, 2023 was representative of the Group risk profile at that date and is determined by Group management to be representative for future periods.

49. CAPITAL RISK MANAGEMENT

The Group's capital management focus is to maintain a sound capital base to support the continued development of its business. The Group is not subject to externally imposed capital requirements.

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. Group management monitors capital on the basis of operating cash flow as a percentage of net financial debt. Net financial debt is defined as current and non-current financial liabilities less liquid assets.

The operating cash flow to net financial debt ratio as at December 31, 2023 was 34.5% (2022: 0.8%).

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

50. NET DEBT RECONCILIATION

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

In USD'000	Note:	Cash and cash equivalents	Long-term debt	Short-term debt	Lease obligations	Total
Net debt at January 1, 2022		**284 489**	**-196 870**	**-240 023**	**-91 618**	**-244 022**
Cash flows		-205 437	–	–	–	-205 437
Reclassification		–	1 148	-1 148	–	
Lease addition		–	–	–	-15 173	-15 173
Reimbursment of bank overdrafts, long-term loans and lease obligations		–	10 412	205 646	18 888	234 946
Increase in bank overdrafts, long-term loans		–	–	-47 808	–	-47 808
Covid 19 subsidies		–	-534	–	–	-534
Termination of leasing contracts		–	–	–	137	137
Accrued interests		–	–	–	-2 256	-2 256
Foreign exchange adjustments		-16 885	3 610	6 554	1 209	-5 512
Amortization of transaction cost less premium and gain on bond repurchase	28	–	63	-104	–	-42
Net debt at December 31, 2022		**62 167**	**-182 172**	**-76 883**	**-88 812**	**-285 700**
Cash flows		-5 727	–	–	–	-5 727
Reclassification		–	162 350	-162 350	–	–
Transfer from Payables and other current liabilities		–	-1 046	-4 297	–	-5 343
Lease addition		–	–	–	-11 153	-11 153
Reimbursment of bank overdrafts, long-term loans and lease obligations		–	16 122	30 704	15 664	62 490
Increase in bank overdrafts, long-term loans		–	–	-4 326	–	-4 326
Covid 19 subsidies		–	-244	–	–	-244
Termination of leasing contracts		–	–	–	1 994	1 994
Accrued interests		–	–	–	-2 797	-2 797
Foreign exchange adjustments		-64	-5 401	-13 882	-2 957	-22 304
Amortization of transaction cost less premium and gain on bond repurchase	28	–	-92	–	–	-92
Net debt at December 31, 2023		**56 376**	**-10 483**	**-231 034**	**-88 061**	**-273 202**

51. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

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

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52. PRINCIPAL CURRENCY TRANSLATION RATES

	Year end rates used for the consolidated balance sheets		Average rates used for the consolidated income and cash flow statements	
	2023	2022	2023	2022
1 CHF	1.1834	1.0811	1.1130	1.0474
1 EUR	1.1071	1.0703	1.0814	1.0526
100 CNY	14.0828	14.4865	14.1346	14.8748
100 NOK	9.8325	10.1946	9.4760	10.4282
1 GBP	1.2741	1.2097	1.2435	1.2354
100 BRL	20.5917	18.9189	20.0334	19.4181
100 INR	1.2021	1.2059	1.2109	1.2728
1 SGD	0.7580	0.7459	0.7447	0.7254
100 ZAR	5.4201	5.8919	5.4257	6.1305
100 RUB	1.1302	1.3481	1.1856	1.4884
1 AUD	0.6832	0.6822	0.6645	0.6944

53. APPROVAL OF FINANCIAL STATEMENTS

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

54. PRINCIPAL OPERATING COMPANIES

Company	Place of incorporation	Activity	Digital TV	Cyber-security	Internet of Things	Public Access	Corporate	Percentage held 2023	2022
Nagravision Sàrl	CH – Cheseaux	Solutions for Digital TV and Cybersecurity	•	•	•			100	100
Nagra France SAS	FR – Paris	Solutions for Digital TV	•					100	100
Nagra USA, LLC	US – New York	Sales and support	•		•			100	100
Nagravision Asia Pte Ltd	SG – Singapore	Services	•					100	100
NagraStar LLC	US – Englewood	Smartcards and digital TV support	•					50	50
OpenTV Inc	US – Delaware	Middleware for set-top-boxes and IoT solutions	•		•			100	100
Nagravision AS	NO – Oslo	Solutions for Digital TV	•					100	100
Kudelski Security, Inc.	US – Minneapolis	Cybersecurity Solutions		•				100	100
SKIDATA Group	AT – Gartenau	People and car access systems				•		100	100
Kudelski SA	CH – Cheseaux	Holding, parent company of the Group					•	100	100
Kudelski Corporate, Inc.	US – Delaware	Support					•	100	100

These principal companies are all subsidiaries.

55. RISK ASSESSMENT DISCLOSURES REQUIRED BY SWISS LAW

REQUIRED BY SWISS LAW

Risk assessment and management is an integral part of the Group-wide enterprise risk management. The risk management approach is structured around a global risk assessment and management, and financial risk management. Both are governed by policies initiated by the Board of Directors. The internal control system is based on the COSO framework with a dedicated internal control team in place.

Global risk management
The global risk management process led to the identification and management of security, operational, strategic, asset and market risks. Daily management of the global risks is performed and monitored by the executive management. Risks related to market dynamics include foreign exchange movements, interest rate changes and financing risks. They are described in more detail in section 3 of this report.

Financial Risk Management
The major financial risks consist of accounting complexity and the control environment. Risks related to the control environment include information systems complexity, timely review of results and the robustness of the documentation of processes. Executive management continues to address these risks with process documentation initiatives as well as establishment of process and entity level controls. Financial risk management is described in more details in note 3.

The most critical accounting policies to address accounting complexity include revenue recognition, accounting for acquisitions and strategic alliances, intangible assets and impairments, tax provisions, equity based compensation and contingencies.

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements 2023

pwc

Report of the statutory auditor

to the General Meeting of Kudelski SA

Cheseaux-sur-Lausanne

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Kudelski SA and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2023, the consolidated balance sheet as at 31 December 2023, the consolidated cash flow statement, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

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

Material uncertainty related to going concern

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

Our audit approach

Overview	Overall Group materiality: USD 3'500'000 We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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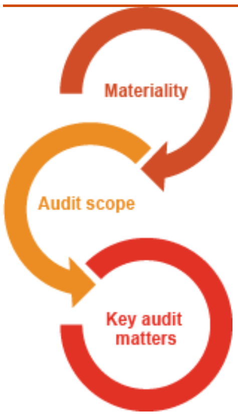


As key audit matter the following area of focus has been identified:
Goodwill impairment tests Cybersecurity, Internet of Things and Digital TV

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	USD 3'500'000
Benchmark applied	Total revenues
Rationale for the materiality benchmark applied	We have chosen revenue as a benchmark for determining materiality, as it represents an important characteristic and Kudelski Group had volatile results in the past.

Audit scope

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Goodwill impairment tests Cybersecurity, Internet of Things and Digital TV

Key audit matter	How our audit addressed the key audit matter
As described in Note 14 to the consolidated financial statements, the Group has goodwill totaling USD 334.9 million at 31 December 2023, comprising USD 61.7 million related to the Cybersecurity segment, USD 34.1 million related to the Internet of Things segment and 203.8 million related to the Digital TV segment. We focused on the goodwill related to Cybersecurity, Internet of Things and Digital TV in view of the significance of the amounts involved, and the judgement used by management to estimate future financial results. The assessment of the carrying value of the goodwill balances is highly dependent on management's estimate of the future cash flows expected to arise from the cash-generating unit (CGU) and a suitable discount rate. Refer to note 2 – Critical accounting estimates and judgements and note 14 – Intangible assets for details of management's impairment test and assumptions.	We assessed the Group's allocation of goodwill to the CGUs Cybersecurity, Internet of Things and Digital TV by assessing the reasonableness of the CGUs taking into consideration management reporting and that CGU's for goodwill impairment testing purposes are not larger than any of the Group's operating segments. We obtained the Group's impairment analysis for CGUs Cybersecurity, Internet of Things and Digital TV and performed the following procedures: - Assessed the mathematical accuracy of the model and traced amounts to underlying consolidated financial and other information, as applicable. - Assessed the reasonableness of the cash flow projections by comparing the actual results to prior year budget to identify in retrospect whether any of the assumptions might have been too optimistic. - Reconciled the 5-year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections. - We inquired with management to substantiate its key assumptions in the cash flow projections during the forecast period and its intention and ability to execute their strategic initiatives. - We assessed, with the support of our valuation specialists, the reasonableness of the cash flow growth rate after the forecast period assumption for the three divisions. - Together with our specialists, we evaluated the reasonableness of the discount rates applied for the three divisions. - We obtained the Group's sensitivity analyses around key assumptions to ascertain the effect of reasonably possible changes to those assumptions on the value in use estimates and re-calculated the sensitivity. - We reviewed and validated disclosures regarding goodwill and intangible assets in the Group's consolidated financial statements. Our audit approach allowed us to conclude on the goodwill impairment tests.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers SA

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

Lausanne, 21 February 2024

BALANCE SHEETS AT DECEMBER 31, 2023 AND 2022

ASSETS

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

SHAREHOLDERS' EQUITY AND LIABILITIES

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

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

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

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

PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2023

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

Proposal of the Board of Directors:
The Board of Directors propose to carry forward the legal reserves from capital contribution and the accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS 2023

1. INTRODUCTION

Kudelski SA, with registered office in Cheseaux, is the ultimate holding company of the Kudelski Group, which comprises subsidiaries and associated companies.

2. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of Kudelski SA, comply with the requirements of the Swiss accounting legislation of the Swiss Code of Obligations (SCO).

These financial statements were prepared under the historical cost convention and on an accrual basis.

Kudelski SA is presenting consolidated financial statements according to IFRS. As a result, these financial statements and notes do not include additional disclosures, cash flow statement and management report.

FINANCIAL ASSETS

Investments and loans are initially recognized at cost. They are assessed annually and in case of an impairment adjusted to their recoverable amount within their category.

Investments and loans are allocated to four buckets for impairment testing. The four buckets are the cash generating units, which are defined within the framework of the Group as the operating segments; Digital TV, Cybersecurity, Internet of Things (IoT) and Public Access.

The recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations. The calculations use cash flow projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates in perpetuity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and short-term deposits. Cash at bank consists of all funds in current accounts available within 48 hours. Short-term deposits generally include bank deposits and fixed term investments whose maturities are of three months or less from the transaction date.

EXCHANGE RATE DIFFERENCES

Transactions in foreign currencies are accounted for in Swiss francs (CHF) at the exchange rate prevailing at the date of the transaction. Assets and liabilities in foreign currencies are accounted for at year-end rates.

Any resulting exchange differences are included in the respective income statement caption depending upon the nature of the underlying transactions; the aggregate unrealized exchange difference is calculated by reference to original transaction date exchange rates and includes hedging transactions. Where this gives rise to a net loss, it is charged to the income statement, while net gains are deferred.

NOTES TO THE FINANCIAL STATEMENTS 2023

3. NOTES TO THE BALANCE SHEETS

3.1 GOING CONCERN

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

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

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

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

3.2 OTHER CURRENT RECEIVABLES AND PREPAID EXPENSES

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

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

3.3 LOAN TO THIRD PARTY

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

3.4 INVESTMENTS

DIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2023	2022
Nagravision Sàrl	CH – Cheseaux	Solutions for Digital TV	kCHF	20 000	100	100
Nagravision Iberica SL	ES – Madrid	Sales and support Digital TV	kEUR	3	100	100
Nagra France SAS	FR - Issy-Les-Moulin-eaux	Solutions for Digital TV	kEUR	10 472	100	100
Nagra Media Germany GmbH	DE – Ismaning	Services	kEUR	25	100	100
Kudelski Corporate Inc.	US – Phoenix	Holding	kUSD	0	100	100
SKIDATA GmbH	AT - Salzburg	Public access	kEUR	3 634	100	100
Nagra Plus SA in liquidation	CH – Cheseaux	Analog Pay-TV solutions	kCHF	0	–	L
SmarDTV SA	CH – Cheseaux	Conditional access modules and set-top-boxes	kCHF	1 000	–	M
Kud SA	LU – Luxembourg	Finance	kCHF	100	100	100
Nagravision Asia Pte Ltd	SG – Singapore	Services	kSGD	100	100	100
Nagra Media UK Ltd	UK – London	Research & development	KGBP	1 000	100	100
Nagravision Italy Srl	IT – Bolzano	Sales and support	kEUR	10	100	100
Nagra Travel Sàrl	CH – Cheseaux	Travel agency	kCHF	50	100	100
Nagravision India Pvt Ltd	IN – Bangalore	Research & development	kINR	100	100	100
Acetel Co Ltd	SK – Séoul	Digital broadcasting solution provider	kKRW	1 460	17	17
Nagra Media Beijing Co. Ltd	CN - Beijing	R & D, Sales and services	KCNY	9 032	100	100
Nagra Media Korea LLC	KR - Anyang	Sales and support	kKRW	200 000	100	100
Nagra Media Brasil LTDA	BR - São Paulo	Sales and support	kBRL	1 000	100	100
Nagra Media (Taiwan) Co., Ltd	TW - Taipei	Sales and support	kNTD	500	100	100
Nagravision AS	NO - Oslo	Solutions for Digital TV	kNOK	1 111	100	100
iWedia SA	CH - Lausanne	Solutions for Digital TV	kCHF	750	40	40
Kryptus Segurança da Informaçao Ltda.	BR - Sao Paulo	Cyber Security Solutions	kBRL	475	10	10
E.D.S.I. SAS	FR - Cesson Sévigné	Research & development	KEUR	163	100	100
Nagra Media Australia Pty Ltd	AU - New South Wales	Sales and support	kAUD	50	100	100
NexGuard Labs B.V.	NL - Eindhoven	Watermarking Solutions	kEUR	25	–	S
NexGuard Labs France SAS	FR - Cesson Sevigne	Watermarking Solutions	kEUR	420	100	100
Kudelski Security France	FR - Issy-Les-Moulin-eaux	Cyber Security Solutions	kEUR	1	100	100

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

NOTES TO THE FINANCIAL STATEMENTS 2023

SIGNIFICANT INDIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2023	2022
Nagra USA, LLC	US – Phoenix	Services, sales and support	kUSD	10	100	100
OpenTV Inc.	US - Delaware	Middleware for set-top-boxes	kUSD	112 887	100	100
NagraStar LLC	US – Englewood	Smartcards and digital TV support	kUSD	2 043	50	50
Kudelski Security Inc.	US - Minneapolis	Cyber Security Solutions	kUSD	0	100	100
SKIDATA Benelux BV	NL – Barenbrecht	Public access	kEUR	91	100	100
SKIDATA (Schweiz) AG	CH - Adliswil	Public access	kCHF	150	100	100
SKIDATA Inc.	US – Van Nuys	Public access	kUSD	5 510	100	100
SKIDATA Australasia Pty Ltd	AU – Melbourne	Public access	kAUD	5 472	100	100

3.5 BONDS

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

On May 12, 2015 the company issued a CHF 200 million bond with a subscription price of 100%, bearing an interest rate of 1.875% and maturing on August 12, 2022 with denominations of CHF 5 000 and multiples thereof. The Company repurchased kCHF 12 125 in nominal value of this bond in 2022 . On August 12, 2022, the Company reimbursed the outstanding balance nominal value of kCHF 172 475.

On September 27, 2016 the company also issued a CHF 150 million bond with a subscription price of 100%, bearing an interest rate of 1.5% and maturing on September 27, 2024 with denominations of CHF 5 000 and multiples thereof. The Company repurchased kCHF 0 in nominal value of this bond in 2023 (2022: kCHF 1 765).

Each bond is measured at its nominal value. The initial difference between nominal value and net proceeds less issuance costs is considered as a prepaid expense and allocated against the income statement over the period of the bond.

3.6 SHORT TERM PROVISIONS

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

3.7 CHANGE IN SHAREHOLDERS' EQUITY

In CHF'000	Share capital	Legal reserves from retained earnings	Legal reserves from capital contribution	Retained earnings	Total Shareholders' equity
As of December 31, 2021	**442 936**	**90 000**	**68 702**	**21 429**	**623 067**
Dividend	–	–	-2 787	-2 787	-5 574
Share capital increase	3 538	–	–	–	3 538
Net loss	–	–	–	-42 179	-42 179
As of December 31, 2022	**446 474**	**90 000**	**65 914**	**-23 537**	**578 852**
Share capital increase	1 702	–	–	–	1 702
Net loss	–	–	–	-186 502	-186 502
As of December 31, 2023	**448 177**	**90 000**	**65 914**	**-210 039**	**394 052**

SHARE CAPITAL

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

The registered shares are neither listed nor traded on any stock exchange. The bearer shares have been listed on the main market of the SIX since 2 August 1999 (ticker: KUD, security number: 1 226 836; ISIN CH0012268360).

CONDITIONAL SHARE CAPITAL (ARTICLE 6 OF ARTICLES OF INCORPORATION)

In CHF'000	2023	2022
Conditional share capital as of January 1	85 076	84 614
Increase of conditional share capital	–	4 000
Employee share purchase plan	-590	-527
Shares allotted to employees	-1 112	-3 012
Conditional share capital at December 31	**83 374**	**85 076**
Of which may be utilized as of December 31 for:		
- Convertible bonds:		
10'000'000 bearer shares, at CHF 8 each	80 000	80 000
- Options or share subscriptions to employees:		
421'692 / 634'461 bearer shares, at CHF 8 each	3 374	5 076
	83 374	**85 076**

AUTHORIZED SHARE CAPITAL (ARTICLE 7 OF ARTICLES OF INCORPORATION)

In CHF'000	31.12.2023	31.12.2022
3'768'164 bearer shares, at CHF 8 each	30 145	30 145
3'200'000 registered shares, at CHF 0.80 each	2 560	2 560
Authorized share capital as of December 31	**32 705**	**32 705**

The Board of Directors is authorized to increase the share capital in one or more stages until April 21, 2024, for the purpose of acquiring companies or parts of companies.

NOTES TO THE FINANCIAL STATEMENTS 2023

MAJOR SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Kudelski family pool	59%	59%	28%	28%
Kudelski family interests outside Kudelski family pool	4%	4%	7%	7%

The Kudelski family pool includes André Kudelski, Marguerite Kudelski, Isabelle Kudelski Haldy, Irene Kudelski Mauroux and their respective descendants. The Kudelski family interests outside Kudelski family pool are two discretionary and irrevocable trusts of which the beneficiaries are family members of André Kudelski.

4. NOTES TO THE INCOME STATEMENTS

4.1 FINANCIAL INCOME

In CHF'000	2023	2022
Dividends received from Group subsidiaries	2 308	4 101
Interest on loans to Group subsidiaries	1 420	1 169
Income from the securitization program	1 002	–
Gain on bonds repurchase	–	111
	4 730	**5 381**

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

4.2 GAIN (LOSS) ON SALE OF INVESTMENTS

2022 loss on sale of investments relates to the sale of NexGuard Labs BV, Netherland to another Group company.

4.3 FINANCIAL EXPENSES AND EXCHANGE RESULTS

In CHF'000	2023	2022
Net currency exchange result	12	12 157
Interest on loans from Group subsidiaries	-707	-612
Interest expenses and bank charges	-3 886	-4 979
	-4 580	**6 567**

4.4 IMPAIRMENT OF FINANCIAL FIXED ASSETS

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

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

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

5. COMMITMENTS AND CONTINGENCIES

In CHF'000	31.12.2023	31.12.2022
Guarantee commitments		
Commitment in favor of third parties and Group companies	30 196	33 450
Other commitments		
Penalty risk for non-completion of contracts	p.m.	p.m.
Subordinated loans in favor of Group companies	p.m.	p.m.
Support letters and guarantees signed in favor of Group companies	p.m.	p.m.
Jointly responsible for VAT liabilities of Swiss subsidiaries (VAT Group)	p.m.	p.m.

6. FULL-TIME EQUIVALENTS

The annual average number of full-time equivalents for 2023 and 2022 did not exceed ten people.

7. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

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

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the financial statements 2023

pwc

Report of the statutory auditor

to the General Meeting of Kudelski SA

Cheseaux-sur-Lausanne

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kudelski SA (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 64 to 72) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

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

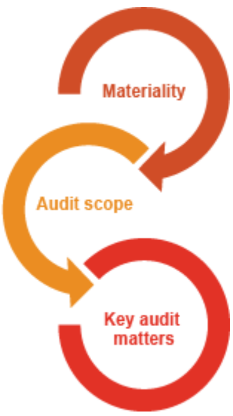
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

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

Our audit approach

Overview



Overall materiality: CHF 7'500'000

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

As key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries and loans to Group companies

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

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 7’500'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because Kudelski SA is a holding company that mainly holds investments in subsidiaries. Total assets is a generally accepted benchmark for determining the materiality according to auditing standards.

Audit scope

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of investments in subsidiaries and loans to Group companies

Key audit matter	How our audit addressed the key audit matter
Kudelski SA’s investments and loans to Group companies are valued at CHF 534 million and CHF 174 million respectively. The Company has allocated the investments in subsidiaries and loans to Group companies to four Cash Generating Units (CGUs): Digital TV (DTV): CHF 347 million Public Access (PA): CHF 191 million Cybersecurity (CS): CHF 89 million Internet of Things (IoT): CHF 81 million We focused on these areas in view of the significance of the amounts involved, some business segments’ operating performance during 2023 and the judgement used by management estimating future financial results. The recoverable amount of the investments and loans is determined by management based on value-in-use calculations, which depend on cash flow projects and	We obtained an understanding of management’s process and controls over the valuation of investments and loans to Group companies. We obtained the Group’s impairment analysis for all four CGUs and performed the following procedures: - Assessed the mathematical accuracy of the model and traced amounts to underlying financial and other information, as applicable. - Assessed the quality of the cash flow projections by comparing the actual results to prior year's budget to identify in retrospect whether any of the assumptions might have been too optimistic. - Reconciled the 5-year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor’s reports thereon. The annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

We further confirm that the proposed carry forward of the accumulated losses complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

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

Lausanne, 21 February 2024

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