KUDELSKI GROUP
FINANCIAL STATEMENTS 2021

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KUDELSKI GROUP CONSOLIDATED FINANCIAL STATEMENTS

KUDELSKI SA FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020)

In USD'000	Notes	2021	2020
Revenues	4	753 932	729 492
Other operating income	5	24 900	12 057
Total revenues and other operating income		**778 832**	**741 549**
Cost of material, licenses and services		-224 776	-211 675
Employee benefits expense	6	-386 152	-368 132
Other operating expenses	7	-95 547	-97 417
Operating income before depreciation, amortization and impairment		**72 356**	**64 325**
Depreciation, amortization and impairment	8	-42 128	-48 271
Operating income		**30 228**	**16 055**
Interest expense	9	-9 774	-10 397
Other finance income/(expense), net	10	2 107	-14 808
Share of result of associates	16	2 111	1 894
Income before tax		**24 672**	**-7 256**
Income tax expense	11	-3 222	-10 732
Net income for the period from continuing operations		**21 451**	**-17 989**
Net result from discontinued operations	36	-1 089	–
Net income for the period		**20 362**	**-17 989**
Attributable to:			
- Equity holders of the company		*14 592*	*-23 202*
- Non-controlling interests		*5 770*	*5 213*

Earnings per share (in USD)			
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	12	0.2637	-0.4220
- Continuing operations		*0.2834*	*-0.4220*
- Discontinued operations		*-0.0197*	*-*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	12	0.0264	-0.0422
- Continuing operations		*0.0284*	*-0.0422*
- Discontinued operations		*-0.0020*	*-*

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020)

In USD'000	2021	2020
Net income	**20 362**	**-17 989**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	-7 675	-2 725
Cash flow hedges, net of income tax	151	–
	-7 524	**-2 725**
Other comprehensive income never to be reclassified into the consolidated income statement in subsequent periods:		
Change in fair value of equity investments at fair value through other comprehensive income	–	315
Remeasurements on post employment benefit obligations, net of income tax	21 156	753
	21 156	**1 068**
Total other comprehensive income, net of tax	**13 631**	**-1 657**
Total comprehensive income	**33 993**	**-19 646**
Attributable to:		
Shareholders of Kudelski SA	28 168	-24 963
- Continuing operations	*28 168*	*-24 963*
- Discontinued operations	*-*	*-*
Non-controlling interests	5 825	5 317

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

CONSOLIDATED BALANCE SHEETS

(AT DECEMBER 31, 2021 AND 2020)

In USD'000	Notes	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Tangible fixed assets	13	73 940	127 704
Intangible assets	14	380 607	399 358
Right-of-use assets	15	50 746	41 639
Investments in associates	16	9 335	7 007
Deferred income tax assets	17	44 054	50 858
Financial assets at amortized cost	18	31 792	40 817
Financial assets at fair value through profit and loss	18	1 152	2 182
Other non-current assets	18	896	863
Total non-current assets		**592 523**	**670 427**
Current assets			
Inventories	19	54 378	59 197
Trade accounts receivable	20	163 514	184 476
Contract assets	20	36 733	44 582
Other financial assets at amortized cost	21	49 655	54 503
Other current assets	22	43 450	38 549
Derivative financial instruments	34	699	–
Cash and cash equivalents	23	284 489	152 584
Total current assets		**632 918**	**533 892**
Assets classified as held for sale	**36**	**–**	**12 777**
Total assets		**1 225 441**	**1 217 096**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	340 484	337 295
Reserves		21 145	1 156
Equity attributable to equity holders of the parent		**361 629**	**338 451**
Non-controlling interests	25	35 033	30 580
Total equity		**396 662**	**369 031**
Non-current liabilities			
Long-term financial debt	26	196 870	439 192
Long-term lease obligations	15	76 504	29 599
Deferred income tax liabilities	17	2 050	3 195
Employee benefits liabilities	28	24 715	48 817
Other long-term liabilities	29	10 070	9 979
Total non-current liabilities		**310 209**	**530 781**
Current liabilities			
Short-term financial debt	30	240 023	48 212
Short-term lease obligations	15	15 114	13 720
Trade accounts payable	31	68 586	67 732
Contract liabilities	32	83 298	69 873
Other current liabilities	33	105 718	109 521
Current income taxes		2 684	4 383
Derivative financial instruments	34	82	–
Provisions for other liabilities and charges	35	3 065	3 842
Total current liabilities		**518 569**	**317 283**
Total liabilities		**828 778**	**848 064**
Total equity and liabilities		**1 225 441**	**1 217 096**

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

CONSOLIDATED CASH FLOW STATEMENTS

(FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020)

In USD'000	Notes	2021	2020
Net income for the year		**20 362**	**-17 989**
Adjustments for net income non-cash items:			
- Current and deferred income tax		3 222	10 732
- Interests, allocation of transaction costs and foreign exchange differences		6 311	22 298
- Depreciation, amortization and impairment	8	42 128	48 271
- Share of result of associates	16	-2 111	-1 894
- Non-cash employee benefits (income) / expense		3 287	-4 832
- Deferred cost allocated to income statement		187	223
- Additional provisions net of unused amounts reversed		323	-747
- Non-cash government grant income		-4 265	-5 883
- Other non-cash (income) / expenses		-11 600	-7 204
Adjustments for items for which cash effects are investing or financing cash flows:			
- Other non-operating cash items		-12 843	-263
Adjustments for change in working capital:			
- Change in inventories		5 193	11 402
- Change in trade accounts receivable		29 198	64 827
- Change in trade accounts payable		-836	5 747
- Change in accrued expenses		-1 227	5 579
- Change in deferred costs and other net current working capital headings		18 341	4 807
Government grant from previous periods received		16 309	11 873
Dividends received from associated companies	16	1 911	398
Interest paid		-8 938	-9 259
Interest received		698	335
Income tax paid		-2 525	-5 834
Cash flow from operating activities		**103 127**	**132 588**
Purchases of intangible fixed assets		-6 474	-3 965
Purchases of tangible fixed assets		-7 417	-6 694
Proceeds from sales of tangible and intangible fixed assets		98 004	524
Proceeds from sale of investment property		11 352	–
Divestment of financial assets and loan reimbursement		1 306	1 575
Payment arising from prior years business combinations		–	-344
Acquisition of associated companies		-4 922	–
Cash flow from investing activities		**91 849**	**-8 903**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities		-75 661	-84 973
Increase in bank overdrafts, long-term loans and other non-current liabilities		42 591	65 103
Payments of lease liabilities		-14 756	-16 699
Proceeds from employee share purchase program	39	122	102
Acquisition of non-controlling interests		-355	–
Proceed from a partial sale of subsidiary not resulting in a loss of control		–	113
Dividends paid to non-controlling interests		-963	-10 224
Dividends paid to shareholders	38	-6 080	-5 692
Cash flow from financing activities		**-55 102**	**-52 270**
Effect of foreign exchange rate changes on cash and cash equivalents		-7 969	6 573
Net movement in cash and cash equivalents		**131 905**	**77 988**
Cash and cash equivalents at the beginning of the year	23	152 584	74 596
Cash and cash equivalents at the end of the year	23	284 489	152 584
Net movement in cash and cash equivalents		**131 905**	**77 988**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020)

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, 2020		**335 101**	**73 737**	**-41 839**	**-2 998**	**2 380**	**37 037**	**403 418**
Net income		–	–	-23 202	–	–	5 213	-17 989
Other comprehensive income		–	–	753	315	-2 829	104	-1 657
Total comprehensive income		**–**	**–**	**-22 449**	**315**	**-2 829**	**5 317**	**-19 646**
Employee share purchase program	39	438	-292	–	–	–	–	146
Shares issued to employees	39	1 756	-841	–	–	–	–	915
Dividends paid to shareholders		–	-2 846	-2 846	–	–		-5 692
Dividends paid to non-controlling interests		–	–	–	–	–	-10 224	-10 224
Transactions with non-controlling interests		–	–	1 664	–	–	-1 550	113
December 31, 2020		**337 295**	**69 758**	**-65 470**	**-2 683**	**-449**	**30 580**	**369 031**
Net income		–	–	14 592	–	–	5 770	20 362
Other comprehensive income		–	–	21 156	151	-7 731	56	13 631
Total comprehensive income		**–**	**–**	**35 748**	**151**	**-7 731**	**5 825**	**33 993**
Employee share purchase program	39	418	-242	–	–	–	–	176
Shares issued to employees	39	2 770	-1 911	–	–	–	–	859
Dividends paid to shareholders	38	–	-3 040	-3 040	–	–		-6 080
Dividends paid to non-controlling interests		–	–	–	–	–	-963	-963
Transactions with non-controlling interests		–	–	54	–	–	-409	-355
December 31, 2021		**340 484**	**64 565**	**-32 708**	**-2 532**	**-8 180**	**35 033**	**396 662**

Fair value and other reserves as of December 31, 2021 include kUSD -2 532 (2020: kUSD -2 683) of unrealized loss on financial assets at fair value through other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

1. SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation

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

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

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

(B) Group accounting

(a) Subsidiaries

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

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

(b) Business combinations

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

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

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

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

(c) Disposal of subsidiaries

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

d) Associates

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

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

(C) Foreign currencies

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

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

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

(D) Revenue recognition

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

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

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

(a) Hardware

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

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

(c) Services

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

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

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

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

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

(d) Significant financing components

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

(e) Variable consideration

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

(f) Interest income

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

(E) Government grants

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

(F) Cost of material, licenses and services

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

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

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

(G) Derivative financial instruments

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

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

(a) Derivatives that do not qualify for hedge accounting

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

(b) Cash flow hedge

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

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

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

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

(H) Taxes

Taxes reported in the consolidated income 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

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

(I) Tangible fixed assets

(a) General

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

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

Technical equipment and machinery

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

Other equipment

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

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

(b) Fixed assets made available to clients

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

(c) Borrowing costs

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

(J) Intangible assets

(a) Goodwill

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

(b) Internal research and development

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

(c) External research and development

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

(d) Computer software

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

(e) Customer lists, Trademarks and Brands

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

(f) Other intangibles in connection with business combinations

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

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

(K) Leases

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

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

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

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

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

(K) Financial assets

(a) Classification

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(N) Trade accounts receivable

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

(O) Contract assets

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

(P) Cash and cash equivalents

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

(Q) Share capital

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

(R) Borrowings

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

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

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

(S) Provisions

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

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

(T) Employee benefits

(a) Pension obligations

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

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

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sive income in the period in which they arise.

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

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

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

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

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

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

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

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

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

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

(Y) New and amended accounting standards and IFRIC interpretations
Standards and Interpretations effective in the current period and change in accounting policies
The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020.

The Group has applied the following amendments and interpretations effective from January 1, 2021:
• Covid-19-Related Rent Concessions - amendments to IFRS 16, and
• Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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, 2022 or later periods, and which the Group has not early adopted. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of goodwill

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

Income tax and deferred tax assets

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

Retirement benefit plans

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

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

3. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

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

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

(a) Foreign exchange risk

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

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

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

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

(b) Interest rates

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

Other price risks

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

Credit risk management

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

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

Liquidity risk management

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

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

In USD'000	Digital TV 2020	Public Access 2020	Cyber-security 2020	Internet of Things 2020	Total 2020
Revenues from external customers	345 416	295 099	85 275	3 703	729 492
Other operating income - operating segments	7 697	4 290	1	69	12 057
Total segment revenue and other operating income	**353 113**	**299 389**	**85 275**	**3 772**	**741 549**
Cost of materials, licenses and services	-46 816	-127 915	-36 827	-116	-211 675
Operating expenses	-209 428	-154 967	-65 941	-20 173	-450 509
Operating income before depreciation, amortization and impairment	**96 868**	**16 506**	**-17 492**	**-16 517**	**79 365**
Depreciation, amortization and impairment	-24 813	-17 754	-5 026	-678	-48 271
Operating income - excluding corporate common functions	**72 055**	**-1 248**	**-22 518**	**-17 195**	**31 094**
Corporate common function expenses					-15 039
Interest expense and other finance income/(expense), net					-25 205
Share of result of associates	1 069	825	–	–	1 894
Income before tax from continuing operations					**-7 256**
	31.12.2020	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Total segment assets	**665 830**	**340 909**	**139 261**	**37 832**	**1 183 832**

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In USD'000	31.12.2021	31.12.2020
Total segment assets	1 217 691	1 183 832
Cash and cash equivalents	2 284	14 257
Other current assets	403	161
Financial assets and other non-current assets	5 062	6 069
Asset of disposal group classified as held for sale	–	12 777
Total Assets as per Balance Sheet	**1 225 441**	**1 217 096**

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	2021	2020	31.12.2021	31.12.2020
Switzerland	50 562	49 118	36 311	68 809
United States of America	203 542	218 088	271 510	257 077
France	55 528	49 591	8 557	10 494
Netherlands	42 415	43 449	1 160	1 274
Italy	41 729	27 520	6 791	7 407
Germany	36 953	31 978	4 818	5 431
Rest of the world	323 203	309 749	186 378	226 078
	753 932	**729 492**	**515 525**	**576 570**

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	2021	2020	2021	2020	2021	2020	2021	2020
Europe	177 645	154 501	169 902	175 808	32 118	26 633	5 027	2 586
Americas	104 867	124 536	71 820	83 251	74 874	58 574	2 349	1 045
Asia and Africa	72 563	66 379	42 420	36 040	303	68	44	72
	355 075	**345 416**	**284 142**	**295 099**	**107 295**	**85 275**	**7 419**	**3 703**
Sale of goods	80 792	72 862	164 002	177 491	18 267	11 879	510	40
Services rendered	183 805	191 745	93 314	86 698	55 761	44 626	6 603	3 156
Royalties and licenses	90 479	80 809	26 826	30 910	33 267	28 769	306	508
	355 075	**345 416**	**284 142**	**295 099**	**107 295**	**85 275**	**7 419**	**3 703**

5. OTHER OPERATING INCOME

In USD'000	2021	2020
Government grants (research, development and training)	3 951	5 547
COVID-19 subsidies	530	793
Income from rental of property	4 137	4 309
Gain on disposal of assets	268	259
Gain on sale-and-leaseback	13 664	–
Contingent consideration received	547	–
Others	1 804	1 149
	24 900	**12 057**

6. EMPLOYEE BENEFITS EXPENSE

In USD'000	Note	2021	2020
Wages and salaries		314 653	305 468
Social security costs		43 748	43 047
Defined benefit plans expenses	28	10 483	1 347
Defined contribution plans expenses		7 799	8 262
Other personnel expenses		9 468	10 009
		386 152	**368 132**

7. OTHER OPERATING EXPENSES

In USD'000	2021	2020
Development and engineering expenses	10 925	10 290
Travel, entertainment and lodging expenses	16 502	14 885
Legal, experts and consultancy expenses	18 206	19 383
Administration expenses	27 369	24 813
Building and infrastructure expenses	11 632	10 706
Marketing and sales expenses	3 552	7 676
Taxes other than income tax	2 972	3 320
Change in provisions	-2 410	872
Insurance, vehicles and others	6 800	5 471
	95 547	**97 417**

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

In USD'000	Note	2021	2020
Land and buildings	13	2 555	2 528
Equipment and machines	13	7 808	9 767
Total depreciation and impairment of tangible fixed assets		**10 363**	**12 295**
Land and buildings	15	11 834	12 825
Vehicles, equipment and other	15	2 603	2 939
Total depreciation and impairment of right-of-use assets		**14 437**	**15 764**
Intangible assets	14	17 328	20 212
Total amortization and impairment on intangible fixed assets		**17 328**	**20 212**
Depreciation, amortization and impairment		**42 128**	**48 271**

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9. INTEREST EXPENSE

In USD'000	Note	2021	2020
Interest expense:			
- Bond 2015-2022	27	4 103	4 153
- Bond 2016-2024	27	2 542	2 503
- Net interest expense recognized on defined benefit plans	28	217	250
- Interest on lease obligations	15	1 255	1 416
- Other and bank charges		1 656	2 074
		9 774	**10 397**

10. OTHER FINANCE INCOME/(EXPENSE), NET

In USD'000	Note	2021	2020
Interest income		1 664	1 239
Net gains/(losses) on foreign exchange related derivative financial instruments		89	220
Net foreign exchange transaction gains/(losses)		1 572	-15 401
Others		-1 217	-865
		2 107	**-14 808**

11. INCOME TAX EXPENSE

In USD'000	Note	2021	2020
Current income tax		-75	-146
Deferred income tax	17	-668	-8 028
Non-refundable withholding tax		-2 479	-2 559
		-3 222	**-10 732**

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	2021	2020
Income before tax	**24 672**	**-7 256**
Expected tax calculated at domestic tax rates in the respective countries	-5 640	1 719
Effect of income not subject to income tax or taxed at reduced rates	2 603	2 759
Effect of utilization of previously unrecognized tax asset on tax losses carried forward and temporary differences	2 691	7 462
Effect of temporary differences and tax losses not recognized and deferred tax assets written-off	-2 852	-19 975
Effect of changes in tax rates	-410	-6
Effect of associates' result reported net of tax	–	90
Effect of disallowed expenditures	-2 278	-2 400
Effect of prior year income taxes	2 537	870
Effect of non-refundable withholding tax	-2 479	-2 559
Other	2 606	1 308
Tax expense	**-3 222**	**-10 732**

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 1 452 (2020: kUSD 1 454) and is included in 'Other' in the above table.

In response to the COVID-19 pandemic, various tax authorities allowed for carryback treatment of operating losses to generate refunds of previously paid income taxes. During 2020, the Group recognized a tax benefit of kUSD 3 635 in the United States and in Austria the Group recognized a tax refund of kUSD 1 426 due to operating losses incurred during the year.

The weighted average applicable tax rate decreased from 23.7% in 2020 to 22.9% in 2021. The decrease can be explained by a different revenue 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	2021	2020
Net income attributable to bearer shareholders	13 371	-21 248
- Continuing operations	*14 369*	*-21 248*
- Discontinued operations	*-997*	*-*
Net income attributable to registered shareholders	1 221	-1 954
- Continuing operations	*1 312*	*-1 954*
- Discontinued operations	*-91*	*-*
Total net income attributable to equity holders	**14 592**	**-23 202**
Weighted average number of bearer shares outstanding	50 707 298	50 354 857
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)	0.2637	-0.4220
- Continuing operations	*0.2834*	*-0.4220*
- Discontinued operations	*-0.0197*	*-*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	0.0264	-0.0422
- Continuing operations	*0.0284*	*-0.0422*
- Discontinued operations	*-0.0020*	*-*

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

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13. TANGIBLE FIXED ASSETS

In USD'000	Land	Buildings	Building improvements	Technical equipment and machinery	Other equipment	Total
GROSS VALUES AT COST						
As of January 1, 2020	**24 325**	**111 134**	**16 170**	**102 054**	**18 195**	**271 877**
Additions	–	1 595	855	2 888	1 356	6 694
Disposals and retirements	–	–	-744	-5 705	-2 419	-8 867
Currency translation effects	1 636	7 456	526	8 321	692	18 631
Reclassification & others	–	–	72	-2 698	2 616	-10
As of January 1, 2021	**25 961**	**120 185**	**16 879**	**104 859**	**20 440**	**288 324**
Additions	–	614	1 893	3 931	979	7 417
Disposals and retirements	-18 471	-64 308	-5 658	-2 131	-782	-91 350
Currency translation effects	-610	-3 709	-461	-5 345	-571	-10 696
Reclassification & others	–	–	329	194	-523	–
As of December 31, 2021	**6 880**	**52 781**	**12 982**	**101 509**	**19 543**	**193 694**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2020	**–**	**-45 677**	**-11 229**	**-75 142**	**-13 046**	**-145 094**
Systematic depreciation	–	-751	-1 777	-7 850	-1 917	-12 295
Disposals and retirements	–	2	629	5 683	2 209	8 523
Currency translation effects	–	-4 124	-382	-6 704	-545	-11 755
Reclassification & others	–	–	-8	2 363	-2 355	–
As of January 1, 2021	**–**	**-50 550**	**-12 767**	**-81 651**	**-15 654**	**-160 621**
Systematic depreciation	–	-848	-1 707	-6 015	-1 794	-10 363
Disposals and retirements	–	37 035	4 678	2 112	759	44 585
Currency translation effects	–	2 006	314	3 897	429	6 645
Reclassification & others	–	–	-253	95	158	–
As of December 31, 2021	**–**	**-12 357**	**-9 735**	**-81 561**	**-16 102**	**-119 754**
Net book values as of December 31, 2020	**25 961**	**69 635**	**4 112**	**23 209**	**4 787**	**127 704**
Net book values as of December 31, 2021	**6 880**	**40 424**	**3 247**	**19 948**	**3 441**	**73 940**
Useful life in years	Indefinite	10 – 50	4 – 8	4 – 10	4 – 7	

In USD'000	31.12.2021	31.12.2020
Corporate buildings on land whose owner has granted a permanent and specific right of use	8 618	12 497

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

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

14. INTANGIBLE ASSETS

In USD'000	Technol-ogy	Customer lists, Trade-marks & Brands	Software	Goodwill	Other intangibles	Total
GROSS VALUES AT COST						
As of January 1, 2020	**112 965**	**71 302**	**97 604**	**351 246**	**426**	**633 543**
Additions	2 674	–	1 291	–	–	3 965
Disposals and retirements	-17	-490	-32 866	–	–	-33 373
Reclassification & others	–	–	–	–	11	11
Currency translation effects	8 979	1 397	6 676	6 086	34	23 172
As of January 1, 2021	**124 601**	**72 210**	**72 705**	**357 332**	**471**	**627 317**
Additions	4 351	1 449	674	–	–	6 474
Disposals and retirements	–	–	-550	–	–	-550
Currency translation effects	-4 988	-1 658	-2 595	-6 354	-27	-15 623
As of December 31, 2021	**123 964**	**72 000**	**70 234**	**350 977**	**443**	**617 618**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As of January 1, 2020	**-103 889**	**-42 978**	**-78 840**	**–**	**-426**	**-226 133**
Systematic amortization	-2 670	-8 220	-9 318	–	-4	-20 212
Recovery of amortization on disposal and retirements	–	490	32 866	–	–	33 356
Currency translation effects	-8 156	-1 325	-5 456	–	-33	-14 971
As of January 1, 2021	**-114 714**	**-52 034**	**-60 749**	**–**	**-463**	**-227 959**
Systematic amortization	-2 247	-6 475	-8 602	–	-3	-17 328
Recovery of amortization on disposal and retirements	–	–	550	–	–	550
Currency translation effects	4 236	1 305	2 157	–	27	7 725
As of December 31, 2021	**-112 725**	**-57 204**	**-66 643**	**–**	**-439**	**-237 011**
Net book values as of December 31, 2020	**9 886**	**20 176**	**11 956**	**357 332**	**8**	**399 358**
Net book values as of December 31, 2021	**11 238**	**14 796**	**3 591**	**350 977**	**4**	**380 607**
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:

2021	Carrying amount	Period of cash flow projections	Annual sales growth	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Goodwill CGU						
Digital TV	214 492	5 years	-4% to 3%	Declining	1.5%	8.50%
Public Access	35 689	5 years	1% to 9%	Stable	2.0%	9.50%
Cybersecurity	64 948	5 years	15% to 25%	Improvement	2.2%	8.75%
IoT	35 848	5 years	50% to 123%	Improvement	2.2%	8.50%
	350 977					

2020	Carrying amount	Period of cash flow projections	Annual sales growth	Annual margin evolution	Terminal growth rate	Pre-tax discount rate
Goodwill CGU						
Digital TV	218 359	5 years	-6% to 4%	Declining	1.5%	8.75%
Public Access	36 359	5 years	4% to 6%	Stable	2.0%	10.00%
Cybersecurity	66 119	5 years	2% to 15%	Improvement	2.2%	8.75%
IoT	36 495	5 years	48% to 114%	Improvement	2.2%	8.50%
	357 332					

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. In the later years of the planning period, revenues are expected to stabilize and revert to growth, as emerging product lines (e.g. anti-piracy activities) gain traction.

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

Following a stabilization of the cybersecurity business in 2020, Cybersecurity delivered strong revenue growth in 2021. In addition to growing high value software based and service deployments as well as managed security and advisory services, Cybersecurity managed to stabilize its technology reselling business, posting a significant year-on-year growth. In 2022, Cybersecurity is expected to continue to benefit from favorable technology adoption trends and maintain momentum over the planning period, as the segment continues to gain traction in the higher margin managed security services space and innovation space.

Internet of Things (IoT)
The strategic shift of the IoT activities, including in particular the introduction of a new IoT Solutions product line, resulted in the development of a new business plan in 2020, mainly driven by the expected adoption of the segment's asset tracking solutions. In the new plan, the focus shifts to end-to-end IoT solutions, including in particular the asset tracking product set, with an assumption that IoT platform revenues will gain momentum in the later years of the planning period. In 2021, the IoT leadership team adjusted the prior year's plan, integrating the learnings from the launch of the net asset tracking business line and taking into account the impact of market factors such as COVID and supply chain constraints.

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

In 2021, IoT segment revenues more than doubled compared to the prior year, thus validating prior business plan assumptions. The Group expects strong growth momentum with solid two digit growth rates to continue for the following years, driven by the adoption of its asset tracking product portfolio and volume deployments of the KeySTREAM platform.

Public Access
Public Access revenue assumptions are based on continued development from 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. Of all our business units, Public Access is the most significantly affected by COVID-19, as large customers, including airports, shopping centers and stadiums, continued to postpone new deployments and asset refreshment projects. However, Public Access continues to provide a relevant portfolio of of products and services, which is expected to result in recovering revenues.

Operating cost assumptions are based on historical expenditures and projected based on anticipated business actions and outlook over the forecast period. During the last two years, the Group focused on the implementation of measures aimed at mitigating the negative business impact of the COVID-19 crisis. Structural measures, including in particular a tighter integration of SKIDATA market entities and central functions as well as a closer coordination with other Group activities were launched in 2020 and completed throughout 2021. Such measures are aimed at improving Public Access structural profitability and cash flow generation.

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Management believes that reasonably possible changes to any of the above key assumptions would not cause the operating segment's recoverable amount to fall below the carrying value of the segment, except for goodwill of Cybersecurity and IoT, for which material changes in recurring revenues and revenue growth assumptions could result in a potential goodwill impairment. Considering the high level of annual planned sales growth, a 16.3% reduction of the assumed annual growth rate in the Cybersecurity segment and a 8.0% reduction of the assumed annual growth rate in the IoT segment, without any adjustment of operating expenses, would lead to a value-in-use equal to the carrying amount of goodwill at the end of the planning period.

15. LEASING

In USD'000	31.12.2021	31.12.2020
Land and buildings	47 298	37 028
Vehicles, equipment and other	3 448	4 611
	50 746	**41 639**

In USD'000	Land	Building & leasehold facilities	Vehicles	Equipment	Total
GROSS RIGHT-OF-USE ASSETS					
As of January 1, 2020	**770**	**47 535**	**7 961**	**198**	**56 464**
Change in accounting policy	173	14 486	1 953	–	16 612
Disposals and retirements	–	-7 458	-1 465	-2	-8 926
Currency translation effects	81	1 794	557	11	2 442
As of January 1, 2021	**1 024**	**56 357**	**9 006**	**206**	**66 592**
Additions	–	23 607	1 673	117	25 398
Disposals and retirements	-135	-4 699	-2 189	-2	-7 025
Currency translation effects	-69	-1 701	-513	-15	-2 298
As of December 31, 2021	**820**	**73 564**	**7 977**	**306**	**82 667**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As of January 1, 2020	**-39**	**-12 304**	**-2 550**	**-54**	**-14 946**
Systematic depreciation	-45	-12 781	-2 888	-51	-15 764
Recovery of depreciation on disposal and retirements	–	5 611	1 203	2	6 816
Currency translation effects	-7	-789	-256	-7	-1 059
As of January 1, 2021	**-90**	**-20 263**	**-4 491**	**-110**	**-24 954**
Systematic depreciation	-45	-11 789	-2 513	-91	-14 437
Recovery of depreciation on disposal and retirements	–	4 234	2 097	2	6 332
Currency translation effects	8	858	263	8	1 138
As of December 31, 2021	**-126**	**-26 959**	**-4 644**	**-191**	**-31 921**
Net book values as of December 31, 2020	**934**	**36 094**	**4 514**	**96**	**41 639**
Net book values as of December 31, 2021	**693**	**46 605**	**3 333**	**116**	**50 746**
Useful life in years	4 – 10	5 – 10	2 – 5	2 – 5	

Lease costs are recorded in the income statement as depreciation expense in the amont of kUSD 14 437 (2020: kUSD 15 764) and interest expense of kUSD 1 255 (2020: kUSD 1 416), and are recognized in the cash flow statement as adjustments to net income non-cash items in operating activities. Lease payments of kUSD 14 756 (2020: kUSD 16 699) 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 5 822 (2020: kUSD 5 830) and low-value leases of kUSD 319 (2020: kUSD 218) remain fully recognized as an operational expense. The total cash outflow for leases in 2021 was kUSD 22 153 (2020: kUSD 24 163).

The Group's remaining contractual maturities of lease obligations at December 31, 2021 and 2020 are as follows:

In USD'000	2021	2020
Within one year	15 114	13 720
In the second to fifth year inclusive	38 950	24 340
More than five years	37 554	5 259
	91 618	**43 318**

SALE-AND-LEASEBACK TRANSACTIONS

In September 2021, the Group completed a sale-and-leaseback transaction involving a satellite office building located in Lausanne, Switzerland. The building was sold for kUSD 20 783 and leased back for an initial term of fifteen years, with specified renewal options for up to an additional ten years. The annual rental payment for the property is approximately kUSD 1 094 and includes cost of living adjustments over the initial term. The Group recorded a gain on the sale-and-leaseback of kUSD 5 867 which is recognized in 'Other operating income' in the consolidated income statement. The Group also recognized a right-of-use asset and corresponding lease obligation of kUSD 2 409 and kUSD 13 454, respectively.

In addition, during December 2021, the Group completed the sale-and-leaseback of properties hosting the Group's headquarters in Cheseaux, Switzerland for an amount of kUSD 82 037. The investor group that acquired the properties includes members of the Kudelski family, a long-time shareholder of the Group, the Group's Swiss pension fund and Nagravision. We have performed an assessment and came to the conclusion that control for the properties has been transferred and Nagravision's remaining interest in the property has been accounted for as an 'Investment in associate' (note 16). The building was leased for an initial term of fifteen years, with specified renewal options for up to an additional ten years. The annual rental payment for the properties is approximately kUSD 3 555 and includes cost of living adjustments over the initial term. The Group recorded a gain on the sale-and-leaseback of kUSD 7 797 which is included in 'Other operating income' in the consolidated income statement. The Group also recorded right-of-use assets and corresponding lease obligations of kUSD 18 936 and kUSD 45 690, respectively.

16. INVESTMENTS IN ASSOCIATES

In USD'000	2021	2020
At January 1	**7 007**	**6 309**
Acquisition of an associate	2 290	–
Share of profit	2 111	1 894
Dividends received	-1 911	-398
Reclassification to fair value through profit and loss	–	-1 073
Currency translation effects	-162	274
At December 31	**9 335**	**7 007**

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

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

		Interest held	
Name of associate	**Principal activity**	**2021**	**2020**
APT-SkiData Ltd, United Kingdom	Sales of Public Access products	26%	26%
SKIDATA Parking Systems, Hong-Kong	Sales of Public Access products	26%	26%
SKIDATA India Private Limited, India	Sales of Public Access products	49%	49%
SJack GmbH, Austria	Sales of Public Access products	26%	26%
Swiss Peak Experience SA, Switzerland	Sales of Public Access products	45%	45%
iWedia SA, Switzerland	Middleware for set-top-boxes	40%	40%
Kudelski Buildings Sàrl	Real estate company	22.5%	0%

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SUMMARIZED FINANCIAL INFORMATION OF THE GROUP'S ASSOCIATES

In USD'000	31.12.2021	31.12.2020
Total assets	101 425	40 472
Total liabilities	60 647	21 627
Net assets	40 778	18 845
Group's share of associates' net assets	11 430	6 422

	2021	2020
Revenue	49 518	49 003
Result of the period	6 154	5 683
Group's share of associates' result for the period	2 111	1 894

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	31.12.2021	31.12.2020
Deferred tax assets	44 054	50 858
Deferred tax liabilities	-2 050	-3 195
	42 004	**47 663**

Movement on the deferred income tax account is as follows:

In USD'000	Note	2021	2020
At January 1		**47 663**	**53 504**
Exchange differences		-1 566	2 319
Recognized against other comprehensive income		-3 426	-131
Income statement (expense)/income	11	-668	-8 028
At December 31		**42 004**	**47 663**

The movement in deferred tax assets and liabilities during 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

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

And for 2020:

In USD'000	At January 1, 2020	Income statement effect	Other Comprehensive income	Currency translation effects	At December 31, 2020
Deferred tax assets associated with					
- intangibles	3 658	-1 471	–	251	2 439
- employee benefits	7 023	-830	-141	590	6 642
- tax losses	38 543	-5 907	–	1 150	33 787
- provisions and other elements tax deductible when paid	8 325	-2 515	10	-64	5 756
- intercompany profit elimination	5 388	-1 347	–	378	4 419
- others	628	-137	–	45	536
Total deferred tax assets (gross)	**63 565**	**-12 206**	**-131**	**2 350**	**53 578**
Deferred tax liabilities associated with					
- intangibles	-4 919	1 397	–	-56	-3 577
- provisions and accelerated tax depreciation	-4 097	2 265	–	-95	-1 928
- leases	-169	343	–	16	190
- others	-876	173	–	103	-600
Total deferred tax liabilities (gross)	**-10 061**	**4 178**	**–**	**-32**	**-5 915**
Net deferred tax asset/(liability)	**53 504**	**-8 028**	**-131**	**2 319**	**47 663**

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UNRECOGNIZED TAX LOSSES CARRIED FORWARD

At the balance sheet date, the Group has unused tax losses and temporary differences of mUSD 1 311.9 (2020: mUSD 1 421.3) available for offset against future profits. A deferred tax asset has been recognized in respect of mUSD 344.9 (2020: mUSD 370.7) of such losses and temporary differences. No deferred tax asset has been recognized for the remaining mUSD 967.0 (2020: mUSD 1 050.6) 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	2021	2020
Expiration within:		
One year	10.7	40.0
Two years	23.4	29.1
Three years	122.0	28.9
Four years	148.0	129.1
Five years	152.4	152.5
More than five years	510.5	671.0
Total	**967.0**	**1 050.6**

18. FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

In USD'000	31.12.2021	31.12.2020
Financial assets at amortized cost:		
Loan – third party	12 366	12 572
State and government institutions	4 877	7 681
Trade accounts receivable (long-term portion)	12 539	18 257
Guarantee deposits	1 878	2 275
Prepaid expenses and accrued income (long-term portion)	133	32
Total financial assets at amortized cost	**31 792**	**40 817**
Financial assets at fair value through profit or loss:		
Equity instruments (level 3)	1 152	1 188
Marketable securities (level 1)	–	994
Total financial assets at fair value through profit or loss	**1 152**	**2 182**
Other non-current assets:		
Deferred rent	896	863
Total other non-current assets	**896**	**863**
Total	**33 840**	**43 862**

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

The effective interest rate on third party loans is 1.83% (2020: 1.83%). State and government institutions include government grants for R&D projects that will not be received within the next 12 months. The long-term portion of trade accounts receivable includes, among others, discounted revenues related to the licensing of the Group intellectual property portfolio.

19. INVENTORIES

In USD'000	31.12.2021	31.12.2020
Raw materials	2 898	3 861
Work in progress	6 881	4 983
Finished goods	44 600	50 353
	54 378	**59 197**

The cost of inventories recognised as an expense includes kUSD 2 273 (2020: kUSD 2 363) in respect of write-downs, and has been reduced by kUSD 605 (2020: kUSD 314) 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 -5 590 (2020: kUSD -5 174).

20. TRADE ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

In USD'000	31.12.2021	31.12.2020
Trade accounts receivable	178 101	209 654
Less: provision for impairment	-16 166	-26 202
Trade accounts receivable related parties	1 579	1 024
Trade accounts receivable - net	**163 514**	**184 476**
Contract assets	37 842	44 779
Less: provision for impairment	-1 108	-197
Contract assets - net	**36 733**	**44 582**

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	**2021**	**2020**	**2021**	**2020**
January 1,	**-197**	**-128**	**-26 202**	**-29 397**
Provision for impairment charged to income statement	-998	-75	-1 283	-4 997
Utilization	–	–	2 279	5 792
Reversal	77	20	8 262	3 201
Translation effects	10	-15	779	-801
December 31,	**-1 108**	**-197**	**-16 166**	**-26 202**

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 -1 283 (2020: kUSD -4 997). 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 2021

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, 2021 and 2020 were determined as follows:

In USD'000	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2021	Gross carrying amount	Expected loss rate	Provision for impairment 31.12.2020
Trade accounts receivable not overdue	104 818	0.4%	406	119 396	0.3%	389
Past due:						
- not more than one month	25 729	0.9%	222	27 273	0.9%	257
- more than one month and not more than three months	18 161	2.2%	391	17 950	2.2%	390
- more than three months and not more than six months	7 597	11.0%	839	7 595	11.2%	847
- more than six months and not more than one year	6 068	41.6%	2 524	11 082	33.0%	3 656
- more than one year	15 728	74.9%	11 784	26 358	78.4%	20 663
Total	**178 101**		**16 166**	**209 654**		**26 202**
Contract assets	37 842	2.9%	1 108	44 779	0.2%	197
Total	**37 842**		**1 108**	**44 779**		**197**

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

21. OTHER FINANCIAL ASSETS AT AMORTIZED COST

In USD'000	31.12.2021	31.12.2020
Other receivables - third parties	11 067	11 560
Other receivables - related parties	1 412	1 423
Advances to suppliers and employees	5 480	2 533
State and government institutions	31 696	38 987
	49 655	**54 503**

22. OTHER CURRENT ASSETS

In USD'000	31.12.2021	31.12.2020
Prepaid expenses	10 333	8 685
Accrued income	32 478	29 035
Deferred contract cost (short-term portion)	–	193
Other receivables - third parties	638	637
	43 450	**38 549**

23. CASH AND CASH EQUIVALENTS

In USD'000	31.12.2021	31.12.2020
Cash at bank and in hand	280 832	145 937
Short-term deposits	3 657	6 647
	284 489	**152 584**

The effective interest rate on short term deposits was 0.58% (2020: 0.43%). The Group only enters into transactions with highly rated banks.

24. SHARE CAPITAL

ISSUED AND FULLY PAID SHARE CAPITAL

The share capital consists of 50 736 972 (2020: 50 372 600) bearer shares at CHF 8.00 par value each and 46 300 000 (2020: 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 340 484 (2020: kUSD 337 295).

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

AUTHORIZED SHARE CAPITAL

The Board of Directors is authorized to increase the share capital in one or more stages until 15 April 2022 by a maximum amount of CHF 32 705 312 through the issuance of 3 768 164 bearer shares with a nominal value of CHF 8.00 per share and 3 200 000 registered shares with a nominal value of CHF 0.80 per share to be fully paid up. The issuance price, the nature of the contributions, the date from which new shares shall give entitlement to dividends and other modalities of any share issuance shall be determined by the Board of Directors. The preferential subscription rights of shareholders may be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or abroad. All statutory restrictions on the transfer of shares are applicable to new registered shares.

CONDITIONAL SHARE CAPITAL

Conditional share capital consists of 10 000 000 (2020: 10 000 000) bearer shares at CHF 8.00 each to satisfy convertible bond exercise right and 576 784 (2020: 441 156) bearer shares at CHF 8.00 each to satisfy option exercise or share subscriptions to employees.

25. NON-CONTROLLING INTERESTS

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

	31.12.2021		31.12.2020	
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	1 509	38 088	1 558	37 971
Current Assets	38 766	182	30 603	627
Non-current liabilities	40	50	–	2 750
Current liabilities	10 954	179	11 628	418
Total Equity	**29 341**	**38 085**	**20 853**	**35 430**
Non-controlling interests percentage	50%	50.1%	50%	50.1%
Theoritical amount of non-controlling interests	14 670	19 081	10 426	17 751
Carrying amount of non-controlling interests	**14 670**	**19 081**	**10 426**	**17 751**
Revenue	21 536	4 239	23 297	4 409
Net result	8 488	2 655	7 998	2 679
Total comprehensive income	8 488	2 655	7 998	2 679
Total comprehensive income allocated to non-controlling interests	4 244	1 328	3 999	1 339
Dividend paid to non controlling interests	–	–	-10 000	–
Net increase /(decrease) in cash and cash equivalents	9 506	-454	-8 641	-57

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

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26. LONG TERM FINANCIAL DEBT

In USD'000	Note	31.12.2021	31.12.2020
CHF 200 million 1.875% bond 2015/2022	27	–	225 770
CHF 150 million 1.5% bond 2016/2024	27	161 518	169 137
Long-term bank loans		35 352	44 285
		196 870	**439 192**

Long term bank loans effective interest rate is 0.80% (2020: 0.77%).

During 2020, several Group entities received loans through programs designed to provide economic support in response to COVID-19. The loans ranged in maturity from one to five years and generally contained beneficial terms such as governmental guarantees, interest rates ranging from zero to 0.98%, and options to extend. The programs also restricted the ability of borrowers to pay dividends and repay intercompany loan balances. When the stated interest rates were considered below market, a portion of the loan proceeds was recognized as a government grant. The grants were initially deferred and are recognized in earnings on a systematic basis over the loan period.

27. BONDS

On May 12, 2015 Kudelski SA issued a CHF 200 million bond with a subscription price of 100%, bearing an annual interest rate of 1.875% and maturing on August 12, 2022 at par, with denominations of CHF 5 000 nominal and multiples thereof. The proceeds amounted to kCHF 200 000 (kUSD 214 891) less issuance costs of kCHF 870 (kUSD 939) totaling an initial net proceed of kCHF 199 130 (kUSD 213 952) and resulting in an effective interest rate of 1.97%.

On September 27, 2016 Kudelski SA issued an additional CHF 150 million bond with a subscription price of 100%, bearing an annual interest rate of 1.5% and maturing on September 27, 2024 at par, with denominations of CHF 5 000 nominal and multiples thereof. The proceeds amounted to kCHF 150'000 (kUSD 154 384) less issuance costs of kCHF 665 (kUSD 684) totaling an initial net proceed of kCHF 149'335 (kUSD 153 700) and resulting in an effective interest rate of 1.58%.

During 2021, the Group repurchased nominal value of kUSD 16 845 relating to the 2015-2022 bond and kUSD 2 527 relating to the 2016-2024 bond. Total cash paid excluding accrued interest was kUSD 18 664. The gain on repurchase of kUSD 708 is included in 'Other finance income/(expense), net' in the consolidated income statement.

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

In USD'000	2021	2020
Initial balance	**394 907**	**360 826**
Amortization of transaction costs less premium	236	227
Reimbursement and repurchase	-19 372	–
Currency translation effects	-12 137	33 854
Liability component as of December 31	**363 635**	**394 907**
of which:		
- short-term portion (bond 2015/2022)	202 117	–
of which:		
- long-term portion (bond 2015/2022)	–	225 770
- long-term portion (bond 2016/2024)	161 518	169 137
	363 635	**394 907**

28. EMPLOYEE BENEFITS LIABILITIES

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

SWITZERLAND

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

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

ABROAD

Outside Switzerland, the Group sponsors twelve (2020: sixteen) other post-employment benefit plans treated as defined benefit plan according to IAS 19 revised. 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	**31.12.2021**	**31.12.2020**
Fair value of plan assets	244 445	223 368
Defined benefit obligation	-269 160	-272 185
Funded status	**-24 715**	**-48 817**
Other comprehensive income	21 002	-3 775
Prepaid/(accrued) pension cost	-45 717	-45 042
Funded status	**-24 715**	**-48 817**

In accordance with IAS 19, the following amount is recorded as net pension cost in the income statement for the financial years 2021 and 2020:

In USD'000	**Note**	**2021**	**2020**
Service cost		-17 562	-16 928
Employees contributions		5 746	5 513
Amortization of gains/(losses)		420	6
Curtailment gain / (loss)		–	89
Impact of plan amendment		912	9 974
Total recognized in employee benefits expense	**6**	**-10 483**	**-1 347**
Interest cost		-433	-645
Interest income		216	395
Total recognized in interest expense	**9**	**-217**	**-250**
Net pension (cost)/income		**-10 701**	**-1 597**

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The impact of plan amendment relates to a 2021 change in valuation method for the French pension plans.

The main assumptions used for the calculation of the pension cost and the defined benefit obligation for the years 2021 and 2020 are as follows:

	31.12.2021	31.12.2020
Switzerland		
Financial assumptions:		
- Discount rate	0.35%	0.10%
- Rate of future increase in compensations	1.50%	1.50%
- Rate of future increase in current pensions	0% for 5 years, then 0.75%	0% for 5 years, then 0.75%
Demographic assumptions:		
- Interest rate credited on savings accounts	1.00%	1.00%
- Turnover *(on average)*	12.0%	12.0%
- Demographic basis	LPP 2020 generational probability risk for disability reduced 25%	LPP 2020 generational probability risk for disability reduced 25%
- Retirement payment form	75% pension 25% lump sum	75% pension 25% lump sum
Abroad		
- Discount rate	1.76%	1.29%
- Rate of future increase in compensations	3.18%	2.84%
- Turnover *(on average)*	7.6%	8.4%

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

	31.12.2021	31.12.2020
Weighted average duration of the defined benefit obligation in years		
Switzerland	19.3	20.0
Abroad	6.2	5.3

The changes in defined benefit obligation and fair value of plan assets during the years 2021 and 2020 are as follows:

A. Change in defined benefit obligation

In USD'000	2021	2020
Defined benefit obligation as of 1.1.	**-272 185**	**-242 640**
Service cost	-17 562	-16 928
Interest cost	-433	-645
Change in demographic assumptions	252	2 406
Change in financial assumptions	13 016	-4 862
Other actuarial gains / (losses)	-7 848	-7 171
Benefits payments	5 768	10 520
Exchange rate difference	8 921	-22 927
Curtailment	–	89
Plan amendment	912	9 974
Defined benefit obligation as of December 31,	**-269 160**	**-272 185**

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	2021	2020
Fair value of plan assets as of 1.1.	**223 368**	**191 568**
Interest income	216	395
Return on plan assets excluding interest income	19 509	10 459
Employees' contributions	5 746	5 513
Employer's contribution	8 187	7 196
Benefit payments	-5 768	-10 520
Exchange rate difference	-6 813	18 757
Fair value of plan assets as of December 31,	**244 445**	**223 368**

The actual return on plan assets amounts to kUSD 19 725 in 2021 (kUSD 10 854 for the year 2020) and includes an assumed interest income. The estimated employer's contribution to the pension plans for the year 2021 is kUSD 7 830.

The categories of plan assets, all of which are easily convertible to cash, are stated at their fair value at December 31, 2021 and 2020 as follows:

In USD'000	31.12.2021	Proportion in % 31.12.2021	31.12.2020	Proportion in % 31.12.2020
Cash	8 826	3.6%	6 099	2.7%
Swiss bonds	18 154	7.4%	18 083	8.1%
Non-Swiss bonds	58 657	24.0%	58 292	26.1%
Swiss shares	47 417	19.4%	41 649	18.6%
Non-Swiss shares	40 779	16.7%	38 924	17.4%
Real estate	44 260	18.1%	44 427	19.9%
Alternative investments	26 352	10.8%	15 894	7.1%
Total	**244 445**	**100.0%**	**223 368**	**100.0%**

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

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

In USD'000	Switzerland	Abroad
2022	10 586	645
2023	10 233	215
2024	9 841	275
2025	9 430	517
2026	8 464	153
2027-2031	45 129	4 104

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

	Change in 2021 year-end defined benefit obligation		Change in 2020 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	-22 722	-411	-23 648	-396
50 basis point decrease in discount rate	26 437	474	27 621	474
50 basis point increase in rate of salary increase	130	n/a	229	n/a
50 basis point decrease in rate of salary increase	-150	n/a	-246	n/a
50 basis point increase in rate of pension increase	9 387	n/a	9 772	n/a
50 basis point decrease in rate of pension increase	-8 634	n/a	-8 978	n/a
50 basis point increase of interest in saving accounts	8 153	n/a	8 476	n/a
50 basis point decrease of interest in saving accounts	-7 723	n/a	-8 015	n/a
50 basis point increase of turnover	-1 515	n/a	-1 880	n/a
50 basis point decrease of turnover	1 403	n/a	1 759	n/a

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

29. OTHER LONG TERM LIABILITIES

In USD'000	31.12.2021	31.12.2020
Long-term loans - third parties	5 143	5 698
Deferred consideration	1 255	1 484
Contingent consideration	1 255	1 484
Other long-term liabilities	903	121
Deferred income	1 514	1 191
	10 070	**9 979**

The effective interest rate on long-term loans is 2.00% (2020: 2.00%.)

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

30. SHORT TERM FINANCIAL DEBT

In USD'000	31.12.2021	31.12.2020
CHF 200 million 1.875% bond 2015/2022	202 117	–
Short-term bank borrowings	37 241	47 602
Other short-term financial liabilities	665	609
	240 023	**48 212**

The average effective interest rate paid in 2021 for short term bank borrowings was 1.41% (2020: 1.56%).

31. TRADE ACCOUNTS PAYABLE

In USD'000	31.12.2021	31.12.2020
Trade accounts payable – third parties	68 573	67 699
Trade accounts payable – related parties	14	33
	68 586	**67 732**

32. CONTRACT LIABILITIES

In USD'000	31.12.2021	31.12.2020
Amounts due to customers for contract work	6 219	5 111
Advances from clients	16 189	22 858
Deferred income	60 890	41 905
	83 298	**69 873**

33. OTHER CURRENT LIABILITIES

In USD'000	31.12.2021	31.12.2020
Accrued expenses	80 888	83 369
Payable to pension fund	1 512	1 757
Other payables	23 317	24 395
	105 718	**109 521**

34. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Assets		Liabilities	
In USD'000	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Cash flow hedge:				
- Foreign currency options	180	–	–	–
Held-for-trading:				
- Foreign currency options	–	–	-82	–
- Forward contracts	519	–	–	–
Total of derivatives financial instruments	**699**	**–**	**-82**	**–**

There were no long-term derivative instruments at December 31, 2021 and 2020.

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In USD'000	Cost of hedging reserve	Intrinsic value of options	Total hedge reserves
Balance at December 31, 2020	**–**	**–**	**–**
Change in fair value of hedging instruments recognized in OCI	–	158	158
Cost of hedging deferred and recognized in OCI	-7	–	-7
Balance at December 31, 2021	**-7**	**158**	**151**

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 27 in 2021 (2020: mUSD 27) with maturities between January and December and average strike rate of USD/CHF 0.9197 in 2021 (2020: USD/CHF 0.985). 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 2021 and 2020 relating to foreign currency options.

35. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

In USD'000	Restructuring provisions	Provision for warranty	Litigations and others	Total 2021	Total 2020
As of January 1	**1 460**	**2 220**	**162**	**3 842**	**6 302**
Additional provisions	–	1 139	103	1 242	166
Unused amounts reversed	–	-215	-57	-272	-912
Used during the year	-1 329	-76	-134	-1 539	-2 036
Exchange differences	-50	-150	-7	-208	322
As of December 31	**80**	**2 918**	**67**	**3 065**	**3 842**
Thereof:					
- Short-term	80	2 918	67	3 065	3 842
- Long-term	–	–	–	–	–
	80	**2 918**	**67**	**3 065**	**3 842**

Restructuring provisions

Restructuring provisions in 2021 and 2020 primarily relate to headcount reduction measures impacting the Group's Digital TV operations.

Litigations and others

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

Provision for warranty

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

36. DISCONTINUED OPERATIONS

In December 2021, the Group completed the sale of a building located in La Ciotat, France for an amount of kUSD 11 352. The building was retained upon the disposal of the SmarDTV operations in August 2018 and was previously classified as 'held for sale'. The loss on the sale of kUSD -1 089 has been presented as discontinued operations in the consolidated income statements.

37. RESEARCH AND DEVELOPMENT

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

In USD'000	2021	2020
Research and development	130 285	128 411

38. DIVIDEND

On April 22, 2021, the Group paid a distribution of CHF 0.10 per bearer share and CHF 0.01 per registered share. The distribution amounted to kUSD 6 080. Since year end, the Board of Directors have proposed a distribution of kUSD 6 056, representing CHF 0.10 per bearer share and CHF 0.01 per registered share respectively. The final distribution may fluctuate upon the issuance of additional share capital for employees by utilization of conditional share capital or utilization of authorized share capital for acquisitions. The proposal calls for the distribution of CHF 0.05 per bearer share (CHF 0.005 per registered share) from capital contribution reserves and CHF 0.05 per bearer share (CHF 0.005 per registered share) from retained earnings at December 31, 2021 and is subject to shareholder approval at the Annual General Meeting. This proposed distribution has not been recorded as a liability in the financial statements.

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 2021	Shares 2020
Shares underwritten by employees	39 815	42 810
Bonus shares from ESPP	7 963	8 562
Total employee share program	**47 778**	**51 372**
Amount paid by employee (In USD'000)	122	102
Booked corporate charges (excluding social charges) (In USD'000)	54	45
	176	**146**

SHARES ISSUED TO EMPLOYEES

In 2021, 316 594 (2020: 206 036) bearer shares of Kudelski SA were given to employees for no consideration as part of their compensation, of which 296 527 (2020: 132 836) include a seven-year blocking period, 7 567 (2020: 73 200) include a three-year blocking period and 12 500 (2020: 0) with no restriction to sale. The fair value recognized for this equity based compensation is kUSD 859 (2020: kUSD 915).

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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 2021	Sale of goods and services 2020	Purchase of goods and services 2021	Purchase of goods and services 2020	Amounts owed to related parties 31.12.2021	Amounts owed to related parties 31.12.2020	Amounts owed by related parties 31.12.2021	Amounts owed by related parties 31.12.2020
APT-Skidata Ltd	4 138	4 072	–	–	14	33	1 025	429
SKIDATA Parking System Ltd	1 226	1 304	–	–	–	–	104	81
SKIDATA India Private Limited	244	449	–	–	–	–	42	94
iWedia SA	–	–	–	–	–	–	–	–
Total associated companies	**5 608**	**5 825**	**–**	**–**	**14**	**33**	**1 172**	**604**
Audio Technology Switzerland SA	–	–	–	–	–	–	1 774	1 830
Total other related	**–**	**–**	**–**	**–**	**–**	**–**	**1 774**	**1 830**

APT SKIDATA, SKIDATA Parking System Ltd and SKIDATA India Private Limited are sales representative companies for SKIDATA Group. iWedia SA is a partner in providing middleware and other software components for digital TV solutions. Audio Technology Switzerland SA is considered as a related party as some Kudelski Board members invested in the company.

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

Key management compensation

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

In USD'000	2021	2020
Salaries and other short-term employees benefits	9 711	8 693
Post-employments benefits	63	49
Share-based payments	601	501
	10 375	**9 242**

41. SHAREHOLDINGS AND LOANS

PRINCIPAL SHAREHOLDERS

	Voting rights		Shareholdings	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
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 M. André Kudelski.

BOARD OF DIRECTORS AND MANAGEMENT

As of December 31, 2021 and 2020, the members of the Board of Directors and members of Group management had the following interest in the company (without including shares from 2021 and 2020 variable compensation - issued in 2021 and 2022 respectively):

	31.12.2021	31.12.2020
	Bearer shares	Bearer shares
Board of Directors		
Kudelski André, chairman (as member of the family pool)	10 782 923	10 662 923
Smadja Claude, vice chairman	1 300	1 300
Dassault Laurent, member	1 032 653	1 040 720
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
Hengartner Michael, member	–	–
Total board members	**11 821 126**	**11 709 193**
Management		
Kudelski André, CEO	see above	see above
Saladini Mauro, CFO	184 323	156 851
Solbakken Morten, COO	72 248	47 265
Goldberg Nancy, CMO	39 265	14 846
Total Management (excluding CEO)	**295 836**	**218 962**

The Kudelski family pool also owns 46 300 000 registered shares of Kudelski SA as of December 31, 2021 and 2020.

No loans were granted in 2021 and 2020 to the members of the Board of Directors and Group management.

At December 31, 2021, Mauro Saladini owned kCHF 60 nominal value of the bond maturing in 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

42. CATEGORIES OF FINANCIAL INSTRUMENTS

The financial assets and liabilities are classified as follow as of December 31, 2021:

Assets as per balance sheet date December 31, 2021 (in USD'000)	**Note**	**Financial assets at fair value through profit or loss**	**Financial Assets at amortized costs**	**Total 31.12.2021**
Financial assets and non-current assets:				
- equity instruments with no quoted market price (level 3)	18	1 152	–	1 152
- long-term loans	18	–	12 366	12 366
- state and government institutions	18	–	4 877	4 877
- trade accounts receivable - long-term portion	18	–	12 539	12 539
- guarantee deposits	18	–	1 878	1 878
- prepaid expenses and accrued income (long-term)	18	–	133	133
Trade accounts receivable	20	–	163 514	163 514
Other current assets:				
- state and government institutions	21	–	31 696	31 696
- other receivable (third and related parties)	21	–	12 479	12 479
Cash and cash equivalents	23	–	284 489	284 489
Derivative financial instruments (level 2)	34	699	–	699
		1 851	**523 971**	**525 822**

Liabilities as per balance sheet date December 31, 2021 (in USD'000)	**Note**	**Financial liabilities at fair value through profit or loss**	**Financial Liabilities at amortized costs**	**Total 31.12.2021**
Long-term financial debt	26	–	196 870	196 870
Long-term lease obligations	15	–	76 504	76 504
Other long-term liabilities:				
- deferred consideration	29	–	1 255	1 255
- contingent consideration (level 3)	29	1 255	–	1 255
- loans and others	29	–	6 046	6 046
Short-term financial debt	30	–	240 023	240 023
Short-term lease obligations	15	–	15 114	15 114
Trade accounts payable	31	–	68 586	68 586
Other current liabilities:				
- payable to pension fund	33	–	1 512	1 512
- other payables	33	–	23 317	23 317
- current income tax		–	2 684	2 684
Derivative financial instruments (level 2)	34	82	–	82
		1 337	**631 911**	**633 248**

And for 2020:

Assets as per balance sheet date December 31, 2020 (in USD'000)	Note	Financial assets at fair value through profit or loss	Financial Assets at amortized costs	Total 31.12.2020
Financial assets and non current assets:				
- equity instruments with no quoted market price (level 3)	18	1 188	–	1 188
- marketable securities (level 1)		994	–	994
- long-term loans	18	–	12 572	12 572
- state and government institutions	18	–	7 681	7 681
- trade accounts receivable - long-term portion	18	–	18 257	18 257
- guarantee deposits	18	–	2 275	2 275
- prepaid expenses and accrued income (long-term)	18	–	32	32
Trade accounts receivable	20	–	184 476	184 476
Other current assets:				
- state and government institutions	21	–	38 987	38 987
- other receivable (third and related parties)	21	–	12 984	12 984
Cash and cash equivalents	23	–	152 584	152 584
		2 182	**429 848**	**432 030**

Liabilities as per balance sheet date December 31, 2020 (in USD'000)	Note	Financial liabilities at fair value through profit or loss	Financial Liabilities at amortized costs	Total 31.12.2020
Long-term financial debt	26	–	439 192	439 192
Long-term lease obligations	15	–	29 599	29 599
Other long-term liabilities:				
- deferred consideration	29	–	1 484	1 484
- contingent consideration (level 3)	29	1 484	–	1 484
- loans and others	29	–	5 820	5 820
Short-term financial debt	30	–	48 212	48 212
Short-term lease obligations	15	–	13 720	13 720
Trade accounts payable	31	–	67 732	67 732
Other current liabilities:				
- payable to pension fund	33	–	1 757	1 757
- other payables	33	–	24 395	24 395
- current income tax		–	4 383	4 383
		1 484	**636 293**	**637 778**

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

The table below illustrates the three hierarchical levels for valuing financial instruments carried at fair value as of December 31, 2021 and 2020:

In USD'000		Note	31.12.2021	31.12.2020
Financial assets at fair value through comprehensive income:				
- marketable securities	Level 1	18	–	994
- equity instuments with no quoted market price	Level 3	18	1 152	1 188
Total financial assets			**1 152**	**2 182**
Financial liabilities:				
- contingent consideration (long-term portion)	Level 3	29	1 255	1 484
Total financial liabilities			**1 255**	**1 484**

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% (2020: 10.0%).

RECONCILIATION OF LEVEL 3 FAIR VALUES:

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

In USD'000	Equity instruments with no quoted market price	Contingent liabilities
Balance at January 1, 2020	517	-2 240
Settlements	-533	344
Remeasurement (recognized in other operating income)	–	443
Remeasurement (recognized in other finance income/(expense), net)	48	
Reclassification	1 073	–
Currency translation adjustment	84	-32
Balance at December 31, 2020	**1 188**	**-1 484**
Exchange difference	–	-18
Currency translation adjustment	-36	247
Balance at December 31, 2021	**1 152**	**-1 255**

Reclassification relates to an investment in an associated company whereby the Group no longer has significant influence and accounts for the financial asset at fair value through profit or loss.

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 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Financial liabilities				
- CHF 200 million bond	202 117	200 795	225 770	183 049
- CHF 150 million bond	161 518	148 822	169 137	106 020

The fair values of the bonds are based on their market prices as of December 31. Limited trading liquidity results in material volatility of such prices.

44. MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

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

In USD'000	Due within 1 year	Due within 1 year	Due > 1 year < 5 years	Due > 1 year < 5 years	Due > 5 years	Due > 5 years	Adjust-ment	Adjust-ment	Total book value	Total book value
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Bonds	208 465	6 819	166 665	407 458	–	–	-11 494	-19 370	363 635	394 907
Long-term bank loans	–	–	34 063	46 467	3 765	–	-2 477	-2 182	35 352	44 285
Short-term financial debt	37 603	48 160	–	–	–	–	-362	-557	37 241	47 602
Trade accounts payable	68 586	67 732	–	–	–	–	–	–	68 586	67 732
Other payables	23 317	24 395	–	–	–	–	–	–	23 317	24 395
Total	**337 971**	**147 106**	**200 728**	**453 925**	**3 765**	**–**	**-14 333**	**-22 109**	**528 131**	**578 922**

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% (2020: 10%) increase and decrease in the CHF and a 10% (2020: 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	**2021**	**2020**	**2021**	**2020**
Post-tax net income				
- Increase	214	-7 699	-1 850	-1 205
- Decrease	-1 266	7 699	1 850	1 205
Comprehensive income (post-tax effect)				
- Increase	-17 094	-16 422	3 639	3 368
- Decrease	15 616	16 422	-3 639	-3 368

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 actual interest rate situation in Europe (specifically for CHF and EUR rates) is characterized by negative risk-free interest rates for the past several years. As most of our floating rate loan agreements include a floor of 0% (i.e. banks are not granting the negative points as a deduction of the borrowing rate), the impact of an interest rate increase or decrease is significantly reduced for currencies with negative interest rates, thus reducing the sensitivity to a change in market rates. As the actual market interest rate on the USD is close to zero, a similar impact applies to the sensitivity when applying a decrease on the market interest rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

purposes:
- USD: increase of 100 basis points and decrease of 100 basis points (2020: 100 basis points increase or 100 decrease)
- EUR: increase of 100 basis points and decrease of 100 basis points (2020: 100 basis points increase or 100 decrease)
- CHF: increase of 100 basis points and decrease of 100 basis points (2020: 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, 2021 would increase by kUSD 919 and decrease by kUSD 78, respectively. (2020: increase by kUSD 464 and decrease by kUSD 82). This is mainly due to the interest rate exposure on cash balances.
- other comprehensive income would not be impacted in 2021 and 2020.

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

46. COLLATERAL RECEIVED AND GIVEN

In USD'000	31.12.2021	31.12.2020
Guarantees in favor of third parties	11 775	21 636

47. RISK CONCENTRATION
At December 31, 2021 and 2020, 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, 2021 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, 2021 was 67.7% (2020: 39.6%).

2021 operating cash flow was positive USD 103.1 million (2020: USD 132.6 million) mainly reflecting USD 72.4 million Operating income before depreciation, amortization and impairment as well as continued reduction of working capital.

50. NET DEBT RECONCILIATION

In USD'000	31.12.2021	31.12.2020
Cash and cash equivalents	284 489	152 584
Long-term financial debt	-196 870	-439 192
Long-term lease obligations	-76 504	-29 599
Short-term financial debt	-240 023	-48 212
Short-term lease obligations	-15 114	-13 720
Net debt	**-244 022**	**-378 137**

In USD'000	Note:	Cash and cash equivalents	Long-term debt	Short-term debt	Lease obligations	Total
Net debt at January 1, 2020		**74 596**	**-393 029**	**-73 679**	**-44 039**	**-436 151**
Cash flows		71 415	–	–		71 415
Lease addition		–	–	–	-16 937	-16 937
Reimbursment of bank overdrafts, long-term loans		–	11 417	73 503	18 115	103 035
Increase in bank overdrafts, long-term loans		–	-21 643	-43 315	–	-64 958
Covid 19 subsidies		–	1 449	–	–	1 449
Termination of leasing contracts		–	–	–	2 775	2 775
Accrued interests		–	–	-96	-1 422	-1 517
Foreign exchange adjustments		6 573	-37 159	-4 625	-1 811	-37 022
Amortization of transaction cost less premium	27	–	-227	–	–	-227
Net debt at December 31, 2020		**152 584**	**-439 192**	**-48 212**	**-43 318**	**-378 138**
Cash flows		139 874	–	–	–	139 874
Reclassification		–	200 252	-200 252	–	–
Lease addition		–	–	–	-64 847	-64 847
Reimbursment of bank overdrafts, long-term loans and lease obligations		–	26 641	8 507	16 011	51 159
Increase in bank overdrafts, long-term loans		–	–	-2 338	–	-2 338
Covid 19 subsidies		–	339	–	–	339
Termination of leasing contracts		–	–	–	725	725
Accrued interests		–	–	-74	-1 259	-1 333
Foreign exchange adjustments		-7 969	14 618	2 346	1 070	10 065
Amortization of transaction cost less premium and gain on bond repurchase	27	–	472	–	–	472
Net debt at December 31, 2021		**284 489**	**-196 870**	**-240 023**	**-91 618**	**-244 022**

51. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The group is not aware of any significant events occuring after the reporting period that could have a material impact on the Group financial statements.

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	
	2021	**2020**	**2021**	**2020**
1 CHF	1.0953	1.1299	1.0938	1.0654
1 EUR	1.1336	1.2226	1.1825	1.1404
100 CNY	15.7393	15.3107	15.5025	14.4938
100 NOK	11.3428	11.6452	11.6378	10.6496
1 GBP	1.3505	1.3661	1.3756	1.2830
100 BRL	17.9628	19.2090	18.5546	19.6069
100 INR	1.3439	1.3672	1.3522	1.3494
1 SGD	0.7415	0.7559	0.7442	0.7250
100 ZAR	6.2432	6.7797	6.7697	6.1109
100 RUB	1.3297	1.3480	1.3572	1.3917
1 AUD	0.7262	0.7695	0.7511	0.6899

53. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issuance on February 22, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

54. PRINCIPAL OPERATING COMPANIES

Company	Place of incorporation	Activity	Digital TV	Cyber-security	Internet of Things	Public Access	Corporate	Percentage held 2021	2020
Nagravision SA	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 2021

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 statements and consolidated statements of comprehensive income for the year ended, 31 December 2021, the consolidated balance sheets as at 31 December 2021, the consolidated cash flow statements, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 4 to 54) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. 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) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: USD 3'355'000

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

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

Goodwill impairment Cybersecurity and Internet of Things

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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 3'355'000
Benchmark applied	Total revenues
Rationale for the materiality benchmark applied	We have chosen revenue as a benchmark for determining materiality, as it represents an important characteristic and Kudelski Group had volatile results in the past.

We agreed with the Audit Committee that we would report to them misstatements above USD 330'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We 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.

The Group financial statements are a consolidation of 62 reporting components. Following our assessment of the risk of material misstatement to the Group's consolidated financial statements and considering the significance of the reporting components' business operations relative to the Group, we selected 7 reporting components which represent the principal business operations of the Group. 6 of the reporting components were subject to an audit of complete financial information and 1 entity was subject to specified audit procedures. For the remaining reporting components, we performed other procedures to test or assess that there were no significant risks of material misstatement in relation to the Group's consolidated financial statements.

The Group audit team, in addition to the audit of the consolidation, was directly responsible for auditing 3 of the 6 reporting components which were subject to a full audit. For the other reporting components, the Group audit team directed and supervised the audit work performed by the PwC component teams at all stages of the audit

Key audit matters

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

Goodwill impairment Cybersecurity and Internet of Things

Key audit matter	How our audit addressed the key audit matter
As described in Note 14 to the consolidated financial statements, the Group has Goodwill totaling USD 351.0 million at 31 December 2021, comprising USD 64.9 million related to the Cybersecurity segment and USD 35.8 million related to the Internet of Things segment.	We assessed the Group's allocation of goodwill to the CGUs Cybersecurity and Internet of Things by assessing the reasonableness of the CGUs taking into consideration management reporting and that CGU's for goodwill impairment testing purposes are not larger than any of the Group's operating segments.

We focused on the Goodwill related to Cybersecurity and IoT in view of the significance of the amounts involved, the business segments' operating performance during 2021 and the judgement used by management about future results. The assessment of the carrying value of the goodwill balances is highly dependent on management's estimate of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate. Refer to note 2 – Critical accounting estimates and judgements and note 14 – Intangible assets for details of management's impairment test and assumptions.	We obtained the Group's impairment analysis for CGUs Cybersecurity and Internet of Things and performed the following procedures: - Tested the mathematical accuracy of the model and traced amounts to underlying financial statement and other information, as applicable. - Assessed the quality of the cash flow projections by comparing the actual results to prior year budget to identify in retrospect whether any of the assumptions might have been too optimistic. - Reconciled the 5 year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections. - We reviewed with management to substantiate its key assumptions in the cash flow projections during the forecast period and its intention and ability to execute their strategic initiatives. - We tested, with the support of our valuation specialists, the reasonableness of the cash flows growth rate after the forecast period assumption of 2.2% for both the Cybersecurity and Internet of Things divisions. - Together with our specialists, we evaluated the reasonableness of the discount rate of 8.75% applied for Cybersecurity and 8.5% for Internet of Things to those future cash flows. We obtained the Group's sensitivity analyses around key assumptions to ascertain the effect of reasonably possible changes to those assumptions on the value in use estimates and re-calculated the sensitivity. We reviewed and validated disclosures regarding Goodwill and intangible assets in the Group's financial statements. On the basis of the audit evidence obtained, we consider the valuation method and the assumptions used by the Group to be reasonable and appropriate for the impairment testing of goodwill.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Kudelski SA and our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards 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 Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA

Luc Schulthess	Nicolas Daehler
Audit expert Auditor in charge	Audit expert

Lausanne, 22 February 2022

BALANCE SHEETS AT DECEMBER 31, 2021 AND 2020

ASSETS

In CHF'000	Notes	31.12.2021	31.12.2020
Current assets			
Cash and cash equivalents		2 085	12 618
Accounts receivable from Group companies		65 193	70 323
Other current receivables and prepaid expenses	3.1	659	649
Total current assets		**67 937**	**83 590**
Fixed assets			
Loans to Group companies		308 617	460 493
Loan to third party		791	949
Investments	3.2	624 648	459 423
Total fixed assets		**934 056**	**920 865**
Total assets		**1 001 993**	**1 004 455**

SHAREHOLDERS' EQUITY AND LIABILITIES

In CHF'000	Notes	31.12.2021	31.12.2020
Short-term liabilities			
Short-term interest-bearing liabilities :			
- Bank, short-term borrowings		8 000	10 000
- Bonds	3.3	184 600	–
Other short-term liabilities :			
- due to third parties		529	280
- due to Group companies		27 989	27 551
Accrued expenses		1 939	1 945
Short term provisions	3.4	8 179	–
Total short-term liabilities		**231 236**	**39 776**
Long-term liabilities			
Long-term interest-bearing liabilities :			
- Bonds	3.3	147 690	350 000
Total long-term liabilities		**147 690**	**350 000**
Total liabilities		**378 926**	**389 776**
Shareholders' equity			
Share capital		442 936	440 021
Legal reserves:			
- from retained earnings		90 000	110 000
- from capital contribution		68 702	71 467
Retained earnings		10 425	22 035
Net (loss) / income		11 004	-28 845
Total shareholders' equity	**3.5**	**623 067**	**614 679**
Total liabilities and shareholders' equity		**1 001 993**	**1 004 455**

INCOME STATEMENTS AND PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2021

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

In CHF'000	Notes	2021	2020
Other non operating income		507	105
Financial income	4.1	20 084	20 819
Gain on sale of investments		752	296
Administrative and other expenses		-2 917	-2 662
Financial expenses and exchange result	4.2	-6 485	-33 322
Impairment of financial fixed assets	4.3	–	-13 638
Income/(loss) before tax		**11 941**	**-28 402**
Direct taxes (other than income tax)		-937	-443
Net income/(loss)		**11 004**	**-28 845**

PROPOSAL FOR APPROPRIATION OF AVAILABLE EARNINGS FOR THE YEAR 2020

In CHF'000	Legal reserves from capital contribu-tion	Retained earnings
Balance brought forward from previous year	71 467	-6 810
Partial dissolution of the legal reserves from retained earnings	–	20 000
Dividend	-2 765	-2 765
Net result	–	11 004
Total available earnings	**68 702**	**21 429**
Proposal of the Board of Directors:		
Ordinary distribution:		
- CHF 0.10 on 50'736'972* bearer shares (of which CHF 0.05 out of capital contribution reserve and CHF 0.05 out of retained earnings)	-2 537	-2 537
- CHF 0.01 on 46'300'000 registered shares (of which CHF 0.005 out of capital contribution reserve and CHF 0.005 out of retained earnings)	-232	-232
Balance to be carried forward	**65 933**	**18 660**

*This figure represents the number of bearer shares which are dividend bearing as of December 31, 2021 and may fluctuate upon issuance of additional share capital for the employees by utilization of the conditional share capital or utilization of the authorized share capital to acquire companies.

NOTES TO THE FINANCIAL STATEMENTS 2021

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 2021

3. NOTES TO THE BALANCE SHEETS

3.1 OTHER CURRENT RECEIVABLES AND PREPAID EXPENSES

In CHF'000	31.12.2021	31.12.2020
Prepaid expenses	334	578
Withholding tax	–	69
Other accounts receivable	325	2
	659	649

Prepaid expenses mainly includes the amortized cost of the difference between nominal value and net proceeds less issuance costs of the bonds (note 3.3). These amounts are allocated against income statement over the contractual periods of their underlying borrowings.

3.2 INVESTMENTS

DIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2021	2020
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 – Paris	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	100	100	50
SmarDTV SA	CH – Cheseaux	Conditional access modules and set-top-boxes	kCHF	1 000	100	100
Kud SA	LU – Luxembourg	Finance	kCHF	100	100	100
Leman Consulting SA in liquidation	CH – Nyon	Intellectual property consulting	kCHF	0	L	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 Private Limited	IN - Mumbai	Sales and support	kINR	0	M	100
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	100	100
NexGuard Labs France SAS	FR - Cesson Sevigne	Watermarking Solutions	kEUR	420	100	100

M: Merged companies
L: Liquidated companies

SIGNIFICANT INDIRECT INVESTMENTS

Company	Location	Activity	Share capital		Percentage held and voting rights 2021	2020
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	90.6	100	100
SKIDATA (Schweiz) AG	CH - Adliswil	Public access	kCHF	150	100	100
SKIDATA Inc.	US – Van Nuys	Public access	kUSD	5 510	100	100
SKIDATA Australasia Pty Ltd	AU – Melbourne	Public access	kAUD	5 472	100	100

3.3 BONDS

In CHF'000	2021
Initial balance	**350 000**
Repurchase	-17 710
Liability component as of December 31	**332 290**
of which:	
- short-term portion (bond 2015/2022)	184 600
- long-term portion (bond 2016/2024)	147 690
	332 290

On May 12, 2016 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 15 400 in nominal value of this bond in 2021.

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 2 310 in nominal value of this bond in 2021.

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

3.4 SHORT TERM PROVISIONS

The short-term provisions consists in an unrealized exchange gains in foreign currencies for kCHF 8 179 (2020: kCHF 0).

NOTES TO THE FINANCIAL STATEMENTS 2021

3.5 CHANGE IN SHAREHOLDERS' EQUITY

In CHF'000	Share capital	Legal reserves from retained earnings	Legal reserves from capital contribution	Retained earnings	Total Shareholders' equity
As of December 31, 2019	**437 961**	**110 000**	**74 216**	**24 785**	**646 962**
Dividend	–	–	-2 749	-2 749	-5 498
Share capital increase	2 060	–	–	–	2 060
Net Income	–	–	–	-28 845	-28 845
As of December 31, 2020	**440 021**	**110 000**	**71 467**	**-6 809**	**614 679**
Partial dissolution of the legal reserves from retained earnings		-20 000		20 000	–
Dividend	–	–	-2 765	-2 766	-5 531
Share capital increase	2 915	–	–	–	2 915
Net Income	–	–	–	11 004	11 004
As of December 31, 2021	**442 936**	**90 000**	**68 702**	**21 429**	**623 067**

SHARE CAPITAL

In CHF'000	31.12.2021	31.12.2020
50'736'972 / 50'372'600 bearer shares, at CHF 8 each	405 896	402 981
46'300'000 registered shares, at CHF 0.80 each	37 040	37 040
	442 936	**440 021**

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	2021	2020
Conditional share capital as of January 1	83 529	85 588
Increase of conditional share capital	4 000	–
Employee share purchase plan	-382	-411
Shares allotted to employees	-2 533	-1 648
Conditional share capital at December 31	**84 614**	**83 529**
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:		
576'784 / 441'156 bearer shares, at CHF 8 each	4 614	3 529
	84 614	**83 529**

AUTHORIZED SHARE CAPITAL (ARTICLE 7 OF ARTICLES OF INCORPORATION)

In CHF'000	31.12.2021	31.12.2020
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 15, 2022, for the purpose of acquiring companies or parts of companies.

MAJOR SHAREHOLDERS

	Voting rights 31.12.2021	Voting rights 31.12.2020	Shareholdings 31.12.2021	Shareholdings 31.12.2020
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	2021	2020
Dividends received from Group subsidiaries	15 421	16 573
Interest on loans to Group subsidiaries	4 029	4 246
Gain on bonds repurchase	634	–
	20 084	**20 819**

4.2 FINANCIAL EXPENSES AND EXCHANGE RESULTS

In CHF'000	2021	2020
Net currency exchange result	52	-26 528
Interest on loans from Group subsidiaries	-362	-230
Interest expenses and bank charges	-6 175	-6 564
	-6 485	**-33 322**

4.3 IMPAIRMENT OF FINANCIAL FIXED ASSETS

In CHF'000	2021	2020
Change in provision on Group investments and loans	–	-9 642
Value adjustment on investments	–	-3 996
	–	**-13 638**

In 2020, the change in provision on Group investments relates to capital contributions (stabilization measures) of kCHF 12 230 and a reduction on an intercompany loan provision of kCHF 2 588.

NOTES TO THE FINANCIAL STATEMENTS 2021

5. COMMITMENTS AND CONTINGENCIES

In CHF'000	31.12.2021	31.12.2020
Guarantee commitments		
Commitment in favor of third parties and Group companies	3 419	1 015
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 2021 and 2020 did not exceed ten people.

7. BOARD AND EXECUTIVE INTEREST DISCLOSURES

The disclosures required by article 663c of Swiss Code of Obligations on Board and Executive interest are shown in the Kudelski Group consolidated financial statements.

Kudelski SA

Cheseaux-sur-Lausanne

Report of the statutory auditor
to the General Meeting

on the financial statements 2021

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, which comprise the balance sheet as at 31 December 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 61 to 68) as at 31 December 2021 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 Auditing Standards. 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 entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 10'000'000

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

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

Valuation of investments in subsidiaries and loans to Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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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 10'000'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because Kudelski SA is a holding company that mainly holds investments in subsidiaries. Total assets is a generally accepted benchmark for determining the materiality according to auditing standards.

We agreed with the Audit Committee that we would report to them misstatements above CHF 1'000'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the 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.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Valuation of investments in subsidiaries and loans to Group companies

Key audit matter	How our audit addressed the key audit matter
Kudelski SA's investments and loans to Group companies are valued at CHF 625 million and CHF 309 million respectively. The company has allocated the investments in subsidiaries and loans to Group companies to 4 Cash Generating Units (CGU's): Digital TV (DTV): CHF 648 million Public Access (PA): CHF 208 million Cybersecurity (CS): CHF 39 million Internet of Things (IoT): CHF 39 million We focused on these areas in view of the significance of the amounts involved, the business segments' operating performance during 2021 and the judgement used by management about future results.	We obtained an understanding of management's process and controls over the valuation of investments and loans to Group companies. We obtained the Group's impairment analysis for all 4 CGUs and performed the following procedures: - Tested the mathematical accuracy of the model and traced amounts to underlying financial statement and other information, as applicable. - Assessed the quality of the cash flow projections by comparing the actual results to prior year budget to identify in retrospect whether any of the assumptions might have been too optimistic. - Reconciled the 5 year projections to the budget that was subject to scrutiny and approval by the Board of Directors and gained an understanding of the process undertaken to develop the projections. - We reviewed with management to substantiate its key assumptions in the cash flow projections during the forecast period and its intention and ability to execute their strategic initiatives.

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 judgement of growth rates. Refer to note 2 – Accounting policies: Financial Assets and note 4.3 – Impairment of financial fixed assets	- We tested, with the support of our valuation specialists, the reasonableness of the cash flows growth rate after the forecast period. - Together with our specialists, we evaluated the reasonableness of the discount rate applied to those future cash flows. On the basis of the evidence obtained from our audit, we consider the valuation method and the assumptions used by the Group to be reasonable and appropriate for the valuation of Kudelski SA's investments and loans to Group companies.

Responsibilities of the Board of Directors for the financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity 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 Swiss Auditing Standards 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 Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 entity'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 entity to cease to continue as a going concern.

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

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

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

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of reserves 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
Audit expert Auditor in charge	Audit expert

Lausanne, 22 February 2022

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