KUDELSKI GROUP
INTERIM REPORT 2022

NAGRA
KUDELSKI GROUP

LETTER TO SHAREHOLDERS

First Half 2022
For the first half 2022, net revenues increased by 3.3% in constant currency. Total revenues and other operating income reached USD 333.4 million, with an EBITDA of USD 0.5 million and a net loss of USD 18.6 million.

Three of our four business segments grew at double digit rates in constant currency, as compared to the first half 2021. This reflects the continued momentum of our Cybersecurity and IoT businesses and a progressive recovery of Public Access. Revenues from our Digital TV business were 6.9% lower in constant currency, as compared to the strong first half experienced in 2021.

The market dynamics within Cybersecurity, IoT and Public Access since 2021 have required the Group to ramp up its capacity in order to enable future expected growth. Operating expenses and working capital requirements have also been negatively impacted by supply chain issues, particularly for IoT and Public Access, which were affected by the global silicon shortage. Active cost management has limited the negative impacts, including the impacts of the weaker Euro, and cost discipline will remain a priority during the second half.

While first half revenues of Digital TV were lower than last year, our new solution offerings, such as Nagravision Active Streaming Protection, Nagra Insight and Nagra Sports, are gaining traction in the market because they address important needs in the Digital TV ecosystem. Our comprehensive multi-dimensional security approach, targeting the key challenges of media piracy, is a key differentiator in the industry with high potential for the future, but it requires longer sales cycles than traditional well-established solutions.

With a solid double-digit growth, Kudelski Security is continuing to build momentum with its ability to address the security needs of a broad range of industries, including critical infrastructure, from energy to hospitals, governmental organizations, financial institutions and luxury goods. We have also continued to further evolve our cybersecurity organization towards higher added-value solutions, including our managed detection and response offering. Our high-performance incident response teams have secured the critical data of companies who have experienced cyber-attacks, including those targeted by ransomware.

Kudelski IoT continues to be a highly promising activity for the Group. In addition to the strong momentum of the RecovR product, our expertise in silicon security and cryptography enables us to secure chipsets against cyber-attacks in their operational environments. Our deep expertise in this field ranges from secure chip design to security labs and from secure embedded keySTREAM software to secure backend solutions.

Following two years of challenge due to the pandemic, Public Access is progressively recovering. The post-pandemic world has changed in some fundamental ways, particularly around virtualization and digitalization. This creates important new opportunities for Public Access, and we are committed to developing innovative and comprehensive solutions to address these opportunities and deliver future growth.

Outlook
The Group's Board of Directors, executive management and employees are keenly focused on managing the many challenges and opportunities in our markets. Notwithstanding the challenges, we are committed to continuing innovation and making the R&D investments that are necessary to address the key opportunities that we see.

For the second half 2022, we expect our Cybersecurity, IoT and Public Access businesses to grow. Digital TV should have a stronger second half compared to the first semester, in line with the traditional seasonality patterns. Taking into account the forecasted business activity of our four segments, we confirm our full year EBITDA guidance in the range of USD 55m to USD 75m.

We would like to take this opportunity to thank our clients, partners, employees and shareholders for their continued trust in this particularly challenging environment, where important efforts are required to deliver sustainable results for the future.

ANDRÉ KUDELSKI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

FIRST HALF 2022 RESULTS

GROUP RESULTS

The development of the Group's four business lines followed different trajectories in the first half 2022. Cybersecurity maintained the strong momentum of the previous year, growing at 15.4% in constant currency, and continued to improve its business mix, with an increasing share of revenues generated by high value-added business lines. IoT, while still small in absolute terms, grew by a factor of 2.7, reflecting the successful expansion of its asset tracking business. Public Access recovered after two years of COVID-19 related revenue decline. In this first half, Public Access delivered a double-digit constant currency revenue growth. Digital TV suffered from unfavorable exchange rate developments and the base effect of a strong 2021. Revenues for Digital TV declined by 8.9% in constant currency and by 13.2% on an as-reported basis.

In the first half 2022, the Group's total revenues and other operating income decreased from USD 340.5 million to USD 333.4 million. Net revenues grew by 3.3% in constant currency but decreased by 2.2% to USD 328.4 million on an as-reported basis.

Other operating income increased by USD 0.2 million to USD 5.0 million due to, among other factors, a USD 2.0 million government grant to SKIDATA.

Margin after cost of material decreased from USD 248.6 million to USD 245.0 million. Relative to total revenues, margin after cost of material increased from 73.0% to 73.5%, mainly reflecting higher gross margins in the Digital TV and Cybersecurity segments.

Compared to the first half 2021, the Group's personnel expenses decreased by USD 0.5 million, due in particular to favorable exchange rate effects. Over the first half of the year, headcount increased by 59 Full Time Equivalents (FTEs) to 3'285 at the end of June. The Group mainly increased Cybersecurity and Public Access headcount in this first half, in line with growing demand in these segments. Total FTEs in Europe as of June 30, 2022 were 48 higher than at the end of the previous year, driving most of the headcount growth.

In the first half 2022, the Group increased other operating expenses by USD 11.4 million. In the prior first half, the Group released USD 4.3 million of bad debt provisions, whereas in this period an additional USD 0.4 million of provisions were booked. Travel and marketing expenses increased, as pandemic-related restrictions eased. In this first half, travel expenses grew by USD 3.4 million and marketing and sales expenses increased by USD 2.0 million.

In this first half, the Group generated USD 0.5 million of operating income before depreciation and amortization, compared to USD 15.0 million in the previous first half. At USD 16.9 million, depreciation, amortization and impairment was USD 4.3 million lower than in the first half 2021, as the Group has systematically reduced capital expenditures over recent reporting periods. Overall, the Group generated an operating loss of USD 16.4 million for the half year.

At USD 5.4 million, interest expense was USD 0.4 million higher than in the prior first half. The Group posted USD 5.9 million of net finance income, primarily due to net foreign exchange gains. Income tax expenses for the period were at USD 2.9 million, resulting in a net loss of USD 18.6 million for the period, compared to USD 3.1 million in the prior first half.

DIGITAL TV

Digital TV revenues decreased by 13.2% to USD 144.5 million, representing a constant currency decline of 8.9%. In addition to foreign exchange factors, the base effect of strong 2021 Digital TV revenues drove this year-on-year development.

The Group's European Digital TV business posted 14.2% lower revenues compared to the first half 2021. In constant currency, European revenues declined by 6.6%. Among the highlights, Digital TV continues to grow its business with Vodafone and to deploy next generation security solutions. In Italy, RAI selected Nagravision's multi-DRM solution. United Group, a multi-play telecom and media provider in southeastern Europe, selected Nagravision's NexGuard watermarking. On the other hand, sales of conditional access modules (CAM) declined compared to the prior first half, due to, among other factors, a supplier's inability to deliver. CAM supply issues affected, in particular, Digital TV's Italian business, with revenues from the Italian market declining by 60% compared to the prior first half.

At USD 45.0 million, the Americas business posted 12.8% lower revenues in this first half. South American markets remain weak, still suffering from the negative impact of the pandemic. In the US, revenues were more resilient, delivering a single digit revenue decline compared to the prior first half.

At USD 28.7 million, the Asia Pacific and Africa region posted a 11.4% revenue decline in the first half 2022. After a strong first half 2021 that was driven by hardware sales, revenues from Starhub materially declined in the first half 2022. Among the positive highlights, VTVCab selected Nagravision's TVkey Cloud to deploy its direct-to-TV service on Samsung TVs in Vietnam. In India, PT Linknet selected Nagravision to migrate its Hybrid OTT/IPTV solution to the OpenTV Video Platform.

Digital TV margin after cost of material improved from 87.0% to 88.5%, reflecting a more favorable revenue mix, due to lower hardware sales, including conditional access modules and set-top boxes. In the first half, this segment's operating expenses were USD 0.4 million lower than in the prior first half. While currency effects resulted in an overall cost reduction, marketing, business development and services costs increased compared to the prior first half. Digital TV's operating income before depreciation and amortization declined by USD 16.4 million to USD 26.2 million. As depreciation and amortization was USD 3.3 million lower, this segment's operating income decreased by USD 13.1 million to USD 18.6 million.

CYBERSECURITY

In the first half 2022, the Group's cybersecurity business posted USD 79.6 million of gross revenues, a 12.1% increase from the first half 2021. Net revenues were at USD 51.0 million, representing a growth in constant currency of 15.4%. On an as-reported basis, cybersecurity net revenues grew by 12.2%. The business benefitted from growth across both of its main regions. In Europe, net revenues grew by 38.7% in constant currency to reach USD 18.8 million, while the Americas grew by 2.7% to USD 31.5 million. In addition, the Group generated USD 0.7 million of cybersecurity revenue in the Asia Pacific and Africa region. The Group's cybersecurity business continues to earn industry recognition. In this first half 2022, it was recognized in Forrester's Now Tech: European Managed Security Service Providers, and in the Gartner Market guide for Managed Security Services.

Margin after cost of material increased to USD 32.8 million, representing 34.2% growth from the prior first half. In relative terms, margin after cost of material increased from 54.0% to 64.3%, as the business mix continues to shift from lower margin technology reselling to higher margin advisory services, managed security services and proprietary technology sales. The development of cybersecurity bookings underscores the positive momentum of this business. In the first half 2022, the cybersecurity segment generated over USD 100 million of total bookings, continuing to grow at double-digit rates compared to the first half 2021. Bookings in high value-added business lines, including managed detection and response services, advisory and proprietary technology sales, increased by 32% over this same period. During the first half of the year, the cybersecurity business won substantial new contracts in luxury goods manufacturing, healthcare and hospitals, as well as in the energy and critical infrastructure sectors.

In this first half, segment headcount increased to support the further expansion of the business. With the rising demand for the Group's managed detection and response services, the Group launched a new cyber fusion center in Spain, staffed with an experienced team of threat detection specialists and cyber response consultants, complementing existing centers in Switzerland and the US. In addition, the Group continues to expand its cybersecurity offering portfolio, with the launch of MDR ONE, a new all-in-one solution that provides cloud-native managed detection and response services based on the Group's proprietary technologies.

As a result of the Group's continued investments, in the first half 2022, the cybersecurity business posted a USD 9.8 million operating loss before depreciation and amortization, roughly in line with the USD 9.5 million loss booked in the first half 2021.

INTERNET OF THINGS (IoT)

RecovR, the asset tracking solution combining lot management and theft recovery, continues to increase its pace of deployments at car dealerships across the United States. RecovR enables car dealers to manage their lots efficiently, improve the sales process and create a new revenue stream, while offering consumers an advanced and reliable wireless theft recovery solution. In the first half 2022, the Group added 140 new rooftops, accelerating RecovR's market penetration. This strong momentum drove IoT's first half revenue growth. In the first half 2022, IoT generated USD 7.2 million of revenues, compared to USD 2.6 million in the first half 2021. KeySTREAM, the Group's end-to-end IoT security platform, gained further traction in the first half year, delivering double-digit growth compared to the prior first half. IoT Security Labs continued to acquire new customers, while commanding higher man day rates. As a result, IoT Security Labs revenues almost doubled compared to the prior first half.

Operating expenses only marginally increased in this first half, as the business previously undertook investments in the organizational structure required to successfully launch and scale its RecovR asset tracking deployments. As a result, IoT reduced its operating loss before depreciation and amortization by USD 2.1 million to USD 9.5 million.

PUBLIC ACCESS

Following two years in which COVID-19 affected Public Access results, investments in access control infrastructure for parking, ski and events started to recover in the first half 2022. The service business, which has historically been more resilient than the project business, also benefitted from higher post-pandemic demand. As a result, Public Access revenues in constant currency increased by 11.8% in the first half 2022, but a weaker Euro had a negative impact on reported USD-denominated revenues. At USD 125.7 million, reported first half 2022 revenues grew by 3.7% compared to the prior first half. European sales strongly recovered, increasing by 4.4% to USD 79.7 million, in spite of the negative impact of the Euro exchange rate. In constant currency, European revenues grew by 14.4% from the previous first half. Austria, France and Italy were the best performing markets, with solid first half growth rates. In Austria, the mountain business benefitted from a strong recovery, with sales of consumable products and revenues from recurring software licenses also driving growth. In France and Italy, both the car and the mountain markets contributed to growing revenues, with service, consumable products and recurring software also driving higher sales.

Revenues from new deployments in the US market continued to decline in the first half 2022, while the service business started to recover, growing compared to the previous first half. In the US market, revenues in the car segment declined, while the event and mountain segments grew compared to the prior first half. Overall, Public Access generated USD 27.7 million of revenues in the Americas, growing by 0.5% from the first half 2021. The Asia Pacific and Africa markets continue to recover, with revenues growing by 6.1% to USD 18.3 million. SKIDATA's Australian affiliate increased its revenue contribution by USD 0.9 million compared to the prior first half.

Margin after cost of material relative to revenues decreased from 63.4% to 62.4%, reflecting the recovery of the lower margin project business.

In the first half 2022, Public Access increased operating expenses by USD 1.6 million compared to the previous year. In the prior first half, SKIDATA benefitted from COVID-related savings. In addition, SKIDATA increased headcount by 17 FTEs in this first half, expanding European headcount in line with the higher volume of business in the region. In this first half, SKIDATA also increased marketing, travel, consultancy, and software expenses.

Overall, Public Access generated a positive operating income before depreciation and amortization of USD 0.5 million, compared to USD 0.7 million in last year's period. For this first half, Public Access posted an operating loss of USD 7.1 million.

BALANCE SHEET AND CASH FLOWS

Total non-current assets decreased by USD 41.5 million to USD 551.0 million from December 31, 2021. Foreign exchange effects decreased the USD value of assets denominated in foreign currencies. However, the Group also continued to reduce the overall level of investments in tangible and intangible assets compared to previous years. Tangible fixed assets decreased by USD 5.0 million and intangible assets decreased by USD 19.7 million. Financial assets at amortized costs decreased by USD 6.2 million, reflecting lower long-term trade accounts receivables due to collections and reclassification to short-term receivables.

Compared to December 31, 2021, total current assets decreased by USD 103.2 million to USD 529.7 million. The USD 14.3 million increase of inventory reflects the buildup of safety stock at SKIDATA and for the IoT business, to mitigate supply risks due to the volatility of semiconductor supply chains. SKIDATA added USD 6.1 million of inventory and IoT added USD 6.8 million. The Group decreased trade receivables by USD 20.6 million, as SKIDATA reduced outstanding receivables by USD 15.9 million.

At the end of the period, cash and cash equivalents amounted to USD 184.0 million, representing a USD 100.5 million decrease from December 31, 2021, as the Group repaid open credit lines and increased working capital in the first half 2022.

Total equity decreased by USD 41.5 million, mainly reflecting the USD 18.6 million net loss for the period and a USD 20.1 million negative currency translation adjustment. Total non-current liabilities decreased by USD 37.0 million to USD 273.3 million, with long-term financial debt declining by USD 15.4 million to USD 181.4 million, driven by currency translation effects and debt repayment. In this first half, the Group repurchased a nominal amount of CHF 12.1 million of its 2022 bond and CHF 1.8 million of its 2024 bond. On August 12, 2022, the Group fully repaid its 2022 bond.

The Group reduced employee benefit liabilities by USD 15.5 million to USD 9.2 million. Lower pension liabilities are mainly driven by CHF 47.2 million favorable impact from a change of the discount rate for future liabilities from 0.35% to 2.05%, partly offset by a CHF 25.4 million plan asset loss. This reduction of liabilities is booked as other comprehensive income and has no impact on the Group's profit and loss statements.

Total current liabilities decreased by USD 66.4 million to USD 452.2 million, with short-term financial debt decreasing by USD 27.9 million to USD 212.1 million, as the Group fully repaid its Kudelski SA credit lines. The Group reduced trade accounts payable by USD 22.0 million to USD 46.6 million.

During the first half 2022, the Group generated negative USD 38.7 million of cash flow from operating activities, compared to positive USD 30.5 million in the first half 2021. First half negative operating cash flows follow the strong cash flow generation of the prior two years. Working capital increases were a key driver of the negative operating cash flow, including USD 15.8 million of cash used to increase inventory and USD 16.6 million to reduce account payables. In the first half, the Group maintained a strong discipline in managing capital expenditures, using USD 1.2 million cash for investing activities.

Net cash-out for financing activities amounted to USD 48.3 million. The cash outflow includes USD 8.0 million of payments for lease obligations, the USD 10.8 million dividend paid to non-controlling shareholders, and the USD 6.0 million cash distribution paid to Kudelski SA shareholders. In the first half 2022, the Group repaid USD 28.0 million of debt. Foreign exchange effects also resulted in a decrease of USD 12.3 million in the balance of cash and cash equivalents.

OUTLOOK

Following the Digital TV segment's strong 2021 results, which materially exceeded management expectations, the Group expects Digital TV revenues to decline in 2022 at single-digit rates in constant currency. Second half revenues should be higher than the first half's, in line with the seasonality patterns of prior years. Full year operating expenses are expected to be roughly at the same level as in 2021. These developments reflect the base effect of the strong 2021 results and will translate to a year-on-year reduction of the segment's EBITDA.

In the Cybersecurity segment, the Group expects to maintain its 2021 momentum, with revenues growing at a double-digit rate. As the Cybersecurity business continues to drive the development of higher margin product lines, margin after cost of material should also grow at a double-digit rate. After the material build-up of operating expenses in 2021, the growth of operating expenses is expected to slow down in 2022, resulting in a material improvement of segment profitability.

The strong momentum of RecovR sales is expected to drive IoT's revenues in 2022, while the Group will continue to promote IoT Services and the keySTREAM platform as a driver of long-term growth. Consistent with 2021, the Group expects IoT revenues to at least double in 2022 compared to the prior year. 2022 gross margins will decline, as the revenue mix will increasingly shift to the asset tracking business line. With operating expenses only marginally increasing compared to 2021, revenue growth is expected to translate into a lower EBITDA loss in 2022.

In Public Access, the Group forecasts a partial recovery in 2022, with high-single digit revenue growth in constant currency and a limited increase of operating expenses. The Group expects to benefit from the continued streamlining of SKIDATA's operations and a tighter integration with other Group businesses and is targeting a material improvement of Public Access profitability for 2022.

CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021 (UNAUDITED)

In USD'000	January/ June 2022	January/ June 2021
Revenues	328 383	335 711
Other operating income	5 035	4 784
Total revenues and other operating income	**333 418**	**340 495**
Cost of material, licenses and services	-88 458	-91 861
Employee benefits expense	-192 420	-192 864
Other operating expenses	-52 071	-40 722
Operating income before depreciation, amortization and impairment	**470**	**15 048**
Depreciation, amortization and impairment	-16 882	-21 241
Operating income	**-16 412**	**-6 193**
Interest expense	-5 355	-5 043
Other finance income/(expense), net	5 908	7 561
Share of results of associates	178	235
Income before tax	**-15 681**	**-3 440**
Income tax expense	-2 878	332
Net income for the period	**-18 559**	**-3 108**
Attributable to:		
- Equity holders of the company	-21 032	*-6 082*
- Non-controlling interests	2 473	*2 974*

Earnings per share (in USD)		
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	-0.3772	-0.1099
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	-0.0377	-0.0110

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021 (UNAUDITED)

In USD'000	January/ June 2022	January/ June 2021
Net income	**-18 559**	**-3 108**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	-20 144	2 911
Cash flow hedges, net of income tax	-327	39
	-20 471	**2 951**
Other comprehensive income never to be reclassified into the consolidated income statement in subsequent periods:		
Remeasurements on post employment benefit obligations, net of income tax	13 239	18 583
Total other comprehensive income, net of income tax	**-7 232**	**21 533**
Total comprehensive income for the period	**-25 791**	**18 425**
Attributable to:		
- Equity holders of the company	-28 093	15 572
- Non-controlling interests	2 303	2 853
	-25 791	**18 425**

CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2022 AND DECEMBER 31, 2021 (UNAUDITED)

In USD'000	30.06.2022	31.12.2021
ASSETS		
Non-current assets		
Tangible fixed assets	68 865	73 940
Intangible assets	360 929	380 607
Right-of-use assets	43 560	50 746
Investments in associates	8 839	9 335
Deferred income tax assets	41 099	44 054
Financial assets at amortized cost	25 630	31 792
Financial assets at fair value through profit and loss	1 103	1 152
Other non-current assets	936	896
Total non-current assets	**550 961**	**592 523**
Current assets		
Inventories	68 678	54 378
Trade accounts receivable	142 927	163 514
Contract assets	44 998	36 733
Other financial assets at amortized cost	44 883	49 655
Other current assets	44 197	43 450
Derivative financial instruments	–	699
Cash and cash equivalents	183 969	284 489
Total current assets	**529 652**	**632 918**
Total assets	**1 080 613**	**1 225 441**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	343 927	340 484
Reserves	-15 330	21 145
Equity attributable to equity holders of the parent	**328 597**	**361 629**
Non-controlling interests	26 597	35 033
Total equity	**355 194**	**396 662**
Non-current liabilities		
Long-term financial debt	181 429	196 870
Long-term lease obligations	69 514	76 504
Deferred income tax liabilities	2 709	2 050
Employee benefits liabilities	9 174	24 715
Other long-term liabilities	10 428	10 070
Total non-current liabilities	**273 254**	**310 209**
Current liabilities		
Short-term financial debt	212 127	240 023
Short-term lease obligations	12 289	15 114
Trade accounts payable	46 576	68 586
Contract liabilities	83 477	83 298
Other current liabilities	90 566	105 718
Current income taxes	2 323	2 684
Derivative financial instruments	1 974	82
Provisions for other liabilities and charges	2 833	3 065
Total current liabilities	**452 165**	**518 569**
Total liabilities	**725 419**	**828 778**
Total equity and liabilities	**1 080 613**	**1 225 441**

CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021 (UNAUDITED)

In USD'000	January/ June 2022	January/ June 2021
Net income for the period	**-18 559**	**-3 108**
Adjustments for net income non-cash items:		
- Current and deferred income tax	2 878	-332
- Interests, allocation of transaction costs (bonds) and foreign exchange differences	-3 114	-3 090
- Depreciation, amortization and impairment	16 882	21 241
- Change in fair value of financial assets at fair value through profit or loss	2 263	301
- Share of result of associates	-178	-235
- Non-cash employee benefits expense	2 090	3 036
- Deferred cost allocated to income statement	–	102
- Additional provisions net of unused amounts reversed	-34	-619
- Non-cash government grant income	-3 033	-1 036
- Other non-cash (income) / expense	-139	-6 872
Adjustments for items for which cash effects are investing or financing cash flows:		
- Other non-operating cash items	-89	-113
Adjustments for change in working capital:		
- Change in inventories	-15 825	2 339
- Change in trade accounts receivable and contract assets	5 660	49 292
- Change in trade accounts payable and contract liabilities	-16 627	-16 347
- Change in current income taxes liabilities	-2 058	-1 044
- Change in accrued expenses	-5 809	-6 821
- Change in other net current working capital headings	-4 999	-5 659
Government grant from previous periods received	3 589	1 742
Dividends received from associated companies	138	218
Interest paid	-1 933	-1 526
Interest received	520	406
Income tax paid	-351	-1 376
Cash flow from/(used in) operating activities	**-38 727**	**30 500**
Purchases of intangible fixed assets	-2 925	-1 438
Purchases of tangible fixed assets	-1 958	-2 487
Proceeds from sales of tangible and intangible fixed assets	3 196	133
Divestments of financial fixed assets and loans reimbursement	507	431
Cash flow from/(used in) investing activities	**-1 181**	**-3 361**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities	-28 039	-27 102
Increase in bank overdrafts, long-term loans and other non-current liabilities	4 438	2 383
Payments of lease obligations	-8 009	-7 725
Proceeds from employee share purchase program	62	37
Dividends paid to non-controlling interests	-10 739	-235
Dividends and partial share capital repayment to shareholders	-5 999	-6 080
Cash flow from/(used in) financing activities	**-48 286**	**-38 722**
Effect of foreign exchange rate changes on cash and cash equivalents	-12 326	-2 384
Net increase/(decrease) in cash and cash equivalents	**-100 520**	**-13 966**
Cash and cash equivalents at the beginning of the period	284 489	152 584
Cash and cash equivalents at the end of the period	183 969	138 618
Net increase/(decrease) in cash and cash equivalents	**-100 520**	**-13 966**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021 (UNAUDITED)

In USD'000	Share capital	Share premium	Retained earnings	Fair value and other reserves	Currency translation adjustment	Non controlling interests	Total equity
January 1, 2021	**337 295**	**69 758**	**-65 470**	**-2 683**	**-449**	**30 580**	**369 031**
Net result for the period	–	–	-6 082	–	–	2 974	-3 108
Other comprehensive income for the period	–	–	18 583	39	3 032	-121	21 533
Total comprehensive income for the period	**–**	**–**	**12 501**	**39**	**3 032**	**2 853**	**18 425**
Employee share purchase program	111	-59	–	–	–	–	53
Shares issued for employees	2 788	-1 924	–	–	–	–	865
Dividend paid to shareholders	–	-3 040	-3 040	–	–	–	-6 080
Dividend paid to non-controlling interests	–	–	–	–	–	-235	-235
June 30, 2021	**340 195**	**64 736**	**-56 009**	**-2 643**	**2 583**	**33 198**	**382 060**
January 1, 2022	**340 484**	**64 565**	**-32 708**	**-2 532**	**-8 180**	**35 033**	**396 662**
Net result for the period	–	–	-21 032	–	–	2 473	-18 559
Other comprehensive income for the period	–	–	13 239	-327	-19 974	-170	-7 232
Total comprehensive income for the period	**–**	**–**	**-7 793**	**-327**	**-19 974**	**2 303**	**-25 791**
Employee share purchase program	256	-167	–	–	–	–	89
Shares issued for employees	3 188	-2 216	–	–	–	–	972
Dividend paid to shareholders	–	-2 999	-2 999	–	–	–	-5 999
Dividend paid to non-controlling interests	–	–	–	–	–	-10 739	-10 739
June 30, 2022	**343 927**	**59 183**	**-43 500**	**-2 859**	**-28 154**	**26 597**	**355 194**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 (UNAUDITED)

1. GENERAL INFORMATION
Kudelski SA is listed on the Swiss stock exchange and incorporated and domiciled in Switzerland. Kudelski SA and its subsidiaries (together the "Group") are active in the Digital TV, Cybersecurity, Internet of Things (IoT) and Public Access businesses. The principal activities of the Group are described in the 2021 annual report.

2. BASIS OF PREPARATION
These interim condensed financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2021.

3. ACCOUNTING POLICIES
The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SEASONALITY
In the Digital TV business, Christmas sales usually lead to higher volumes, and therefore higher revenues, in the last quarter of the year. This operating segment may also be subject to abnormal seasonality due to bulk orders of smart cards from large customers, products and services delivered to newly acquired customers and the completion of large patent licensing contracts.

The Public Access segment (SKIDATA) has strong seasonal revenue variations, in both the parking and ski access business since it earns a significant portion of its revenues in the fourth quarter.

Cybersecurity services, including managed security, advisory services, and research and development, are not seasonally sensitive, however, technology consulting and resale services could be impacted by fiscal year ends and budget constraints of public, private and governmental organizations leading to higher revenues in the second half of the year.

The Group's IoT segment is currently in an early development phase. Revenues can be volatile until a stable customer base is established. Revenue recognition effects from large projects can also lead to material revenue variations between the first and second half-year in both the Cybersecurity and the IoT segments.

5. SHARE-BASED PAYMENTS
As of June 30, 2022, 30 180 bearer shares have been underwritten by employees in accordance with the articles of the Employee Share Plan. The attributable expense in the income statement is kUSD 27. The Group issued 376 473 bearer shares as part of 2021 management bonus payment which expense was fully accrued for at December 31, 2021.

6. DIVIDEND
On April 28, 2022, the Group paid a distribution of CHF 0.10 per bearer share and CHF 0.01 per registered share. The distribution amounted to kUSD 5 999.

7. REPURCHASE AND REPAYMENT OF DEBT
During the first half 2022, the Group repurchased nominal value of kUSD 12 834 relating to the 2015-2022 bond and nominal value of kUSD 1 868 relating to the 2016-2024 bond. The total cash paid excluding accrued interest was kUSD 14 581.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 (UNAUDITED)

8. FINANCIAL INSTRUMENTS - FAIR VALUE DISCLOSURES

The table below illustrates the three hierarchical levels for valuing financial instruments carried at fair value as of June 30, 2022 and December 31, 2021. For additional information on the levels and valuation methods, please refer to Note 43 to the consolidated financial statement in the 2021 annual report.

In USD'000		30.06.2022	31.12.2021
Financial assets at fair value through profit or loss:			
- equity instuments with no quoted market price	Level 3	1 103	1 152
Total financial assets		**1 103**	**1 152**
Financial liabilities:			
- contingent consideration (long-term portion)	Level 3	1 149	1 255
Total financial liabilities		**1 149**	**1 255**

The fair value of the Level 3 equity instrument 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 a discount rate of 10.0%.

Reconciliation of level 3 fair values:

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

In USD'000	Equity instruments with no quoted market price	Contingent liabilities
Balance at January 1, 2021	1 188	-1 484
Exchange difference	–	-18
Currency translation adjustment	-36	247
Balance at December 31, 2021	**1 152**	**-1 255**
Currency translation adjustment	-50	105
Balance at June 30, 2022	**1 103**	**-1 149**

Except as detailed below, management considers that the carrying amount of financial assets and liabilities recorded at amortized cost is a reasonable approximation of fair value:

In USD'000	Carrying amount 30.06.2022	Fair value 30.06.2022
Financial liabilities		
- CHF 200 million bond	180 775	179 978
- CHF 150 million bond	152 774	138 047

The fair value of the bonds are based on their market price as of June 30. Limited trading liquidity results in material volatility of such prices.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 (UNAUDITED)

9. 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 the 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.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 (UNAUDITED)

In USD'000	Digital TV January/ June 2022	Public Access January/ June 2022	Cyber-security January/ June 2022	Internet of Things January/ June 2022	Total January/ June 2022
Revenues from external customers	144 474	125 733	50 981	7 196	328 383
Other operating income	2 550	2 432	20	32	5 035
Total segment revenues and other operating income	**147 023**	**128 165**	**51 001**	**7 229**	**333 418**
Cost of materials, licenses and services	-19 092	-49 769	-18 186	-1 411	-88 458
Operating expenses	-101 755	-77 856	-42 591	-15 288	-237 490
Operating income before depreciation, amortization and impairment - excluding corporate common functions	**26 177**	**541**	**-9 777**	**-9 470**	**7 470**
Depreciation, amortization and impairment	-7 627	-7 685	-1 238	-332	-16 882
Operating income - excluding corporate common functions	**18 550**	**-7 145**	**-11 015**	**-9 803**	**-9 412**
Corporate common functions					-7 001
Interest expense and other Finance income/(expense), net					553
Share of result of associates	–	178	–	–	178
Income before tax					**-15 681**
	30.06.2022	30.06.2022	30.06.2022	30.06.2022	30.06.2022
Total segment assets	**597 869**	**286 153**	**140 305**	**49 027**	**1 073 353**

In USD'000	Digital TV January/ June 2021	Public Access January/ June 2021	Cyber-security January/ June 2021	Internet of Things January/ June 2021	Total January/ June 2021
Revenues from external customers	166 436	121 230	45 427	2 619	335 711
Other operating income	4 505	242	2	36	4 785
Total segment revenue and other operating income	**170 940**	**121 472**	**45 428**	**2 654**	**340 495**
Cost of materials, licenses and services	-26 221	-44 555	-20 970	-115	-91 861
Operating expenses	-102 151	-76 231	-33 989	-14 063	-226 433
Operating income before depreciation, amortization and impairment - excluding corporate common functions	**42 568**	**687**	**-9 531**	**-11 523**	**22 201**
Depreciation, amortization and impairment	-10 893	-8 522	-1 515	-312	-21 241
Operating income - excluding corporate common functions	**31 675**	**-7 835**	**-11 045**	**-11 835**	**960**
Corporate common functions					-7 153
Interest expense and other Finance income/(expense), net					2 518
Share of result of associates	–	235	–	–	235
Income before tax					**-3 440**
	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**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2022 (UNAUDITED)

In USD'000	30.06.2022	31.12.2021
Total segment assets	1 073 353	1 217 691
Cash & cash equivalents	2 404	2 284
Other current assets	412	403
Financial assets and other non-current assets	4 444	5 062
Total Assets as per Balance Sheet	**1 080 613**	**1 225 441**

REVENUE CATEGORIES

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Digital TV		Public Access		Cybersecurity		Internet of Things	
In USD'000	January/ June 2022	January/ June 2021	January/ June 2022	January/ June 2021	January/ June 2022	January/ June 2021	January/ June 2022	January/ June 2021
Europe	70 759	82 438	79 741	76 416	18 792	14 575	2 781	2 035
Americas	45 008	51 611	27 679	27 549	31 486	30 654	3 994	562
Asia & Africa	28 707	32 387	18 312	17 265	703	198	422	22
	144 474	**166 436**	**125 733**	**121 230**	**50 981**	**45 427**	**7 196**	**2 619**
Sale of goods	24 139	36 371	76 505	68 397	5 863	10 181	294	60
Services rendered	81 457	86 862	38 409	42 439	34 626	25 232	6 754	2 404
Royalties and licenses	38 877	43 203	10 818	10 393	10 492	10 014	148	154
	144 474	**166 436**	**125 733**	**121 230**	**50 981**	**45 427**	**7 196**	**2 619**

10. PRINCIPAL CURRENCY TRANSLATION RATE

	Period end rates used for the consolidated balance sheets		Average rates used for the consolidated income and cash flow statements	
	30.06.2022	31.12.2021	30.06.2022	30.06.2021
1 CHF	1.0482	1.0953	1.0585	1.1009
1 EUR	1.0472	1.1136	1.0922	1.2050

11. EVENTS OCCURING AFTER THE REPORTING PERIOD

On July 13, 2022, the Group announced its intention to sell its 40% equity shareholdings in iWedia SA, a provider of tier 1 software solutions for connected TV devices and Android TV, for estimated cash proceeds of kUSD 8 377.

On August 12, 2022, the 2015-2022 bond was repaid in full upon maturity. The reimbursement included principal of kUSD 183 309 and interest of kUSD 2 270.

AGENDA 2022

Release of 2022 financial results: 25 August 2022

Kudelski SA
22-24, route de Genève
PO Box 134
1033 Cheseaux
Switzerland

Tel. +41 21 732 01 01
Fax +41 21 732 01 00
info@nagra.com
www.nagra.com

Investor relations:
Santino Rumasuglia
Tel. +41 79 373 66 71
ir@nagra.com

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KUDELSKI SA

ROUTE DE GENÈVE 22-24 P.O. BOX 134 1033 CHESEAUX SWITZERLAND
T +41 21 732 01 01 F +41 21 732 01 00 INFO@NAGRA.COM WWW.NAGRA.COM