

PEACE OF MIND FOR TODAY'S DIGITAL LIFE

KUDELSKI GROUP 2020



CONTENTS

- 2 Peace of mind for today's digital life
- 4 To the highest heights and beyond, for 68 years
- 6 Interview with André Kudelski
- 10 Group DNA
- 13 A global technology leader
- 14 Historical milestones
- 16 Company portfolio
- 18 Four resilient business pillars with strong synergies
- 20 Strategic focus
- 22 Corporate social responsibility

PEACE OF MIND FOR TODAY'S DIGITAL LIFE

Watching the latest movie at home or while travelling, reaching the mountains using ticketless Park&Ride mobility offers, passing the stadium gates smoothly to watch a game of football, making your banking transactions online, whatever the occupation, the Kudelski Group's technologies make life simpler.

Discreet though efficient, they ensure comfort and peace of mind, providing smooth and secure digital and physical access to a wide variety of essential moments.





TO THE HIGHEST HEIGHTS AND BEYOND, FOR 68 YEARS

First Everest expeditions, Mariana Trench exploration, Apollo missions... NAGRA recorders have been the adventurers' companions for decades.

Used by Hollywood sound engineers, intelligence agencies, reporters, music lovers and more, NAGRA's devices testify to the pioneering spirit that the Kudelski Group has demonstrated throughout its 68-year history.

From the revolutionary NAGRA recorders to the first hands-free ski access cards and the more recent intuitive and immersive ultra HD content discovery platforms, the Group's innovations accompany people in some of their boldest and most entertaining experiences.



INTERVIEW WITH ANDRÉ KUDELSKI

Chairman and Chief Executive Officer of
the Kudelski Group



“We expect to see performance improvements in 2020 across all of our segments, reflecting the full effect of the transformation we implemented in 2018 and 2019. The key focus areas are targeted growth initiatives and increased synergies between the Group’s activities.”

What are your perspectives on 2019?

2019 was a challenging year. The Group's overall financial performance did not reach the targets that we set at the beginning of the year, driven in particular by lower revenues and profitability at SKIDATA and weakness in Kudelski Security's resale business in the US. Nevertheless, as part of the ongoing transformation of the Group, we successfully implemented some major changes in 2019 that continue the positive momentum across our business segments.

Nowhere can the effects of our transformation be seen better than with our Digital TV business, which emerged from the transformation with a streamlined organization and management structure that is better able to adapt to fast-changing market dynamics and to address new growth opportunities. In 2019, Digital TV improved its profitability, both in absolute and percentage terms compared to 2018. This increase in profitability was achieved in spite of the challenging market conditions in Asia and Latin America, where we experienced declining revenues.

2019 saw new leadership at both SKIDATA and Kudelski Security as well as other key changes among Group management. These changes are part of the overall effort to streamline the Group's management structure, stimulate synergies between business units and support functions, increase the dynamism among the teams and improve the performance of each segment, both at the top and bottom lines.

In the fourth quarter of 2019, we made the additional decision to accelerate our transformation efforts at SKIDATA and Kudelski Security in order to drive faster change. Although this decision negatively impacted our 2019 financial results, due to restructuring charges and other impacts, we firmly believe that the decision we made is critical to securing the Group's position in 2020 and beyond.

With this in mind, how do you foresee 2020?

We expect to see performance improvements in 2020 across all of our segments, reflecting the full effect of the transformation we implemented in 2018 and 2019. The key focus areas are targeted growth initiatives and increased synergies between the Group's activities. That said, the Group must remain vigilant in the face of the highly volatile crisis involving the coronavirus

(COVID-19), which is having a global economic impact of unknown proportions. The Group is monitoring the situation closely and will look to quickly adapt to market developments, on a segment-by-segment and region-by-region basis.

What types of collaboration are you expecting between Group entities to improve financial performance in 2020?

The Group has implemented incentives that are designed to reward collaborative product and sales efforts between business units. This effort is important not only to unlock synergies between our business units but also to unlock new market opportunities for the Group's product portfolio. The first results are already visible today, with the closing of new deals with some of our key Digital TV customers that include managed cybersecurity services provided by Kudelski Security. We expect a similar joint offering to be launched soon between SKIDATA and Kudelski Security in order to address cyber threats in the public access market.

What are the key trends and developments in the Digital TV business?

We expect the revenue erosion of the past few years in the Digital TV business to taper off in 2020. This is due to the resilience of many of our key pay-TV customers in advanced economies and to the success of our new product offerings. One of our most promising new solutions is Insight, our advanced analytics platform for pay-TV operators, which provides high value-added recommendations to reduce churn and optimize subscription upselling.

The Digital TV management team is also developing a medium- and long-term growth strategy for our key new market opportunities, including OTT and sports entertainment solutions.

What are the priorities for Public Access ?

The first priority for Public Access is to improve its profitability and cash flow generation. In order to drive these improvements, we are fundamentally transforming SKIDATA's management structure and its operations with the goals of enhancing organizational agility and better realizing economies of scale. From a Group perspective, we are also looking to achieve important synergies between SKIDATA and our other business units and support functions, both to take advantage of cross-selling opportunities and to realize important cost savings.

What is your analysis of the Group's cyber-security business? How are its new product offerings developing ?

Kudelski Security's development strategy remains on track, as we have seen the managed security business in EMEA gaining strong traction and the high added-value solutions performing well in the US. The performance of the technology resell business in the US has been more challenging, due to a very competitive market and the underlying trend in the industry to migrate on-premise IT to the cloud.

Going forward, we expect to grow the overall business of Kudelski Security through the positive development of high added-value products and services.

Where do we stand with the IoT growth initiative ?

The IoT center of excellence continues to develop its secure IoT platform and has commenced commercial delivery of its IoT solutions to partners and clients in support of a growing number of verticals. We expect volume delivery of Kudelski IoT-enabled devices to grow and to drive revenue growth for this business.

What is the proposed distribution to shareholders for fiscal year 2019 ?

Taking into account the Group's 2019 results and its 2020 profitability outlook, the Board of Directors is proposing a CHF 0.10 cash distribution per bearer share for approval at the 2020 Annual Shareholders' Meeting. It is proposed that CHF 0.05 of this cash distribution be treated as a return of capital.

What is the outlook for 2020 ?

For 2020, the Group expects the revenue erosion in the Digital TV segment to taper off, as the subscriber churn at established pay-TV operators appears to be slowing down and the Group expects to continue to benefit from multiyear contracts with large pay-TV customers. The Group also expects to drive further revenue opportunities with its clients from new solutions that are to be delivered from Q1 2020.

With Kudelski Security, we continue to drive the development of higher value product lines and expect continued growth of gross margins in this business. We expect to continue adding new clients, expanding geographical coverage and increasing profitability by leveraging strategic offerings and high-value products and services.

Following three years of substantial investments, our secure IoT platform is now available for commercial deployment. In 2020, we expect to see strong growth in the IoT segment.

In the Public Access segment, SKIDATA is implementing measures that are expected to result in a material reduction of operating expenses. These measures are expected to restore an EBITDA margin level in line with prior years.

Overall, for 2020, the Group expects EBITDA to be between USD 70 and 90 million and positive net income.

“Nowhere can the effects of our transformation be seen better than with our Digital TV business, which emerged from the transformation with a streamlined organization and management structure that is better able to adapt to fast-changing market dynamics and to address new growth opportunities.”

GROUP DNA



CONSUMER FOCUS

Thanks to highly advanced technologies that enable intuitive interactions, the Kudelski Group's solutions simplify the lives of more than 500 million consumers in the world every day.

TECHNOLOGY PIONEER

The Kudelski Group has been a pacesetter for decades. Every day, passionate and talented people develop innovative solutions that fuel the Group's intellectual property patent portfolio.

ENGINEERING EXCELLENCE

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



Innovation
is our mission since 1951



A GLOBAL TECHNOLOGY LEADER



The Kudelski Group is the world leader in the creation and delivery of state-of-the-art technologies to secure the revenues of content owners and service providers for digital television and interactive applications across all network types. The Group's solutions enable consumers to access content seamlessly over any device through a compelling viewing experience.

The Group capitalizes on its leading intellectual property portfolio through cross-licensing agreements that provide access to state-of-the-art technologies developed by others in the industry.

The Group is also a global leader in Public Access solutions. The world's leading parking facilities, stadiums and mountain resorts use its SKIDATA people and vehicle management solutions.

Leveraging its long-standing expertise in securing digital content and fighting piracy, the Group is a provider of cybersecurity solutions and services focused on protecting data, processes and systems for companies and organizations around the world.

The company also designs and delivers technology and services to support companies across all industries in securing their Internet of Things innovations.

HISTORICAL MILESTONES

A large silhouette of a Saguaro cactus is centered on the right side of the page. The background is a gradient from dark blue at the top to orange and yellow at the bottom, representing a sunset. A crescent moon is visible in the upper right quadrant. The overall aesthetic is clean and modern.

1951

Stefan Kudelski founded the company. Launch of the first professional portable recorder, NAGRA I, the start of a series of world-famous recorders that revolutionized sound recording.

1960

Contract to develop the first stereo subminiature voice recorder for governmental agencies.

1989

First encryption systems for television developed by André Kudelski's team and entry into the pay-TV sector.

1991

André Kudelski becomes Chairman and Chief Executive Officer.

1995

First digital TV access solutions.

2001

Entering the Public Access sector with the acquisition of SKIDATA.

2009

Acquisition of 100% of OpenTV: the Group's solutions manage the entire pay-TV ecosystem.

2012

Entering the cybersecurity sector with the creation of Kudelski Security.

2016

Opening of a second headquarters in Phoenix, Arizona.
Launch of Insight, the Group's artificial intelligence and big data platform.

2017

Launch of the Group's Internet of Things (IoT) Security Center of Excellence to address demand for increased protection of connected devices.

2019

The Group successfully completed the transformation of its digital TV activities, repositioning its business to benefit from market opportunities in the growing digital video domains.

COMPANY PORTFOLIO

Digital Television

NAGRA

Integrated content value protection and multi-device user experience solutions, including anti-piracy, watermarking, content certification and artificial intelligence-driven tools and technologies.

Public Access

SKIDATA

Integrated access and management solutions for car parks, ski resorts as well as sports, cultural, entertainment and exhibition facilities.

Cybersecurity

KUDELSKI SECURITY

Cybersecurity solutions and services for enterprises, government and public sector organizations.

Internet of Things (IoT)

IOT SECURITY SUITE

Internet of Things technology and services to help companies across all industries to protect their devices, data and business models.



68

years of innovation

500 million
users



10 000
customers

3 520
employees

Presence in
32 countries



FOUR RESILIENT BUSINESS PILLARS WITH STRONG SYNERGIES

	 Digital Television	 Public Access
DESCRIPTION	<p>Long-standing expertise in content value chain and content integrity protection, as well as in distribution technologies.</p> <p>Strong product range and customer footprint.</p>	<p>World leader in public access and revenue management solutions for ski resorts, off-street parking and events.</p>
MAIN FOCUS	<p>Secure, open, integrated platforms for broadcast, broadband and mobile networks with personalized viewing experiences.</p> <p>Mastering security technologies from silicon up to the cloud.</p> <p>Key technologies for monetizing premium video content.</p> <p>Secure by design</p>	<p>Integrated solutions to provide seamless, user-friendly access for people and vehicles to sites and installations such as car parks, ski-lifts, stadiums, arenas and amusement parks.</p> <p>SKIDATA solutions allow infrastructure operators to maximize their revenues.</p> <p>Secure by design</p>
MARKET	Worldwide	Worldwide
SINCE	1951 (audio) 1995 (digital)	1977 (since 2001 in the Group)
MATURITY	High, with further development expected	High, with further development expected



Cybersecurity

Unique positioning in securing large corporations' IT networks and cloud infrastructures from boardroom to field.

End-to-end cybersecurity solutions for a wide variety of customers across multiple sectors.

Protect enterprises & government against cyberattacks.

Mastering security technologies include encryption and blockchain.

USA/Europe

2012

In development



Internet of Things

Strong skillset and solutions to secure connected devices and device-related data collection and exploitation, as well as decision-making process.

Resilient and easy-to-integrate and operate IoT security solution.

Keep the hackers away from IoT operations and protect strategic assets.

Mastering security technologies from silicon up to the cloud.

Secure by design

USA/Europe

2017

In development

STRATEGIC FOCUS

SEGMENT STRATEGY

Digital TV

- › Promote an innovative, consumer-centric culture
- › Explore value segments adjacent to the video value chain
- › Continuously improve and manage operational excellence agendas
- › Make selective investments to develop new solutions

Public Access

- › Enable digital transformation at our customers
- › Transform SKIDATA for increased agility
- › Increased profitability & cashflow generation through synergies
- › Develop breakthrough solutions using new technologies

Long-term portfolio management

- › Prioritize long-term performance and value creation
- › Continuously improve operational efficiency
- › Optimize balance sheet
- › Carefully select investment opportunities

Establish leadership in growing markets

- › Extend our trusted partner role to become leader in new segments
- › Focus on high value-added solutions & scalability
- › Boost cross-segment synergies to broaden our customer offering

**WE
EMPOWER OUR
CUSTOMERS
TO SECURE &
GROW THEIR
BUSINESS
FOR THE
LONG TERM**

KUDELSKI GROUP PRINCIPLES



Cybersecurity

- › Expand position as best-in-class trusted advisor
- › Focus on emerging, value-adding technologies
- › Grow managed security services
- › Accelerate IP generation through R&D and innovation
- › Promote secure by design approach

Internet of Things

- › Deliver secure by design solutions
- › Develop agile, secure and industry-specific IoT solutions
- › Address new markets through selective partnerships
- › Reach critical scale



Innovating for our customers

- › Pioneer the business relevance of new technologies
- › Ensure future sustainability of our businesses through R&D and innovation
- › Steer our innovation investments with portfolio approach

Taking care of our business ecosystem

- › Ensure the sustainability of our solutions to better serve our clients
- › Building long-term partnerships
- › Sustainable & secure by design
- › Promote win-win sustainable business models
- › Long-term HR values

CORPORATE SOCIAL RESPONSIBILITY

“Since its inception, our Group has always been at the forefront of innovative product and solution design. In order to provide our customers with the most reliable and robust solutions in the market, we aim for excellence in engineering, and carefully opt for the best material and technology.

A good example is the NAGRA recorder, that has been cherished for decades by journalists, sound engineers and music lovers. Our analog and digital TV solutions have been adopted by professionals, with unparalleled efficiency, for twenty to thirty years.

Being a technology pioneer for 68 years means inspiring our employees and creating the necessary environment to allow innovation to blossom. We are therefore actively promoting fairness and integrity in our personal and business dealings and encouraging continuous skills development. The health, safety and well-being of our employees and other stakeholders does matter to us. In 1968 already, when the company built its headquarters in Cheseaux-sur-Lausanne, we were asking for more efficient insulation in order to optimize the use of energy.

With products and solutions that focus on consumers, the Group is concerned with the communities where it operates around the world. This particularly translates into recruiting locally, where the talents are, getting involved in communities and supporting local economic and cultural events.

A large part of our business involves protecting digital assets and investments as well as fighting illegal content distribution and piracy. By doing this, we are supporting artists, creators and inventors in getting a fair share of the monetization of their work.

An important aspect of corporate social responsibility for a company is to contribute to the vocational training system in order to train the next generation of qualified professionals. This is not only essential for the whole industry to remain competitive, but vocational training also offers career development opportunities for young people who did not or could not choose a purely academic path. We have always been convinced that educational diversity, by offering different possible educational pathways, is better than a single, school-based academic system.

With this conviction, we have successfully launched an apprenticeship program in the United States at our Phoenix headquarters, innovating with a new training program in the field of cybersecurity.

With the Board of Directors and the Management, we have devised a 5-pillar Corporate Social Responsibility Strategy that you will find in the next pages, to ensure that the Group remains true to its principles, ethics and DNA.”

André Kudelski



Taking care of our employees

We ensure optimal conditions in day-to-day life at work and we strive to increase our employees' skillsets in order to better grow together.

- › The Kudelski Group's values, notably integrity and respect, promote fairness and correctness in all our personal and business dealings.
- › The Group promotes personal and environmental health and safety by identifying, controlling and monitoring risks, adapting safety processes to best practices and ensuring appropriate emergency response and crisis management systems are in place.
- › The company expands its training programs to develop its talent pool, promote self-development and address market needs. In 2018-2019, the Group launched the Learning Hub, a digital learning platform.
- › At the same time, the Group transformed its traditional Training Center into a Learning Lab, boosting the sharing of knowledge and the development of high-level expertise. This Lab is more the result of creativity and cooperation between departments than a financial investment. It has proven to be very popular among employees, with an occupancy rate close to 100%.
- › The Group cares about a good work/life balance, enabling flexible working hours and supporting healthy living through the promotion of sports and cultural activities.

Reducing our environmental footprint

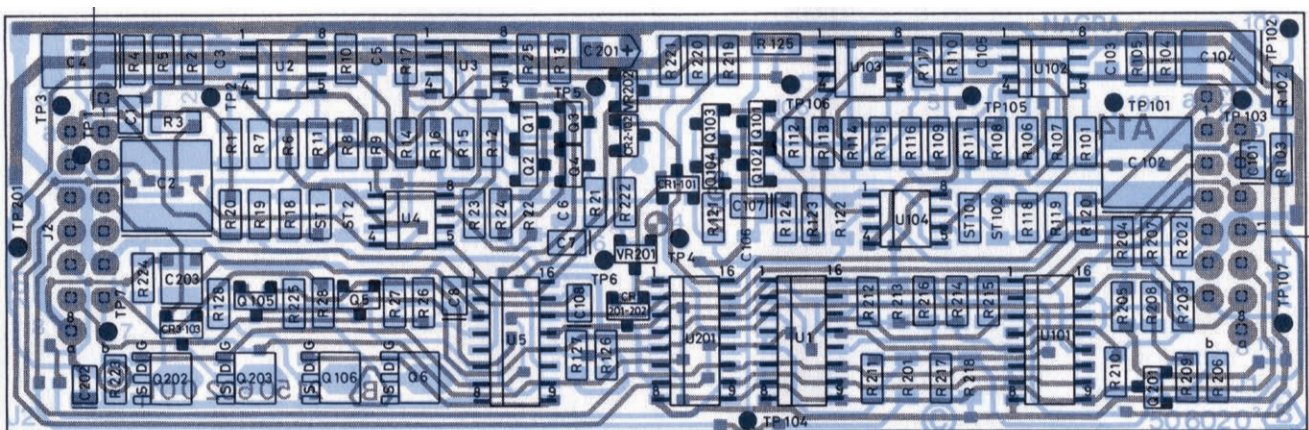
We aim to reduce our environmental footprint through various initiatives related to energy consumption and waste management. In 2019, these included:

- › Optimizing energy efficiency in corporate HQ buildings and some other locations by improving thermal insulation and ensuring natural lighting where possible.
- › Providing advanced video conferencing tools to reduce corporate traveling.
- › Optimizing sustainability at the workplace in actively engaging employees.
- › Advising our customers on the most sustainable and energy-efficient solutions.
- › Selecting local suppliers where possible, including for company restaurants.

Embedding sustainability and high added value in our products

NAGRA's products have been **sustainable by design** for 68 years and this is a core value of our company.

- › The Group's historical products, the NAGRA recorders, are renowned for their low power consumption, robustness and durability: decade-long owners of such devices are still using them today.
- › Our digital TV solutions have been adopted by professionals, with unparalleled efficiency, for twenty to thirty years.
- › Sustainability is built into the product design, enabling devices and solutions to be maintained easily over time.
- › The Group's products are designed with high quality and reliability as well as optimal product lifecycle, pushing away the limits of obsolescence.
- › As a key global player in digital security and a pioneer in patent protection, the Group plays an essential role in respecting and protecting content creation, copyrights and international regulations while helping people and companies preserve their reputation and develop their business.
- › To address markets needs in the most efficient manner, the Group constantly expands its product portfolio to include sustainable cloud-based solutions.
- › The Group is a pioneer in parking management solutions offering charging stations for electric cars that are completely integrated into the operator's global management platform.



NAGRA VPR-5 circuit board showing the test points (TP), especially designed to enable easy maintenance of the device over time.

Supporting local communities

We get involved in the communities where we operate around the world through supporting various social initiatives.

- › In terms of recruitment, the Group remains as close as possible to its main markets, where the local talents are.
- › The Group maintains a close relationship with local universities and high schools on both the scientific and recruitment fronts.
- › The Group promotes apprenticeship programs both in Switzerland and the US by hiring and accompanying apprentices until their graduation. The Group also welcomes interns to provide them with hands-on training within its various divisions.
- › Volunteer time off policies encouraging employees to be active members of their community are in place at selected locations, according to local habits and customs.
- › The Group uses the services of local associations supporting disabled people.
- › The Group is a partner of the Greater Phoenix Economic Council, the World Economic Forum and the Montreux Jazz Festival.

Building trust and responsibility

We actively promote honest and ethical business practices internally and towards our partners.

- › The requirement for uncompromisingly ethical behavior is fundamental for the Group.
- › We expect employees to adhere to Group values, policies and procedures and to respect the applicable legislation and local laws.
- › The Group actively supports its customers and the media industry in fighting illegal content distribution. It is a founding member of Latin-America based Alianza contra Piratería de Televisión Paga, an industry association launched in 2013 that aims to fight pay-TV piracy in Latin America. The company is also involved in several antipiracy alliances such as IBCAP (International Broadcaster Coalition Against Piracy, USA), AAPA (Audiovisual Anti-Piracy Alliance, Europe) or Convergence (Africa).
- › The Kudelski Group cares about its employees by providing them with the appropriate work environment. It seeks to ensure that the performance and results of the Group are aligned with responsible HSE (Health, Safety and Environment) awareness and action.
- › The Group encourages training and career development for women in the fields of technology and science.
- › The company promotes the most respectful rules in the data privacy and GDPR fields.

CONTACT

Kudelski SA
Route de Genève 22-24
1033 Cheseaux-sur-Lausanne
Switzerland

www.nagra.com
info@nagra.com

EDITING AND GRAPHIC DESIGN

Corporate Communication, Kudelski Group

PHOTOGRAPHY

© Kudelski Group, external image banks

PRINTING

Genoud Entreprise d'arts graphiques SA,
Le Mont-sur-Lausanne

© 2020 Kudelski SA, all rights reserved.

All trademarks and copyrights are the property
of their respective owners.

DISCLAIMER

This report contains forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives. These statements are subject to known and unknown risks and uncertainties and could be affected by other factors that could cause actual results, plans and objectives to differ

materially from those expressed or implied in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, performance of the financial markets, competitive factors and changes in laws and regulations.



KUDELSKI SA

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

