

SOLUTIONS THAT MAKE LIFE SIMPLER

KUDELSKI GROUP 2021



NAGRA
KUDELSKI GROUP

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ADAPTING TO A DISRUPTIVE 2020 REALITY WITH CREATIVITY AND INNOVATION

With the global COVID-19 pandemic disrupting people's lives and lifestyles as well as the world's economies, the Kudelski Group has shown its ability to adapt to market changes on a segment-by-segment and region-by-region basis.

The Group proactively reacted to the COVID-19 pandemic developing highly secure remote communications solutions and supporting pay-TV operators in launching new, innovative offerings. The Group also launched a range of public access solutions enabling consumers and operators to respect safety requirements. Additionally, demand has increased in Europe for the Group's cybersecurity and IoT security offerings with the pandemic leading to increased levels of piracy on networks, devices and transactions.

In Digital TV, while the effects of the pandemic have slowed down economic activities and, in many cases, delayed investments, the pay-TV sector has seen resilience and even growth in service and feature opportunities in advanced economies. Some of the Group's major customers have experienced a positive impact on their activities, resulting in more new subscribers and increased interest for their new, richer, multi-network and multi-screen offerings. For example, Telefónica's Movistar OTT service grew significantly in Spain, reaching 4,9 million active devices.

Additionally, the global pay-TV industry is experiencing a period of change and disruption, accelerated by the COVID-19 pandemic. Operators are increasingly looking to deploy direct-to-consumer and streaming content offerings that enable them to find new ways to monetize their content and, in the sports content industry, increase fan engagement. This trend has created an accelerated move toward all-IP networks. NAGRA has supported many broadcast operators in expanding their network to include IP and direct-to-consumer offerings and helped them go to market rapidly.

The premium content industry, including Hollywood level motion pictures, is also increasingly going direct-to-streaming, resulting in piracy on IPTV networks skyrocketing during the pandemic. This has created additional demand for NAGRA's anti-piracy expertise.

As the sports, media, and entertainment industry manages technical transformation to an all-IP landscape, with additional economic pressure due to the pandemic, it has become essential for operators to fine-tune their

business for increased efficiencies. Business intelligence, data science, and analytics help them make better decisions across all the business aspects of content purchase, distribution, and consumption. Large client operators have shown increased interest in and demand for NAGRA's Insight business performance platform over the past year.

In the area of cybersecurity, Kudelski Security's cloud-first portfolio supports companies in their digital transformation initiatives, accelerated by the pandemic and the work-from-home economy, and the resulting growing frequency in cyber-attacks.

In the area of Internet of Things security, temporary closures and work-from-home have also boosted hackers' attacks on the nascent digital world and exposed potentially serious threats to the success of the Internet of Things. By leveraging more than 30 years of innovation in the fields of digital business models and device protection, the Kudelski Group is well positioned to help device manufacturers create, enable, sustain and protect connected devices and ecosystems.

Public Access activities have been impacted by the COVID-19 crisis. However, as a response, SKIDATA launched comprehensive solutions adapted to the challenging situations of their customers. For example, the solutions allow drivers to enter and exit parking garages completely touch-free and enable organizers to hold sporting events in a safe and secure way through online accreditation and a full COVID test program allowing entry only with negative test results.

Over the past years, demand for cloud-based, safe access to parking facilities, ski destinations and event venues increased, and the COVID-19 situation accelerated this trend. SKIDATA continues to drive the conversion to cloud-based e-commerce and security of these industries and has released solutions in each of its business units to address those needs.

The present annual report is providing more information on the initiatives taken by the Group's entities to address the new COVID-19-related reality.

ALWAYS LOOKING FORWARD, FOR 70 YEARS

The story began in 1951 and still goes on today, thanks to the Group's ability to evolve and innovate, always looking forward.

The Kudelski Group's innovations have taken part in some of man's greatest adventures.

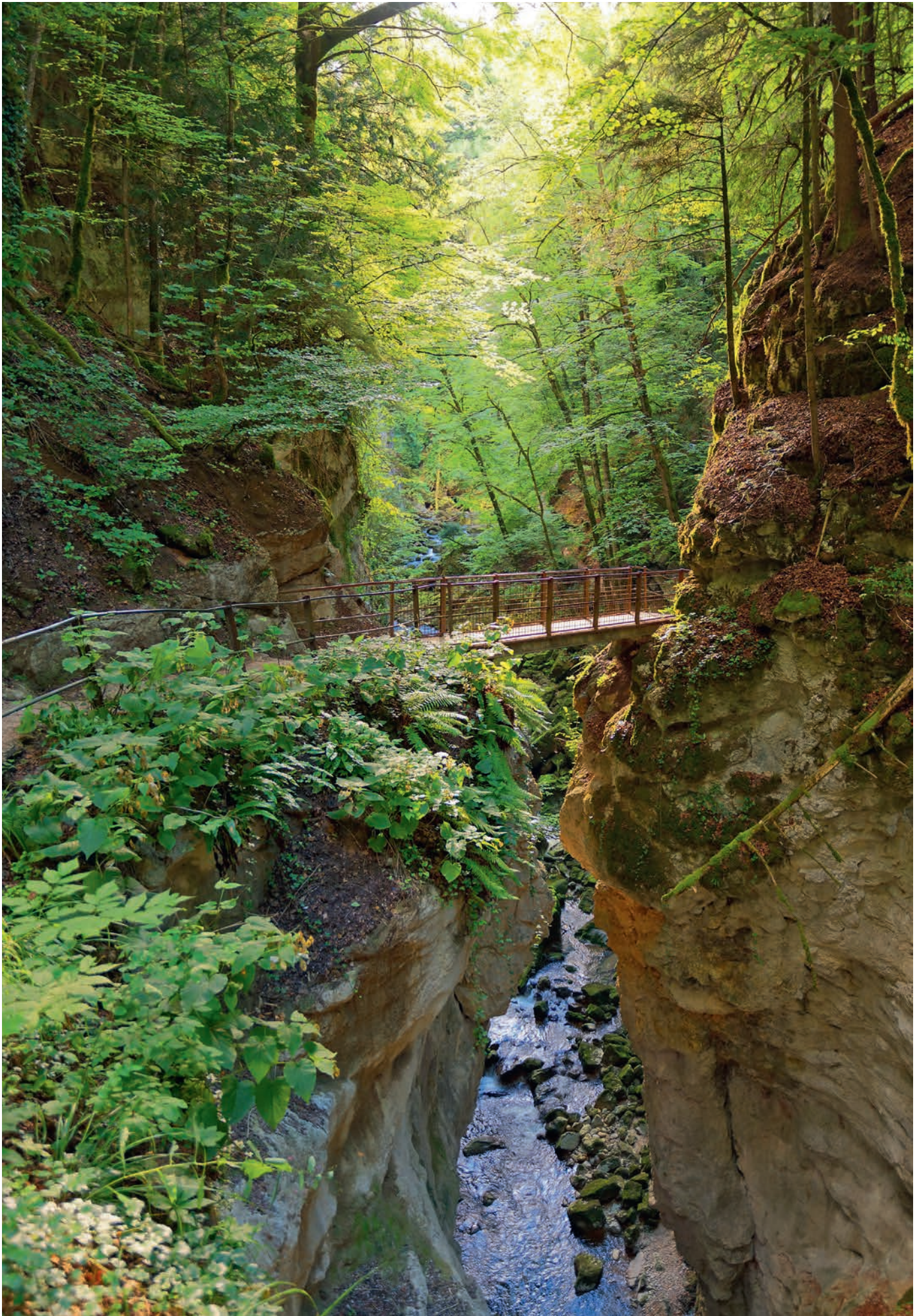
First Everest expeditions, Mariana Trench exploration, Apollo missions... NAGRA recorders have been the trusted companions of adventurers, explorers, reporters, sound engineers and music lovers around the world for decades.

These mythical devices testify to the pioneering spirit that the Kudelski Group has demonstrated throughout its 70-year history.

From the revolutionary NAGRA recorders to today's totally contact-free mountain access solutions and ultra HD multiscreen content discovery platforms, the Group's innovations enable consumers to live their most entertaining experiences smoothly and responsibly.



In 2020, the Group launched innovative contactless solutions such as SKIDATA's touchfree parking access and payment solutions



SOLUTIONS THAT MAKE LIFE SIMPLER

Whether it's watching the latest movie at home or while on the move, reaching the ski slopes using fully contactless solutions, moving around with ticketless Park & Ride mobility offers, accessing car parks by just waving your hand, or making your banking transactions online, whatever your occupation, the Kudelski Group's technologies make life simpler and safer.

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



INTERVIEW WITH ANDRÉ KUDELSKI

Chairman and Chief Executive Officer of the Kudelski Group

What were the highlights for the Group in 2020 ?

2020 was a remarkable year that challenged the Group in unprecedented ways. The COVID-19 crisis significantly disrupted most of our business activities, with project delays and cancellations resulting in lower total revenues. At the same time, we were able to leverage the business transformation efforts initiated by the Group in 2017. Through proactive measures, we were actually able to improve our profitability and cash flow generation in 2020, especially during the second half of the year.

Overall, 2020 was a significant stress test for the Group. I am proud to say that we were not only able to pass this test, but we emerged as a stronger organization, highlighting the agility and adaptability that our transformation efforts made possible. From that perspective, we are seizing the opportunity from this crisis to accelerate our innovation activities in order to better position the Group for the post-COVID world.

What has been the impact of the COVID-19 pandemic on the Group in 2020 and what does it mean for the future ?

As a result of the COVID-19 crisis, 2020 was a uniquely unpredictable year. When the first lockdowns were imposed, our entire organization was able to transition within days to a work-from-home environment – without disruption to our business operations. More importantly, our ability to maintain business continuity meant that there was no disruption for our clients and partners.

At the beginning of the crisis, we saw reduced levels of new business activity, largely due to the lockdown restrictions and the economic uncertainty that led some clients to delay projects. However, we worked hard to

boost our capabilities to digitally interact with our clients and customer prospects, and by the second half of the year, we were able to seize upon some new opportunities. In parallel, we were also able to innovate for the COVID and post-COVID times, introducing some compelling solutions across our product lines to better address new customer needs. We are excited to see positive traction for these solutions in the market.

With this in mind, what do you expect for the Group in 2021 ?

2021 does not look to be a return to “business as usual”, even if approval of vaccines suggests that we can see the light at the end of the tunnel. Our expectation is that the highly uncertain and volatile business environment will continue for most of 2021. As a result, we are working to further enhance our flexibility in order to ensure that we are able to better address demand fluctuations, both up and down.

The positive dynamics within our teams should continue to improve our ability to address market trends. We expect our Digital TV segment to remain strong in terms of revenues and profitability and that recent positive trends at our Kudelski Security and IoT businesses will continue. Due to the nature of its business, we expect our Public Access segment to remain volatile during the continued COVID crisis. Overall, for the Group, we expect to further improve our profitability, with overall revenues higher than in 2020.

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What has been achieved in terms of synergies and collaboration among Group entities, and how has this contributed to support the Group's performance ?

The Group's transformation efforts initiated in 2017 has structurally improved the efficiency and the profitability of the Group and increased our agility. The more recent focus of our transformation has been to improve the efficiency of our corporate functions, including by leveraging cloud technologies for our IT infrastructure and looking for increased synergies among the Group's entities. This approach has enabled our employees to transition quickly and seamlessly to a work-from-home environment during the pandemic-related lockdowns.

An additional important benefit of the ongoing transformation has been better alignment among the different business segments of the Group, with a special focus on developing and marketing solutions across the four segments. This enables each business to expand beyond its traditional client base. It also enables increased innovation, which benefits our existing clients and attracts new prospects through our partner segment. In 2020, we were able to win clients for a combined offering between our Kudelski Security and Digital TV businesses, and based on positive customer feedback, we expect continued momentum for these solutions as well as further collaborative efforts among our Digital TV, Kudelski Security, IoT and Public Access businesses.

What are the main trends for Digital TV? How has the pandemic affected this sector ?

The appetite for quality content increased in 2020 due to COVID-related restrictions and lockdowns. However, the pandemic negatively impacted the availability of sports content and reduced TV advertising revenues. While the number of distribution channels for content increased due to the multiplication of OTT offerings, the business of Digital TV operators generally remained stable. During these challenging times, our Nagra Insight platform has enabled operators to manage subscribers dynamically and proactively in order to optimize retention and revenue streams. Our joint solution with Samsung, TVKey Cloud, has also offered a low-touch approach for Digital TV operators to onboard new clients.

As evidence of the demand for quality content, piracy increased during the pandemic, due to the combination of a strong appetite for premium content and some extra free time for the hackers. This has kept our anti-piracy teams busy.

What are the priorities for Public Access ? Are its physical access solutions able to meet new pandemic-related requirements ?

Of all our business segments, Public Access has been impacted the most by the pandemic. This is not a real surprise due to the nature of its business. In 2020, the challenge was to simultaneously execute on the transformation of its business while adapting its business operations in response to the COVID crisis.

During 2020, flexibility has been a very high priority in order to ensure that our Public Access business adapts to the fast-changing environment. As testimony to the success of our efforts, while Public Access revenues were lower in 2020 compared to 2019, the segment's profitability and cash flow generation improved. We have also taken the opportunity to innovate, launching a series of innovations that allow consumers to use our products and solutions without physical contact. We have also introduced COVID-related solutions that are integrated into access gates, such as active crowd management for events that can help enforce COVID test or vaccine requirements and automatic body temperature controls.

How are the new offerings for Cybersecurity developing ?

Our Kudelski Security business has continued to shift to higher value-added solutions and services. One of the most visible success stories from 2020 has been the 23% growth of the gross margin of this business, which was fueled by the 57% growth of our European business.

The pandemic has highlighted for the world that IT infrastructure is a critical resource that must be protected. We have also seen a massive acceleration in the migration to the cloud and an associated growth of our Managed Security Services. Our Managed Security Services offering has continued to receive excellent recognition from industry analysts, such as Gartner and Forrester. At the same time, these trends have negatively impacted the demand for on-premise security hardware, especially in the US market during the first half of the year, resulting in lower revenues from our technology resale business.

How is the IoT growth initiative developing ?

Under the new leadership of Hardy Schmidbauer, Kudelski IoT has seen a new dynamic with the acceleration of KeyStream, our secure IoT platform, and the launch of our new end-to-end IoT solution for asset tracking, which is initially targeted at vehicle management for car dealers. In 2020, we further developed our partnerships with key players in the industry, like Amazon for Alexa certification, in order to develop new business opportunities for future growth. As a result of these initiatives, we expect that our IoT unit will accelerate its expansion in 2021.

What will be the main growth drivers for the Group in the future ?

In 2020, we demonstrated that the Group is able to adapt quickly to challenging environments and to proactively adapt our business operations and processes. We are not only better prepared to face the uncertainties of the pandemic, but we have also adapted our products and solutions to take advantage of new opportunities that have emerged due to the COVID crisis. The key driver for a sustainable improvement of the Group's margins will be the growth of high value-added solutions, products and services in all four of our business units.

How do you expect the Group to move forward once the pandemic has been overcome ?

Once the pandemic subsides, we expect there to be a recovery in the business activities that were negatively affected by the COVID crisis. By capitalizing on the investments the Group has made in new technologies and solutions designed to help impacted customers get

“back to normal” faster, we expect to benefit from these trends. SKIDATA customers and Digital TV solutions for sports offerings are the most obvious targets for such a post-COVID recovery. The current crisis has also shown that the Group can work efficiently and effectively by leveraging virtual communications and other IT technologies. We will not only continue to use these after the crisis, but we will look to improve the capabilities of these technologies and make them more intuitive and secure in support of our daily operations.

What will be the distribution to shareholders for fiscal year 2020 ?

Taking into account the Group's 2020 results, especially the strong free cash flow generation, and the Group's outlook for 2021, the Board of Directors is proposing a CHF 0.10 cash distribution per bearer share for approval at the 2021 Annual General Meeting of Shareholders. It is proposed that CHF 0.05 of this cash distribution be treated as a return of capital.

Do you have any closing thoughts ?

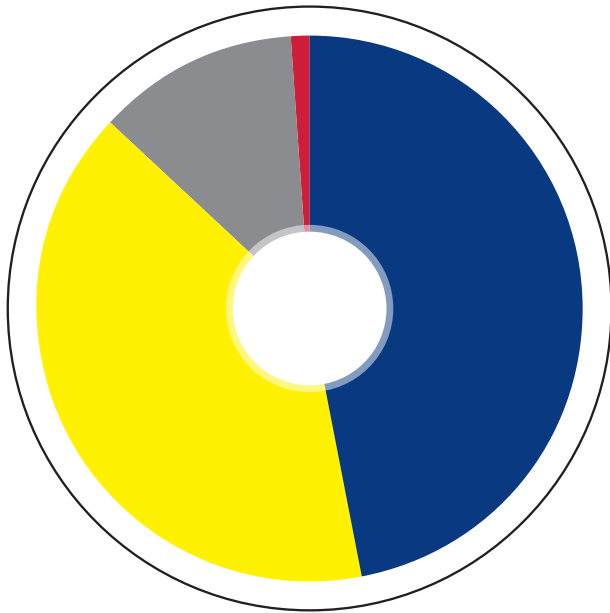
In the name of the Board of Directors and the Group's management, I would like to take the opportunity to thank our teams who have worked very hard during 2020 to address the unprecedented challenges that we faced as a result of the pandemic. Despite the strong headwinds, our teams have performed well to ensure business continuity, proactively manage business transformation and to invest in addressing new opportunities that have emerged from the COVID crisis. Our thoughts also go out to our customers, partners and shareholders. We thank you for the support you have provided during these challenging times.

We were able to innovate for the COVID and post-COVID times, introducing some compelling solutions across our product lines to better address new customer needs. We are excited to see positive traction for these solutions in the market.

KEY FINANCIAL DATA 2020

		31.12.2020	31.12.2019	Change
Total revenues and other operating income	USD million	741.5	827.3	-10.4%
Operating income before depreciation, amortization and impairment (OIBDA)	USD million	64.3	40.6	58.5%
in % of total revenues	%	8.8%	5.0%	
Operating income (EBIT)	USD million	16.1	-15.3	205.1%
in % of total revenues	%	2.2%	-1.9	
Net income from continuing operations	USD million	-18.0	-38.6	53.4%
Earnings per share	USD	-0.4220	-0.8130	
Money returned to shareholders (proposed per bearer share)	CHF	0.10	0.10	
Cash flow from operating activities	USD million	132.6	34.2	
Cash and cash equivalents	USD million	152.6	74.6	
Number of employees at December 31 (headcount)		3250	3520	

Revenues per segment



Digital Television

47%

Public Access

40%

Cybersecurity

12%

Internet of Things

1%

Digital Television

575 operators

300 million subscribers

Public Access

+7 300 customers

10 000 installations worldwide

Cybersecurity

900 customers

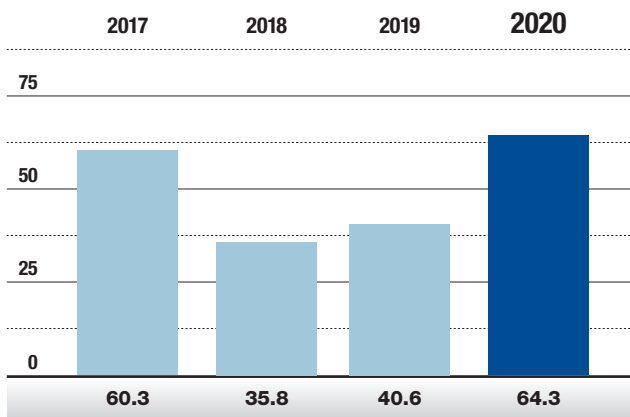
+16 billion alerts per day

Internet of Things

40 customers

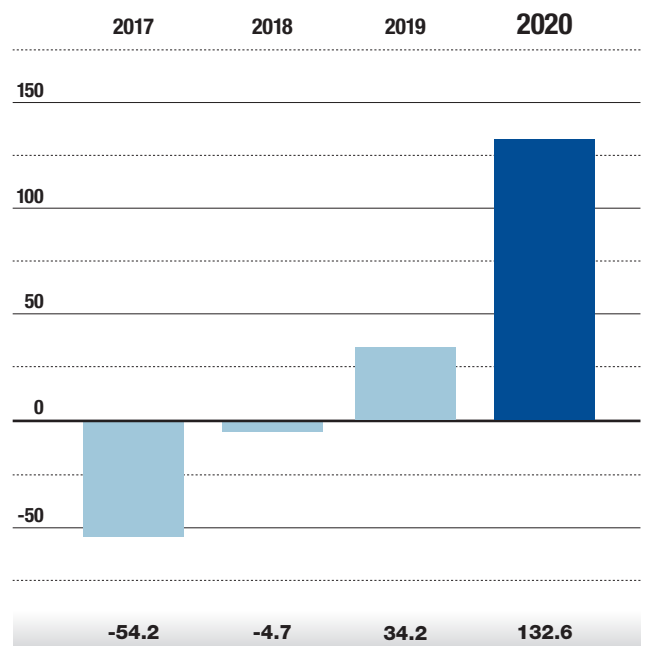
OIBDA *

In million USD



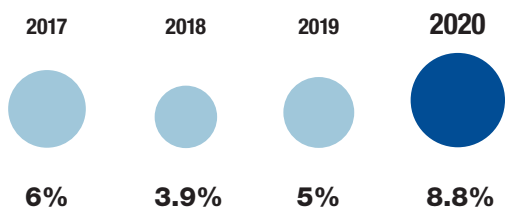
Operating cash flow

In million USD



OIBDA */Total revenues

In %



Operating Income Before Depreciation, Amortization and Impairment *

THE GROUP'S DNA

Consumer focus

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

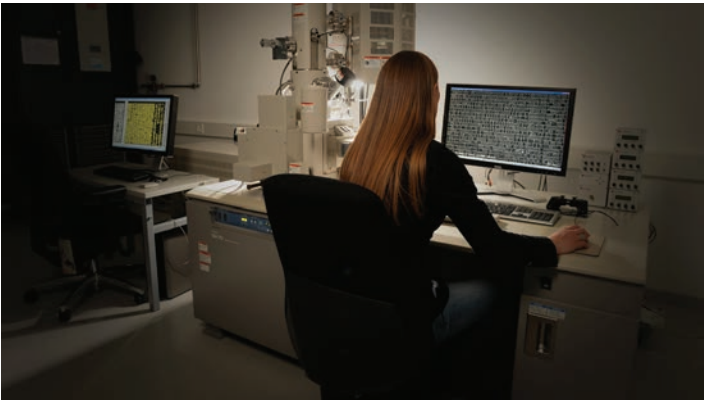
Technology pioneer

The Kudelski Group has been a pacesetter for decades. Every day, passionate and talented people develop state-of-the-art, innovative solutions that fuel the Group's intellectual property portfolio and address the world's new challenges in the smoothest and most secure way.

Engineering excellence

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

More than 500 million users
enjoy Kudelski Group solutions every day



COMPANY PORTFOLIO

Digital Television

NAGRA KUDELSKI

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.

Public Access

SKIDATA

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 that are adjusted to address today's social distancing and hygiene requirements.

Cybersecurity

KUDELSKI SECURITY

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, safeguarding their assets at a time of increasingly remote communications.

Internet of Things (IoT)

KUDELSKI IOT

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

70 years
of innovation in 2021

500 million
users

3 250
employees

Presence in
32 countries

HISTORICAL MILESTONES

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

First NAGRA SN recorder, a miniature device that will be used secretly by public agencies.

1989

First encryption systems for television 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 business performance platform.

2017

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

2020

The Group proactively adjusts to the COVID-19 pandemic, developing highly secure remote communications solutions and supporting pay-TV operators in launching new, innovative offerings.

The Group also launches a range of public access solutions enabling consumers and operators to respect safety requirements.



SKIDATA's latest touchfree parking access solution

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, skilifts, 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 the board room to the field.

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

Protect enterprises and governments against cyber-attacks.

Mastering security technologies including encryption and blockchain.

Switzerland / 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

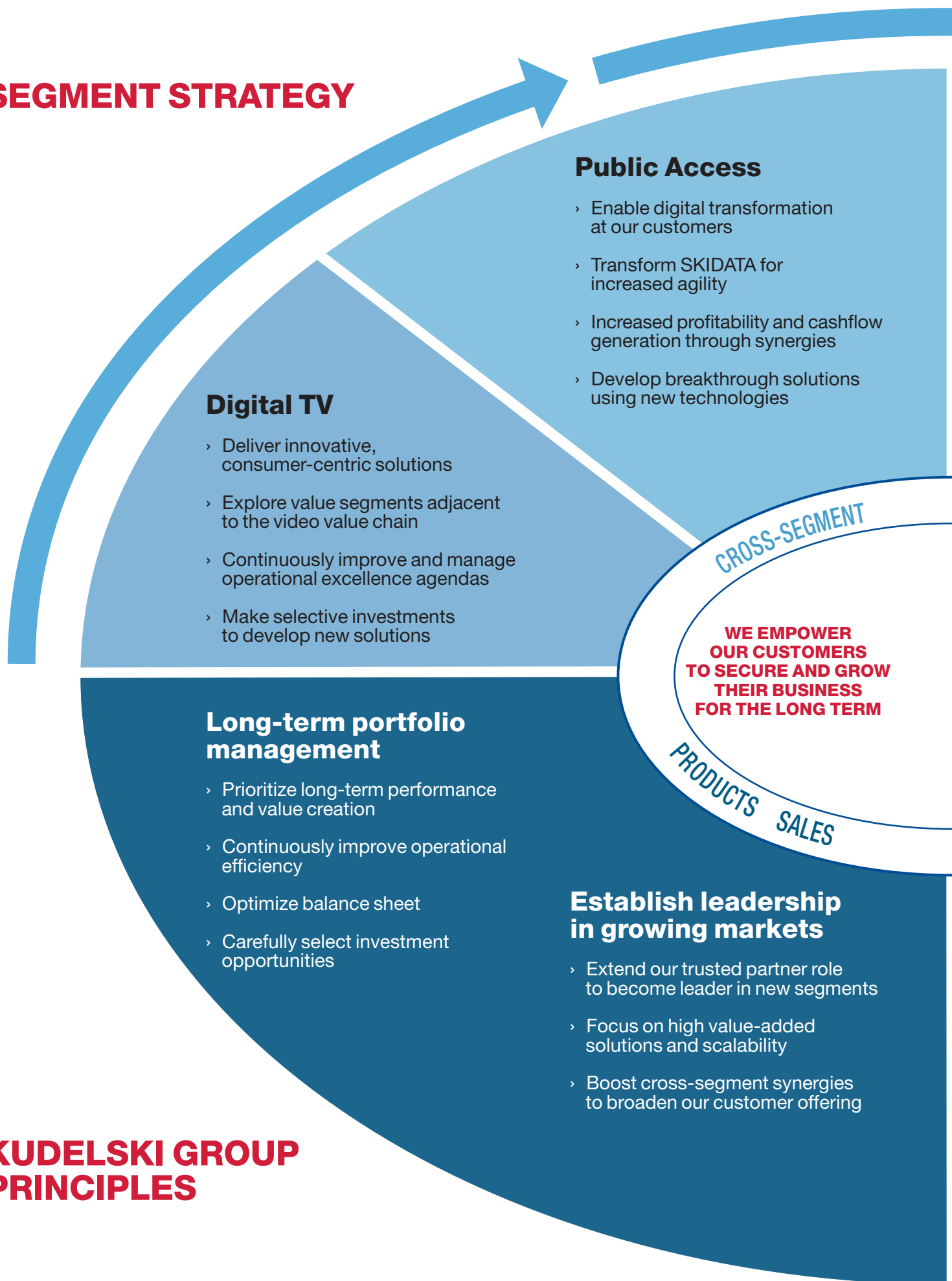
USA / Europe

2017

In development

STRATEGIC FOCUS

SEGMENT STRATEGY



Digital TV

- › Deliver innovative, consumer-centric solutions
- › 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 and 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 and scalability
- › Boost cross-segment synergies to broaden our customer offering

CROSS-SEGMENT

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

PRODUCTS SALES

KUDELSKI GROUP PRINCIPLES

Cybersecurity

- › Expand position as best-in-class trusted advisor
- › Focus on emerging, value-adding technologies
- › Grow Managed Security Services
- › Incident Response
- › Accelerate IP generation through R&D and innovation
- › Promote a 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
- › Enter new IoT market segments with turnkey solutions
- › 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 and secure by design
- › Promote win-win sustainable business models
- › Long-term HR values

COLLABORATION

WE PROMOTE
CROSS-SEGMENT
COLLABORATION

R&D SUPPORT FUNCTIONS

CORPORATE SOCIAL RESPONSIBILITY

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 in 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 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.

These initiatives include:

- Having minimal energy consumption thanks to designed solutions and products.
- Optimizing energy efficiency in buildings that we own and some other locations by improving thermal insulation and ensuring natural lighting where possible.
- Giving access to green energy through the installation of electric charging stations.

- Providing advanced video conferencing tools to optimize corporate traveling.
- Promoting sustainability at the workplace by actively engaging employees.
- Advising our customers with the most sustainable and energy-efficient solutions in mind.
- Working with 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 nearly 70 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 market 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.

Supporting local communities

We get involved in the communities where we operate around the world through charitable giving, volunteering and supporting various social initiatives.

- In terms of recruitment, the Group remains as close as possible to its 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.
- 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, and maintained its support throughout the COVID-19 pandemic.

Building trust and responsibility

We actively promote fair business practices internally and with clients and partners.

- The requirement for uncompromisingly ethical behavior is fundamental for the Group.
- A fundamental responsibility of employees is to adhere to Group values, policies and procedures and to respect the appropriate legislation and local laws.
- The Group favours long-term relationships with partners rather than a short-term opportunistic approach.
- The Group actively supports its customers and the media industry in fighting illegal media distribution that harm content creators. 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 anti-piracy alliances such as IBCAP (International Broadcaster Coalition Against Piracy, USA), CAOVP (Coalition Against Online Video Piracy), CAP (Coalition Against Piracy, APAC), AAPA (Audiovisual Anti-Piracy Alliance, Europe), ABTA (Brazil), Convergence (Africa), Broadcast Satellite Anti-Piracy Coalition (MENA), Sygnal (Poland).
- The Kudelski Group takes care of 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 architectures that enable data privacy by design and fully support GDPR structures.

WORLD-CLASS INTELLECTUAL PROPERTY PORTFOLIO

With its nearly 70-year history of innovative and award-winning products, the Kudelski Group has a long tradition of carefully building a strong, global intellectual property (IP) portfolio.

The Group's commitment to IP is grounded in the fundamental belief that IP is essential to promote collaborative development, build future competitiveness and fuel economic growth. With its annual investment in research and development approaching \$150 million, the Group's IP portfolio represents a critical asset of the company that must be developed and protected.

A large and focused patent portfolio

The Kudelski Group and its subsidiaries hold a substantial worldwide portfolio comprised of thousands of patent assets in a variety of technology areas, including digital- and cyber-security, access control, watermarking, digital television and rights management, digital content distribution, and secure communication management, among other areas. Many of these patents relate to fundamental and valuable technologies with broad impact across many businesses and markets. From an accounting point of view, Kudelski Intellectual Property and Innovation is included in Digital TV.

The Group's IP strategy, like the strategies of its core business units, continues to adapt to evolving technology trends, new product opportunities and changing market conditions. The Group regularly reviews its IP portfolio and pipeline with the goal of optimizing the strategic value of assets that are aligned with the Group's core businesses and that are expected to provide the best return on the Group's IP investment.

Deriving value from intellectual property

In 2020, the Group made significant inroads into licensing new entrants in the OTT/streaming video market and social media markets, as well as expanding to areas like interactive fitness. In addition, the Group sought to renew and broaden existing agreements with select licensees and used its robust IP position to help drive additional business for the Group. The Kudelski Group seeks business relationships that extend beyond IP licensing. When appropriate, the Group's IP-based agreements will continue to incorporate product

relationships, patent or technology transfers and cross-licenses into the engagement.

The Group's IP will also continue to serve strategic defensive needs and be used to deter competitive threats when appropriate.

Supporting the Group's emerging businesses

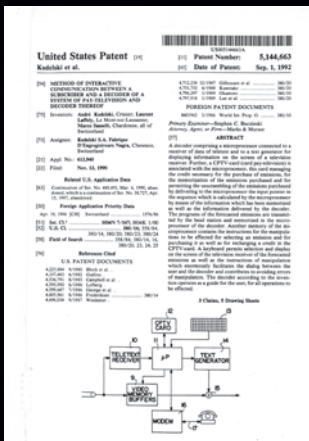
In 2020, the Group's IP organization continued to support the Group's growing cybersecurity and Internet of Things businesses, by filing new patent applications covering promising technologies being developed by the Group in these areas.

Looking forward, the Group will continue to execute its plans to invest strategically in innovation and to protect and proactively license its IP portfolio.

The Group expects to continue developing new licensing programs also by leveraging its existing IP assets outside of the pay-TV and OTT/streaming video markets, such as in areas like parking systems and smart meters.

World-class licensing

By having established cross licenses with the most advanced players in the digital space, the Kudelski Group has not only demonstrated the quality of its R&D-generated IP, but has gained access to the most valuable third-party IP needed for the future of its business, including cross-licenses from Cisco, Google, Disney and AT&T.



In 2020, the IP organization continued to support the Group's growing cybersecurity and Internet of Things businesses

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