KUDELSKI GROUP INTERIM REPORT 2024

NAGRA
KUDELSKI GROUP

LETTER TO SHAREHOLDERS

In February 2024, our Board of Directors decided to focus the Group on its core business of digital security based on three pillars: Digital TV, Cybersecurity and Internet of Things. The rationale is to develop activities that can leverage synergies within the Group in respect of markets, technologies and human resources, with digital security as the common thread.

With a clear will to strengthen the balance sheet, reduce complexity and mitigate risks, the Board of Directors chose to divest SKIDATA over other options considered as part of the Group's new strategic focus, including the sale of other Group assets, raising new debt and a capital increase.

The signing in July 2024 of the agreement to sell SKIDATA to ASSA ABLOY for EUR 340 million represents an important step in the execution of the Group's strategy, enabling the Group not only to fully repay most of its outstanding debt, including the CHF 145 million bond due in September 2024, but also to secure for the Group a net cash position of close to USD 100 million.

It should be evident that we are not in a business-as-usual mindset. Our first half 2024 results show other steps we have taken to implement our new strategic focus. In January 2024, we initiated an important cost reduction initiative in the Digital TV division to reduce the cost base by USD 15 million, with USD 4.5 million of restructuring costs incurred in first half of this year.

We are not done making changes. In the next phase, we will undertake measures to reduce the complexity and cost of our overall Group structure, in order to better align our organization with the Group's focus on digital security.

Now that a clear path has been set to achieving a stronger balance sheet, the Group will also focus on improving the business performance of each of the three business units in order to deliver better overall economic performance for the Group. The priority is to improve profitability of the Group and to deliver sustainable growth going forward. Our ability to leverage increased synergies among our three business lines will be a key driver of our success.

By selecting this route for the future, we are counting on one of the core elements of the Group's DNA, which is innovation in digital security. This is an entrepreneurial approach, naturally with some risks, but with an upside that we believe represents the best return for the Group in the future.

On behalf of the Group's Board of Directors and Executive team, I would like to thank our clients, partners, teams and shareholders for their key support during these important times.

ANDRÉ KUDELSKI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

FIRST HALF 2024 RESULTS

GROUP RESULTS

The first half of 2024 marks a significant shift in the Group's activities with the expected sale of SKIDATA. This transaction fundamentally changes the scope of the Group's operations, with SKIDATA now presented as discontinued operations in the financial statements. The sale, based on an enterprise value of EUR 340 million, is expected to generate net cash of over EUR 300 million after settling SKIDATA loans of around EUR 30 million and accounting for transaction costs and other adjustments.

This transaction will materially improve the Group's balance sheet while enabling the Group to repay its outstanding CHF 145.9 million bond and all remaining bank debt, resulting in a net cash position close to USD 100 million. While the closing is anticipated prior to the bond's maturity date, the Group has secured a CHF 150 million credit line from Farallon as a contingency measure.

Following this divestiture, the Group will consist of three business segments - Digital TV, Cybersecurity, and IoT. During the first half of 2024, the Digital TV segment faced headwinds, experiencing a decline in revenue and margins after cost of material, which resulted in diminished profitability. In Cybersecurity, growth remained modest as the focus shifted towards improving gross margins to minimize segment losses and approach the break-even point. Meanwhile, the IoT segment maintained strong momentum with solid growth, albeit with increased EBITDA losses due to accelerated investments.

In the first half of 2024, the Group's net revenues remained relatively stable, showing a slight increase of 0.4% to USD 192.0 million. In constant currency terms, net revenues grew by 0.1%. Other operating income increased by USD 2.5 million to reach USD 6.1 million. This increase was largely attributed to a one-time payment of USD 5.3 million from a tenant of its office building in San Francisco, California. Following the Group's divestment of a 24.95% stake in the entity holding this building, this entity is no longer consolidated.

Margin after cost of material decreased from USD 158.9 million to USD 157.9 million. Relative to total revenues, margin after cost of material decreased from 81.5% to 79.7%, reflecting a shift in revenue mix from Digital TV to the other two segments.

Personnel expenses remained essentially stable increasing from USD 130.2 million to USD 131.1 million in the first half. Following the deconsolidation of SKIDATA, the Group's headcount decreased to 1,803 Full Time Equivalents (FTEs), representing a reduction of 102 FTEs at constant perimeter from the end of the previous year. The IoT segment more than doubled its headcount to 208 FTEs due to the transfer of R&D personnel from Digital TV and increased investments. Digital TV headcount reduced to 922 FTEs, while Kudelski Security headcount remained stable. Other operating expenses were also substantially stable at USD 38.4 million, compared to USD 38.5 million in the prior first half.

For the first half of 2024, the Group generated USD 11.7 million of operating loss before depreciation and amortization, compared to a USD 9.8 million loss in the previous first half. At USD 18.6 million, depreciation and amortization increased by USD 11.2 million, due to a USD 12.7 million impairment related to the value of real estate located in San Francisco, California. Overall, the Group reported a USD 30.3 million EBIT loss for the period, compared to a USD 17.2 million loss in the first half of 2023.

At USD 3.4 million, interest expense was USD 0.3 million lower than in the prior first half. The Group posted USD 3.9 million of net finance expenses, primarily due to net foreign exchange losses as well as financial costs related to the Group's securitization program. In this first half, the Group realized a USD 2.7 million gain on the sale of its 20% shares in the entity holding its headquarters buildings in Cheseaux, Switzerland. This gain drives the USD 2.2 million share of results of associates. Income tax expenses for the period were at USD 1.6 million. SKIDATA's net income of USD 14.2 million is presented as discontinued operations, resulting in a net loss for the Group of USD 22.8 million, a USD 5.7 million improvement over the same period last year.

DIGITAL TV

Digital TV revenues declined by 7.4% to USD 109.8 million in the first half of 2024.

At USD 52.4 million, the Group's European Digital TV business posted 8.0% lower revenues compared to the first half 2023. Revenues from Vodafone decreased due to lower fees generated by the Connect product, reduced SSP platform revenues, and lower CAM (Conditional Access Module) sales. Liberty and Altice also saw reduced revenue contributions, primarily due to lower CAM and smart card sales for Liberty and decreased cross-selling of cybersecurity services to Altice. On a positive note, the deployment of the OpenTV platform software suite led to higher revenues from 4IG.

Digital TV revenues in the Americas decreased by 12.8%, with Dish in North America continuing to lose subscribers, which negatively impacted the Group's revenues. In the South American market, revenues from America Movil also experienced a significant decrease as compared to the previous year.

The Asia Pacific and African region performed well, with Digital TV revenues from this region increasing by 5.2%. Smart card and royalty revenues from the Bakhresa Group based in East Africa contributed positively to this period's results. Additionally, GTPL Hathway, an Indian operator, launched a linear TV offering on connected TV's using the Group's TVKey Cloud service, demonstrating the positive momentum of emerging security offerings.

Digital TV margins after cost of material decreased from 94.1% to 89.5%, reflecting a revenue mix that included more CAMs and hardware than in the previous first half. Operating expenses in the Digital TV segment were USD 2.4 million lower compared to last year, mainly due to headcount reductions driven by lower business volumes. Segment's OPEX include USD 4.5 million of restructuring costs. Digital TV generated USD 3.8 million of EBITDA, (USD 8.3 million net of restructuring costs), compared to USD 14.7 million in the first half of 2023. EBIT decreased by USD 8.8 million to USD 0.1 million.

CYBERSECURITY

In the first half 2024, net revenues in the cybersecurity segment remained stable at USD 58.6 million compared to the first half of 2023. The European region exhibited robust growth, increasing net revenues by 20.9% year-on-year to USD 29.6 million. On the other hand, net revenues from the US experienced a 14.9% decline to USD 28.9 million, primarily due to lower advisory and technology reselling revenues. An additional USD 0.2 million in sales were booked in the Asia & Africa region.

The managed security business maintained its impressive growth trajectory, with revenues increasing by USD 4.1 million to reach USD 28.5 million in the first half of the year. Due to this robust performance, managed security now accounts for nearly half of the segment's total revenue. The strong adoption of MDR ONE Resolute, the cutting-edge managed detection and response service launched in December 2023, has been a key driver of this growth. With over 50 clients transitioning to the new service since its launch, MDR ONE Resolute has become a significant catalyst for the further expansion of managed service revenues.

Segment margins after cost of material persistently improved over the last year, rising from 66.4% to 71.7%. This improvement is due to strong growth in higher margin business lines, particularly the MDR business. In absolute terms, margins after cost of material increased by 7.9% to reach USD 42.0 million. The Cybersecurity segment demonstrated solid cost discipline, successfully trimming operating costs by USD 0.9 million through effective expense management. Consequently, the Cybersecurity segment reduced its loss before depreciation and amortization by USD 4.0 million to USD 2.7 million in this first half.

INTERNET OF THINGS (IoT)

The IoT segment demonstrated robust performance in the first half of 2024, with net sales reaching USD 23.6 million, a remarkable 66.8% increase over the previous year. The driver of this growth was RecovR, the Group's asset tracking solution, which continued to gain significant traction in the US market. During this period, RecovR was deployed across 122 new dealership rooftops, further solidifying its market presence. The segment also expanded beyond the US, entering the Canadian market through a strategic agreement with the Canadian Automobile Dealers Association.

The asset tracking market remains highly attractive. Asset tracking revenues nearly doubled compared to the first half of 2023, now accounting for over 90% of total segment revenues. This shift in focus led to slightly lower revenues from the Lab and Design business and the keySTREAM platform.

The increased proportion of RecovR sales in the revenue mix impacted the segment's margins after cost of material, which decreased from 59.6% in the first half of 2023 to 52.1%. Despite this margin reduction, the absolute value of margins after cost of material increased from USD 8.4 million to USD 12.3 million, reflecting the strong revenue growth.

The impressive traction gained by the asset tracking business prompted a decision to increase investments in this segment. This strategic move led to a corresponding increase of USD 6.0 million in the IoT operating expenditure base. Consequently, the segment's operating loss before depreciation and amortization widened by USD 2.1 million to USD 11.1 million, as the Group positions itself for continued growth in this promising market.

BALANCE SHEET

The balance sheet as of June 30, 2024 reflects the classification of SKIDATA assets and liabilities as held for sale, significantly impacting the Group's financial position.

Total non-current assets stood at USD 433.5 million, with intangible assets comprising the majority at USD 295.3 million (including USD 294.1 million in goodwill). Tangible fixed assets decreased to USD 6.1 million, as most were related to SKIDATA. Financial assets at fair value primarily consisted of unsettled receivables from the Group’s securitization program.

Total current assets equaled USD 162.5 million, including USD 18.0 million in inventories and USD 42.1 million in receivables, both significantly reduced due to the SKIDATA reclassification. The cash position of USD 26.6 million excludes SKIDATA's cash.

Assets held for sale, representing SKIDATA's divested assets, a mounted to USD 278.3 million.

Total equity decreased by USD 31.6 million from year-end, primarily due to the USD 22.8 million net loss, USD 9.3 million of other comprehensive income, and a USD 20.6 million reduction in non-controlling interests.

Non-current liabilities decreased to USD 70.6 million, mainly comprising long-term lease obligations, with long-term financial debt at USD 0.9 million. Current liabilities decreased to USD 386.4 million, including USD 188.6 million in short-term financial debt. Liabilities classified as held for sale totaled USD 151.8 million.

CASH FLOWS

During the first half of 2024, the Group achieved a positive free cash flow. Operating activities resulted in a negative cash flow of USD 2.3 million, primarily due to the negative USD 12.5 million impact of higher receivables and USD 11.6 million impact of lower payables, partially offset by positive impacts from accrued expenses and deferred income.

Investment activities yielded a positive cash flow of USD 8.5 million, reflecting strategic asset disposals and disciplined capital expenditure management. Notable transactions included the partial sale of the Group's stake in the entity holding its office building in San Francisco, California. The Group sold half of it 49.9% stake for USD 6.1 million. The Group also sold its remaining stake in the entity holding its headquarters’ buildings in Cheseaux, Switzerland, which generated USD 5.1 million booked as sale of associated companies. Cash outflows for tangible and intangible assets totaled USD 2.4 million for this first half.

Financing activities used USD 18.7 million in cash, comprising debt repayment of USD 5.0 million, lease obligation payments of USD 7.8 million, and dividends to non-controlling shareholders of USD 6.0 million.

The Group’s financial position, coupled with the anticipated proceeds from the sale of SKIDATA, is expected to provide the Group with improved financial flexibility that will enable the Group to enhance its strategic focus on its core businesses moving forward.

OUTLOOK

Following the trend of recent years, the Group anticipates that second half Digital TV revenues in 2024 will be higher than in the first half, with a more favorable revenue mix translating into a higher margin after cost of material. Operating expenses for the second half are expected to substantially align with those of the first half, thereby leading to a higher EBITDA for the second half when compared to the first half of the year. Overall, the Group expects a decrease in Digital TV EBITDA for the full year in comparison to 2023.

With the appointment of David Chetrit as the new CEO of Kudelski Security, a renewed focus on profitable growth is expected. While revenues in the first half were short of target, the segment is in line with its objective to cut the EBITDA loss in half compared to the previous year. For the full year 2024, overall revenues are likely to be at about the same level as last year, with continued improvement in margins after cost of material and an operating expenses level approximately in line with the prior year.

Driven by the strong momentum of RecovR sales, the IoT business is expected to continue its long-term trajectory of doubling year-on-year revenues. However, given that 2023 was an exceptionally strong year, a lower year-on-year revenue growth rate is anticipated for 2024 due to this base effect. Margins after cost of material are forecasted to recover to a level exceeding 50%, in line with first half’s margins. As the Group is increasing its investments in this segment to sustain growth beyond 2024, operating expenses for the second half are projected to be in the same range as in this first half. Consequently, the segment's EBITDA loss for the full year is expected to be moderately higher than last year's, reflecting the increased investments to support the highly promising growth momentum of this business.

CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

In USD'000	January/ June 2024	Restated January/ June 2023
Revenues	192 019	191 326
Other operating income	6 136	3 649
Total revenues and other operating income	**198 155**	**194 975**
Cost of material, licenses and services	-40 257	-36 053
Employee benefits expense	-131 125	-130 202
Other operating expenses	-38 431	-38 505
Operating income before depreciation, amortization and impairment	**-11 657**	**-9 785**
Depreciation, amortization and impairment	-18 604	-7 409
Operating income	**-30 261**	**-17 194**
Interest expense	-3 352	-3 658
Other finance income/(expense), net	-3 944	-478
Share of results of associates	2 238	-784
Income before tax from continuing operations	**-35 319**	**-22 114**
Income tax expense	-1 632	-938
Net income for the period from continuing operations	**-36 951**	**-23 053**
Net result from discontinued operations	14 184	-5 420
Net income for the period	**-22 767**	**-28 473**
Attributable to:		
- Equity holders of the company	-20 420	*-31 064*
- Non-controlling interests	-2 348	*2 590*

Earnings per share (in USD)		
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	-0.3644	-0.5552
- Continuing operations	*-0.6022*	*-0.4466*
- Discontinued operations	*0.2378*	*-0.1086*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	-0.0364	-0.0555
- Continuing operations	*-0.0602*	*-0.0447*
- Discontinued operations	*0.0238*	*-0.0109*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

In USD'000	January/ June 2024	Restated January/ June 2023
Net income	**-22 767**	**-28 473**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	4 913	-13 053
Cash flow hedges, net of income tax	–	84
	4 913	**-12 970**
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	4 405	7 085
Total other comprehensive income, net of income tax	**9 317**	**-5 885**
Total comprehensive income for the period	**-13 450**	**-34 358**
Attributable to:		
- Equity holders of the company	-11 016	-37 226
- Continuing operations	*-21 021*	*-31 870*
- Discontinued operations	*10 005*	*-5 356*
- Non-controlling interests	-2 434	2 868
	-13 450	**-34 358**

CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2024 AND DECEMBER 31, 2023 (UNAUDITED)

In USD'000	30.06.2024	31.12.2023
ASSETS		
Non-current assets		
Tangible fixed assets	6 087	66 571
Intangible assets	295 338	348 415
Right-of-use assets	29 540	48 500
Investments in associates	9 073	11 307
Deferred income tax assets	28 027	46 962
Financial assets at amortized cost	18 133	22 101
Financial assets at fair value through profit and loss	47 263	46 658
Other non-current assets	–	1 091
Total non-current assets	**433 461**	**591 606**
Current assets		
Inventories	18 029	77 877
Trade accounts receivable	42 063	103 654
Contract assets	2 581	17 019
Other financial assets at amortized cost	17 636	25 322
Other current assets	55 621	49 714
Cash and cash equivalents	26 602	56 376
Total current assets	**162 532**	**329 962**
Assets classified as held for sale	278 261	–
Total assets	**874 254**	**921 567**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	346 416	346 084
Reserves	-87 435	-76 132
Equity attributable to equity holders of the parent	**258 981**	**269 952**
Non-controlling interests	6 431	27 050
Total equity	**265 412**	**297 003**
Non-current liabilities		
Long-term financial debt	858	10 483
Long-term lease obligations	56 876	73 901
Deferred income tax liabilities	–	386
Employee benefit liabilities	7 301	22 653
Other long-term liabilities	5 565	9 786
Total non-current liabilities	**70 601**	**117 209**
Current liabilities		
Short-term financial debt	188 557	231 034
Short-term lease obligations	7 430	14 159
Trade accounts payable	38 695	84 190
Contract liabilities	51 315	59 632
Other current liabilities	98 520	113 357
Current income taxes	1 436	2 106
Derivative financial instruments	–	45
Provisions for other liabilities and charges	476	2 832
Total current liabilities	**386 429**	**507 355**
Liabilities classified as held for sale	151 811	–
Total liabilities	**608 841**	**624 564**
Total equity and liabilities	**874 254**	**921 567**

CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

In USD'000	January/ June 2024	January/ June 2023
Net income for the period	**-22 767**	**-28 473**
Adjustments for net income non-cash items:		
- Current and deferred income tax	499	1 004
- Interests, allocation of transaction costs (bonds) and foreign exchange differences	3 921	7 310
- Depreciation, amortization and impairment	18 604	15 125
- Change in fair value of financial assets at fair value through profit or loss	-42	-64
- Share of result of associates	-2 614	716
- Non-cash employee benefits expense	1 632	190
- Additional provisions net of unused amounts reversed	309	-73
- Non-cash government grant income	-784	-1 953
- Other non-cash (income) / expense	-1 636	-4 555
Adjustments for items for which cash effects are investing or financing cash flows:		
- Other non-operating cash items	24	-51
Adjustments for change in working capital:		
- Change in inventories	2 438	-2 825
- Change in trade accounts receivable and contract assets	-12 505	-1 536
- Change in trade accounts payable and contract liabilities	-11 562	12 012
- Change in current income taxes liabilities	3 123	220
- Change in accrued expenses	12 598	-2 383
- Change in other net current working capital headings	8 345	18 800
Government grant from previous periods received	1 501	5 025
Dividends received from associated companies	400	483
Interest paid	-3 447	-4 953
Interest received	996	719
Income tax paid	-1 355	-228
Cash flow from/(used in) operating activities	**-2 324**	**14 512**
Purchases of intangible fixed assets	-1 163	-997
Purchases of tangible fixed assets	-1 213	-2 080
Proceeds from sales of tangible and intangible fixed assets	26	83
Investment in financial assets at fair value through profit and loss and other non-current assets	-119	-397
Divestments of financial fixed assets and loans reimbursement	–	59
Disposal of subsidiaries and activities, cash inflow	5 945	7
Sale of associated companies	5 061	–
Cash flow from/(used in) investing activities	**8 536**	**-3 325**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities	-4 967	-5 573
Payments of lease obligations	-7 831	-7 780
Proceeds from employee share purchase program	31	21
Dividends paid to non-controlling interests	-5 966	-774
Cash flow from/(used in) financing activities	**-18 733**	**-14 106**
Effect of foreign exchange rate changes on cash and cash equivalents	-1 358	156
Net increase/(decrease) in cash and cash equivalents	**-13 879**	**-2 763**
Cash and cash equivalents at the beginning of the period	56 376	62 167
Cash and cash equivalents at the end of the period	42 497	59 404
Net increase/(decrease) in cash and cash equivalents	**-13 879**	**-2 763**

Assets and liabilities of the disposal group classified as held for sale are included in their respective balance sheet headings for cash flow statement purposes. Note 9 provides cash flow impacts of the discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2024 AND 2023 (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, 2023	**344 190**	**58 989**	**-38 273**	**-2 598**	**-27 990**	**27 254**	**361 573**
Net result for the period	–	–	-31 064	–	–	2 590	-28 473
Other comprehensive income for the period	–	–	7 085	84	-13 331	278	-5 885
Total comprehensive income for the period	**–**	**–**	**-23 979**	**84**	**-13 331**	**2 868**	**-34 358**
Employee share purchase program	135	-106	–	–	–	–	29
Shares issued for employees	1 219	-969	–	–	–	–	251
Dividend paid to non-controlling interests	–	–	–	–	–	-774	-774
Transactions with non-controlling interests	–	–	–	–	–	-912	-912
June 30, 2023	**345 545**	**57 915**	**-62 251**	**-2 514**	**-41 321**	**28 436**	**325 808**
January 1, 2024	**346 084**	**57 454**	**-83 201**	**-2 681**	**-47 703**	**27 050**	**297 003**
Net result for the period	–	–	-20 420	–	–	-2 348	-22 767
Other comprehensive income for the period	–	–	4 405	–	4 999	-86	9 317
Total comprehensive income for the period	**–**	**–**	**-16 015**	**–**	**4 999**	**-2 434**	**-13 450**
Employee share purchase program	332	-287	–	–	–	–	45
Dividend paid to non-controlling interests	–	–	–	–	–	-5 966	-5 966
Sale of non-controlling interests	–	–	–	–	–	-12 219	-12 219
June 30, 2024	**346 416**	**57 167**	**-99 217**	**-2 681**	**-42 704**	**6 431**	**265 412**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 (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 and Internet of Things (IoT) businesses. The principal activities of the Group are described in the 2023 annual report.

2. BASIS OF PREPARATION
These interim condensed financial statements for the six months ended June 30, 2024 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, 2023.

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, 2023. 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.

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, 2024, 36 870 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 14.

6. SALE OF INTEREST IN ASSOCIATED COMPANY
On April 19, 2024, the Group sold its investment in Kudelski Buildings Sàrl to a related party for kUSD 5 061,resulting in a gain on disposal of kUSD 2 682 which is included in 'Share of result of associates' in the consolidated income statement.

7. SALE OF CONTROLLING INTEREST IN SUBSIDIARY
On May 1, 2024,the Group sold 24.95% of its membership interest in 275 Sacramento Street LLC to related parties for kUSD 6 085. Prior to the sale, the Group owned 49.9% of the membership interests and exercised control as the shareholder bearing the main responsibilities and risks.

Prior to the sale transaction, the Group recognized an impairment adjustment of kUSD 12 739 in order to properly reflect the market value of the subsidiary's real estate assets prior to the sale. This adjustment is primarily the result of deteriorating market rental conditions and the termination of a significant lease agreement with a major tenant.

Subsequent to the sale transaction, management has determined the Group no longer has a controlling financial interest in 275 Sacramento Street LLC and will no longer consolidate the entity. All activity prior to the deconsolidation event has been

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 (UNAUDITED)

included in the consolidated income statement for the period ended June 30, 2024 in continuing operations. The carrying value of the Group's retained membership interest in 275 Sacramento Street LLC is kUSD 6 085 and is included as 'Investment in associates' in the consolidated balance sheet as of June 30, 2024.

7. 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, 2024 and December 31, 2023. For additional information on the levels and valuation methods, please refer to Note 43 to the consolidated financial statement in the 2023 annual report.

In USD'000		30.06.2024	31.12.2023
Financial assets at fair value through profit or loss:			
- securitized beneficial interests	Level 3	46 094	45 069
- equity instuments with no quoted market price	Level 3	1 169	1 589
Total financial assets		**47 263**	**46 658**
Financial liabilities:			
- derivative financial instruments	Level 2	–	45
- contingent consideration (long-term portion)	Level 3	–	1 679
Total financial liabilities		**–**	**1 724**

The fair value of the Level 3 securitized beneficial interests and equity instrument with no quoted market price are determined using a discounted cash flow method provided by the company. Level 3 contingent consideration consistsed of earn-out payments on companies that have been acquired and has been reclassified as held for sale as of June 30, 2024 (refer to note 9).

Reconciliation of level 3 fair values:

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

In USD'000	Securitized beneficial interests	Equity instruments with no quoted market price	Contingent liabilities
Balance at January 1, 2023	–	1 137	-1 547
Sales of receivables	334 823	–	–
Cash on SPE account	9 951	–	–
Funding drawn	-33 820	–	–
Settlement of trade receivables, net	-263 866	–	–
Acquisition	–	336	–
Interest income (recognized in other finance income/(expense), net)	1 128	–	–
Interest received	-797	–	–
Remeasurement (recognised in other finance income/(expense), net)	-1 749	–	-75
Purchase discount (recognized in other finance income/(expense), net)	-4 128	–	–
Discount effect (recognised in interest expense)	–	–	-113
Currency translation adjustment	3 527	116	55
Balance at December 31, 2023	**45 069**	**1 589**	**-1 679**
Sales of receivables	205 508	–	–
Change in cash on SPE account	6 498	–	–
Settlement of trade receivables, net	-208 634	–	–
Interest income (recognized in other finance income/(expense), net)	1 082	–	–
Interest received	-992	–	–
Remeasurement (recognised in other finance income/(expense), net)	-765	–	-49
Purchase discount (recognised in other finance income/(expense), net)	-2 667	–	–
Discount effect (recognised in interest expense)	–	–	-33
Currency translation adjustment	996	-88	137
Reclassified as held for sale	–	-332	1 625
Balance at June 30, 2024	**46 094**	**1 169**	**–**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 (UNAUDITED)

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 30.06.2024	Fair value 30.06.2024
Financial liabilities		
- CHF 150 million bond	162 101	148 330

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.

8. 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 three operating segments which are reflected in internal management reporting as follows:
- Digital TV
- Cybersecurity
- Internet of Things (IoT)

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 provides a secure platform to secure IoT deployments. In addition, it provides a wireless tracking solution to track the location of valuable assets. This includes RecovR, a car dealer solution for lot management and vehicle theft recovery.

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, 2024 (UNAUDITED)

In USD'000	Digital TV January/ June 2024	Cyber-security January/ June 2024	Internet of Things January/ June 2024	Corporate Common Functions January/ June 2024	Total January/ June 2024
Revenues from external customers	109 822	58 623	23 574	–	192 019
Other operating income	482	0	353	5 300	6 136
Total segment revenues and other operating income	**110 304**	**58 623**	**23 928**	**5 300**	**198 155**
Cost of materials, licenses and services	-11 993	-16 627	-11 637	–	-40 257
Operating expenses	-94 500	-44 736	-23 377	-6 943	-169 556
Operating income before depreciation, amortization and impairment	**3 812**	**-2 740**	**-11 086**	**-1 643**	**-11 657**
Depreciation, amortization and impairment	-3 738	-1 524	-602	-12 739	-18 604
Operating income	**74**	**-4 264**	**-11 688**	**-14 382**	**-30 261**
Interest expense and other Finance income/(expense), net					-7 296
Share of result of associates	2 238	–	–	–	2 238
Income before tax from continuing operations					**-35 319**

In USD'000	Digital TV Restated January/ June 2023	Cyber-security Restated January/ June 2023	Internet of Things Restated January/ June 2023	Corporate Common Functions Restated January/ June 2023	Total Restated January/ June 2023
Revenues from external customers	118 584	58 613	14 129	–	191 326
Other operating income	3 314	–	335	–	3 649
Total segment revenue and other operating income	**121 898**	**58 613**	**14 464**	**–**	**194 975**
Cost of materials, licenses and services	-10 301	-19 691	-6 061	–	-36 053
Operating expenses	-96 910	-45 661	-17 367	-8 769	-168 707
Operating income before depreciation, amortization and impairment	**14 687**	**-6 739**	**-8 964**	**-8 769**	**-9 785**
Depreciation, amortization and impairment	-5 866	-1 070	-310	-163	-7 409
Operating income	**8 822**	**-7 810**	**-9 274**	**-8 932**	**-17 194**
Interest expense and other Finance income/(expense), net					-4 136
Share of result of associates	-784	–	–	–	-784
Income before tax from continuing operations					**-22 114**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 (UNAUDITED)

In USD'000	Digital TV 30.06.2024	Cyber-security 30.06.2024	Internet of Things 30.06.2024	Total 30.06.2024
Total segment assets	447 614	94 674	46 718	589 007
Cash & cash equivalents				1 348
Other current assets				608
Financial assets and other non-current assets				5 030
Assets of disposal group classified as held for sale				278 261
Total Assets as per Balance Sheet				**874 254**

In USD'000	Digital TV Restated 31.12.2023	Cyber-security Restated 31.12.2023	Internet of Things Restated 31.12.2023	Total Restated 31.12.2023
Total segment assets	495 167	92 686	50 649	638 502
Cash & cash equivalents				2 666
Other current assets				184
Financial assets and other non-current assets				5 324
Assets of disposal group classified as held for sale				274 891
Total Assets as per Balance Sheet				**921 567**

REVENUE CATEGORIES

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

	Digital TV		Cybersecurity		Internet of Things	
In USD'000	January/ June 2024	Restated January/ June 2023	January/ June 2024	Restated January/ June 2023	January/ June 2024	Restated January/ June 2023
Europe	52 417	56 968	29 555	24 442	1 145	1 591
Americas	35 804	41 076	28 877	33 928	22 429	12 411
Asia & Africa	21 601	20 540	191	243	–	126
	109 822	**118 584**	**58 623**	**58 613**	**23 574**	**14 129**
Sale of goods	10 316	11 404	8 824	9 758	19 946	11 325
Services rendered	66 247	70 022	39 133	37 651	3 416	2 651
Royalties and licenses	33 260	37 158	10 665	11 204	213	154
	109 822	**118 584**	**58 623**	**58 613**	**23 574**	**14 129**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 (UNAUDITED)

9. DISCONTINUED OPERATIONS

In February 2024, The Group annouced its intention to divest its Public Access division through the sale of SKIDATA. SKIDATA has been presented as a discontinued operation in the current and comparative prior period with the assets and liabilities expected to be transferred upon disposal reclassified as held for sale as of June 30, 2024.

At June 30, 2024, the following assets and liabilities of SKIDATA considered as part of the disposal group were classified as held for sale.

In USD'000	30.06.2024
Non-current assets classified as held for sale:	
Tangible fixed assets	22 370
Intangible assets	46 622
Right-of-use assets	19 217
Investments in associates	5 092
Deferred income tax assets	16 096
Financial assets at amortized cost	1 311
Financial assets at fair value through profit and loss	332
Total non-current assets classified as held for sale	**111 040**
Current assets classified as held for sale:	
Inventories	55 084
Trade accounts receivable	48 395
Contract assets	35 479
Other financial assets at amortized cost	8 641
Other current assets	3 726
Cash and cash equivalents	15 895
Total current assets classified as held for sale	**167 221**
Total assets of the disposal group	**278 261**
Non-current liabilities classified as held for sale:	
Long-term financial debt	9 269
Long-term lease obligations	11 177
Deferred income tax liabilities	1 878
Employee benefit liabilities	10 990
Other long-term liabilities	3 282
Total non-current liabilities classified as held for sale	**36 595**
Current liabilities classified as held for sale:	
Short-term financial debt	20 081
Short-term lease obligations	6 218
Trade accounts payable	28 796
Contract liabilities	33 365
Other current liabilities	24 122
Current income taxes	49
Provisions for other liabilities and charges	2 585
Total current liabilities classified as held for sale	**115 216**
Total liabilities of the disposal group	**151 811**
Total net assets of the disposal group	**126 449**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2024 (UNAUDITED)

Financial information relating to the discontinued operation is set out below.

In USD'000	January/ June 2024	January/ June 2023
Revenues and other operating income	163 623	144 900
Expenses	-148 257	-146 325
Operating result	**15 366**	**-1 425**
Finance income/(expense), net	909	-2 176
Result before tax from discontinued operations	**16 275**	**-3 601**
Income tax	-2 091	-1 819
Net result from discontinued operations	**14 184**	**-5 420**

In USD'000	January/ June 2024	January/ June 2023
Cash flow from/(used in) operating activities	11 687	16 880
Cash flow from/(used in) investing activities	-1 875	-2 788
Cash flow from/(used in) financing activities	-6 738	-7 183

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	
	30.06.2024	**31.12.2023**	**30.06.2024**	**30.06.2023**
1 CHF	1.1110	1.1834	1.1247	1.0967
1 EUR	1.0695	1.1071	1.0813	1.0809

11. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On July 3, 2024, the Group announced that it secured a CHF 150 million credit facility from Farallon Capital Europe LLP. The facility is available to repay the Group's domestic straight bond, which matures on September 27, 2024. The facility has a maturity period of 18 months.

Also, on July 22, 2024, the Group announced the signature of a definitive agreement to sell its SKIDATA business to ASSA ABLOY. The transaction is subject to customary closing conditions and is expected to close during the third quarter of 2024. Financial terms of the deal reflect an enterprise value for SKIDATA of EUR 340 million.

Considering the above events, the Group no longer faces uncertainty regarding its ability to continue as a going concern.

AGENDA 2024

Release of 2024 financial results: 27 February 2025

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:
Marc Ausoni
Tel. +41 21 732 05 49
ir@nagra.com

Disclaimer
This document contains forward-looking statements, including, but not limited to, statements that are predications 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 financial market, competitive factors and changes in laws and regulations.

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