

H1 2024 RESULTS

Management's Discussion & Analysis

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, amounted 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 its 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.