KUDELSKI GROUP
INTERIM REPORT 2025

NAGRA
KUDELSKI GROUP

LETTER TO SHAREHOLDERS

In 2024, the Kudelski Group made the bold decision to refocus its activities on advanced security solutions for Media, Cybersecurity and IoT. It was clear to our Board of Directors, management and teams that executing this strategy would not be an easy journey. The first half of 2025 is an illustration of the efforts made to put the Group on track for future profitable growth, even in the face of some short-term pain. In addition, global trade tensions caused some headwinds during the first half. While the direct impacts of tariffs on the Group have been marginal thus far, resulting uncertainties in the markets have caused delayed investment decisions by some of our clients, with negative impacts on our revenues.

For 2025, our three divisions are focused on transformation and restructuring:

Core Digital Security has integrated advanced R&D teams from IoT to become our center of excellence for advanced digital security and has streamlined its operations to improve structural profitability. Although legacy revenues for this segment continued to decline, the pace of decline (-7%) slowed, and, as a result, the segment's EBIT excluding restructuring costs improved. Furthermore, significant structural changes made to this business, from product management to new solutions sales teams, mean that Core Digital Security is better able to address new market opportunities. The initial feedback from our clients, partners and teams is encouraging. We have been able to expand our collaboration with several key partners, including a hyperscaler, to provide an advanced security platform for streaming and protection against piracy.

Cybersecurity has undertaken a profound structural transformation aiming to set this division on a path to sustainable profitability by accelerating managed detection and response (MDR) automation through AI and extending its offerings to the operational technology (OT) space. Operationally, we are increasing synergies between our European and American teams in order to improve the overall client experience. In the short-term, the first half performance of this business was negatively impacted due to these transformation efforts, but over the longer term, we believe our efforts put this business on the right track for achieving profitability.

IoT has also undergone a major transformational journey during the first half, realigning its sales, products and operations to focus on asset tracking and related new initiatives. In addition, during the first half 2025, important efforts were made to expand new distribution channels, such as financial service providers, which represent a key path for increasing scalability and growth.

Through these transformation efforts, the Kudelski Group is seeking to leverage our long history of developing fundamental proprietary technologies to strategically position ourselves to lead in the next wave of digital security innovation – by offering technologies that protect the entire ecosystem, from the chip to the cloud. We are also investing in AI capabilities that will strengthen and automate our security platforms and enable next-generation protection across the ecosystem.

The short-term pain evident in the first half will not deter us from our efforts to get back on track for profitable growth. For the second half 2025, we expect to see improved results due to the transformation and restructuring efforts made earlier in the year. Looking forward to 2026, our transformation will continue as we look to position the Kudelski Group to better address future opportunities.

On behalf of the Group's Board of Directors and management 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 2025 RESULTS

In the first half of 2025, the Group generated net revenues of USD 172.8 million, a decrease of 6.8% compared to the first half of 2024. In constant currency terms, net revenues decreased by 7.7%. Comparative figures for 2024 have been restated to reflect the strategic reorganization implemented late last year pursuant to which lab and core security activities from the IoT segment and corporate IT were integrated with the Digital TV organization. As a result, the former Digital TV segment now operates as Core Digital Security. This realignment is intended to leverage the Group's relationships in the semiconductor industry and to increase operating synergies within core security teams.

Other operating income amounted to USD 1.7 million compared to USD 6.1 million in the first half of 2024, which included a one-time USD 5.3 million payment from a tenant of the San Francisco office building. Margin after cost of material increased from 82.4% to 83.6%, supported by higher gross margins in Core Digital Security and Cybersecurity.

Personnel expenses were USD 126.4 million, a decrease of USD 4.7 million compared to the first half of 2024. Excluding USD 6.4 million of restructuring costs, the Group decreased personnel expenses by USD 11.1 million compared to the first semester of 2024. The Group reduced headcount by approximately 110 full-time equivalents since year-end, mostly in Core Digital Security and in corporate functions, with the majority of reductions in Switzerland and the United States. Other operating expenses were broadly stable at USD 38.5 million.

For the first half of 2025, the Group generated USD 19.1 million of operating loss before depreciation and amortization or USD 12.7 million net of restructuring costs, compared to a loss of USD 11.7 million in the first half of 2024. At USD 5.7 million, depreciation and amortization decreased by USD 12.9 million from USD 18.6 million in the prior-year period, which included a USD 12.7 million impairment on the San Francisco building. At USD 24.8 million, operating loss improved by USD 5.4 million compared to USD 30.3 million in the first half of 2024.

Interest expense amounted to USD 1.2 million, USD 2.2 million lower compared to the first half of 2024. Net finance expense was USD 5.1 million compared to USD 3.9 million in the same period last year, reflecting foreign exchange effects and securitization-related costs. Income tax expense was USD 2.0 million. Overall, the Group recorded a net loss of USD 32.9 million compared to a net loss of USD 37.0 million in the first half of 2024 for continuing operation, when SKIDATA's USD 14.2 million contribution was presented as discontinued operations.

CORE DIGITAL SECURITY

Core Digital Security generated revenues of USD 103.9 million, a decrease of 7.0% compared to the first half of 2024. This represents the smallest rate of decline in the past four years, which reflects the business unit's efforts to increase revenue streams from new market opportunities such as streaming. In Europe, revenues were USD 50.2 million, a decrease of 6.3%, reflecting lower product license and maintenance fees from Liberty Global, reduced smart card purchases by SES Platform Services, and lower CAM sales to Tele Columbus. Overall, revenues from key clients in the region stayed stable compared to last year. In the Amer-icas, revenues increased by 2.7%, supported by a contract with a large technology provider in streaming, which more than offset continued, but slowing subscriber attrition at DISH. In Asia Pacific and Africa, revenues decreased by USD 5.4 million due to lower smart card and royalty revenues from Bakhresa and reduced volumes from Indian operators, including the Essel Group.

From a product-mix perspective, CAMs, set-top boxes, and smart cards generated USD 4.4 million compared to USD 10.3 million in the first half of 2024. On the other hand, Core Digital Security benefitted from contract wins in the streaming protection domain. The move toward security virtualization reduced hardware's share, supporting a gross margin increase from 89.5% to 93.1%.

The segment continued the transformation initiated in 2024. Leadership was reshaped to better align marketing, sales, and delivery; the sales organization transitioned from a geographic structure to product-centric specialist teams, including for example dedicated Media & Entertainment Asset and Revenue Protection. Consumer Experience and Streaming Security sales teams. Core Digital Security implemented a dual sales strategy, with one team focused on key-account expansion and another on new-logo acquisition in both established and new sectors. The transfer of lab and core security activities from IoT and the integration of corporate IT are designed to strengthen security capabilities in a dedicated center of excellence and improve operating efficiency.

As a result, operating expenses were reduced by USD 8.4 million compared to the first half of 2024. Excluding USD 5.1 million of restructuring costs, operating expenses decreased by USD 13.5 million compared to the first semester of 2024. EBITDA amounted to USD 0.6 million compared to USD -4.3 million in the first half of 2024. Excluding restructuring costs, first half EBITDA reached USD 5.7 million. The EBIT loss decreased by USD 5.0 million to USD 3.3 million compared to the first half of 2024.

CYBERSECURITY

As outlined in the 2024 Management's Discussion and Analysis, the Cybersecurity segment underwent a significant transformation in 2024, with operations refocused on areas demonstrating strong value creation potential. A central initiative was the rollout of a unified Enterprise Resource Planning system across both European and American operations, enabling greater precision and granularity in revenue recognition practices. As a result, the Group has transitioned to reporting net revenue for certain technology reselling transactions, replacing the previous gross reporting approach. For comparability, first-half 2024 net revenue figures have been restated accordingly. Importantly, this restatement does not impact gross profit, operating income, cash flows, or any other key financial metrics.

Cybersecurity recorded net revenues of USD 49.5 million, a decrease of 4.8% compared to the first half of 2024. Europe was broadly stable at USD 29.7 million, an increase of 0.4%. The Americas generated USD 19.0 million sales, a decrease of 14.5%, reflecting a 19% contraction in technology resell activity and the deliberate reduction of smaller, lower-margin transactional VAR deals. This reflects the Group's decision to focus on larger, multiyear and higher-margin Managed Detection and Response and advisory deals. Sales in Asia and Africa were USD 0.8 million. Overall, cybersecurity market conditions remained challenging in the first half of 2025, with many mid-market organizations deferring discretionary upgrades and refresh cycles in light of macroeconomic and geopolitical uncertainty.

Gross margin increased to 83.0% from 80.7%, reflecting growth in higher-margin European MDR, advisory, and innovation lines of business. In the first half, investments focused on strengthening cybersecurity capabilities and expanding industry reach. Key initiatives included creating a Counter Adversary Unit to enhance threat detection and response, expanding MDR services with proactive defense, and launching an AI program to improve operational efficiency and client experience. Cybersecurity also deepened strategic partnerships with hyperscalers and global technology leaders such as CrowdStrike, leveraged expertise in Operational Technology (OT) for large-scale security assessments and monitoring, and pursued further growth in the Aerospace and Critical Infrastructure sectors. These initiatives increased operating costs by USD 1.8 million and contributed to an EBITDA loss of USD 5.5 million, compared to an EBITDA loss of USD 2.7 million in the first half of 2024.

INTERNET OF THINGS (IoT)

IoT generated revenues of USD 19.3 million, a decrease of 10.6% compared to the first half of 2024. One-off device replacement costs reduced gross margin to 39.1%, compared to 48.4% in the prior-year period.

In the IoT segment, investments are being directed toward long-term growth through the development of distribution channels with major providers of vehicle financing, leasing, insurance, protection, and extended service warranty products. Asset tracking with theft protection can be bundled with these offerings, creating a seamless value-add for end customers. This bundling model is scalable and benefits from aligned incentives. Partners enhance their customer proposition by offering improved security and potential insurance benefits, while the Group benefits from larger and more predictable sales volumes through institutional channels rather than individual transactions. However, the timing of revenue impact has been delayed, as establishing these partnerships involves complex contract negotiations, integration into partner systems, dealer deployments, and training programs. While these steps have taken longer than initially anticipated, once fully operational, the partnerships are expected to materially expand market reach and generate stable, recurring revenue streams through embedded sales.

Operating expenses increased by USD 1.1 million as the business invested in channel enablement and operational readiness. EBITDA loss was USD 7.0 million compared to an EBITDA loss of USD 2.9 million in the first half of 2024.

CORPORATE

In the first half of 2025, the Group booked other operating income of USD 0.5 million from the SKIDATA transaction. The first half of 2024 included non-recurring items related to the San Francisco building, namely USD 5.3 million of other operating income and a USD 12.7 million impairment charge. First half 2025 corporate operating expenses amounted to USD 7.8 million. As a result, corporate operating loss in this first half amounts to USD 7.3 million.

BALANCE SHEET

As of June 30, 2025, non-current assets were USD 349.5 million, an increase of USD 20.8 million compared to year-end 2024, mainly due to foreign-exchange effects. Tangible fixed assets were USD 5.9 million and remained stable. Intangible assets were USD 218.7 million and largely consisted of goodwill. Financial assets at fair value were USD 41.3 million and primarily consisted of unsettled receivables transferred to the securitization special-purpose entity.

Current assets were USD 196.3 million. Inventories were USD 18.8 million, which was USD 4.1 million higher compared to year-end, mainly reflecting higher asset-tracking inventories. Accounts receivable were USD 23.1 million, which was USD 12.7 million lower due to strong collections. Cash and cash equivalents were USD 80.4 million, which was USD 46.0 million lower compared to year-end, as the prior year's closing balance was boosted by a large prepayment for services to be delivered in 2025 and 2026.

Total equity was USD 317.7 million and increased marginally compared to year-end, as positive other comprehensive income of USD 36.1 million from pension accounting and currency translation offset the net loss. Non-current liabilities were USD 70.9 million, which was USD 16.1 million lower, reflecting a reduction in IAS 19 obligations from USD 23.0 million to USD 4.2 million driven by an increase in the discount rate from 1.05% to 1.4%. Current liabilities were USD 157.2 million, which was USD 12.5 million lower than year-end. Following the SKIDATA divestiture and subsequent debt repayments, the Group is debt-free.

CASH FLOWS

Net cash used in operating activities was USD 45.3 million, reflecting the period's net loss and an USD 11.6 million reduction in trade payables and contract liabilities. This is consistent with expectations given the higher-than-anticipated year-end 2024 cash position, which resulted from customer prepayments for services to be delivered in 2025 and 2026. Cash used in investing activities was USD 1.3 million, reflecting continued discipline in capital expenditures. Cash used in financing activities was USD 5.0 million and primarily related to lease obligations.

OUTLOOK

For the second half of 2025, management expects a stronger revenue trajectory supported by seasonality in Core Digital Security, continued conversion of Managed Detection and Response and advisory pipelines in Cybersecurity, and increasing sales from third-party channels in IoT.

Core Digital Security operating expenses are expected to improve compared to the first half, benefitting from restructuring effects. Cybersecurity expenses are expected to be stable as the Group will continue to invest in priority initiatives to support longer-term growth and margin expansion. In the second half, IoT operating expenses are projected to be lower than in the first half, resulting in a reduction compared to the restated 2024 costs.

For the full year 2025, management expects positive two-digit-million EBITDA in Core Digital Security consistent with the restated 2024 level. Cybersecurity near-term EBITDA will be affected by ongoing investments, translating in a higher full year loss compared to 2024. IoT's full-year EBITDA loss is expected to be roughly in line with 2024 as the segment continues to invest in distribution channels.

Management targets free cash flow for the second half of the year to materially improve compared to the first semester at around break-even, reflecting a material improvement in profitability compared to the first half.

KEY FIGURES FIRST HALF 2025 (UNAUDITED)

In USD'000	January/ June 2025	Restated January/ June 2024
Revenues and other operating income	**174 484**	**191 558**
Margin after cost of material	145 795	157 899
Margin after cost of material in % of revenues and other operating income	83.56%	82.43%
Operating income before depreciation, amortization and impairment (EBITDA)	**-19 073**	**-11 657**
Operating income before depreciation, amortization and impairment (EBITDA) in % of revenues and other operating income	-10.93%	-6.09%
Net income for the period from continuing operations	**-32 903**	**-36 951**
Earnings per bearer share for the period		
– basic	-0.6104	-0.3644
– diluted	-0.6104	-0.3644

In USD'000	30.06.2025	31.12.2024
Equity	317 668	314 385
Cash and cash equivalents	80 385	126 336
Market capitalization	87 522	75 037
Share price (in CHF)	1.36	1.32

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30, 2025 AND 2024 (UNAUDITED)

In USD'000	January/ June 2025	Restated January/ June 2024
Revenues	172 797	185 422
Other operating income	1 687	6 136
Total revenues and other operating income	**174 484**	**191 558**
Cost of material, licenses and services	-28 689	-33 659
Employee benefits expense	-126 391	-131 125
Other operating expenses	-38 477	-38 431
Operating income before depreciation, amortization and impairment	**-19 073**	**-11 657**
Depreciation, amortization and impairment	-5 739	-18 604
Operating income	**-24 812**	**-30 261**
Interest expense	-1 223	-3 352
Other finance income/(expense), net	-5 128	-3 944
Share of results of associates	252	2 238
Income before tax from continuing operations	**-30 910**	**-35 319**
Income tax expense	-1 992	-1 632
Net income for the period from continuing operations	**-32 903**	**-36 951**
Net result from discontinued operations	–	14 184
Net income for the period	**-32 903**	**-22 767**
Attributable to:		
- Equity holders of the company	-34 243	-20 420
- Non-controlling interests	1 340	-2 348
Earnings per share (in USD)		
Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD)	-0.6104	-0.3644
- Continuing operations	*-0.6104*	*-0.6022*
- Discontinued operations	*-*	*0.2378*
Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD)	-0.0610	-0.0364
- Continuing operations	*-0.061*	*-0.0602*
- Discontinued operations	*-*	*0.0238*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2025 AND 2024 (UNAUDITED)

In USD'000	January/ June 2025	January/ June 2024
Net income	**-32 903**	**-22 767**
Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:		
Currency translation differences	16 176	4 913
Cash flow hedges, net of income tax	298	–
	16 473	**4 913**
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	19 641	4 405
Total other comprehensive income, net of income tax	**36 115**	**9 317**
Total comprehensive income for the period	**3 212**	**-13 450**
Attributable to:		
- Equity holders of the company	1 872	-11 016
- Continuing operations	*1 872*	*-21 021*
- Discontinued operations	*-*	*10 005*
- Non-controlling interests	1 340	-2 434
	3 212	**-13 450**

CONSOLIDATED BALANCE SHEET AT JUNE 30, 2025 AND DECEMBER 31, 2024 (UNAUDITED)

In USD'000	30.06.2025	31.12.2024
ASSETS		
Non-current assets		
Tangible fixed assets	5 908	5 921
Intangible assets	218 729	206 256
Right-of-use assets	33 958	34 717
Investments in associates	10 532	9 946
Deferred income tax assets	18 666	20 319
Financial assets at amortized cost	18 755	17 240
Financial assets at fair value through profit and loss	41 256	34 324
Employee benefit assets	1 670	–
Total non-current assets	**349 474**	**328 722**
Current assets		
Inventories	18 823	14 738
Trade accounts receivable	23 111	35 856
Contract assets	46 810	41 106
Other financial assets at amortized cost	14 494	14 497
Other current assets	12 312	9 795
Derivative financial instruments	321	–
Cash and cash equivalents	80 385	126 336
Total current assets	**196 257**	**242 327**
Total assets	**545 731**	**571 050**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	347 160	346 624
Reserves	-38 300	-39 707
Equity attributable to equity holders of the parent	**308 859**	**306 917**
Non-controlling interests	8 808	7 469
Total equity	**317 668**	**314 385**
Non-current liabilities		
Long-term lease obligations	60 488	58 558
Employee benefit liabilities	4 166	23 043
Other long-term liabilities	6 240	5 432
Total non-current liabilities	**70 893**	**87 034**
Current liabilities		
Short-term financial debt	759	673
Short-term lease obligations	10 375	9 805
Trade accounts payable	24 763	30 414
Contract liabilities	58 226	55 977
Other current liabilities	61 038	71 310
Current income taxes	1 821	1 406
Derivative financial instruments	138	28
Provisions for other liabilities and charges	51	19
Total current liabilities	**157 170**	**169 631**
Total liabilities	**228 063**	**256 665**
Total equity and liabilities	**545 731**	**571 050**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2025 AND 2024 (UNAUDITED)

In USD'000	January/ June 2025	Restated January/ June 2024
Net income for the period	**-32 903**	**-22 767**
Adjustments for net income non-cash items:		
- Current and deferred income tax	1 992	1 632
- Interests, allocation of transaction costs (bonds) and foreign exchange differences	3 553	2 967
- Depreciation, amortization and impairment	5 739	18 604
- Change in fair value of financial assets at fair value through profit or loss	99	-42
- Share of result of associates	-252	-2 614
- Non-cash employee benefits expense	1 174	1 632
- Additional provisions net of unused amounts reversed	27	309
- Non-cash government grant income	-761	-784
- Other non-cash (income) / expense	-814	-1 636
Adjustments for items for which cash effects are investing or financing cash flows:		
- Other non-operating cash items	-74	24
Adjustments for change in working capital:		
- Change in inventories	-2 678	2 438
- Change in trade accounts receivable and contract assets	7 796	-20 781
- Change in trade accounts payable and contract liabilities	-11 548	-6 669
- Change in current income taxes liabilities	-351	1 990
- Change in accrued expenses	-5 706	12 598
- Change in other net current working capital headings	-10 335	11 829
Government grant from previous periods received	–	1 501
Dividends received from associated companies	150	400
Interest paid	-1 104	-3 447
Interest received	2 400	1 849
Income tax paid	-1 728	-1 355
Cash flow from/(used in) operating activities	**-45 325**	**-2 324**
Purchases of intangible fixed assets	-347	-1 163
Purchases of tangible fixed assets	-942	-1 213
Proceeds from sales of tangible and intangible fixed assets	171	26
Investment in financial assets at fair value through profit and loss and other non-current assets	-223	-119
Disposal of subsidiaries and activities, cash inflow	–	5 945
Sale of associated companies	–	5 061
Cash flow from/(used in) investing activities	**-1 342**	**8 536**
Reimbursement of bank overdrafts, long-term loans and other non-current liabilities	–	-4 967
Payments of lease obligations	-5 065	-7 831
Proceeds from employee share purchase program	49	31
Dividends paid to non-controlling interests	–	-5 966
Cash flow from/(used in) financing activities	**-5 016**	**-18 733**
Effect of foreign exchange rate changes on cash and cash equivalents	5 732	-1 358
Net increase/(decrease) in cash and cash equivalents	**-45 950**	**-13 879**
Cash and cash equivalents at the beginning of the period	126 336	56 376
Cash and cash equivalents at the end of the period	80 385	42 497
Net increase/(decrease) in cash and cash equivalents	**-45 950**	**-13 879**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2025 AND 2024 (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, 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
Transactions with non-controlling interests	–	–	–	–	–	-12 219	-12 219
June 30, 2024	**346 416**	**57 167**	**-99 217**	**-2 681**	**-42 704**	**6 431**	**265 412**
January 1, 2025	**346 624**	**56 989**	**-80 615**	**-2 681**	**-13 400**	**7 468**	**314 385**
Net result for the period	–	–	-34 243	–	–	1 340	-32 903
Other comprehensive income for the period	–	–	19 641	298	16 176	–	36 115
Total comprehensive income for the period	**–**	**–**	**-14 602**	**298**	**16 176**	**1 340**	**3 212**
Employee share purchase program	535	-465	–	–	–	–	70
June 30, 2025	**347 160**	**56 524**	**-95 217**	**-2 383**	**2 776**	**8 808**	**317 668**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (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 world leaders in developing core technologies for digital security and media content security. The principal activities of the Group are described in the 2024 annual report.

In February 2025, the Group announced a significant reorganization of its operational structure following the divestment of SKIDATA during 2024. The transformation aimed to strengthen the Group's core digital security business and included cost-reduction measures across the Group's business segments and corporate functions. These measures were substantially completed in the first half of 2025.

Following the transformation, the Group is structured into three operating segments: Core Digital Security, Cybersecurity and Internet of Things (IoT).

Core Digital Security renews the Group's focus on providing end-to-end digital and media content security, including chipset security and security labs certification. Core Digital Security also includes the Group's intellectual property activities as well as the development of new business initiatives such as watermarking, Insight and Sporfie.

Cybersecurity leverages the Group's long-standing expertise to provide cybersecurity solutions and services focused on protecting data, processes, blockchains and systems for companies and organizations around the world, safeguarding assets at a time of rapidly increasing cyberthreats.

IoT designs and delivers asset tracking solutions for automotive retail and other industries, monitoring location, utilization and condition of goods and equipment.

2. BASIS OF PREPARATION

These interim condensed financial statements for the six months ended June 30, 2025 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, 2024.

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, 2024. 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 Core Digital Security 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.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (UNAUDITED)

5. SHARE-BASED PAYMENTS

As of June 30, 2025, 57 708 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 22.

6. RESTATEMENT OF PRIOR PERIOD FINANCIAL INFORMATION

RESTATEMENT DUE TO CHANGE IN OPERATING STRUCTURE

In connection with the reorganization of the Group's operating structure, management has reassessed and realigned its reportable segments to better reflect the way in which the business is managed and reviewed internally. As a result, the Group has restated certain prior period information to conform to the current presentation. This restatement affects the allocation of revenues, operating income, and other segment-level financial data among the new operating segments. The restatement provides comparative segment results that are consistent with the current organizational structure and internal reporting framework. These changes have no impact on the Group's previously reported financial position, results of operations or cash flows.

RESTATEMENT DUE TO ERROR

During 2024, the Group reassessed its revenue recognition methodology under IFRS 15 and identified an error in the previously issued financial statements for the period ended June 30, 2024. The error was due to misclassification whereby it was determined that certain transactions in the Group's Cybersecurity segment previously reported on a gross basis were more appropriately classified on a net basis. This restatement has no impact on the Group's operating income, cash flows or overall financial position.

Prior period amounts have been restated to conform to the current presentation as follows:

	Cybersecurity		
In USD'000	**January/June 2024 as Published**	**Correction**	**January/June 2024 Restated**
Revenues	58 623	-6 597	52 025
Cost of material, licenses and services	-16 627	6 597	-10 029
Operating income before depreciation, amortization and impairment	**-2 740**	**–**	**-2 740**

	Cybersecurity		
In USD'000	**January/June 2024 as Published**	**Correction**	**January/June 2024 Restated**
Europe	29 555	–	29 555
Americas	28 877	-6 597	22 280
Asia and Africa	191	–	191
	58 623	**-6 597**	**52 025**
Sale of goods	8 824	-1 496	7 328
Services rendered	39 133	185	39 319
Royalties and licenses	10 665	-5 287	5 378
	58 623	**-6 597**	**52 025**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (UNAUDITED)

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, 2025 and December 31, 2024. For additional information on the levels and valuation methods, please refer to Note 45 to the consolidated financial statement in the 2024 annual report.

In USD'000		30.06.2025	31.12.2024
Financial assets at fair value through profit or loss:			
- derivative financial instruments	Level 2	321	–
- securitized beneficial interests	Level 3	39 942	33 162
- equity instuments with no quoted market price	Level 3	1 314	1 162
Total financial assets		**41 577**	**34 324**
Financial liabilities:			
- derivative financial instruments	Level 2	138	28
Total financial liabilities		**138**	**28**

The fair value of the Level 3 equity instrument with no quoted market price are determined using a discounted cash flow method provided by the company. The fair value of securitized beneficial interests are determined using a discounted cash flow method provided by the control party which considers the credit quality of the underlying assets.

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, 2024	45 069	1 589	-1 679
Sales of receivables	400 909	–	–
Change in cash on SPE account	2 172	–	–
Settlement of trade receivables, net	-408 684	–	–
Interest income (recognized in other finance income/(expense), net)	2 825	–	–
Interest received	-3 005	–	–
Remeasurement (recognised in other finance income/(expense), net)	-2 945	–	–
Purchase discount (recognized in other finance income/(expense), net)	-5 201	–	–
Decrease in scope		-336	1 679
Currency translation adjustment	2 022	-91	–
Balance at December 31, 2024	**33 162**	**1 162**	**–**
Sales of receivables	174 046	–	–
Change in cash on SPE account	9 655	–	–
Settlement of trade receivables, net	-173 979	–	–
Interest income (recognized in other finance income/(expense), net)	1 637	–	–
Interest received	-1 497	–	–
Purchase discount (recognised in other finance income/(expense), net)	-2 256	–	–
Currency translation adjustment	-826	152	–
Balance at June 30, 2025	**39 942**	**1 314**	**–**

Management considers that the carrying amount of financial assets and liabilities recorded at amortized cost is a reasonable approximation of fair value.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (UNAUDITED)

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 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'.

In USD'000	Core Digital Security January/ June 2025	Cyber-security January/ June 2025	Internet of Things January/ June 2025	Corporate Common Functions January/ June 2025	Total January/ June 2025
Revenues from external customers	103 944	49 518	19 336	–	172 797
Other operating income	1 066	72	61	488	1 687
Total segment revenues and other operating income	**105 010**	**49 590**	**19 397**	**488**	**174 484**
Cost of materials, licenses and services	-8 338	-8 509	-11 841	–	-28 689
Operating expenses	-96 065	-46 553	-14 508	-7 742	-164 868
Operating income before depreciation, amortization and impairment	**606**	**-5 472**	**-6 953**	**-7 255**	**-19 073**
Depreciation, amortization and impairment	-3 928	-1 347	-464	-1	-5 739
Operating income	**-3 322**	**-6 819**	**-7 416**	**-7 255**	**-24 812**
Interest expense and other finance income/(expense), net					-6 351
Share of result of associates	252	–	–	–	252
Income before tax from continuing operations					**-30 910**

In USD'000	Core Digital Security Restated January/ June 2024	Cyber-security Restated January/ June 2024	Internet of Things Restated January/ June 2024	Corporate Common Functions Restated January/ June 2024	Total Restated January/ June 2024
Revenues from external customers	111 758	52 025	21 638	–	185 422
Other operating income	775	0	61	5 300	6 136
Total segment revenues and other operating income	**112 533**	**52 025**	**21 699**	**5 300**	**191 558**
Cost of materials, licenses and services	-12 410	-10 029	-11 220	–	-33 659
Operating expenses	-104 458	-44 736	-13 419	-6 943	-169 556
Operating income before depreciation, amortization and impairment	**-4 335**	**-2 740**	**-2 940**	**-1 643**	**-11 657**
Depreciation, amortization and impairment	-4 018	-1 524	-322	-12 739	-18 604
Operating income	**-8 353**	**-4 264**	**-3 261**	**-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**

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (UNAUDITED)

SEGMENT ASSETS

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.

In USD'000	Core Digital Security 30.06.2025	Cyber-security 30.06.2025	Internet of Things 30.06.2025	Total 30.06.2025
Total segment assets	273 558	114 052	63 160	450 770
Cash & cash equivalents				72 500
Financial assets and other non-current assets				22 461
Total Assets as per Balance Sheet				**545 731**

In USD'000	Core Digital Security Restated 31.12.2024	Cyber-security Restated 31.12.2024	Internet of Things Restated 31.12.2024	Total Restated 31.12.2024
Total segment assets	293 980	124 157	58 539	476 676
Cash & cash equivalents				72 500
Financial assets and other non-current assets				21 874
Total Assets as per Balance Sheet				**571 050**

REVENUE CATEGORIES

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

	Core Digital Security		Cybersecurity		Internet of Things	
In USD'000	January/ June 2025	Restated January/ June 2024	January/ June 2025	Restated January/ June 2024	January/ June 2025	Restated January/ June 2024
Europe	50 181	53 562	29 672	29 555	–	–
Americas	37 579	36 596	19 049	22 280	19 336	21 638
Asia & Africa	16 183	21 600	798	191	–	–
	103 944	**111 758**	**49 518**	**52 025**	**19 336**	**21 638**
Sale of goods	5 565	10 316	5 566	7 328	17 426	19 946
Services rendered	67 435	67 970	38 698	39 319	1 910	1 693
Royalties and licenses	30 943	33 472	5 254	5 378	–	–
	103 944	**111 758**	**49 518**	**52 025**	**19 336**	**21 638**

9. SALE OF INTEREST IN ASSOCIATED COMPANY

In April 2024, the Group sold its investment in Kudelski Buildings Sàrl to a related party for kUSD 5 061. The sale resulted in a gain on disposal of kUSD 2 682 which was included in 'Share of result of associates' in the prior period income statement.

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (UNAUDITED)

10. SALE OF CONTROLLING INTEREST IN SUBSIDIARY

In May 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 to properly reflect the market value of the subsidiary's real estate assets prior to the sale. The adjustment primarily related to deteriorating market rental conditions and the termination of a significant lease agreement with a major tenant.

Subsequent to the sale transaction, the Group no longer considers it has a controlling interest in 275 Sacramento Street LLC and no longer consolidates the entity. All activity prior to the deconsolidation event was included in the 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 included as 'Investment in associates' in the consolidated balance sheet.

11. DISCONTINUED OPERATIONS

In September 2024, the Group completed the sale of its interest in SKIDATA to ASSA ABLOY for total consideration of kUSD 339 261. Accordingly, the financial results of SKIDATA have been presented as a discontinued operation for the period ended June 30, 2024.

FINANCIAL RESULTS OF DISCONTINUED OPERATIONS

The results of SKIDATA for the period from January 1, 2024 to June 30, 2024 are as follows:

In USD'000	January/ June 2025	January/ June 2024
Revenues and other operating income	–	163 623
Expenses	–	-148 257
Operating result	**–**	**15 366**
Finance income/(expense), net	–	909
Result before tax from discontinued operations	**–**	**16 275**
Income tax	–	-2 091
Net result from discontinued operations	**–**	**14 184**

CASH FLOW INFORMATION FOR DISCONTINUED OPERATIONS

In USD'000	January/ June 2025	January/ June 2024
Cash flow from/(used in) operating activities	–	11 687
Cash flow from/(used in) investing activities	–	-1 875
Cash flow from/(used in) financing activities	–	-6 738

SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2025 (UNAUDITED)

12. PRINCIPAL CURRENCY TRANSLATION RATE

	Period end rates used for the consolidated balance sheets		Average rates used for the consolidated income and cash flow statements	
	30.06.2025	31.12.2024	30.06.2025	30.06.2024
1 CHF	1.2494	1.1049	1.1596	1.1247
1 EUR	1.1738	1.0397	1.0917	1.0813

AGENDA 2025

Release of 2025 financial results: 26 February 2026

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