# KUDELSKI GROUP INTERIM REPORT 2026

NAGRA
KUDELSKI GROUP

# LETTER TO SHAREHOLDERS

In the first half of 2026, the Kudelski Group continued to execute its transformation, improving its operational performance while continuing to invest for the future.

Core Digital Security (CDS) improved its profitability and strengthened its positioning for future growth. The transformation and restructuring efforts made in 2025 had a visible impact on the first half of 2026, with a stabilization of the top line compared to first half of 2025 (+$0.7 million) and an improved operating profitability. CDS continued to gain market share in live sports content protection by signing new contracts for securing video streaming and watermarking. Looking beyond these short-term positive dynamics, CDS is more fundamentally better positioned to address future market needs with Nagra Venturi, an advanced solution for secure video streaming solutions in the age of AI-powered piracy, and Nagra Scout, a suite of cybersecurity solutions designed specifically for the digital needs of homes and small businesses. Meanwhile, Kudelski Labs continues to strengthen its position as a trusted partner to secure frontier technologies and digital sovereign solutions, including AI. The close collaboration between the Kudelski Labs and Content Security teams of CDS is enabling a new generation of secure solutions for video streaming and proactive anti-piracy fighting in the AI age.

AI is both an opportunity and a challenge for cybersecurity. Some experts believe that AI will mitigate the risk of cyber-attacks while others believe that AI will boost the capabilities of hackers. In reality, both are true. AI may reduce the short-term risks of cyber-attacks, primarily for the large enterprises frequently targeted today. Over time, though, AI will increase overall cyber-risk by enhancing the capabilities of hackers to conduct much more sophisticated attacks against a broader range of targets, including customized, cost-efficient attacks against smaller enterprises. In response, Kudelski Security is further investing in AI-powered Managed Detection and Response Solutions (MDR) to better address IT and OT market needs. While revenues in the first half of 2026 were down 8.9% compared to the first half of last year, first half bookings were up by 69% for MDR and 24% for advisory. Top-line pressure weighed on first-half profitability, as did the cost of the ongoing transformation. Despite the short-term volatility and challenges of the cybersecurity market, we remain committed to addressing market needs in the IT and OT cybersecurity market.

Following a challenging 2025, Kudelski IoT improved its operational performance during the first half of 2026 and returned to growth, with revenues up by 5.1% compared to the first half of 2025. This positive evolution is the result of an expansion of partnerships with financial services providers in the automotive sector and important efforts to improve operational efficiency in the supply chain and service delivery.

For the second half, we expect stronger performance for both CDS and IoT, fueled by seasonality for CDS and organic double-digit growth for IoT. Kudelski Security will continue its transformation in order to better address IT and OT cybersecurity needs, with profitability negatively impacted by the ongoing transformation.

Overall, CDS is benefitting from new dynamics, with new market opportunities linked to the increased need to secure video content delivery over streaming and the emerging need to secure digital sovereign solutions. IoT is back to growth, leveraging efficient financial service distribution channels. Kudelski Security is executing its transformation to better address a fast changing, but attractive, market.

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 2026 RESULTS

**HIGHLIGHTS**

In the first half of 2026, the Group continued to execute its strategic transformation, with all three segments reducing their operating losses and both Core Digital Security and IoT returning to revenue growth. At USD 11.5 million, the operating loss before depreciation and amortization improved by USD 7.6 million compared to the first half of 2025, and was broadly in line with the USD 12.7 million loss net of restructuring costs recorded in the prior-year period. The Group remained debt-free with USD 64.3 million of cash and cash equivalents at the end of the period.

Core Digital Security returned to growth, with net revenues increasing by 0.7% to USD 104.7 million, supported by new business lines and by an expanded scope of business with key European customers. Segment EBITDA reached USD 5.1 million compared to USD 0.6 million in the first half of 2025.

Cybersecurity net revenues declined by 8.9% to USD 45.1 million, while the segment generated strong bookings growth in Managed Detection and Response (MDR) and advisory services and further expanded its gross margin. IoT returned to growth with net revenues increasing by 5.1% to USD 20.3 million and a gross margin recovery to 45.3%. Both segments reduced their EBITDA losses compared to the first half of 2025.

**GROUP RESULTS**

In the first half of 2026, the Group generated net revenues of USD 170.1 million, a decrease of 1.5% compared to the first half of 2025. In constant currency terms, net revenues decreased by 6.3%. Core Digital Security net revenues increased by 0.7% to USD 104.7 million, representing the first year-on-year growth of the last five years, while in constant currency terms revenues decreased by 4.7%. Cybersecurity net revenues decreased by 8.9% to USD 45.1 million, or 14.1% in constant currency, while IoT revenues increased by 5.1% to USD 20.3 million.

Other operating income amounted to USD 1.7 million, in line with the first half of 2025. Margin after cost of material decreased from 83.6% to 82.4%, reflecting lower gross margins in Core Digital Security.

Personnel expenses were USD 113.8 million, a decrease of USD 12.6 million compared to the first half of 2025. Excluding the USD 6.4 million of restructuring costs recorded in the prior-year period, personnel expenses decreased by USD 6.2 million.

The Group reduced headcount by 89 full-time equivalents since year-end to 1,510 FTEs, mostly in Core Digital Security, with the main locations driving the reduction being Switzerland, India and the United States. Other operating expenses increased by USD 0.8 million to USD 39.3 million, reflecting higher sales costs, including a bad debt provision in the IoT segment.

For the first half of 2026, the Group generated USD 11.5 million of operating loss before depreciation and amortization, compared to a loss of USD 19.1 million in the first half of 2025. Net of restructuring costs, the prior-year loss amounted to USD 12.7 million. At USD 5.9 million, depreciation and amortization increased by USD 0.2 million from USD 5.7 million in the prior-year period. At USD 17.4 million, operating loss improved by USD 7.5 million compared to USD 24.8 million in the first half of 2025.

Interest expense amounted to USD 0.9 million, USD 0.3 million lower compared to the first half of 2025. Net finance expense was USD 0.8 million compared to USD 5.1 million in the same period last year, as no material foreign exchange effects affected this year's financial result. Income tax expense was USD 1.3 million. Overall, the Group recorded a net loss of USD 20.3 million compared to a net loss of USD 32.9 million in the first half of 2025.

**CORE DIGITAL SECURITY**

Core Digital Security generated revenues of USD 104.7 million, an increase of 0.7% compared to the first half of 2025. In Europe, revenues increased by 12.2% to USD 56.3 million, as the Group expanded the scope of its business with a major pay-TV and media company to include a cybersecurity-related offering and to protect its terrestrial network, and similarly extended the scope of its business with other customers such as 4iG Group in Hungary to include security and OpenTV Platform-related offerings. In the Americas, revenues decreased by USD 7.2 million, as the prior-year period included an agreement with a major technology provider in the streaming domain, and as DISH continued to lose subscribers, though at a lower pace. In Asia Pacific and Africa, revenues increased by 11.3% to USD 18.0 million, supported by higher smart card volumes at Bakhresa in Eastern Africa and higher service-related revenues from Mediacorp in Singapore.

From a product-mix perspective, hardware-related revenues continued to decline, while professional services were a noticeable driver of growth in the first half. After an abnormally strong first half of 2025, margin after cost of material returned to historical levels, decreasing from 93.0% to 89.7%.

New business lines continued to gain traction. In the anti-piracy domain, the segment established new partnerships and introduced AI-enabled piracy monitoring and rights enforcement at the English Football League. In watermarking, the segment extended its partnership with Harmonic with the launch of a watermarking-as-a-service solution, which enables the rapid identification and disruption of illegal restreaming of live events.

Operating expenses in Core Digital Security were USD 7.2 million lower compared to the first half of 2025, mainly reflecting headcount reductions resulting from the restructuring program. As a result, segment EBITDA amounted to USD 5.1 million compared to USD 0.6 million in the first half of 2025. Segment EBIT turned from a loss in the first half of 2025 to a USD 1.1 million profit in the first half of 2026.

**CYBERSECURITY**

In the first half, the Cybersecurity segment further strengthened its Managed Detection and Response (MDR) offering with AI and enhanced IT, Operational Technology (OT) and IoT capabilities. It also launched a new AI-powered solution combining exposure management with detection and response, designed to help clients continuously reduce their security risk across IT and OT environments.

These developments translated into strong bookings growth in the first half, led by MDR, where bookings increased by 69% compared to the first half of 2025. Advisory bookings increased by 24% compared to the prior year period, supported by stronger differentiation and a greater focus on value added and AI native cybersecurity services. Both regions contributed, though the comparison benefitted from a relatively low booking base in the first half of 2025.

Cybersecurity net revenues amounted to USD 45.1 million, a decrease of 8.9% compared to the first half of 2025, as bookings translate into revenues only over time. Both main regions accounted for most of the decline, with revenues decreasing by USD 2.1 million in Europe and by USD 2.0 million in the Americas. Sales in Asia and Africa amounted to USD 0.6 million.

Margin after cost of material improved to 85.1% compared to 83.0% in the first half of 2025. The segment also began adjusting its cost base in line with the declining top line, with operating expenses USD 2.9 million lower than in the prior year period. These effects were largely absorbed by the lower revenue base, leaving the segment EBITDA loss at USD 5.3 million, an improvement of USD 0.2 million compared to the first half of 2025.

**INTERNET OF THINGS (IoT)**

IoT generated revenues of USD 20.3 million, an increase of 5.1% compared to the first half of 2025, returning to growth. Margin after cost of material recovered to 45.3% from 39.1%, as the prior-year period was affected by one-off cost of material related to the replacement of early generation devices.

In the IoT segment, the Group continued to build distribution partnerships with major providers of car financing, insurance and extended warranty products. These institutional channels are expected to materially expand market reach once fully deployed. At the same time, the segment continued to phase out dealerships with low penetration rates that require significant working capital to maintain inventory. This shift from breadth to quality is expected to improve working capital efficiency and support healthier cash generation over time.

The segment further strengthened its market position by signing Lithia, the world's largest new-car dealer, providing a further foundation for future growth. In addition, the repositioning of RecovR for Keys gained momentum, with sales exceeding 1,000 units per month, four times the run rate of the prior year.

Operating expenses were USD 1.7 million lower as the segment streamlined its cost base. EBITDA loss was USD 3.7 million, an improvement of USD 3.3 million compared to the first half of 2025.

**BALANCE SHEET**

Following the SKIDATA divestiture and subsequent debt repayments, the Group remains debt-free.

As of June 30, 2026, total non-current assets were USD 341.1 million, broadly in line with USD 347.6 million at year-end 2025. Tangible fixed assets decreased slightly to USD 5.5 million. At USD 219.2 million, intangible assets represent the bulk of non-current assets, with goodwill accounting for most of this amount. Financial assets at fair value amounted to USD 36.2 million and mainly consist of unsettled receivables transferred to the securitization special-purpose entity.

Total current assets were USD 178.7 million. Inventories were USD 13.0 million, which was USD 2.7 million lower compared to year-end, mainly reflecting the optimization of asset tracking inventories. Accounts receivable were USD 25.8 million, which was USD 4.4 million lower due to strong collections. Cash and cash equivalents were USD 64.3 million, which was USD 36.1 million lower compared to year-end.

Total equity was USD 286.4 million, a decrease of USD 23.0 million compared to year-end, mainly driven by the USD 20.3 million net loss for the period. Total non-current liabilities were USD 71.6 million, which was USD 15.1 million lower, and mainly consist of long-term lease obligations. Other long-term liabilities decreased by USD 8.8 million, mainly reflecting a reduction of deferred income. Total current liabilities were USD 161.8 million, which was USD 4.5 million lower than year-end. The remaining short-term debt relates to a liability linked to an operating partner.

**CASH FLOWS**

Net cash used in operating activities was USD 28.5 million, reflecting the period's net loss. This represents a USD 16.8 million improvement from the first half of 2025. In addition, the reduction of deferred income and of indirect tax payable, both aggregated in the change in other net current working capital, more than offset the positive impact of higher accrued expenses.

Cash used in investing activities was USD 0.8 million, reflecting continued discipline in capital expenditures. Cash used in financing activities was USD 5.4 million and primarily related to lease obligations.

**OUTLOOK**

For the second half of 2026, management expects a stronger revenue trajectory supported by seasonality in Core Digital Security and a double-digit rate of revenue growth forecasted for IoT.
In Cybersecurity, full year revenues are expected to be lower compared to 2025.

Core Digital Security operating expenses are expected to remain broadly in line with the first half. Similarly, Cybersecurity operating expenses are projected to be in the same range as in the first half, while IoT operating expenses in the second half are expected to be somewhat higher than in the first half.

For the full year 2026, management expects positive double-digit million EBITDA in Core Digital Security, broadly in line with 2025. Cybersecurity's full year EBITDA loss is expected to be higher compared to 2025. In IoT, the second half EBITDA loss is expected to further decrease compared to the first half.

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

# KEY FIGURES FIRST HALF 2026 (UNAUDITED)

| In USD'000 | January/ June 2026 | January/ June 2025 |
|---|---|---|
| **Revenues and other operating income** | **171 830** | **174 484** |
| Margin after cost of material | 141 577 | 145 795 |
| Margin after cost of material in % of revenues and other operating income | 82.39% | 83.56% |
| **Operating income before depreciation, amortization and impairment (EBITDA)** | **-11 510** | **-19 073** |
| Operating income before depreciation, amortization and impairment (EBITDA) in % of revenues and other operating income | -6.70% | -10.93% |
| **Net income for the period** | **-20 287** | **-32 903** |
| Earnings per bearer share for the period | | |
| – basic | -0.3795 | -0.6104 |
| – diluted | -0.3795 | -0.6104 |

| In USD'000 | 30.06.2026 | 31.12.2025 |
|---|---|---|
| Equity | 286 383 | 309 340 |
| Cash and cash equivalents | 64 310 | 100 376 |
| Market capitalization | 81 468 | 79 874 |
| Share price (in CHF) | 1.28 | 1.23 |

# CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025 (UNAUDITED)

| In USD'000 | January/ June 2026 | January/ June 2025 |
|---|---|---|
| Revenues | 170 135 | 172 797 |
| Other operating income | 1 695 | 1 687 |
| **Total revenues and other operating income** | **171 830** | **174 484** |
| Cost of material, licenses and services | -30 253 | -28 689 |
| Employee benefits expense | -113 809 | -126 391 |
| Other operating expenses | -39 278 | -38 477 |
| **Operating income before depreciation, amortization and impairment** | **-11 510** | **-19 073** |
| Depreciation, amortization and impairment | -5 851 | -5 739 |
| **Operating income** | **-17 361** | **-24 812** |
| Interest expense | -926 | -1 223 |
| Other finance income/(expense), net | -846 | -5 128 |
| Share of results of associates | 186 | 252 |
| **Income before tax** | **-18 947** | **-30 910** |
| Income tax expense | -1 340 | -1 992 |
| **Net income for the period** | **-20 287** | **-32 903** |
| **Attributable to:** | | |
| *- Equity holders of the company* | -21 311 | -34 243 |
| *- Non-controlling interests* | 1 024 | 1 340 |

### Earnings per share (in USD)

| | | |
|---|---|---|
| Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD) | -0.3795 | -0.6104 |
| Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD) | -0.0380 | -0.0610 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025 (UNAUDITED)

| In USD'000 | January/ June 2026 | January/ June 2025 |
|---|---|---|
| **Net income** | **-20 287** | **-32 903** |
| **Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:** | | |
| Currency translation differences | 1 013 | 16 176 |
| Cash flow hedges, net of income tax | -139 | 298 |
| | **874** | **16 473** |
| **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 | -3 596 | 19 641 |
| **Total other comprehensive income, net of income tax** | **-2 722** | **36 115** |
| **Total comprehensive income for the period** | **-23 008** | **3 212** |
| **Attributable to:** | | |
| - Equity holders of the company | -24 033 | 1 872 |
| - Non-controlling interests | 1 024 | 1 340 |
| | **-23 008** | **3 212** |

# CONSOLIDATED BALANCE SHEET AT JUNE 30, 2026 AND DECEMBER 31, 2025 (UNAUDITED)

| In USD'000 | 30.06.2026 | 31.12.2025 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Tangible fixed assets | 5 469 | 6 421 |
| Intangible assets | 219 164 | 218 404 |
| Right-of-use assets | 26 884 | 31 198 |
| Investments in associates | 10 793 | 10 694 |
| Deferred income tax assets | 17 314 | 17 254 |
| Financial assets at amortized cost | 20 308 | 18 157 |
| Financial assets at fair value through profit and loss | 36 169 | 35 494 |
| Employee benefit assets | 5 001 | 9 952 |
| **Total non-current assets** | **341 102** | **347 572** |
| | | |
| **Current assets** | | |
| Inventories | 13 002 | 15 689 |
| Trade accounts receivable | 25 791 | 30 167 |
| Contract assets | 1 328 | 1 663 |
| Other financial assets at amortized cost | 16 078 | 14 852 |
| Other current assets | 57 864 | 51 887 |
| Derivative financial instruments | 311 | 63 |
| Cash and cash equivalents | 64 310 | 100 376 |
| **Total current assets** | **178 684** | **214 699** |
| | | |
| **Total assets** | **519 786** | **562 271** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Share capital | 347 574 | 347 181 |
| Reserves | -66 934 | -42 559 |
| **Equity attributable to equity holders of the parent** | **280 641** | **304 622** |
| Non-controlling interests | 5 742 | 4 718 |
| **Total equity** | **286 383** | **309 340** |
| | | |
| **Non-current liabilities** | | |
| Long-term lease obligations | 50 895 | 57 014 |
| Employee benefit liabilities | 3 717 | 3 846 |
| Other long-term liabilities | 17 017 | 25 838 |
| **Total non-current liabilities** | **71 628** | **86 698** |
| | | |
| **Current liabilities** | | |
| Short-term financial debt | 4 665 | 5 716 |
| Short-term lease obligations | 9 926 | 10 245 |
| Trade accounts payable | 28 404 | 33 916 |
| Contract liabilities | 50 401 | 48 721 |
| Other current liabilities | 65 795 | 63 863 |
| Current income taxes | 2 268 | 1 866 |
| Derivative financial instruments | 255 | 33 |
| Provisions for other liabilities and charges | 61 | 1 871 |
| **Total current liabilities** | **161 774** | **166 232** |
| | | |
| **Total liabilities** | **233 403** | **252 931** |
| | | |
| **Total equity and liabilities** | **519 786** | **562 271** |

# CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025 (UNAUDITED)

| In USD'000 | January/ June 2026 | January/ June 2025 |
|---|---|---|
| **Net income for the period** | **-20 287** | **-32 903** |
| Adjustments for net income non-cash items: | | |
| - Current and deferred income tax | 1 340 | 1 992 |
| - Interests and foreign exchange differences | -975 | 3 553 |
| - Depreciation, amortization and impairment | 5 851 | 5 739 |
| - Change in fair value of financial assets at fair value through profit or loss | -167 | 99 |
| - Share of result of associates | -186 | -252 |
| - Non-cash employee benefits expense | 746 | 1 174 |
| - Additional provisions net of unused amounts reversed | -151 | 27 |
| - Non-cash government grant income | -807 | -761 |
| - Other non-cash (income) / expense | -2 246 | -814 |
| Adjustments for items for which cash effects are investing or financing cash flows: | | |
| - Other non-operating cash items | -13 | -74 |
| Adjustments for change in working capital: | | |
| - Change in inventories | 4 292 | -2 678 |
| - Change in trade accounts receivable and contract assets | 2 492 | 7 796 |
| - Change in trade accounts payable and contract liabilities | -2 412 | -11 548 |
| - Change in current income taxes liabilities | -203 | -351 |
| - Change in accrued expenses | 11 221 | -5 706 |
| - Change in other net current working capital headings | -28 665 | -10 335 |
| Government grant from previous periods received | 1 069 | – |
| Dividends received from associated companies | – | 150 |
| Interest paid | -977 | -1 104 |
| Interest received | 2 159 | 2 400 |
| Income tax paid | -559 | -1 728 |
| **Cash flow from/(used in) operating activities** | **-28 478** | **-45 325** |
| Purchases of intangible fixed assets | -8 | -347 |
| Purchases of tangible fixed assets | -715 | -942 |
| Proceeds from sales of tangible and intangible fixed assets | 13 | 171 |
| Investment in financial assets at fair value through profit and loss and other non-current assets | -90 | -223 |
| **Cash flow from/(used in) investing activities** | **-800** | **-1 342** |
| Payments of lease obligations | -5 479 | -5 065 |
| Proceeds from employee share purchase program | 36 | 49 |
| **Cash flow from/(used in) financing activities** | **-5 444** | **-5 016** |
| Effect of foreign exchange rate changes on cash and cash equivalents | -1 345 | 5 732 |
| **Net increase/(decrease) in cash and cash equivalents** | **-36 066** | **-45 950** |
| Cash and cash equivalents at the beginning of the period | 100 376 | 126 336 |
| Cash and cash equivalents at the end of the period | 64 310 | 80 385 |
| **Net increase/(decrease) in cash and cash equivalents** | **-36 066** | **-45 950** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2026 AND 2025 (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, 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** |
| **January 1, 2026** | **347 181** | **56 506** | **-99 865** | **-2 621** | **3 421** | **4 718** | **309 340** |
| Net result for the period | – | – | -21 311 | – | – | 1 024 | -20 287 |
| Other comprehensive income for the period | – | – | -3 596 | -139 | 1 013 | – | -2 722 |
| **Total comprehensive income for the period** | **–** | **–** | **-24 907** | **-139** | **1 013** | **1 024** | **-23 008** |
| Employee share purchase program | 393 | -342 | – | – | – | – | 51 |
| **June 30, 2026** | **347 574** | **56 164** | **-124 772** | **-2 759** | **4 434** | **5 742** | **286 383** |

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2026 (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 2025 annual report.

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, 2026 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, 2025.

## 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these 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, 2025, except for the adoption of the new and amended standards described below.

**New and amended standards adopted by the Group**

The following amendments to existing standards became effective for the Group's financial year beginning January 1, 2026:

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments
- Annual Improvements to IFRS Accounting Standards - Volume 11.

The adoption of these amendments did not have a material effect on the Group's financial position, results of operations or cash flows, nor on the disclosures presented in the interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Standards issued but not yet effective**

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Group does not intend to early adopt the standard. IFRS 18 replaces IAS 1 Presentation of Financial Statements and will be applied retrospectively. Accordingly, the comparative information presented for the six months ended June 30, 2026 and for the year ended December 31, 2026 will be restated when the standard is first applied.

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2026 (UNAUDITED)

IFRS 18 does not change the recognition or measurement of any item and will therefore have no effect on the Group's net income, total equity or net cash flows. It is expected to affect the Group's financial statements in the following respects:

- Structure of the income statement. Income and expenses will be classified into the operating, investing, financing, income taxes and discontinued operations categories, and the statement will present the required subtotals "operating profit" and "profit before financing and income taxes." Items currently presented within "Interest expense" and "Other finance income/(expense), net" will be allocated across these categories.

- Management-defined performance measures. Subtotals of income and expenses used in the Group's public communications to communicate management's view of financial performance will be disclosed in a single note, together with a reconciliation to the most directly comparable subtotal specified by IFRS Accounting Standards and, for each reconciling item, the related income tax effect and the effect on non-controlling interests. The Group is assessing which measures fall within this definition, including measures currently presented in its public communications that include or exclude restructuring costs.

- Cash flow statement. Consequential amendments to IAS 7 Statement of Cash Flows require the indirect method reconciliation to commence from operating profit rather than net income, and remove the existing classification options such that interest paid will be presented within financing activities and interest and dividends received within the investing activities. These changes will affect the presentation of the Group's cash flow statement and the composition of subtotals derived from it, but not the total net movement in cash and cash equivalents.

The Group has commenced its implementation assessment. Based on the work performed to date, the Group expects that a significant portion of the items currently presented within "Interest expense" and "Other finance income/(expense), net" will be classified within the operating category, principally foreign exchange transaction gains and losses, gains and losses on foreign exchange derivative financial instruments, bank charges and the purchase discount arising on the sale of trade receivables under the securitization program. Items expected to be classified outside of the operating category include interest expense on lease obligations and net interest expense on defined benefit obligations, which will be presented in the financing category, and interest income on cash and cash equivalents, together with interest income and remeasurement gains and losses on the subordinated notes issued in connection with the securitization program, which will be presented in the investing category.

These expectations remain subject to completion of the Group's assessment. The Group expects to quantify the effects of IFRS 18 in its 2026 annual consolidated financial statements.

**4. SEASONALITY AND VARIABILITY OF OPERATIONS**

Core Digital Security revenues are typically higher in the second half of the year. Sales of hardware-based products, including conditional access modules and smart cards, are influenced by consumer demand in the year-end holiday period, although the significance of this driver continues to decline as the segment's product mix shifts towards software and virtualized security solutions. The timing of completion and renewal of patent licensing agreements can also cause variation between half-year periods.

Cybersecurity services, including managed security, advisory services, and research and development, are not seasonally sensitive. Technology resale activity may be affected by the fiscal year ends and budget cycles of client organizations, which can lead to higher revenues in the second half of the year.

IoT revenues are derived principally from asset tracking solutions sold to automotive retailers in North America, both directly and through distribution partners. Revenues in this segment are primarily influenced by vehicle sales and dealer inventory volumes in the United States automotive market. The deployment of solutions across newly contracted dealer networks and distribution partners may give rise to further variation between periods.

In addition to the effects described above, the timing of large contracts and related revenue recognition in the Core Digital Security and Cybersecurity segments can lead to material variations in revenues and operating results between the first and second half-year which are not attributable to seasonality.

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2026 (UNAUDITED)

## 5. SHARE-BASED PAYMENTS

As of June 30, 2026, 38 664 bearer shares (2025: 57 708) have been underwritten by employees in accordance with the articles of the Employee Share Plan. The attributable expense in the income statement is kUSD 16 (2025: kUSD 22).

## 6. TRADE RECEIVABLES SECURITIZATION

In June 2023, the Group entered into an accounts receivable securitization program under which trade receivables originated by selected Group subsidiaries in Switzerland and the United States are sold to Kudelski Global Financing DAC, a special purpose entity incorporated in Ireland (the "SPE"), as described in note 20 to the 2025 annual consolidated financial statements. The program had an initial three-year term expiring June 2026.

In May 2026, the Group renewed the program for a further three-year term expiring May 28, 2029. The maximum upfront cash consideration available under the program was reduced to kUSD 35 000, reflecting the reduced size of the program portfolio following the divestment of SKIDATA. The other terms of the program are largely unchanged, and there has been no change to the Group's accounting for the program or to its conclusion that the SPE is not consolidated.

## 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, 2026 and December 31, 2025. For additional information on the levels and valuation methods, please refer to Note 44 to the consolidated financial statement in the 2025 annual report.

| In USD'000 | | 30.06.2026 | 31.12.2025 |
|---|---|---|---|
| **Financial assets at fair value through profit or loss:** | | | |
| - derivative financial instruments | Level 2 | 311 | 63 |
| - securitized beneficial interests | Level 3 | 34 870 | 34 167 |
| - equity instruments with no quoted market price | Level 3 | 1 299 | 1 326 |
| **Total financial assets** | | **36 480** | **35 557** |
| **Financial liabilities:** | | | |
| - derivative financial instruments | Level 2 | 255 | 33 |
| **Total financial liabilities** | | **255** | **33** |

The fair value of the Level 3 equity instrument with no quoted market price are determined using a discounted cash flow method based on projections provided by the investee company. Similarly, the fair value of securitized beneficial interests are determined using a discounted cash flow model that estimates the present value of expected future residual cash flows after payment of senior noteholders and transaction fees. Further information on unobservable inputs and assumptions used in these valuations are disclosed in Note 2 of the consolidated financial statements in the 2025 annual report.

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2026 (UNAUDITED)

**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 instru-ments with no quoted market price |
|---|---|---|
| Balance at January 1, 2025 | 33 162 | 1 162 |
| Sales of receivables | 357 990 | – |
| Change in cash on SPE account | 5 767 | – |
| Settlement of trade receivables, net | -361 939 | – |
| Interest income (recognized in other finance income/(expense), net) | 3 318 | – |
| Interest received | -3 346 | – |
| Remeasurement (recognized in other finance income/(expense), net) | 346 | – |
| Purchase discount (recognized in other finance income/(expense), net) | -4 629 | – |
| Currency translation adjustment | 3 498 | 164 |
| **Balance at December 31, 2025** | **34 167** | **1 326** |
| Sales of receivables | 153 088 | – |
| Change in cash on SPE account | 4 598 | – |
| Settlement of trade receivables, net | -155 147 | – |
| Interest income (recognized in other finance income/(expense), net) | 1 404 | – |
| Interest received | -1 203 | – |
| Remeasurement (recognized in other finance income/(expense), net) | 229 | – |
| Purchase discount (recognized in other finance income/(expense), net) | -1 984 | – |
| Currency translation adjustment | -281 | -27 |
| **Balance at June 30, 2026** | **34 870** | **1 299** |

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

## 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'.

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2026 (UNAUDITED)

| In USD'000 | Core Digital Security January/ June 2026 | Cyber-security January/ June 2026 | Internet of Things January/ June 2026 | Corporate Common Functions January/ June 2026 | Total January/ June 2026 |
|---|---|---|---|---|---|
| Revenues from external customers | 104 718 | 45 092 | 20 326 | – | 170 135 |
| Other operating income | 1 595 | 3 | 96 | – | 1 695 |
| **Total segment revenues and other operating income** | **106 313** | **45 095** | **20 422** | **–** | **171 830** |
| Cost of materials, licenses and services | -12 350 | -6 672 | -11 232 | – | -30 253 |
| Operating expenses | -88 836 | -43 723 | -12 853 | -7 676 | -153 087 |
| **Operating income before depreciation, amortization and impairment** | **5 128** | **-5 299** | **-3 663** | **-7 676** | **-11 510** |
| Depreciation, amortization and impairment | -4 078 | -1 388 | -385 | -0 | -5 851 |
| **Operating income** | **1 050** | **-6 688** | **-4 048** | **-7 676** | **-17 361** |
| Interest expense and other finance income/(expense), net | | | | | -1 773 |
| Share of result of associates | 186 | – | – | – | 186 |
| **Income before tax** | | | | | **-18 947** |

| 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** | | | | | **-30 910** |

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2026 (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 30.06.2026 | Cyber-security 30.06.2026 | Internet of Things 30.06.2026 | Total 30.06.2026 |
|---|---|---|---|---|
| Total segment assets | 224 927 | 138 372 | 65 640 | 428 940 |
| Cash & cash equivalents | | | | 45 810 |
| Financial assets and other non-current assets | | | | 45 036 |
| **Total Assets as per Balance Sheet** | | | | **519 786** |

| In USD'000 | Core Digital Security 31.12.2025 | Cyber-security 31.12.2025 | Internet of Things 31.12.2025 | Total 31.12.2025 |
|---|---|---|---|---|
| Total segment assets | 240 117 | 127 867 | 62 583 | 430 567 |
| Cash & cash equivalents | | | | 81 876 |
| Financial assets and other non-current assets | | | | 49 828 |
| **Total Assets as per Balance Sheet** | | | | **562 271** |

## 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 2026 | January/ June 2025 | January/ June 2026 | January/ June 2025 | January/ June 2026 | January/ June 2025 |
| Europe | 56 288 | 50 181 | 27 586 | 29 672 | – | – |
| Americas | 30 419 | 37 579 | 16 951 | 19 049 | 20 326 | 19 336 |
| Asia & Africa | 18 011 | 16 183 | 555 | 798 | – | – |
| | **104 718** | **103 944** | **45 092** | **49 518** | **20 326** | **19 336** |
| Sale of goods | 6 492 | 5 565 | 3 967 | 5 566 | 18 207 | 17 426 |
| Services rendered | 66 721 | 67 435 | 34 320 | 38 698 | 2 119 | 1 910 |
| Royalties and licenses | 31 505 | 30 943 | 6 805 | 5 254 | – | – |
| | **104 718** | **103 944** | **45 092** | **49 518** | **20 326** | **19 336** |

## 9. PRINCIPAL CURRENCY TRANSLATION RATE

| | Period end rates used for the consolidated balance sheets | | Average rates used for the consolidated income and cash flow statements | |
|---|---|---|---|---|
| | 30.06.2026 | 31.12.2025 | 30.06.2026 | 30.06.2025 |
| 1 CHF | 1.2347 | 1.2607 | 1.2716 | 1.1596 |
| 1 EUR | 1.1387 | 1.1740 | 1.1648 | 1.0917 |

# AGENDA 2026

Release of 2026 financial results: 25 February 2027

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