# KUDELSKI GROUP INTERIM REPORT 2020

NAGRA
KUDELSKI GROUP

# KEY FIGURES FIRST HALF 2020 (UNAUDITED)

| **In USD'000** | **January/ June 2020** | **January/ June 2019** |
|---|---|---|
| Revenues and other operating income | 320 090 | 400 632 |
| Margin after cost of material | 239 966 | 284 008 |
| Margin after cost of material in % of revenues and other operating income | 74.97% | 70.89% |
| | | |
| EBITDA | 4 944 | 15 503 |
| EBITDA in % of revenues and other operating income | 1.54% | 3.87% |
| | | |
| **Net income for the period** | **-27 095** | **-20 408** |
| | | |
| Earnings per bearer share for the period | | |
| – Basic and diluted | -0.5337 | -0.4205 |

| **In USD'000** | **30.06.2020** | **30.06.2019** |
|---|---|---|
| Equity | 338 664 | 417 809 |
| Cash and cash equivalents | 85 025 | 60 279 |
| | | |
| Market capitalization (in CHF'000) | 173 244 | 323 184 |
| Share price (in CHF) | 3.44 | 6.45 |

# FIRST HALF 2020 HIGHLIGHTS

- TOTAL REVENUES AND OTHER OPERATING INCOME USD 320.1 MILLION
- OPERATING FREE CASH FLOW AT USD 37.7 MILLION
- THE COVID-19 GLOBAL PANDEMIC AFFECTED THE GROUP'S FIRST HALF RESULTS MAINLY DUE TO PROJECT DELAYS AND CANCELLATIONS
- MEASURES TO MITIGATE COVID-19 IMPACT AND SHORT-TERM GROUP'S COST BASE REDUCTION
- RESILIENCE OF DTV RECURRING REVENUES
- KUDELSKI SECURITY DELIVERED STRONG PERFORMANCE IN EMEA
- INNOVATION TO ADDRESS SPECIFIC COVID-19 NEEDS IN PUBLIC ACCESS
- FULL-YEAR 2020 OUTLOOK WITH AN EXPECTED EBITDA BETWEEN USD 45 AND 55 MILLION

# LETTER TO SHAREHOLDERS

**First Half 2020**

For the first half 2020, total revenues and other operating income decreased by 20% to USD 320.1 million, with an operating profit, before depreciation, amortization, impairment and restructuring costs, of USD 4.94 million. Net loss for the period was USD 27.1 million. Despite this decrease, cash flow from operating activities materially improved during the first half to USD 41.9 million, confirming the efficiency of short-term measures taken by the Group during this difficult period.

The key drivers for the decline in the Group's revenues during the first half 2020 were the impacts of the COVID-19 pandemic. Of the Group's segments, Public Access suffered the most, though each of the Group's business units ultimately experienced some level of negative impact.

Recurring Digital TV revenues were resilient, especially in advanced economies, but a number of discretionary projects were delayed or cancelled. Kudelski Security continued to expand its business in EMEA at a fast pace with a 46% growth compared with first half 2019, while the US technology reselling business was negatively impacted by pandemic-related lockdowns. Overall, Kudelski Security experienced a decrease of its top line, but at the same time, an increase in its margin after cost of goods in absolute terms and a positive evolution of overall backlog. SKIDATA's business was also negatively impacted by the pandemic-related lockdowns around the world. As markets reopen, though, SKIDATA's activity is gradually getting back to normal. Kudelski IoT's business performance was comparable to first half 2019.

The COVID-19 pandemic was a stress test for the Kudelski Group. On the positive side, we have been able to transition smoothly and effectively to a work-from-home environment, while maintaining the business continuity of our critical infrastructure. As a result of our strong local presence in key markets, we were able to ensure that our clients could continue to operate our products and solutions without disruption, thereby confirming that we are a reliable partner. On the cost side, we were also able to take short term measures to improve our cost base, with the results already evident in our first half numbers.

We have clearly demonstrated that our company is able to operate in spite of the pandemic and that we are able to deliver upon our customers commitments. On the negative side, the pandemic lengthens the sales cycles for many products and has caused several of our existing clients to focus on short term problems. This has a negative impact on medium- and long-term projects, which have been often delayed, harming our revenues.

We expect that the post COVID-19 world will be very different from the world of just a few months ago. Transformation is key to our ability to perform in the post COVID-19 environment. During the challenging days of the pandemic, we have not only taken the necessary measures to limit the short-term economic damage, but we have continued to adapt ourselves to the new reality and to look forward to new opportunities.

The negatives of the current pandemic are quite clear; however, we also see a number of new opportunities, such as the need to have touchless interfaces for our SKIDATA solutions in order to minimize the spread of disease. In our opportunity pipeline, we have joint solutions between our Digital TV and Kudelski Security business units to provide critical cybersecurity solutions to our Digital TV clients and, perhaps more interestingly, to our client's subscribers. Other projects include video solutions for sports stakeholders that are building the post COVID-19 sports ecosystem. As we look forward to the post COVID-19 world, we remain excited about the potential of the investments we are making to harness these opportunities for future growth.

**Outlook**

The Group's Board of Directors, executive management and employees are keenly focused on managing the many challenges of the COVID-19 crisis, while preserving our capabilities to innovate by continuing to make key investments in R&D activities.

In the second half 2020, the Group expects revenues in the Digital TV segment to be higher compared to the first half, as customers delayed projects originally scheduled for the first half into the second half. As we will continue to enforce strict cost controls, the Digital TV segment should improve its profitability in absolute terms compared to the first half.

In the Cybersecurity segment, the Group expects to generate higher revenues in the second half compared to the first half. As the Cybersecurity business continues to promote higher margin product lines, we expect margin after cost of material to continue growing.

Under the new leadership of Hardy Schmidbauer, the IoT segment is expected to grow during the second half.

The Public Access segment is also expected to improve its performance as its markets gradually get back to normal and as the business transformation efforts that we commenced last year start delivering its first tangible results.

We would like to take this opportunity to thank our clients, partners, employees and shareholders for their continued trust in this particularly challenging environment, where important efforts are required to deliver sustainable results for the future.

ANDRÉ KUDELSKI
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

# FIRST HALF 2020 RESULTS

## IMPACT OF COVID-19

The COVID-19 global pandemic affected our first half results.

In Digital TV, most of our large customers have shown resilient total subscriber numbers. However, several operators lowered paywalls for several months to compete with an increase in streaming activities. In addition, many projects scheduled for this year have been either delayed or cancelled, and a number of customers have sought reprieve from monthly support and maintenance payment obligations in order to reduce their operating expenses. The Digital TV business was also negatively impacted by the closure of retail markets, particularly in Italy. Key markets in Asia-Pacific and the Americas continue to remain closed and under lockdown restrictions, resulting in continued pressure on Digital TV revenues in these regions.

The onset of COVID-19 also brought disruption to the Group's Cybersecurity business, affecting the Group's ability to engage with clients, slowing sales activities and delaying delivery of services traditionally delivered in person. This had a greater impact on US revenues, where a large number of clients are in verticals impacted by the pandemic and a higher proportion of services are delivered in person at client locations. The pace of growth and expansion of the Cybersecurity business in Europe was less impacted and has even continued to grow by 46% compared to first half 2019.

Of our business units, Public Access was the most significantly affected by COVID-19, as large customers, including in particular airports, shopping centers and stadiums, postponed new deployments and asset refreshment projects. Service volume dropped to nearly 25% of normal volume in April and May due to shutdowns, reflecting reduced usage of the parking infrastructure. By the end of June, service volumes within Europe were recovering to approximately 90% of the prior year volumes with other regions averaging about 75%. SKIDATA launched several product innovations to address specific COVID-19-related needs. In the events segment, in anticipation of the re-opening of stadiums around the world, SKIDATA launched the Safe Guest Solution, which helps enable a safer re-opening of events by combining full electronic ticketing with integrated automated coronavirus screening upon entry and subsequent tracking of participants to identify potential infection clusters. In the parking business, as an upgrade to existing installations, SKIDATA launched touch-free buttons and mobile payments to enable completely touch-free parking transactions.

## COVID-19 MEASURES

The Group has implemented measures aimed at mitigating the impact of COVID-19 in four areas: cost savings, reduction of capital expenditures, working capital optimization, and financing measures.

With the onset of the pandemic, the Group implemented a set of measures aimed at temporarily reducing its cost base in order to align with the reduced levels of demand in the Public Access and Digital TV segments. Partial unemployment measures in several countries enabled the Group to reduce personnel costs. At the end of June 2020, the Group's headcount was lower by 489 FTEs (Full Time Equivalents) than at the end of December 2019, representing a 14% reduction. The Group reduced travel costs to USD 7.7 million, a 52% decrease compared to the first half 2019. Insurance, vehicle and other costs were reduced by 49% to USD 2.0 million, while marketing and sales costs were USD 2.3 million, representing a decrease of 40% from the first half 2019.

The Group is taking a very selective approach to capital expenditures, resulting in a reduction of cash flows used in investing activities from USD 10.1 million in the first half 2019 to USD 2.9 million in this period. Purchases of tangible and intangible assets for the period totaled USD 4.4 million.

As a further lever of cash generation, the Group managed to materially reduce working capital in this first half. Overall, working capital improvements allowed the Group to release USD 36.5 million of cash in this first half, in particular through the implementation of measures aimed at accelerating the collection of outstanding invoices.

In this first half, the Group obtained COVID-related loans at favorable terms for a total amount of USD 22.2 million. Further additional loans for smaller amounts were secured in the initial weeks of the second half.

## GROUP RESULTS

In the first half 2020, total revenues and other operating income decreased from USD 400.6 million to USD 320.1 million. Net revenues for the Group decreased by 19.9% to USD 316.0 million, a 18.6% decrease in constant currency, reflecting a decline across segments.

Other operating income decreased by USD 2.1 million to USD 4.1 million, mainly due to the one-time contribution in the first half 2019 from the provision of services related to a past M&A transaction and attainment of an additional earn-out.

Margin after cost of material decreased from USD 284.0 million to USD 240.0 million. Relative to total revenues, margin after cost of material increased from 70.9% to 75.0%, as the Group achieved gross margin improvements across segments.

Compared to the first half 2019, the Group reduced personnel expenses by USD 22.1 million. In addition to the ongoing rationalization of Digital TV operations, the temporary headcount reduction measures implemented in Public Access and Digital TV was the key driver enabling this reduction. Total Group FTEs decreased temporarily by 489 to 3'031 as of June 30, 2020. The main locations driving this decrease were Austria and Switzerland, with a reduction of 179 and 102 FTEs, respectively. Most of this reduction was related to the partial unemployment measures that the Group implemented in response to the pandemic. Total FTEs in Europe as of June 30, 2020 were 336 lower than at the end of the previous year. In the Americas, the Group reduced the number of FTEs by 110, mainly due to a reduction of 77 in the United States. FTEs were reduced by 43 in Asia, mainly driven by a reduction of 37 FTEs in India.

In the first half 2020, the Group cut USD 11.4 million of other operating expenses. COVID-related measures resulted in a USD 8.2 million reduction of travel expenses, USD 1.8 million reduction of insurance, vehicle and other costs, and USD 1.5 million reduction of marketing and sales expenses.

The Group generated USD 4.9 million of operating income before depreciation and amortization, a USD 10.6 million decrease over the previous first half. At USD 23.7 million, depreciation, amortization and impairment were USD 5.3 million lower than in the first half 2019, as some assets were fully depreciated in the last reporting periods. Overall, the Group generated an operating loss of USD 18.8 million for the half year, compared to a loss of USD 13.5 million in the prior period.

At USD 4.8 million, interest expense was USD 0.3 million lower than in the prior first half. The Group posted USD 6.5 million of net finance expense, mainly due to net foreign exchange losses. The capitalization of certain SKIDATA losses results in a positive USD 1.6 million income tax credit. The net loss for the period amounts to USD 27.1 million, compared to USD 20.4 million in the prior first half.

## DIGITAL TV

Digital TV revenues decreased by 18.8% to USD 154.7 million, representing a constant currency decline of 17.5%. This was driven by a strong reduction of discretionary short-term spending by operators. Recurring revenues, particularly in advanced pay TV markets, were resilient.

The Group's European Digital TV business posted 18.0% lower revenues compared to the first half 2019. While most large European customers were resilient in spite of the market turbulences, a number of projects were postponed to either the second half or to 2021. Moreover, the Group's Digital TV business was negatively impacted by the COVID-related closure of retail markets, primarily in Italy. Notwithstanding these COVID-related impacts, the Group continues to grow its partnerships with large operators. Vodafone continues to expand its footprint to additional European countries, relying on the Group's SSP (Security Services Platform) technology to integrate newly acquired operators in the Vodafone TV ecosystem.

At USD 63.7 million, the Americas business posted 9.9% lower revenues in the first half 2020. The erosion of North American satellite subscribers continued in this period, though at a slower pace than in recent prior periods. On the positive side, the Group continues to extend its partnership with Altice in the US cable business. In this first half, Altice USA and Kudelski extended their partnership in the anti-piracy domain to field investigations and forensic analysis. Altice continues to adopt Insight, the Group's business performance platform that leverages artificial intelligence to address subscriber churn and monitor and optimize quality of service and customer experience. On the negative side, Latin American markets delivered a weak first half, with the lockdown affecting the pay TV business across the region. The Asia Pacific and Africa region posted a USD 14.6 million revenue decline. After a strong first half 2019 that was driven by the sale of hardware components, revenues from Starhub materially declined in the first half 2020.

Digital TV margin after cost of material further improved in this first half to reach 92%.

Digital TV generated USD 36.9 million of operating income before depreciation and amortization, representing a USD 3.0 million reduction from the previous first half. The USD 24.3 million reduction of operating expenses achieved in this first half enabled the Group to sustain the segment's performance in spite of the negative impact of COVID-19 on first half Digital TV revenues. Compared to the first half of last year when the Group posted USD 13.7 million restructuring costs, no such costs were booked in the first half of this year, contributing to the material year-on-year improvement of the segment's cost base. Digital TV generated USD 24.8 million operating income, representing a USD 1.9 million improvement from the first half 2019.

## CYBERSECURITY

In the first half 2020, Cybersecurity revenues were lower than in the previous first half, while margin after cost of material increased both in absolute amount and in percentage, as the business mix continues to shift from lower margin technology reselling to higher margin advisory services, managed security services and proprietary technology sales. The Group's Cybersecurity unit continued to expand its cloud-first cybersecurity portfolio supporting digital transformation initiatives of global enterprises using private and public cloud services. In June 2020, it launched its dedicated Microsoft security services, enabling clients to effectively consume and configure Microsoft security capabilities and add additional monitoring to their Microsoft 365 and Azure environments.

The Group's Cybersecurity business generated USD 63.2 million of gross revenues in the first half 2020, a 13.3% decrease from the first half 2019. Net revenues were at USD 38.7 million. The European region posted strong growth in this first half, increasing net revenues to USD 11.3 million, a 46.0% year-on-year improvement. The European region added 37 net new clients, including four new clients in Germany, three in France – including the largest MSS contract to date – and one new client in the UK. Due to the size of the technology reselling business in the Americas, this region was more affected by the temporary reduction of discretionary hardware sales due to the pandemic, with net revenues declining by 23.5% to USD 27.4 million.

Margin after cost of material increased to USD 21.9 million in this first half. In relative terms, margin after cost of material increased from 43.3% in the first half 2019 to 56.6% in this first half.

The Cybersecurity segment posted a USD 11.5 million operating loss before depreciation and amortization, an increase of USD 0.8 million from the previous year.

## INTERNET OF THINGS (IOT)

After delivering the Kudelski IoT keySTREAM (the Group's IoT solution) to its first customers in 2019, the Group has evolved its strategy with new leadership and an upgrade of its solutions portfolio, while continuing to enhance keySTREAM. Kudelski IoT continued its shift from a pure IoT security approach to offering end-to-end solutions that solve specific industry challenges and expanding its design capabilities to include designing devices and entire ecosystems for customers.

The Group launched a standalone IoT secure element, the Pico SE 800, allowing IoT device manufacturers to easily embed keySTREAM into their devices. Kudelski IoT partnered with ST to embed keySTREAM into ST Microelectronics' ST4SIM eSIM solutions and continued its partnership and integration into u-blox products and services. It also announced support for the GSMA's IoT SAFE initiative, which establishes guidelines for the use of mobile SIM cards to provide IoT security.

In this first half, IoT generated revenues of USD 1.0 million, mainly from the IoT Center of Excellence, and reduced operating loss before depreciation and amortization by USD 2.6 million to USD 8.9 million, reflecting a more selective development approach and a shift of focus to the commercialization of the available portfolio.

## PUBLIC ACCESS

Public Access was significantly affected by COVID-19, with revenues decreasing by 23.6% in the first half 2020 to USD 121.6 million compared to the prior year period. At USD 70.6 million, European sales decreased by 15.6%. COVID-19 effects impacted most European markets, with the main revenue losses affecting Italy (USD 3.6 million decline), Germany (USD 2.5 million), France (USD 1.9 million) and Spain (USD 1.8 million). COVID-19 is also negatively impacting demand in the Americas, where SKIDATA is in the process of restructuring its US operations. Americas revenues declined by USD 16.2 million, of which USD 10.3 million relate to the US market. Revenues for Asia/Pacific and Africa were USD 13.7 million, a decline of 37.8% over the prior year period. The Australian market delivered a weak first half, with a USD 3.6 million revenue decline from the previous year.

Margin after cost of material relative to revenues increased from 59.4% to 61.5%. While Public Access reduced operating expenses by USD 10.4 million from the previous first half, temporary COVID-related measures drive most of this OPEX reduction. These measures allowed a swift reduction of SKIDATA's cost base, but also led to delays in the implementation of the structural cost reduction measures announced in December of last year. Overall, Public Access generated an operating loss before depreciation and amortization of USD 4.5 million, compared to positive USD 4.7 million in last year's period. In this first half, Public Access posted an operating loss of USD 13.0 million.

## BALANCE SHEET AND CASH FLOWS

Total non-current assets decreased by USD 22.8 million to USD 673.0 million, mainly reflecting foreign currency effects and a low level of asset acquisitions. Tangible fixed assets decreased by USD 2.7 million to USD 124.1 million. Intangible assets decreased by USD 20.4 million to USD 387.0 million.

Compared to December 31, 2019, total current assets decreased by USD 26.5 million to USD 459.9 million. The USD 8.7 million increase of inventory is mainly due to USD 7.1 million higher stock at SKIDATA. SKIDATA launched a supply chain restructuring program that is expected to drive a substantial reduction of its inventory balance. The Group decreased trade receivables by USD 42.7 million, as SKIDATA reduced outstanding receivables by USD 26.7 million. Digital TV reduced outstanding receivables by USD 9.7 million, benefitting from targeted measures aimed at preserving cash in the context of the COVID-19 pandemic. The Group reduced contract assets by USD 7.1 million to USD 50.9 million, as SKIDATA implemented measures to improve its invoicing cycles.

At the end of the period, cash and cash equivalents amounted to USD 85.0 million, representing USD 10.4 increase from December 31, 2019.

Total equity decreased by USD 66.4 million, mainly reflecting the net loss for the period and a USD 16.8 million negative currency translation adjustment.

Total non-current liabilities increased by USD 34.0 million to USD 520.7 million, with long-term financial debt increasing by USD 17.3 million to USD 410.3 million. Total current liabilities decreased by USD 16.8 million to USD 286.8 million, with short-term financial debt decreasing by USD 14.6 million to USD 59.1 million. Overall, the Group's primary interest-bearing liabilities include the CHF 200 million bond with a 1.875% interest rate maturing in August 2022, the CHF 150 million bond with a 1.5% interest rate maturing in September 2024 and USD 56.9 million of bank debt at SKIDATA.

During the first half 2020, the Group generated USD 41.9 million of cash flow from operating activities, representing a USD 43.9 million improvement from the previous first half. Working capital is the main driver of the year-on-year improvement. In particular, the Group generated USD 49.7 million cash flow from the reduction of accounts receivable and contract assets.

The Group used USD 2.9 million cash for investing activities, including USD 1.3 million to purchase intangible fixed assets and USD 3.1 million for tangible fixed assets. The Group reduced cash used for investing activities by USD 7.2 million compared to the first half 2019.

First half 2020 net cash-out for financing activities amounted to USD 28.4 million, compared to USD 13.7 million in the first half 2019. The cash outflow includes USD 8.4 million payments of lease obligations, USD 10.2 million of dividends paid to non-controlling interests and the USD 5.7 million cash distribution paid to Kudelski SA shareholders.

## OUTLOOK

In the second half 2020, the Group expects revenues in the Digital TV segment to be higher compared to the first half, as customers pushed projects originally scheduled for the first half into the second half. As operating expenses are not expected to significantly increase, the Digital TV segment should generate a higher second half profit, compared to the first half.

In the Cybersecurity segment, the Group expects to generate higher revenues in the second half compared to this first half. As the Cybersecurity business continues to drive the development of higher margin product lines, margin after cost of material should continue to grow. The Group is targeting a material improvement of segment operating income before depreciation and amortization compared to the first half.

The improved IoT opportunity funnel is expected to translate into additional second half revenues. As investment levels in the IoT domain have stabilized, the Group expects to continue reducing its segment operating loss.

In the Public Access segment, SKIDATA is expected to deliver higher revenues in the second half, in line with the seasonality patterns of the past years. In addition, SKIDATA is starting to recover from the negative effects of the pandemic. While full year operating income is expected to improve compared to the previous year, Public Access profitability will remain short of its structural profitability target in 2020.

# CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)

| In USD'000 | January/ June 2020 | January/ June 2019 |
|---|---|---|
| Revenues | 316 012 | 394 458 |
| Other operating income | 4 079 | 6 174 |
| **Total revenues and other operating income** | **320 090** | **400 632** |
| | | |
| Cost of material, licenses and services | -80 125 | -116 624 |
| Employee benefits expense | -187 369 | -209 441 |
| Other operating expenses | -47 652 | -59 063 |
| | | |
| **Operating income before depreciation, amortization and impairment** | **4 944** | **15 503** |
| | | |
| Depreciation, amortization and impairment | -23 723 | -28 969 |
| | | |
| **Operating income** | **-18 779** | **-13 466** |
| | | |
| Interest expense | -4 824 | -5 097 |
| Other finance income/(expense), net | -6 549 | 947 |
| Share of results of associates | 1 482 | 346 |
| | | |
| **Income before tax** | **-28 670** | **-17 270** |
| | | |
| Income tax expense | 1 574 | -3 138 |
| | | |
| **Net income for the period** | **-27 095** | **-20 408** |
| | | |
| **Attributable to:** | | |
| *- Equity holders of the company* | -29 341 | *-23 013* |
| *- Non-controlling interests* | 2 246 | *2 605* |

## Earnings per share (in USD)

| | | |
|---|---|---|
| Attributable to shareholders of Kudelski SA for bearer shares : basic and diluted (in USD) | -0.5337 | -0.4205 |
| Attributable to shareholders of Kudelski SA for registered shares : basic and diluted (in USD) | -0.0534 | -0.0420 |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)

| In USD'000 | January/ June 2020 | January/ June 2019 |
|---|---|---|
| **Net income** | **-27 095** | **-20 408** |
| **Other comprehensive income to be eventually reclassified into the consolidated income statement in subsequent periods:** | | |
| Currency translation differences | -16 851 | -587 |
| Cash flow hedges, net of income tax | 677 | 285 |
| | **-16 174** | **-301** |
| **Other comprehensive income never to be reclassified into the consolidated income statement in subsequent periods:** | | |
| Change in fair value of equity investment at fair value through other comprehensive income | 306 | – |
| Remeasurements on post employment benefit obligations, net of income tax | -8 557 | 5 706 |
| **Total other comprehensive income, net of income tax** | **-24 425** | **5 404** |
| **Total comprehensive income for the period** | **-51 520** | **-15 004** |
| **Attributable to:** | | |
| - Equity holders of the company | -53 753 | -17 603 |
| - Non-controlling interests | 2 232 | 2 599 |
| | **-51 520** | **-15 004** |

# CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2020 AND DECEMBER 31, 2019 (UNAUDITED)

| In USD'000 | 30.06.2020 | 31.12.2019 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Tangible fixed assets | 124 078 | 126 783 |
| Intangible assets | 386 969 | 407 410 |
| Right-of-use assets | 42 747 | 41 517 |
| Investments in associates | 7 770 | 6 309 |
| Deferred income tax assets | 62 659 | 57 785 |
| Financial assets at fair value through comprehensive income | – | 517 |
| Financial assets at amortized cost | 47 847 | 54 395 |
| Other non-current assets | 951 | 1 042 |
| **Total non-current assets** | **673 021** | **695 758** |
| | | |
| **Current assets** | | |
| Inventories | 74 216 | 65 463 |
| Trade accounts receivable | 171 697 | 214 397 |
| Contract assets | 50 908 | 57 956 |
| Other financial assets at amortized cost | 45 047 | 48 396 |
| Other current assets | 32 314 | 25 589 |
| Derivative financial instruments | 732 | – |
| Cash and cash equivalents | 85 025 | 74 596 |
| **Total current assets** | **459 940** | **486 397** |
| | | |
| Assets classified as held for sale | 11 503 | 11 497 |
| **Total assets** | **1 144 464** | **1 193 651** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Share capital | 337 141 | 335 101 |
| Reserves | -29 207 | 31 280 |
| **Equity attributable to equity holders of the parent** | **307 935** | **366 381** |
| Non-controlling interests | 29 053 | 37 037 |
| **Total equity** | **336 988** | **403 418** |
| | | |
| **Non-current liabilities** | | |
| Long-term financial debt | 410 330 | 393 029 |
| Long-term lease obligations | 31 184 | 28 491 |
| Deferred income tax liabilities | 4 561 | 4 282 |
| Employee benefits liabilities | 64 721 | 51 072 |
| Other long-term liabilities | 9 889 | 9 780 |
| **Total non-current liabilities** | **520 685** | **486 654** |
| | | |
| **Current liabilities** | | |
| Short-term financial debt | 59 073 | 73 679 |
| Short-term lease obligations | 13 496 | 15 548 |
| Trade accounts payable | 44 492 | 60 572 |
| Contract liabilities | 62 259 | 45 446 |
| Other current liabilities | 96 038 | 92 946 |
| Current income taxes | 6 204 | 9 085 |
| Derivative financial instruments | 115 | – |
| Provisions for other liabilities and charges | 5 114 | 6 302 |
| **Total current liabilities** | **286 791** | **303 579** |
| | | |
| **Total liabilities** | **807 476** | **790 233** |
| | | |
| **Total equity and liabilities** | **1 144 464** | **1 193 651** |

# CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)

| In USD'000 | January/ June 2020 | January/ June 2019 |
|---|---|---|
| **Net income for the period** | **-27 095** | **-20 408** |
| Adjustments for net income non-cash items: | | |
| - Current and deferred income tax | -1 574 | 2 966 |
| - Interests, allocation of transaction costs (bonds) and foreign exchange differences | 9 385 | 1 906 |
| - Depreciation, amortization and impairment | 23 723 | 28 969 |
| - Change in fair value of financial assets at fair value through profit or loss | 73 | -214 |
| - Share of result of associates | -1 482 | -346 |
| - Non-cash employee benefits expense | 3 616 | 3 522 |
| - Deferred cost allocated to income statement | 117 | 115 |
| - Additional provisions net of unused amounts reversed | -72 | -237 |
| - Non-cash government grant income | -778 | -724 |
| - Other non-cash (income) / expense | -4 013 | -2 984 |
| Adjustments for items for which cash effects are investing or financing cash flows: | | |
| - Other non-operating cash items | -129 | 11 |
| Adjustments for change in working capital: | | |
| - Change in inventories | -5 535 | -7 683 |
| - Change in trade accounts receivable and contract assets | 49 729 | 38 435 |
| - Change in trade accounts payable and contract liabilities | -6 447 | -18 697 |
| - Change in current income taxes liabilities | -1 573 | -2 820 |
| - Change in accrued expenses | -919 | -9 942 |
| - Change in other net current working capital headings | 1 264 | -11 828 |
| Government grant from previous periods received | 7 706 | 2 162 |
| Interest paid | -1 538 | -1 514 |
| Interest received | 188 | 516 |
| Income tax paid | -2 697 | -3 177 |
| **Cash flow from/(used in) operating activities** | **41 945** | **-1 972** |
| Purchases of intangible fixed assets | -1 290 | -2 294 |
| Purchases of tangible fixed assets | -3 144 | -6 984 |
| Proceeds from sales of tangible and intangible fixed assets | 224 | 219 |
| Investment in financial assets at amortized costs and other non-current assets | – | -1 439 |
| Divestments of financial fixed assets and loans reimbursement | 1 340 | 697 |
| Acquisition of subsidiaries, cash outflow (net of cash acquired): | | |
| - Payment arising from prior years business combinations | – | -281 |
| **Cash flow from/(used in) investing activities** | **-2 870** | **-10 082** |
| Reimbursement of bank overdrafts, long-term loans and other non-current liabilities | -26 501 | -13 958 |
| Increase in bank overdrafts, long-term loans and other non-current liabilities | 22 324 | 19 696 |
| Payments of lease obligations | -8 415 | -8 601 |
| Proceeds from employee share purchase program | 76 | 29 |
| Dividends paid to non-controlling interests | -10 216 | -5 394 |
| Dividends and partial share capital repayment to shareholders | -5 692 | -5 473 |
| **Cash flow from/(used in) financing activities** | **-28 424** | **-13 701** |
| Effect of foreign exchange rate changes on cash and cash equivalents | -222 | 56 |
| **Net increase/(decrease) in cash and cash equivalents** | **10 429** | **-25 700** |
| Cash and cash equivalents at the beginning of the period | 74 596 | 85 979 |
| Cash and cash equivalents at the end of the period | 85 025 | 60 279 |
| **Net increase/(decrease) in cash and cash equivalents** | **10 429** | **-25 700** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2020 AND 2019 (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, 2019 (published)** | **333 456** | **79 892** | **-15 373** | **-2 998** | **11 643** | **36 541** | **443 161** |
| Change in accounting policy | – | – | -429 | – | – | – | -429 |
| **January 1, 2019 (restated)** | **333 456** | **79 892** | **-15 802** | **-2 998** | **11 643** | **36 541** | **442 733** |
| Net result for the period | – | – | -23 013 | – | – | 2 605 | -20 408 |
| Other comprehensive income for the period | – | – | 5 706 | 285 | -581 | -5 | 5 404 |
| **Total comprehensive income for the period** | **–** | **–** | **-17 307** | **285** | **-581** | **2 599** | **-15 004** |
| Employee share purchase program | 121 | -43 | – | – | – | – | 78 |
| Shares issued for employees | 1 442 | -572 | – | – | – | – | 870 |
| Dividend paid to shareholders | – | -5 473 | – | – | – | – | -5 473 |
| Dividend paid to non-controlling interests | – | – | – | – | – | -5 394 | -5 394 |
| **June 30, 2019** | **335 019** | **73 803** | **-33 109** | **-2 712** | **11 062** | **33 747** | **417 809** |
| **January 1, 2020** | **335 101** | **73 737** | **-41 839** | **-2 998** | **2 380** | **37 037** | **403 418** |
| Net result for the period | – | – | -29 342 | – | – | 2 246 | -27 095 |
| Other comprehensive income for the period | – | – | -8 557 | 983 | -16 838 | -14 | -24 425 |
| **Total comprehensive income for the period** | **–** | **–** | **-37 898** | **983** | **-16 838** | **2 232** | **-51 520** |
| Employee share purchase program | 334 | -225 | – | – | – | – | 109 |
| Shares issued for employees | 1 706 | -817 | – | – | – | – | 889 |
| Dividend paid to shareholders | – | -2 846 | -2 846 | – | – | – | -5 692 |
| Dividend paid to non-controlling interests | – | – | – | – | – | -10 216 | -10 216 |
| **June 30, 2020** | **337 141** | **69 849** | **-82 583** | **-2 015** | **-14 458** | **29 053** | **336 988** |

*Continued on page ?*

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

### 1. GENERAL INFORMATION
Kudelski SA is listed on the Swiss stock exchange and incorporated and domiciled in Switzerland. Kudelski SA and its subsidiaries (together the "Group") are active in the Digital TV, Cybersecurity, Internet of Things (IoT) and Public Access businesses. The principal activities of the Group are described in the 2019 annual report.

### 2. BASIS OF PREPARATION
These interim condensed financial statements for the six months ended June 30, 2020 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, 2019.

### 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, 2019, except for the adoption of new standards described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In May 2020 the IASB issued COVID-19-Related Rent Concessions (Amendments to IFRS 16), which provides a practical expedient to not assess whether specific types of rent concessions related to COVID-19 are lease modifications. The Group has applied this amendment in these interim condensed financial statements. There was no impact on prior year comparative figures.

A number of other standards have been modified on miscellaneous points with effect from January 1, 2020, which have no material impact on the Group's interim condensed financial statements. These include Definition of a Business (Amendments to IFRS 3), Definition of Material (Amendments to IAS 1 and IAS 8) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

### 4. SEASONALITY
In the Digital TV business, Christmas sales usually lead to higher volumes, and therefore higher revenues, in the last quarter of the year. This operating segment may also be subject to abnormal seasonality due to bulk orders of smart cards from large customers (e.g. for swap outs) and due to products and services delivered to newly acquired customers and the completion of large patent licensing contracts.

The Public Access segment (SKIDATA) has strong seasonal revenue variations, in both the parking and ski access business since it earns a significant portion of its revenues in the fourth quarter.

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. Bulk orders and revenue recognition effects from large projects can also lead to material revenue variations between the first and second half-year in both the Cybersecurity and the IoT segments.

### 5. SHARE-BASED PAYMENTS
As of June 30, 2020, 40 296 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 33. The Group issued 206 036 bearer shares as part of 2019 management bonus payment which expense was fully accrued for at December 31, 2019.

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

## 6. DIVIDEND

On April 22, 2020, the Group paid a distribution of CHF 0.10 per bearer share and CHF 0.01 per registered share. The distribution amounted to kUSD 5 692.

## 7. CONTINGENT CONSIDERATION

Remeasurement of contingent consideration for past business combinations resulted in a net gain amounting to kUSD 644 and is included in other operating income.

## 8. 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, 2020 and December 31, 2019. For additional information on the levels and valuation methods, please refer to Note 43 to the consolidated financial statement in the 2019 annual report.

| In USD'000 | | 30.06.2020 | 31.12.2019 |
|---|---|---|---|
| **Financial assets at fair value through comprehensive income:** | | | |
| - derivative financial instruments | Level 2 | 732 | – |
| - equity instuments with no quoted market price | Level 3 | – | 517 |
| **Total financial assets** | | **732** | **517** |
| **Financial liabilities:** | | | |
| - derivative financial instruments | Level 2 | 115 | – |
| - contingent consideration (short-term portion) | Level 3 | 336 | 682 |
| - contingent consideration (long-term portion) | Level 3 | 1 256 | 1 558 |
| **Total financial liabilities** | | **1 707** | **2 240** |

The fair value of the Level 3 equity instrument with no quoted market price was determined using a discounted cash flow method provided by the company. This redeemable convertible preferred stock was called for redemption in April 2020. Level 3 contingent liabilities consists of earn-out payments calculated on companies that have been acquired. The fair value is measured using projections reviewed by management and discount rates comprised between 6.6% and 10.2%.

### Reconciliation of level 3 fair values:

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

| In USD'000 | Equity instruments with no quoted market price | Contingent liabilities |
|---|---|---|
| Balance at January 1, 2019 | 508 | -2 494 |
| Settlements | – | 279 |
| Remeasurement (recognised in other operating income) | – | -170 |
| Discount effect (recognised in interest expense) | – | 6 |
| Currency translation adjustment | 9 | 139 |
| **Balance at December 31, 2019** | **517** | **-2 240** |
| Settlements | -824 | – |
| Remeasurement | 306 | 464 |
| Currency translation adjustment | 1 | 185 |
| **Balance at June 30, 2020** | **–** | **-1 592** |

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

Except as detailed below, management considers that the carrying amount of financial assets and liabilities recorded at amortized cost is a reasonable approximation of fair value:

| In USD'000 | Carrying amount 30.06.2020 | Fair value 30.06.2020 |
|---|---|---|
| **Financial liabilities** | | |
| - CHF 200 million bond | 210 921 | 168 729 |
| - CHF 150 million bond | 158 019 | 95 537 |

The fair value of the bonds are based on their market price as of June 30. Limited trading liquidity results in material volatility of such prices.

### 9. OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified based on internal reporting that is regularly reviewed by the chief operating decision maker. Group operating segments represent strategic business units that offer products and services for which such internal reporting is maintained. The chief operating decision maker reviews the internal segment reporting in order to allocate resources to the segments and assess their performance.

The Group reports four operating segments which are reflected in internal management reporting as follows:
- Digital TV
- Cybersecurity
- Internet of Things (IoT)
- Public Access.

The Digital TV division provides end-to-end integrated solutions, including open conditional access solutions, which allow TV operators and content providers to operate a wide range of high value-added pay TV services on a secure platform, and middleware software solutions for set-top-boxes and other consumer devices, enabling an advanced end-user experience. The Integrated Digital Television operating segment also includes the Group's Intellectual Property activities.

The Cybersecurity division provides end-to-end cybersecurity solutions to a wide range of customers across multiple sectors, including advisory services, technology and resale services, managed security and custom developed proprietary solutions in domains not covered by existing commercial products. The Cybersecurity division is a combination of organic developments and the former acquisitions of Milestone Systems, Inc. and M&S Technologies.

The IoT division extends the existing Digital Television secure platform into new domains, enabling device security through identity authentication and firmware protection, data security to ensure the confidentiality, integrity and authenticity of sensitive data, and access management and active security protections to enable secure processing, local decision making and threat detection and response.

The Public Access division provides access control systems and ticketing services for ski lifts, car parks, stadiums, concert halls and other major events.

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 segments. These elements are reported under the "Corporate common functions". Reportable segment assets include total assets allocated by segment. excluding intersegment balances, which are eliminated. Unallocated assets include assets managed on a centralized basis, included in the reconciliation to balance sheet assets.

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

| In USD'000 | Digital TV January/ June 2020 | Public Access January/ June 2020 | Cyber-security January/ June 2020 | Internet of Things January/ June 2020 | Total January/ June 2020 |
|---|---|---|---|---|---|
| Revenues from external customers | 154 683 | 121 567 | 38 738 | 1 025 | 316 012 |
| Other operating income | 3 558 | 492 | 1 | 28 | 4 079 |
| **Total segment revenues and other operating income** | **158 241** | **122 058** | **38 739** | **1 053** | **320 090** |
| Cost of materials, licenses and services | -15 980 | -47 221 | -16 854 | -71 | -80 125 |
| Operating expenses | -105 399 | -79 291 | -33 390 | -9 881 | -227 962 |
| **Operating income before depreciation, amortization and impairment - excluding corporate common functions** | **36 861** | **-4 453** | **-11 505** | **-8 900** | **12 003** |
| Depreciation, amortization and impairment | -12 109 | -8 570 | -2 708 | -336 | -23 723 |
| **Operating income - excluding corporate common functions** | **24 753** | **-13 024** | **-14 213** | **-9 236** | **-11 720** |
| Corporate common functions | | | | | -7 059 |
| Interest expense and other Finance income/(expense), net | | | | | -11 373 |
| Share of result of associates | 1 168 | 314 | – | – | 1 482 |
| **Income before tax** | | | | | **-28 670** |
| | 30.06.2020 | 30.06.2020 | 30.06.2020 | 30.06.2020 | 30.06.2020 |
| **Total segment assets** | **618 558** | **339 172** | **132 151** | **35 758** | **1 125 639** |

| In USD'000 | Digital TV January/ June 2019 | Public Access January/ June 2019 | Cyber-security January/ June 2019 | Internet of Things January/ June 2019 | Total January/ June 2019 |
|---|---|---|---|---|---|
| Revenues from external customers | 190 490 | 159 216 | 43 593 | 1 158 | 394 458 |
| Other operating income | 6 136 | 17 | – | 21 | 6 174 |
| **Total segment revenue and other operating income** | **196 626** | **159 233** | **43 593** | **1 179** | **400 632** |
| Cost of materials, licenses and services | -27 056 | -64 726 | -24 668 | -175 | -116 624 |
| Operating expenses | -129 675 | -89 769 | -29 656 | -12 482 | -261 582 |
| **Operating income before depreciation, amortization and impairment - excluding corporate common functions** | **39 896** | **4 738** | **-10 730** | **-11 478** | **22 426** |
| Depreciation, amortization and impairment | -16 996 | -8 788 | -2 840 | -344 | -28 969 |
| **Operating income - excluding corporate common functions** | **22 900** | **-4 050** | **-13 571** | **-11 822** | **-6 543** |
| Corporate common functions | | | | | -6 922 |
| Interest expense and other Finance income/(expense), net | | | | | -4 150 |
| Share of result of associates | – | 346 | – | – | 346 |
| **Income before tax** | | | | | **-17 270** |
| | 31.12.2019 | 31.12.2019 | 31.12.2019 | 31.12.2019 | 31.12.2019 |
| **Total segment assets** | **633 379** | **360 517** | **144 195** | **37 241** | **1 175 332** |

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

| In USD'000 | 30.06.2020 | 31.12.2019 |
|---|---|---|
| Total segment assets | 1 125 639 | 1 175 332 |
| Cash & cash equivalents | 2 151 | 2 523 |
| Other current assets | 237 | 98 |
| Financial assets and other non-current assets | 4 934 | 4 201 |
| Asset of disposal group classified as held for sale | 11 503 | 11 497 |
| **Total Assets as per Balance Sheet** | **1 144 464** | **1 193 651** |

## REVENUE CATEGORIES

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

| | Digital TV | | Public Access | | Cybersecurity | | Internet of Things | |
|---|---|---|---|---|---|---|---|---|
| In USD'000 | January/ June 2020 | January/ June 2019 | January/ June 2020 | January/ June 2019 | January/ June 2020 | January/ June 2019 | January/ June 2020 | January/ June 2019 |
| Europe | 64 543 | 78 697 | 70 591 | 83 677 | 11 288 | 7 732 | 916 | 1 158 |
| Americas | 63 674 | 70 693 | 37 252 | 53 469 | 27 408 | 35 829 | 39 | – |
| Asia & Africa | 26 465 | 41 100 | 13 724 | 22 070 | 42 | 33 | 70 | – |
| | **154 683** | **190 490** | **121 567** | **159 216** | **38 738** | **43 593** | **1 025** | **1 158** |
| Sale of goods | 19 022 | 51 795 | 71 386 | 99 921 | 16 963 | 17 318 | – | – |
| Services rendered | 92 336 | 93 222 | 37 910 | 44 141 | 18 782 | 16 152 | 745 | 1 158 |
| Royalties and licenses | 43 324 | 45 474 | 12 272 | 15 154 | 2 994 | 10 122 | 279 | – |
| | **154 683** | **190 490** | **121 567** | **159 216** | **38 738** | **43 593** | **1 025** | **1 158** |

### 10. IMPACTS OF COVID-19

On March 11, 2020 the World Health Organization designated a new coronavirus disease (COVID-19) as a global pandemic. In response, governments around the world have implemented various public health and social measures aimed to slow the transmission of the virus, including orders to stay at or work from home, closure of non-essential businesses, cancellation of events and limitations on domestic and international travel. These measures have had a significant impact on global markets leading to economic fallout and uncertainy.

The Group has assessed the consequences of the COVID-19 pandemic on the interim condensed financial statements, specifically considering below the impacts on key judgements and significant estimates as detailed in Note 2 of the Group's annual financial statements for the year ended December 31, 2019. The Group will continue to monitor these areas of increased risk for material changes.

#### Revenues and operations

In regards to Digital TV, several customers have lowered traditional paywalls to provide a short-term alternative to streamed offerings. The pandemic is affecting in particular Digital TV operators in emerging markets, resulting in a slowdown of business activities in Asia and Latin America. As key markets in these regions are expected to be in lockdown in the second half, the negative impact of the pandemic is likely going to affect second half emerging market revenues. European and North American customers have been more resilient with delayed projects in Europe expected to continue in the second half.

The Public Access parking business has been strongly affected by the COVID-19 pandemic. Due to government lockdown measures, the usage of parking infrastructure has declined resulting in less demand for service offerings. In addition, the segment's larger customer base, including in particular airports, shopping centers and stadiums, have had to postpone new

# SELECTED NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

installations until the social and economic environment stabilizes. While this impact has affected all regions in the Public Acces business, European markets have started to recover in this second half.

The Group's European Cybersecurity business continued to maintain strong momentum with minor negative impact from COVID-19. In the US, challenges to engage in face-to-face communication with potential customers resulted in a slowdown of new customer acquisitions. The generation of new business through virtual channels is proving more challenging with new prospects compared to customers with existing business relationships. In addition, limitations on travel have affected the delivery of services traditionally provided in person, including in particular the installation and integration of third-party cybersecurity technologies.

**Liquidity and working capital**

The Group is well positioned to meet its ongoing financial obligations and has sufficient liquidity and access to credit facilities to support its normal business cycles. As of June 2020, the Group has received kUSD 22 175 in long-term loans through COVID-19 assistance programs and continues to explore channels to secure further liquidity where available. Foreign exchange risk is actively monitored in line with the Group's normal risk management approach as described in Note 3 of the annual financial statements for the year ended December 31, 2019.

Cash collections continue to be according to the Group's normal business terms and days sales outstanding remains at normal levels. Customer receivable balances are reviewed closely and changes in known creditworthiness are integrated into our assessment of credit risk and expected credit losses.

## 11. CHANGE IN ESTIMATE

The Group reviews the estimated useful lives and residual values of its fixed assets on an ongoing basis, based upon, among other things, its experience with similar assets, conditions in the relevant market, and prevailing industry practice. During the first half of 2020, the Group revised the residual value of its buildings located in Cheseaux, Switzerland to better reflect current estimates of such buildings upon retirement. This change is being accounted for as a change in estimate. Based on the current book values of the assets, this change in estimate results in an annual decrease of depreciation expense of kUSD 1 820 in the current year. The impact for future periods varies based on the useful lives of the different building components comprised between 10 to 50 years.

## 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 | |
|---|---|---|---|---|
| | 30.06.2020 | 31.12.2019 | 30.06.2020 | 30.06.2019 |
| 1 CHF | 1.056 | 1.033 | 1.035 | 1.000 |
| 1 EUR | 1.124 | 1.123 | 1.102 | 1.130 |

# AGENDA 2020

**Release of 2020 financial results:**
25 February 2021

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