

H1 2024 RESULTS

IMPLEMENTATION OF A STRATEGIC PLAN TO BOOST PROFITABILITY

- Half-year results reflect the cyclical downturn in business volumes on current offerings and ongoing investment in next-generation DPUs;
- Stronger financial position post closing;
- Sales expected to grow in the 2nd half compared with the 1st half;
- Implementation of a significant cost-cutting plan and a strategic pivot on the DPU part to bring the company into a profitable growth profile by the end of 2025.

Grenoble, September 19th, 2024 - Kalray (Euronext Growth Paris: ALKAL), a leader in hardware and software technologies dedicated to the management and intensive processing of data from the Cloud to the Edge, announces its 2024 half-year results. The financial statements were approved by the Board of Directors, following a review by the Supervisory Board, on September 17th, 2024, and have undergone a limited review by the auditors.

"This summer, we announced the end of exclusive negotiations with the Israeli company Pliops¹ in an unfavorable market context that prevented us from offering a capital operation that would create value for shareholders. This project mobilized our teams, in particular our management, and mechanically disrupted the smooth running of our business during the 1st half of 2024, impacting our half-year results.

Although the "Data Acceleration Platform" business, linked to our "Ngenea" offering for enterprises, and the "Data Acceleration card" business, based on the sale of cards based on our current Coolidge processor, thanks in particular to the Jumbo contract, remained healthy overall, we were confronted with longer decision-making cycles and certain component shortages which impacted our sales. On the other hand, the continued development of our next-generation processor, Dolomites™, which is not yet generating positive cash flow, requires heavy investments which has put a significant strain on our cash position.

Nevertheless, our vision of growth in the market for hardware solutions for data processing acceleration and AI remains intact over the next few years and decades, underpinned by the very strong need to reduce energy consumption. Kalray is the only mature European player capable of meeting this demand.

¹ See August 1st, 2024 press release

Against this global backdrop, Kalray has carried out a strategic review of its activities, with the aim of defining a profile for a company with profitable growth in the short term.

We have decided to radically change the business model of the "Data Acceleration & DPU Design" activity. Previously a cost center focused on the development of Dolomites™, it will now become a source of cash flow for the development of third-party solutions, thus leveraging our unique expertise in the development of complete hardware acceleration solutions for data centers and large OEMs. Promising initial discussions are already underway. Our aim is for this activity to be housed within a dedicated Kalray subsidiary, bringing together the best of our technological expertise and talents to offer our customers solutions tailored to their acceleration needs, in the fast-growing fields of AI, datacenter infrastructures, storage, telecommunications, and embedded systems. Strategic partners wishing to invest in this subsidiary will be able to do so alongside Kalray. This activity is intended to become profitable by the end of 2025.

At the same time, we have initiated a significant cost-cutting plan to reduce our monthly cash consumption by 20% by the end of the year. All these measures should enable us to rapidly build a more attractive and profitable company profile.' states Eric Baissus, Chairman of the Board of Directors of Kalray.

FIRST-HALF RESULTS 2024

At the end of the 1st half of 2024, Kalray posted sales of 10,933 K€², compared with 15,275 K€ in the 1st half of 2023 and 10,554 K€ in the 2nd half of 2023, confirming the sequential stabilization of sales. This amount reflects the lengthening of commercial cycles and supply difficulties on certain components already previously communicated to the market.

The gross margin rate was 55% in the first half of 2024 (compared with 62% in the first half of 2023), as a result of the increase in the price of hardware components, particularly nvme disks (this increase has not yet been passed on to sales prices).

Total operating revenues amounted to 19,942k€ at June 30th, 2024 (versus €21,470,000 at June 30th, 2023), including 7,317k€ in capitalized R&D for the ongoing development of the new generation of products (Dolomites™) and 1,446k€ in subsidies.

Cost of sales fell by 836 K€, in line with business trends, while current expenses rose by 29% in the 1st half of 2024. They include external expenses of 7,356 K€ (versus 5,016 K€ at June 30, 2023), mainly subcontracting related to the development of the next generation of processors, Dolomites™, and business-related expenses on current products, and personnel expenses of 12,942 K€ (versus 10,680 K€ at June 30, 2023). It should be noted that as at June 1st, 2023, the Company had not yet accounted for most of its recruitments, particularly in the United States (sales, support, management), which took place in the 2nd half of 2023. At June 30th, 2024, Kalray had a total workforce of 230 (205 at December 31st, 2023 and 192 at June 30th, 2023).

² Statutory auditors' limited review

EBITDA³ stood at (5,340) K€ at June 30th, 2024, compared with (34) K€ at June 30th, 2023.

Depreciation, amortization and provisions totaled 8,597 K€ at June 30th, 2024, compared with 4,317 K€ at June 30th, 2023. They include both the amortization of Coolidge™2 (which began in August 2023) and 858 K€ of amortization of Arcapix goodwill, which did not appear in the 1st half of 2023⁴.

The operating result, adjusted of the Research Tax Credit⁵, which amounted to 3,101 K€, came to (10,836) K€ (compared with (2,877) K€ at June 30th, 2023).

After considering the financial result, net income amounts to (11,105) K€.

FINANCIAL POSITION

Kalray's shareholders' equity remains at a high level, at 41,505 K€ at June 30th, 2024 compared with 49,710 K€ at December 31st, 2023, including half-year earnings.

Kalray's available cash amounted to 2,342 K€ at June 30th, 2024, compared with 13,209 K€ at December 31st, 2023. Cash consumption was mainly due to ongoing R&D investments on the next-generation processor, Dolomites™, partially offset by an improvement in working capital requirements (positive variation of 1.9 M€) and the 3 M€ drawdown on the Dynamic Revolving Credit Facility with BNP Paribas. It should be noted that the non-fulfillment of the plan linked to the acquisition of Pliops means that this line cannot be drawn down further at present.

Financial debts amounted to 12,771 K€ (compared with 10,207 K€ at December 31st, 2023) and include 7,111 K€ of conditional advances and 5,660 K€ of bank debt (corresponding to the PGE amortizable over 4 years from mid-2022, and the first tranche of the revolving credit facility (RCF) of 3 M€).

Post-closing, the Company carried out a bond issue of up to €6 million, of which the first drawdown has taken place, and of up to €10 million (see press release of July 11th, 2024). At the same time, the Company is working to align its financial resources and commitments with those of its main partners, and to implement a cost-cutting plan (see below).

Taking into account the drawdown of the first €6M tranche of the bond loan in July 2024, on the basis of current sales assumptions and assuming renegotiation of debt with three of the Company's strategic partners (renegotiations which the Company believes have a good chance of being completed), and also taking into

³ Ebitda: Earnings before interest, taxes, depreciation, amortization and provisions

⁴ Corresponding to the amortization of goodwill following the integration of Arcapix Holdings into the Group's scope of consolidation on April 15th, 2022. At December 31st, 2023, the Group had recognized goodwill on first consolidation of 11,554K€ and amortization of 1 717K€. In accordance with accounting standards (technology over 5 years and customer portfolio over 7 years), amortization at June 30th, 2024 amounted to 858 K€, of which 604 K€ related to the technology and 254 K€ to the customer portfolio

⁵ Adjusted operating result: Operating result + Research tax credit

account the cost reduction plan envisaged, The Company considers that it will be able to cover its financing needs until March 1st, 2025, without any further calls on the market or new bond issues (excluding RCF bank financing). This horizon is extended to June 1st, 2025, if the balance of the bond issue is drawn down, excluding RCF bank financing.

IMPLEMENTATION OF A STRATEGIC PIVOT AND COST-CUTTING PLAN TO RAPIDLY ENHANCE THE VALUE OF KALRAY'S ASSETS AND GENERATE POSITIVE CASH FLOWS

Kalray has carried out a strategic review of its activities, with the aim of defining a profile for a profitable growth company in the short term and is implementing a new organizational action plan associated with strong operating cost reductions of 20% per month by the end of the year throughout the Group. The cost reductions will cover all operating expenses for the three Group assets presented below, as well as, more specifically, investments linked to the development of Dolomites™.

This new strategic action plan is designed to enhance the value of the three strategic activities that make up Kalray's business model, each of which has growth and profitability potential that the Group wishes to exploit more fully:

- I. **"Data Acceleration Platform" activity**, comprising the Ngenea product line, marketed to large corporations. This activity is carried out by a 100% Kalray subsidiary, and mainly consists of sales of its software solution (in the form of licenses) and hardware, including Kalray boards. It operates in structurally buoyant markets, such as media, HPC and AI, and accounted for 80% of Kalray's sales in the 1st half of 2024. This business, which brings together roughly a hundred talented people, was close to break-even (EBITDA) in the 1st half of 2024, and should generate positive cash flow from the 2nd half of 2024;
- II. **"Data Acceleration Card " activity**, based on the sale of acceleration cards developed by Kalray for its current range of processors (Coolidge™2) to very large customers. This activity includes the *"Jumbo Contract"*, for which the customer has officially selected Kalray for its next-generation solution and has begun the pre-production phase. This *"Data Acceleration Card"* activity will generate estimated sales of around €4M over 2024 (including €1.1M booked in the 1st half of 2024), with a positive break-even point as early as this year. From 2025 onwards, the Jumbo contract will generate several million euros in sales, totalling an estimated total of over €100M for Kalray over the life of the project, and will provide the Company with a significant source of recurring, highly profitable revenue. Potential similar opportunities are currently in discussion.
- III. **"Data Acceleration & DPU Design" activity**, dedicated to the development of next-generation processors (DPUs) and currently focused on the Dolomites™ roadmap. This activity, with its exceptional technological know-how (more than 30 patent families, 10 years of expertise, 3 generations of chips produced, more than €100M invested since the outset) currently brings together roughly 70 experts. With a negative impact on Ebitda for the 1st half of 2024, it requires substantial financial resources to

pursue development work through to commercialization. To date, Dolomites™ has represented a cumulative R&D investment of around €30M over 2 years.

Kalray aims to generate significant revenues in the near future, by leveraging this expertise and investment to develop on-demand solutions for new customers. With this in mind, Kalray intends to set up a 100%-owned subsidiary to host this activity, which will sell turnkey acceleration solution development services based on its current technologies and products (chips, chiplets, boards and complete acceleration solutions). This model requires much less investment and capital from Kalray, will enable it to become profitable quickly, and will generate cash flows for the whole Group.

The subsidiary's business model will be based on several revenue streams that will guarantee a rapidly profitable subsidiary profile: 1/ *upfront* (license), 2/ *milestones* (payment for services), and 3/ *royalties* paid by customers and indexed to the success of developed product sales.

An initial contract has already been set up with an electronics group and a first phase signed, worth €1.2M to be recognized over 2024. This first achievement bears witness to the commercial traction, know-how and market potential of our teams. Promising discussions are underway for contracts worth several million euros.

The Group may also open up the capital of this subsidiary to strategic partners wishing to participate in its development.

In conclusion, through these various initiatives (cost-cutting plan and pivot of the "Data Acceleration & DPU Design" business), Kalray is immediately initiating the essential adjustments needed to align the company towards a more attractive and profitable business model. The aim is to bring normative Free Cash-Flow from around - €1.5M per month at the end of 2024 to break-even point by the end of 2025.

On the business front, given the current sales pipeline and the new contracts won in the 1st half, Kalray is targeting sales growth in the 2nd half of 2024 compared with the 1st half of 2024.

The coming months will be focused on the Group's new organizational and operational strategy, enabling Kalray to return to the market in 2025 with an optimized and more attractive company profile.

AVAILABILITY OF THE 2024 HALF-YEAR FINANCIAL REPORT

The half-year financial report, including unaudited consolidated financial statements as of June 30th, 2024, and their appendices, will be available within the legal deadlines in the "Financial Documents" section of the company's website at www.kalray-bourse.com

ABOUT KALRAY

Kalray is a leading provider of hardware and software technologies and solutions for high-performance, data-centric computing markets, from cloud to edge.

Kalray provides a full range of products to enable smarter, more efficient, and energy-wise data-intensive applications and infrastructures. Its offers include its unique patented DPU (Data Processing Unit) processors and acceleration cards as well as its leading-edge software-defined storage and data management offers. Separated or in combination, Kalray's high-performance solutions allow its customers to improve the efficiency of data centers or design the best solutions in fast-growing sectors such as AI, Media & Entertainment, Life Sciences, Scientific Research, Edge Computing, Automotive and others.

Founded in 2008 as a spin-off of the well-known French CEA research lab, with corporate and financial investors such as Alliance Venture (Renault-Nissan-Mitsubishi), NXP Semiconductors or Bpifrance, Kalray is dedicated through technology, expertise, and passion to offer more: more for a smart world, more for the planet, more for customers and developers. www.kalrayinc.com

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DISCLAIMER

Warning:

KALRAY has arranged financing in the form of bonds redeemable in new shares with IRIS, which, after receiving the shares resulting from the conversion or exercise of these instruments, will not remain a shareholder of the company.

The shares resulting from the conversion or exercise of the above-mentioned securities will generally be sold on the market at very short notice, which may create strong downward pressure on the share price.

Shareholders may suffer a loss of their invested capital as a result of a significant fall in the company's share price, as well as significant dilution due to the large number of securities issued to IRIS.

Investors are advised to exercise extreme caution before deciding to invest in the securities of a listed company that carries out such dilutive financing operations, particularly when they are carried out in succession. The company wishes to point out that this is not the first dilutive financing transaction it has undertaken.

Investors are invited to familiarize themselves with the risks associated with these transactions.

Disclaimer

This press release contains forward-looking statements regarding Kalray and its business, including its product development prospects. Kalray believes that these forward-looking statements are based on reasonable assumptions. However, these forward-looking statements do not constitute any guarantee of future performance, considering they are based on future events and depend on circumstances that may or may not materialize in the future, and various risks and uncertainties, including those described in the annual financial report of the Company which it published on April 30th, 2024, a copy of which is available on its website (<https://www.kalrayinc.com/fr>), and changes in the economic environment, financial markets and markets where Kalray is present. Readers' attention is particularly highlighted on the fact that Taking into account the drawdown of the first €6M tranche of the bond loan in July 2024, on the basis of current sales assumptions and assuming renegotiation of debt with three of the Company's strategic partners (renegotiations which the Company believes have a good chance of being completed), and also taking into account the cost reduction plan envisaged, The Company considers that it will be able to cover its financing needs until March 1st, 2025, without any further calls on the market or new bond issues (excluding RCF bank financing). This horizon is extended to June 1st, 2025, if the balance of the bond issue is drawn down, excluding RCF bank financing.

The materialization of all or part of these risks could lead to real results, financial conditions or achievements by Kalray that differ significantly from the earnings, financial conditions, performance or achievements expressed in these forward-looking statements. Kalray expressly declines any obligation to update such forward-looking statements. This press release does not constitute an offer to sell or the solicitation of an offer to buy any common stock of the Company, and does not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

APPENDICES

RECONCILIATION TABLE – EBITDA/NET OPERATING RESULT

€M – IFRS consolidated data	H1 2024
EBITDA	(5,340)
Amortization & Depreciation	(8,597)
Net operating result	(13,938)
Research Tax Credit	3,101
Net operating result restated from Research Tax Credit	(10,836)

DATA SUBMITTED TO LIMITED REVIEW BY THE AUDITORS

INCOME STATEMENT

K€ (consolidated data)	30/06/23	30/06/24
Net Sales	15,275	10,933
Subsidies	460	1,446
R&D capitalization	5,641	7,317
Other revenue	94	247
TOTAL REVENUE	21,470	19,942
Cost of sales	(5 820)	(4,984)
Operating expenses	(15,684)	(20,298)
including Salaries & contributions	(10,680)	(12,942)
including other expenses	(5,016)	(7,356)
EBITDA	(34)	(5,340)
Amortization & Depreciation	(4,317)	(8,597)
OPERATING RESULT	(4,351)	(13,938)
Research Tax Credit	1,474	3,101
NET OPERATING RESULT *	(2,877)	(10,836)
FINANCIAL RESULT	(116)	(361)
EXCEPTIONNAL RESULT	(8)	92
NET RESULT	(3,001)	(11,105)

*Net operating result restated from Research Tax Credit

BALANCE SHEET

K€ ASSETS (consolidated data)	As of 31/12/2023	As of 30/06/2024
Intangible assets	41,940	51,492
incl.goodwill	2,336	2,267
Tangible assets	5,537	5,110
Financial assets	602	637
NON CURRENT ASSETS	48,079	57,240
Inventories	4,216	4,463
Accounts Receivable	10,395	11,305
Other receivable (CIR, CICE, Subsidies)	3,737	8,633
CASH	13,209	2,350
CURRENT ASSETS	31,557	26,752
Accrued expenses	881	1,589
TOTAL ASSETS	80,517	85,581

K€ LIABILITIES (consolidated data)	As of 31/12/2023	As of 30/06/2024
EQUITY	49,710	41,505
Provisions	1,399	2,785
R&D refundable advances	6,936	7,111
Bank loans	3,271	5,660
Accounts Payable	7,966	16,971
Taxes & contributions payable	4,170	6,471
Other debts	6,931	5,020
DEBTS & LIABILITIES	30,673	44,019
Subsidies deferred revenue	134	57
TOTAL LIABILITIES & EQUITY	80,517	85,581
Provisions	1,399	2,785

CASH FLOW STATEMENT

Cash flow in K€	December 31st, 2023	June 30th, 2024
Operation Cash Flow before Capex & WC variation	3,697	(3,270)
Change in working capital (including R&D tax Credit)	(5,843)	1,432
OPERATING CASH FLOW	(2,146)	(1,838)
Capital Expenditures	(8,436)	(6,050)
R&D Capitalized	(12,177)	(7,317)
Subsidies	4,269	1,643
Other	(163)	
INVESTMENT CASH FLOW	(16,507)	(11,724)
FREE CASH-FLOW	(18,653)	(13,563)
Net Cash from investors	217	-
Bank Debt (net)	(1,328)	(619)
loan		3,000
R&D conditionnal advances and prepaid subsidies (net)	627	175
FINANCING CASH FLOW	(484)	2,556
Change effect	148	140
Annual CASH IN (CASH OUT)	(18,989)	(10,867)
Cash beginning of period	32,198	13,209
CASH END OF PERIOD	13,209	2,342