



driving **trust**

Full Year 2012 Results

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*Mobile Near Field
Communication*

Secure Payments

Digital Security

Embedded Security Solutions



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Q4 Revenue and Full Year Financial Overview

Strategic update and 2013 Outlook

Q & A

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2012 key highlights

- 2012 revenue of \$122 m, in a very challenging and fast-changing competitive landscape
- Adjusted operating loss of \$30.1m, mainly impacted by the disappointing performance of the NFC business
- Refocus of the company towards:
 - a differentiated NFC offering around Booster and proprietary secure element
 - a broader offering in the highly promising embedded security solutions market,
- Acquisition of ESS in December 2012 for \$ 41.6 m*, supporting this strategic refocus
- Launch of cost reduction measures in H2 2012, to be reinforced in 2013 by the implementation of a wider reorganization project aiming at generating \$13m savings**
- \$60 m of net cash*** as of December 31, 2012, following the listing on NYSE Euronext Paris in February 2012

* Amount paid at closing, net of acquired cash, prior conditional additional payments

** On an annualised basis once the project has been fully implemented

*** See definition in Appendix

2012 key highlights

Q4 Revenue and Full Year Financial Overview

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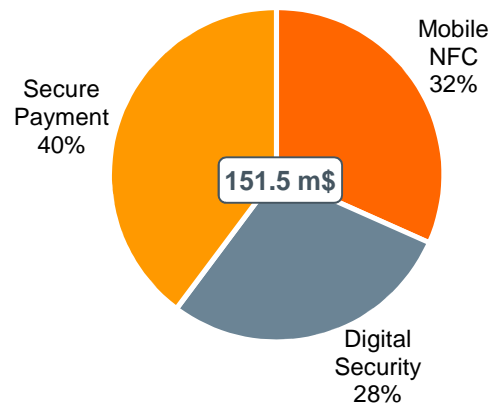
Q & A

Appendix

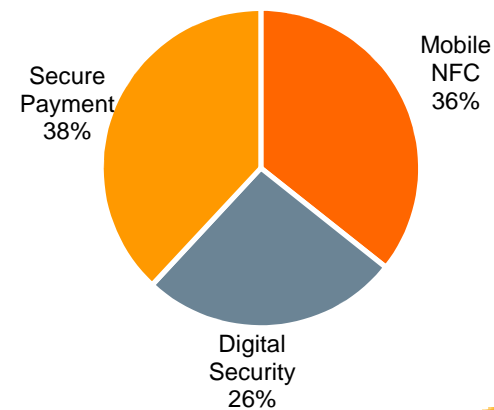
FY 2012 Revenue

in thousands of US\$	2012 consolidated	2011 consolidated	% Y-o-Y
Mobile NFC	43 261	47 961	-10%
Secure Payment	31 788	43 246	-26%
Digital Security	46 158	60 261	-23%
Embedded Security Solutions	840		-
Total Revenue	122 047	151 468	-19%

2011 split



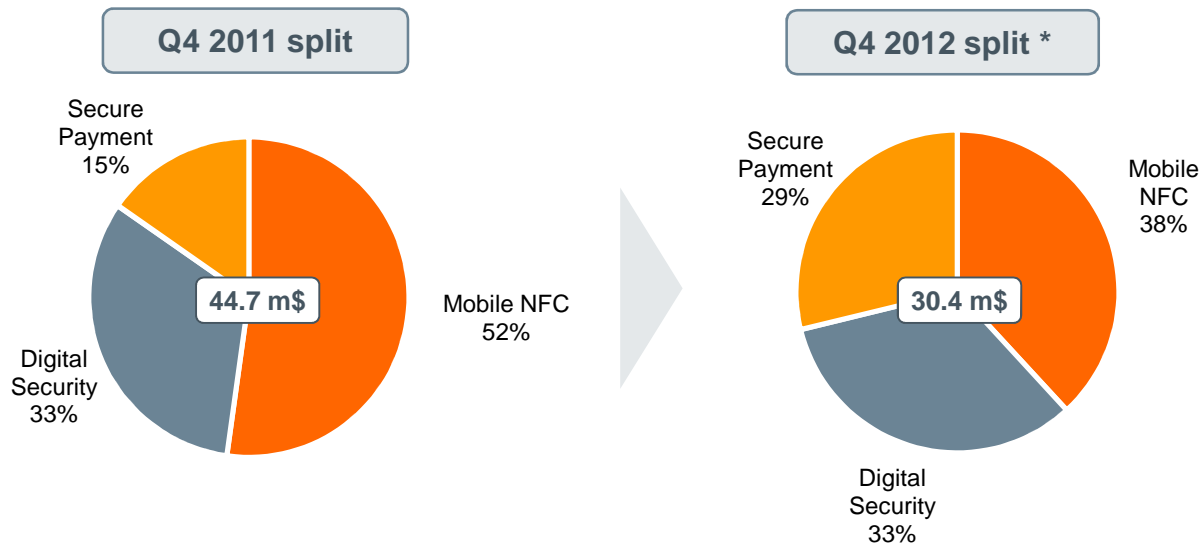
2012 split *



* Excluding ESS

Q4 2012 Revenue

in thousands of US\$	Q4-2012 consolidated	Q4-2011 consolidated	Q3-2012 consolidated	% Y-o-Y	% Q-to-Q
Mobile NFC	11 612	23 304	9 043	-50%	28%
Secure Payment	8 765	6 830	8 157	28%	7%
Digital Security	10 047	14 520	11 383	-31%	-12%
Embedded Security Solutions	840			-	-
Total Revenue	31 264	44 654	28 583	-30%	9%



* Excluding ESS

2012 Income statement

in thousands of US\$	2012 consolidated	2011 consolidated
Revenue	122 047	151 468
Cost of sales (adjusted)	(90 684)	(109 056)
Adjusted Gross profit	31 439	42 412
<i>in % of revenue</i>	25,8%	28,0%
R&D expenses (adjusted)	(33 218)	(32 746)
<i>in % of revenue</i>	-27%	-22%
Selling & marketing expenses (adjusted)	(17 511)	(16 907)
<i>in % of revenue</i>	-14%	-11%
General & administrative expenses (adjusted)	(8 780)	(8 810)
<i>in % of revenue</i>	-7%	-6%
Other (losses)/gains, net (adjusted)	(2 025)	-
Total adjusted operating expenses	(61 534)	(58 464)
Adjusted operating income	(30 095)	(16 052)
<i>in % of revenue</i>	-24,7%	-10,6%

• GPM down due to lower revenue and less favourable product mix

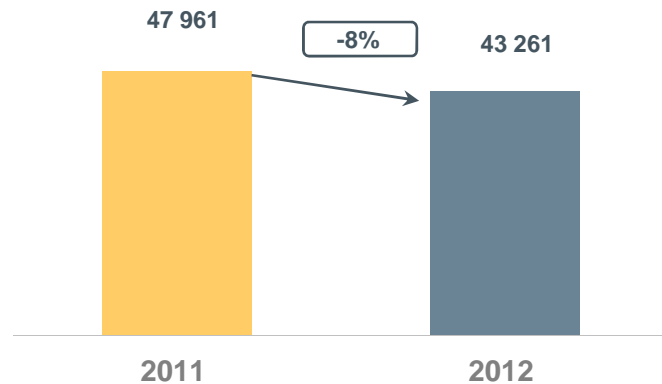
• Flat excluding, allowance for bad debt on customer in Q4-12

• Corresponds to exchange gains and losses related to operating items.

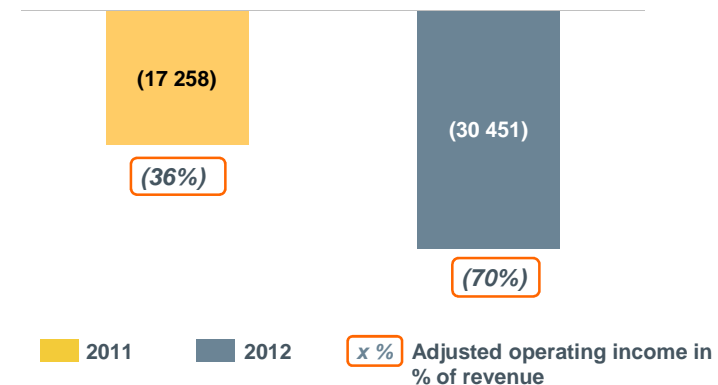
• FY 2012 losses driven essentially by disappointing mobile NFC performances

Mobile NFC

Revenue (in \$k)



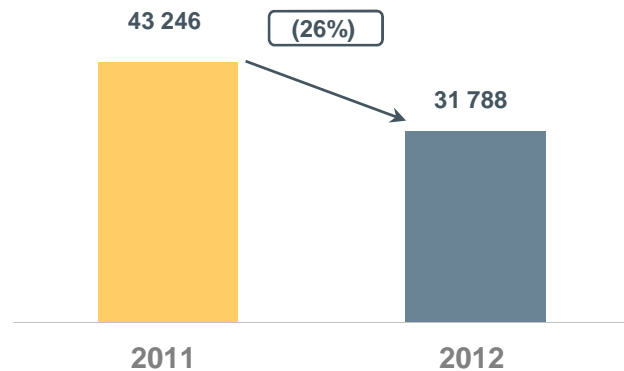
Adjusted operating income (in \$k)



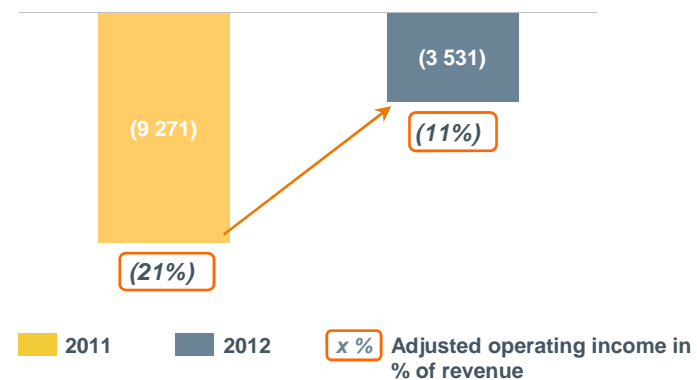
- 2012 revenue at \$ 43m, down 8% y-o-y mainly due to Blackberry's disappointing sales, delayed launch of Blackberry 10 and slower takeoff of NFC market
- Adjusted operating loss due to increased R&D costs (but improved in H2 compared to H1 2012)
- First volume sales of NFC PicoPulse chip (INSIDE's "booster") and introduction of proprietary embedded secure element in Q4 2012

Secure Payment

Revenue (in \$k)



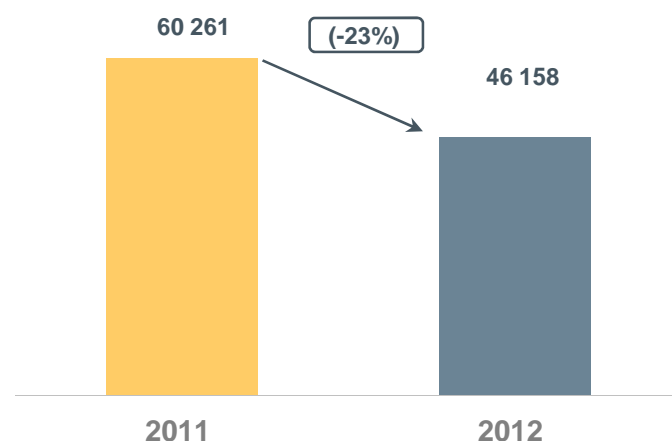
Adjusted operating income (in \$k)



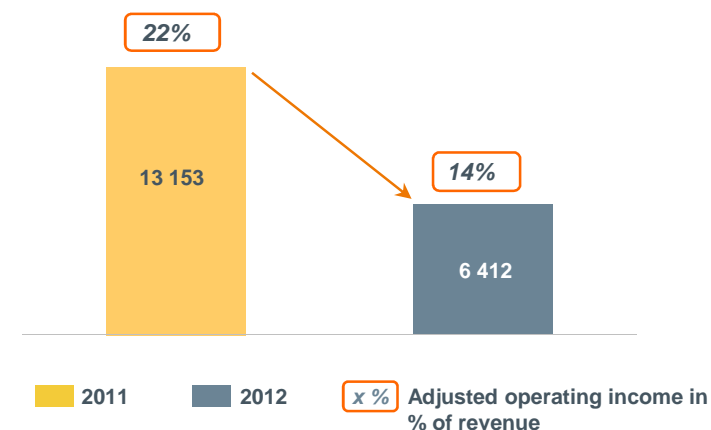
- 2012 revenue down by 26% at \$31.8m, but H2 2012 increases annually by 15% and sequentially by 14%, vs. H1 thanks to rebound of US sales coupled to volumes for EMV card manufacturers in Europe
- Adjusted operating loss divided by 2.6 in 2012 vs. 2011 at -\$3.5m, following redeployed R&D and sales resources to other business lines. H2 2012 loss divided by 2.1 vs. H1
- Overall dynamic remains unchanged, with the US contactless payment market still expecting migration to EMV standards
- US-EMV product offering on track. Further concentration on certification, marketing and sales activities

Digital Security

Revenue (in \$k)



Adjusted operating income (in \$k)



- 2012 revenue down 23% at \$46.2m on y-o-y basis,
- This trend can be explained by different factors:
 - Lower ID volumes in 2012
 - Lower shipments in security modules (due to lower demand)
 - No volume take off on new segments (anti counterfeiting , smart metering)
- Adjusted operating income of \$6.4m representing 14% of revenue, due to a drop in revenue and gross profit

Embedded Security Solutions

- Acquisition of ESS on December 1, 2012 for a cash consideration of \$41.6m paid at closing*
- Transaction in line with increased focus to reinforce the company's position in the fast-growing embedded security solutions market.
- opportunities with other business segments of the group, leading to a wider offering of complementary solutions
- \$5.4m of “normalized” revenue in Q4 and \$1.1m in December (\$0.8M per IFRS); adjusted operating loss of \$0.3m (not representative of business history and dynamics)
- Expected to be accretive to Group's adjusted operating income in 2013, with enhanced gross margins

** net of \$1.6m cash acquired and after an adjustment based on the estimated working capital of the transferred business at closing and completion of certain closing-related transactions . Additional cash consideration of up to \$5.2m subject to completion of certain transactions before April 1, 2013..Purchase price to be reduced by \$0.5m based on the final working capital as at closing date*

*** closing cash consideration , plus: 100% of earn-out, minus final working capital adjustment*

Leveraging Combined Businesses and expertise

Example - Mobile Security: ESS provides security middleware and VPN, DRM apps that leverage INSIDE Secure NFC secure element.



Embedded Security Solutions (cont'd)

- Transaction consideration:

(in millions of \$)

Price paid at closing (1)	42,8
Estimated working capital adjustment at closing	0,4
Transaction consideration at closing	43,3
Final working capital adjustment	(0,5)
Additional payments upon completion of conditions	5,2
Purchase price consideration	47,94

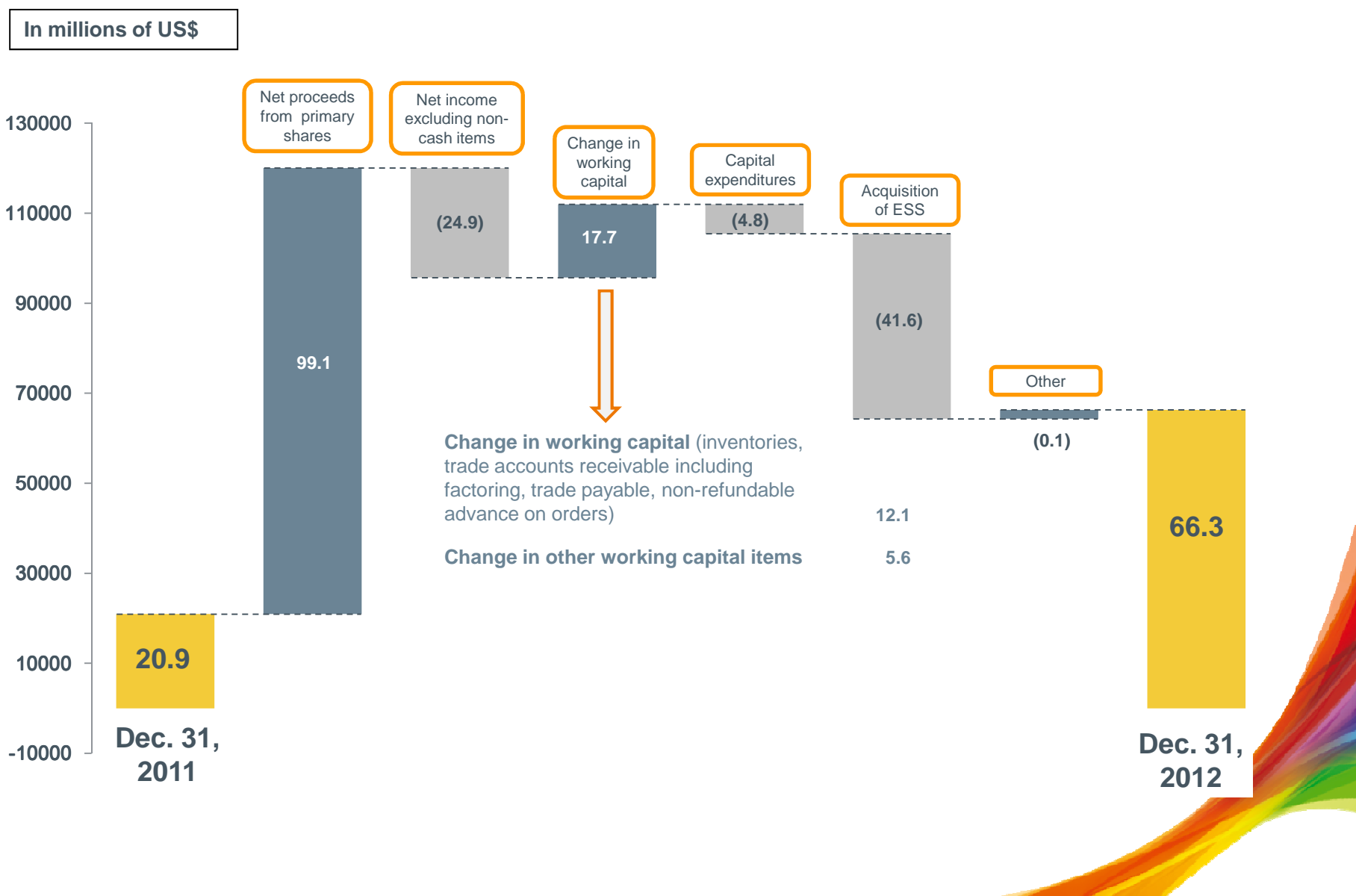
(1) before working capital adjustment and consideration of acquired cash

- Allocation of purchase price:

(in millions of \$)

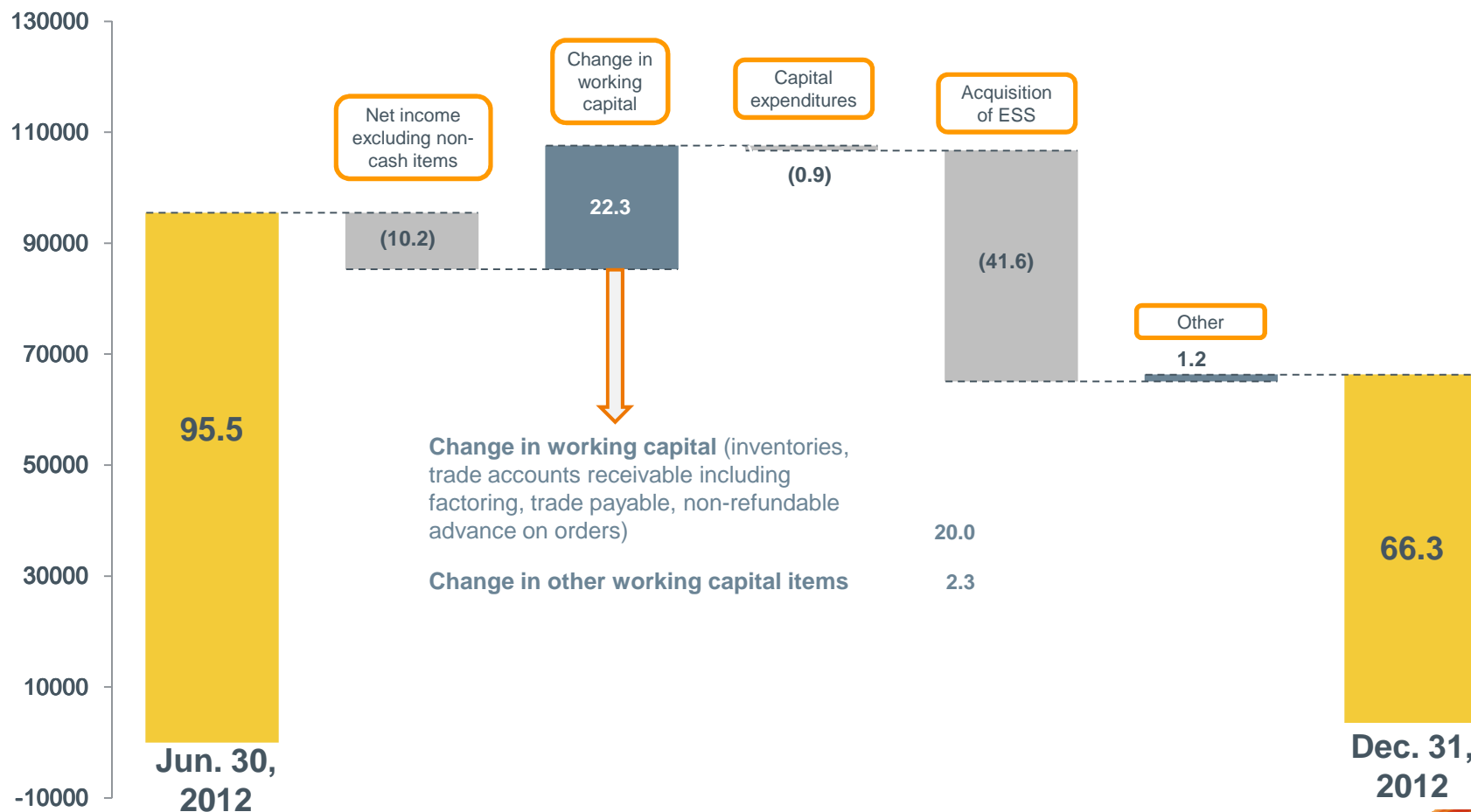
Purchase price consideration	47,9
Intangible assets	33,9
Tangible assets	0,1
Other assets	3,0
Cash and cash equivalents	1,6
Other liabilities	(2,6)
Net assets	36
Goodwill	11,9

Cash flow 2012



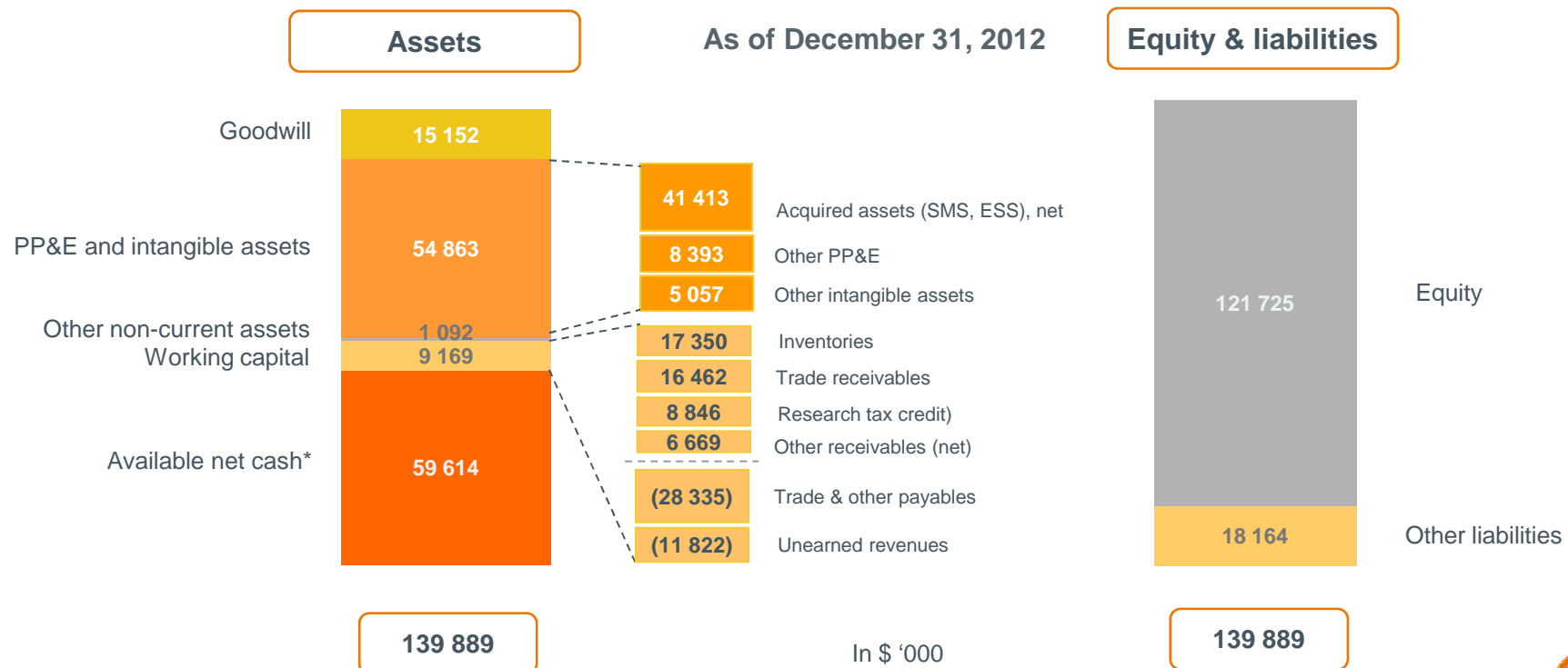
Cash flow H2 2012

In millions of US\$



Balance Sheet

- Net cash* of \$60 m as of Dec. 31, 2012
- No deferred tax asset recognized related to tax loss carry-forward
- Tax loss carry-forward as of Dec. 31, 2012 of \$ 165 m



* See definition in Appendix

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2013: adapting to a fast changing environment

Strategic refocus and a tighter cost control through the proposed reorganization project worldwide .

Given this challenging environment and repositioning, 2014 consolidated revenue target of approximately \$400 million set at IPO no longer relevant, but strong action plan focused on returning to profitability and growth

Adjustment of priorities on the major markets:

- On the **NFC** market:

- differentiated offering with products such as NFC Pulse family (INSIDE Secure's "booster" technology)
- proprietary secure element
- licensing program of the portfolio of NFC patents

- On the **embedded and digital security** market:

- thanks to its technology and to the acquisitions completed (Atmel-SMS in 2010 and Embedded Security Solutions ("ESS") in 2012), the Group is a leader in solutions to secure data, transactions and communications between people, services and connected devices.

INSIDE Secure intends to reinforce its secure solutions offering across the entire value chain of the markets that we serve.

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Definitions

- **Adjusted measures**

- Certain financial measures and performance indicators are presented on an adjusted basis as defined below. These indicators should be considered to be supplementary information, not substitutable for any other indicators of operating and financial performance that are strictly accounting measures, such as those presented in the Group's consolidated financial statements
- Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets and masks related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with business combinations carried out by the Group.

- **Normalized revenue**

- is defined as the revenue of ESS business over the considered period excluding the accounting impacts related to the change of control over ESS which resulted in the non-recognition of a portion of revenue.

- **Net cash**

- Net cash is defined as cash on hand, marketable securities, time deposits and derivative financial instruments, less obligations under finance lease, bank overdraft, bank loans and any additional payment related to business combinations..

P&L reconciliation from IFRS to Adjusted 2012

in thousands of US\$	2012 IFRS	Business combination	Sharebased payments	Other non- recurring costs	2012 adjusted
Revenue	122 047	-	-	-	122 047
Cost of sales	(93 580)	2 734	163	-	(90 684)
Gross margin	28 543	2 734	163	-	31 439
<i>in % of revenue</i>	<i>23,4%</i>				<i>25,8%</i>
R&D expenses	(35 370)	1 783	369	-	(33 218)
Selling & marketing expenses	(18 010)	-	499	-	(17 511)
General & administrative expenses	(9 630)		850	-	(8 780)
Other (losses)/gains, net	(2 811)	-		786	(2 025)
Operating income	(37 278)	4 517	1 880	786	(30 095)
<i>in % of revenue</i>	<i>-30,5%</i>				<i>-24,7%</i>
Finance income, net	(258)			-	(258)
Income tax expense	51			-	51
Net income	(37 485)	4 517	1 880	786	(30 302)
<i>in % of revenue</i>	<i>-30,7%</i>				<i>-24,8%</i>

Business combination: Amortization and depreciation of acquired assets (SMS-Atmel and ESS)

Other non-recurrent costs: restructuring expenses (moving SMS probing activity from Atmel to new subcontractors) and acquisition expenses related to ESS.

P&L reconciliation from IFRS to Adjusted 2011

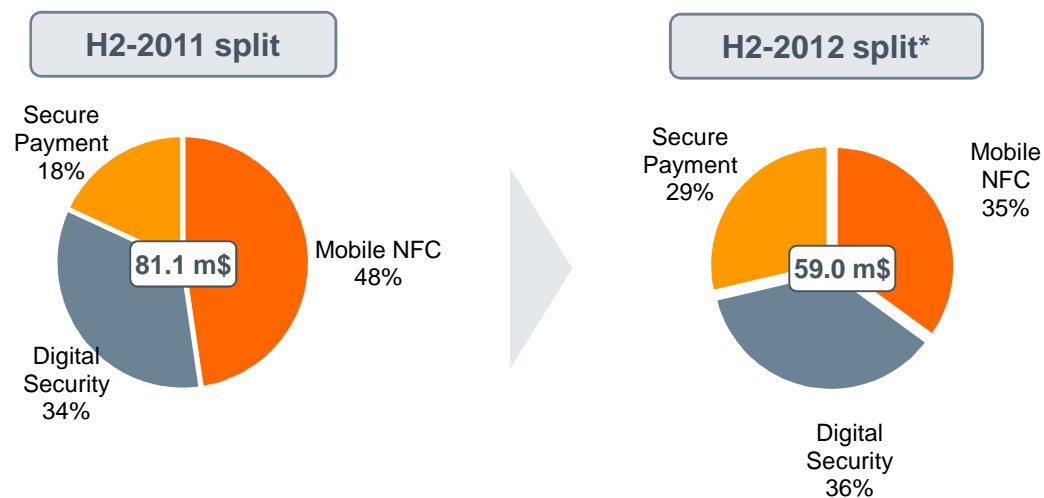
in thousands of US\$	2011 IFRS	Business combination	Sharebased payments	Other non- recurring costs	2011 adjusted
Revenue	151 468				151 468
Cost of sales	(112 004)	2 835	113		(109 056)
Gross margin	39 464	2 835	113	-	42 412
<i>in % of revenue</i>	<i>26,1%</i>				<i>28,0%</i>
R&D expenses	(34 536)	1 462	328		(32 746)
Selling & marketing expenses	(18 175)	716	553		(16 906)
General & administrative expenses	(9 817)		1 007		(8 810)
Other (losses)/gains, net	(1 398)	885		514	-
Operating income	(24 462)	5 897	2 000	514	(16 052)
<i>in % of revenue</i>	<i>-16,2%</i>				<i>-10,6%</i>
Finance income, net	1 503				1 503
Income tax expense	(74)				(74)
Net income	(23 033)	5 897	2 000	514	(14 622)
<i>in % of revenue</i>	<i>-15,2%</i>				<i>-9,7%</i>

Business combination: Amortization and Depreciation of acquired assets (SMS-Atmel)

Other non-recurrent costs: restructuring expenses essentially for moving probing activity from Atmel to new subcontractors.

Revenue H2 2012

in thousands of US\$	H2-2012 consolidated	H2-2011 consolidated	H1-2012 consolidated	% Y-o-Y	% H-to-H
Mobile NFC	20 655	38 657	22 606	-47%	-9%
Secure Payment	16 922	14 672	14 866	15%	14%
Digital Security	21 430	27 779	24 728	-23%	-13%
Embedded Security Solutions	840			-	-
Total Revenue	59 848	81 108	62 200	-26%	-4%



* Excluding ESS

Income statement H1& H2 2012

in thousands of US\$	H2-2012 consolidated	H2-2011 consolidated	H1-2012 consolidated
Revenue	59 847	81 108	62 200
Cost of sales	(45 778)	(61 515)	(47 726)
Gross margin	14 069	19 593	14 473
<i>in % of revenue</i>	<i>23,4%</i>	<i>24,2%</i>	<i>23,3%</i>
R&D expenses	(16 056)	(18 154)	(19 314)
Selling & marketing expenses	(8 964)	(8 640)	(9 046)
General & administrative expenses	(4 901)	(4 763)	(4 729)
Other (losses)/gains, net	(2 208)	(1 349)	(603)
Operating income	(18 060)	(13 313)	(19 218)
<i>in % of revenue</i>	<i>-30,2%</i>	<i>-16,4%</i>	<i>-30,9%</i>
Adjusted operating income	(13 917)	(8 757)	(16 178)
<i>in % of revenue</i>	<i>-23,3%</i>	<i>-10,8%</i>	<i>-26,0%</i>

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Financial Calendar

Q1 2013 Revenue	April 25, 2013
AGM	June 19, 2013
H1 2013 Earnings	August 2, 2013
Q3 2013 Revenue	October 24, 2013

Website

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