INSIDE Secure - 2012 Annual Results

- **Consolidated revenue of $122 million for the year**
- **Adjusted operating loss[1] of $30.1 million, impacted by the disappointing performance from the NFC business**
- **Cost saving plan initiated in the second half of the year**
- **Streamlining project being launched, aimed at saving $13 million once fully implemented**
- **Focus on differentiated offering around NFC technology and strengthened security solutions offering**

Aix-en-Provence, France, March 6, 2013 – INSIDE Secure (NYSE Euronext FR0010291245 - INSD), a leader in semiconductor and software solutions for securing transactions, content and digital identity, is today reporting its audited consolidated results for the year ended December 31, 2012. The results were prepared by the Management Board and reviewed by the Supervisory Board on March 5, 2013.

Financial results for the full year 2012 – Key figures

	Adjusted		IFRS	
(in thousand of dollars)	**2012**	**2011**	2012	2011
Revenue	**122 047**	**151 468**	122 047	151 468
Gross profit	**31 439**	**42 412**	28 543	39 464
As a % of revenue	***25,8%***	***28,0%***	*23,4%*	*26,1%*
Operating income	**(30 095)**	**(16 052)**	(37 278)	(24 462)
As a % of revenue	***-24,7%***	***-10,6%***	*-30,5%*	*-16,1%*
Net Income	**(30 302)**	**(14 622)**	(37 485)	(23 033)
As a % of revenue	***-24,8%***	***-9,7%***	*-30,7%*	*-15,2%*

2012 saw major changes in the business environment for INSIDE Secure ("the Group"), leading to a decrease in both its revenue and operating performance. INSIDE Secure notably suffered from the difficulty experienced by a number of major clients of its mobile NFC division, which were impacted by the transformation of the industry, and by a slowdown in the NFC market growth.

In this context, the Group implemented cost saving measures from the second half of 2012 onwards in order to reduce operational costs, focusing initially on external charges and expenses and on tangible and intangible capital expenditure all whilst preserving the means necessary to simultaneously complete several key research and development programmes.

[1]*Some financial measures and performance indicators are presented on an adjusted basis as defined in Appendix 2 of this press release. These indicators are not defined under IFRS and do not constitute accounting elements used to measure the Group's financial performance. They 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 in Appendix 1.*

These changes have forced the Group to swiftly adjust its development strategy and adjust its priorities on its major markets:

- On the **NFC** market: by giving priority to an innovative and differentiated offering with products such as the NFC Pulse family (INSIDE Secure's "booster" technology) and a proprietary secure element; and by leveraging the Group's patent portfolio through an ambitious licensing programme.

- On the **embedded 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 already a leader in solutions to secure data, transactions and communications between people, services and connected devices. INSIDE Secure intends to reinforce its global offer for the entire value chain of security applications:

    - By leveraging the ESS business to widen the Group's embedded security solutions offer on the entire value chain with a positioning at application level (eg. Virtual private network, data-protection) and to diversify the Group's revenue model with high-yield patents and royalties.

    - By combining the different technologies that the Group owns and masters in security platforms, a portfolio of solutions is being developed to address numerous markets (payments, identification, machine-to-machine, smart grid, data and intellectual property protection, fight against counterfeit, data storage or exchange…)

- Implementation of an adapted organization in line with this new strategy and launch of a reorganization project of its worldwide activities, which might lead to the potential reduction of around 20% of the global workforce. This project will be carried out in accordance with the laws and regulations of all relevant territories. As far as France is concerned, the project will be the subject to an "information and consultation process" with employee representative bodies. Embedded Security Solutions, acquired by the Group in December 2012, is not affected by this reorganisation. This reorganisation should lead to the disbursement of an amount estimated at $7 million. The Group aims to reduce operating expenses by $13 million on an annualised basis once the project has been fully implemented.

- As a consequence of the major developments in the NFC market and of the evolution of INSIDE Secure's strategy and positioning, the Group considers that the consolidated revenue target set at approximately $400 million for 2014 (based on constant consolidation perimeter and exchange rates), as announced during its IPO, is now obsolete.

These measures should enable INSIDE Secure to regain profitability and to return to growth.

Commenting on these results, **Rémy de Tonnac, chief executive officer of INSIDE Secure**, declared:

"INSIDE Secure recorded a disappointing performance in 2012, with annual revenue down 19% to $122 million and an adjusted operating loss of $30.1 million, which were not sufficiently offset by our first cost reduction measures launched in the second half of the year.

This bad news, which is mainly due to the great upheavals in the business environment in which we operate and to the difficulties encountered by our main client in the Mobile NFC segment, is leading us to refocus our business and adapt our organization model and our cost structure. In this context, we therefore announce today a reorganization project which might lead us to let go some of our colleagues. For me, it is a difficult but necessary decision, which will enable INSIDE Secure to stabilise financially in order to bounce back.

To return to growth, our Group must continue to adapt rapidly and to maintain its technological differentiation, as shown by our targeted acquisition of the Embedded Security Solutions business. This will enable us to develop a solid business model, thanks to a differentiated offering, leveraging our expertise and know-how."

Financial information for the fourth quarter and full year 2012

Fiscal Year 2012 - Revenue by Business Segment

(in thousands of US$)	2012	2011	year-on-year %
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	**122 047**	**151 468**	**-19%**

INSIDE Secure's consolidated revenue was down 19% year-on-year in 2012 at $122.0 million. Consolidated revenue incorporates Embedded Security Solutions ("ESS"), consolidated as from December 1st, 2012. Normalised revenue[2] totalled $148.2 million for the year 2012.

Fourth Quarter 2012 - Revenue by Business Segment

(in thousands of US$)	Q4-2012	Q4-2011	Q3-2012	year-on-year %	quarter-to-quarter %
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	**31 264**	**44 654**	**28 583**	**-30%**	**9%**

Consolidated revenue, at $31.3 million in the 4th quarter 2012, was down 30% compared with the 4th quarter of 2011, and up 9% compared with the 3rd quarter of 2012.

[2] *Normalised revenue is defined as the combined revenue of the historical activities of INSIDE Secure and ESS for the year ended December 31, 2012 excluding the accounting impacts related to the change of control over ESS which resulted in the non-recognition of a portion of revenue..*

Adjusted operating result

(in thousand of dollars)	2012	2011	%var.
Revenue	122 047	151 468	-19,4%
Adjusted gross profit	**31 439**	**42 412**	-25,9%
As a % of revenue	*25,8%*	*28,0%*	
Research and development expenses	(33 218)	(32 746)	1,4%
As a % of revenue	*-27,2%*	*-21,6%*	
Selling and marketing expenses	(17 511)	(16 907)	3,6%
As a % of revenue	*-14,3%*	*-11,2%*	
General and administrative expenses	(8 780)	(8 810)	-0,3%
As a % of revenue	*-7,2%*	*-5,8%*	
Other gains / (losses), net	(2 025)	(0)	
Adjusted operating expenses	**(61 534)**	**(58 464)**	5,3%
As a % of revenue	*-50,4%*	*-38,6%*	
Adjusted operating income / (loss)	**(30 095)**	**(16 052)**	87,5%
As a % of revenue	*-24,7%*	*-10,6%*	

Adjusted gross profit declined by $11 million in 2012, translating both a decrease in revenues and a decrease in the average gross margin due to a less favourable product mix (mainly translating lesser revenues in the Digital Security division which contribute strongly to the gross margin).

R&D expenses slightly increased in 2012 (+1.4%), with the NFC business attracting a greater share of spending (70% vs. 56% in 2011). The Group was thus able to simultaneously develop several major programmes: development of the latest version of NFC microcontroller, design of the next generation NFC technology in partnership with Intel, design of the proprietary embedded secure element, and the first sales of the PicoPulse™ chip (INSIDE Secure's "booster" technology).

Sales & marketing expenses, as well as General and administrative expenses increased by 2.2% in 2012 vs. 2011, but decreased in the second half vs. the first half of the year, excluding the impact of a $0.7 million allowance for doubtful trade account receivable recorded in the 4th quarter 2012.

The cost saving plan initiated in July 2012 started to bear fruit from the 4th quarter of the year, with a reduction in external charges, namely of outsourced R&D, and in tangible and intangible capital expenditure.

At constant exchange rates, ordinary operating expenses were reduced by 6% in the second half vs. H1 2012.

Adjusted operating income fell from a $16.1 million loss in 2011 (or 10.6% of revenues) to a $30.1 million loss in 2012 (24.7% of revenues), due mainly to NFC's disappointing performance.

Faced with deteriorating trading conditions from the second quarter 2012, the Group gradually implemented early cost cutting measures to reduce operating expenses, without however undermining the implementation of its innovation programme and of its major new products (such as the proprietary embedded security element and the Pulse product family based on the "booster" technology).

During the second half of 2012, the decline in adjusted operating income was more contained, with a loss of $13.9 million vs $16.2 million in H1 (see Appendix 3).

Net financial items

Net financial items at December 31, 2012 represented an expense of $0.3 million, compared with a profit of $1.5 million for the year ended December 31, 2011. The deterioration is mainly due to the EUR/USD exchange rate fluctuation. Foreign exchange loss incurred in 2012 is mainly due to the impact of the revaluation at the closing rate of cash denominated in euros. Foreign exchange gains realised in 2011 were mainly due to a favourable trend in the EUR/USD exchange rate over 2011.

It is worth highlighting that realized operating exchange gains and losses over the year and the impact of the revaluation at the closing rate of operating assets and liabilities denominated in a currency other than the functional currency of the consolidated companies are now recorded under operating income (see section 27 of the notes to the consolidated financial statements for the year ended December 31, 2012). This presentation method in compliance with IFRS was applied for the first time in 2012.

Net income

The Group's adjusted net loss widened from $14.6 million in 2011 to $30.3 million in 2012. Consolidated net income (IFRS), Group share for 2012 represented a loss of $37.5 million in total, and earnings per share amounted to $1.19 (compared with $1.06 at December 31, 2011).

Business Segment Analysis

	Fiscal year ended December 31, 2012					
(in thousand of dollars)	**Mobile NFC**	**Secure payment**	**Digital security**	**Embedded security solutions**	**Common unallocated**	**Total 2012**
Revenue	43 261	31 788	46 158	840	-	122 047
Contribution to revenue	*35%*	*26%*	*38%*	*1%*	-	*100%*
Operating income	(31 757)	(5 022)	2 853	(1 116)	(2 237)	(37 278)
Adjusted operating income	(30 451)	(3 531)	6 412	(288)	(2 237)	(30 095)
As a % of revenue	*-70%*	*-11%*	*14%*	*-34%*		*-25%*

	Fiscal year ended December 31, 2011					
(in thousand of dollars)	**Mobile NFC**	**Secure payment**	**Digital security**	**Embedded security solutions**	**Common unallocated**	**Total 2011**
Revenue	47 961	43 246	60 261	-	-	151 468
Contribution to revenue	*32%*	*29%*	*40%*	-	-	*100%*
Operating income	(18 251)	(11 489)	8 674	-	(3 396)	(24 462)
Adjusted operating income	(17 258)	(9 271)	13 153	-	(2 676)	(16 052)
As a % of revenue	*-36%*	*-21%*	*22%*			*-11%*

Note: Unallocated expenses correspond to unused capacity not allocated to business segments

Mobile NFC

Revenues totalled $43.3 million for the year, down 10% versus 2011, mainly due to a strong decline in mobile handset sales by Blackberry, the Group's main client, and to the postponement until 2013 of their new generation *smartphones* (Blackberry 10).

In the 4th quarter 2012, Mobile NFC sales increased 28% sequentially, to $11.6 million, supported mainly by the segment's two major clients (Blackberry and Intel), without however showing signs of sustained recovery on this segment for INSIDE Secure.

Over the quarter, the Group sold its first volumes of its NFC PicoPulse chip (INSIDE Secure's “booster” technology) which provides the main functions of NFC in a single packaging, including the antenna, on a SIM card), and introduced its proprietary embedded security element in the market.

The decline in the operating result was less in the 2nd half of the year, but amounted to -$30.5 million in 2012 (which explains the totality of the Group's loss), versus -$17.3 million in 2012.

Beyond the negative impact of the decrease in revenue, this loss was aggravated by increased R&D expenses, namely in new value-added products, such as the NFC “Booster” or the Group's proprietary embedded security element. However, the Group believes that it has incurred the major share of its research and development costs in 2012 as several major research programmes have been conducted simultaneously.

Secure Payment

After a sharp decline in sales at the start of the year, the segment recovered during the last months of the year. Sales rose 7% Q-o-Q and 28% Y-o-Y at $8.8 million in the 4th quarter. Contact chip sales for the European EMV market stabilised while contactless chip sales in the US market rose slightly, helping to limit the decline in sales to $31.8 million for the year.

However market dynamics remain unchanged overall: the US contactless payment market is still impacted by the anticipated migration towards a new EMV-type standard.

The adjusted operating loss for this segment was reduced to $3.5 million in 2012, down 71% compared with 2011. The loss has been divided by 2.1 in the 2nd half 2012 compared with the 1st half.

Digital Security

In 2012, Digital security sales totalled $46.2 million, down 23% compared with 2011. At $10.0 million, 4th quarter 2012 sales were down 12% compared with the 3rd quarter. This is due to several reasons:

- Products designed for electronic document identification saw a severe decrease in sales, an anticipated result of the transition phase on the sale by Atmel of its SMS business and its integration into the Group;
- Secure module sales to various clients were down, due to lower demand in 2012 compared with a strong year in 2011;
- Conditional access products (such as Pay-TV products), posted firm growth, driven in particular by new customers. However, the latter has been insufficient to offset the decline in sales of the product lines mentioned above.

Marketing and sales efforts aimed at broadening the digital security product and service offering toward markets offering good growth potential, such as anti-counterfeiting, smart metering and machine-to-machine solutions have not yet enabled the Group to offset the lower revenues from its legacy businesses. In smart metering, INSIDE Secure achieved its first *design-ins* in the third quarter. The Group also announced several new distribution agreements in Europe and Latin America thus broadening its business footprint. The Group intends to invest more in this division in 2013.

Adjusted operating income amounted to $6.4 million in 2012, representing 14% of this segment's revenue.

Embedded Security Solutions

On December 1, 2012, INSIDE Secure finalised the acquisition of Embedded Security Solutions, a high expertise business which designs and develops encryption-related security hardware, intellectual property (IP) and software for a variety of industries, including the mobile and networking markets.

This strategic acquisition has enabled INSIDE Secure to reinforce its know-how in the fast-growing security solutions market, and brought INSIDE Secure complementary offerings for a complete security architecture, as well as additional solutions for securing both content (Digital Rights Management or "DRM") and data exchange (Virtual Private Network or "VPN").

Revenues are generated in the form of royalties, licence fees and sales of maintenance services. Consolidated as from December 1, 2012, ESS contributed $840 thousand to the Group's revenues in 2012. The normalised[3] consolidated revenue for December 2012 amounted to $1.1 million and $5.4 million for the 4th quarter 2012. For the full year 2012, ESS' normalised revenue stand at $26.8 million (vs. $25.3 million in 2011).

In 2013, the revenue, as prepared in accordance with IFRS, will be reduced by $2 million due to the change of control of ESS, which led to the elimination of some deferred revenue corresponding to

[3] *ESS normalised revenue is defined as the revenue of the 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*

license agreements signed and paid ahead of the divesture. As a result, and to provide a meaningful basis for comparison (like for like), INSIDE Secure will report both its consolidated revenue under IFRS and its normalised revenue. It is also worth highlighting that ESS' revenue can vary significantly from one quarter to another, depending mainly on the product mix (licence fees, royalties); on the date the Group is notified of the sales level recorded by its clients which determines the amount of variable royalties it receives; and on the amount of the contracts signed over a given period.

ESS reported an adjusted operating loss of $0.3 million. Over a single month however, and given the transition, ESS' adjusted operating income does not give a fair representation of this business segment's typical performance.

Cash flow

As at December 1, 2012, the Group's cash position stood at $66.3 million compared with $20.9 million in 2011 and $95.5 million as at June 30, 2012 (after the initial public offering of INSIDE SECURE on the NYSE Euronext market in Paris on February 12, 2012).

The resilience of the cash position at year end, despite the $41.6 million disbursement for the acquisition of ESS, is a result of the Group's efforts to optimise its operating resources and reduce its working capital requirement. In the 2nd half of 2012, the Group thus managed to improve its cash position by $12.4 million.

The Group's net cash[4] position stood at $59.6 million as at December 31, 2012, compared with $18.5 million for the year ended December 31, 2011.

<u>Net cash from operating activities</u>

Net cash used in operating activities amounted to -$12.5 million in 2012 vs. -$11.0 million in 2011. In 2012, the net cash used in operations, adjusted for depreciation and amortization charges and reversals reached $24.9 million (vs. $7.6 million in 2011), partly offset by a $11.9 million reduction in working capital requirement (vs. a $3.1 million reduction in 2011). In particular, inventories fell by 25% compared with December 31, 2012 (and 31% vs. June 30, 2012). The working capital requirement was therefore very low for the year ended December 31, 2012.

The research tax credit recognized in 2010, which had given rise to a tax audit, was paid in full to the Group on July 4, 2012 for a total amount of $4.2 million, the tax audit having led to no adjustment.

Operating activities generated cash for $11.9 million in the 2nd half 2012 as opposed to a net outflow of -$25.3 million in the 1st half 2012.

<u>Investing activities</u>

On December 1, 2012, the Group finalised the acquisition of ESS. On completing the transaction, INSIDE Secure paid a purchase price consideration of $41.6 million net of cash acquired and after an adjustment based on an initial estimate of the working capital of the transferred business. In January 2013, the Group requested a $0.5 million reduction on the purchase price based on the final working capital requirement; the said amount is due to be paid to the Group in March 2013. In addition, INSIDE Secure made a $1.8 million additional payment in January 2013 upon the fulfilment of certain conditions. The Group could pay up to a complementary $3.4 million if all the conditions set out in the agreement are met by April 1st, 2013.

During the year 2012, the Group also purchased tangible and intangible fixed assets for $4.8 million (vs. $5.4 million in 2011) and significantly limited during the second half of 2012.

[4] *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.*

Financing activities

With its IPO on the NYSE Euronext market in Paris in February 2012,, the Group realized a capital increase of $98.7 million (€75.0 million) after deduction of IPO fee and expense paid in 2012.

In 2012, the Group also received $2.5 million from OSEO (French government agency) relating to research and innovation programmes (such advances are repayable only if the sales targets defined contractually are met).

Lastly, the financing of the research tax credit, recognised in 2011, obtained from a financial institution which does not qualify for de-recognition according to IFRS, is presented within financial liabilities. Its maturity was set to June 2015. This financing amounts to $5,852 thousand and corresponds to 90% of the research tax credit receivable. The remaining 10% will be paid to the Company in June 2015 at the maturity of the contract; as a consequence the financial debt will be extinguished.

Excluding this financing, the Group contracted no significant financial debt in 2012.

Outlook for 2013

In the changing and increasingly competitive NFC market, INSIDE Secure maintains key strengths and an undisputed know-how. The Group's R&D investments will be more targeted, thus enabling, by leveraging its strengths and IP portfolio, the market launch of more differentiated products such as the proprietary embedded security element or the “booster” offering. Consistent with this focus, the Group announced in February 2013 of the commercialisation of the ComboPulse™ secured NFC module, a solution integrating the PicoPulse™ NFC “booster” chip, a VaultSEcure™ Java Card secure element, an antenna and all passive components in a small-size and ready-to-use module enabling easier NFC deployment at a reduced cost in many electronic devices such as tablets, personal media players and entry-level mobile phones and other smart mobile devices).

On the Secure Payment segment, the Group continues to focus its efforts on developing a semiconductor platform in order to position itself in the US payments market where the rollout of next generation smart card technology is expected to begin in 2013. The first platform developed by the Group for the adoption of the EMV standard in the US has recently been certified by Mastercard, and the VISA certification is on-going.

In 2013, the Group intends to step up its investments in its Digital Security division. More broadly, and in line with its strategic refocusing, the Group will strengthen its embedded, technology-intensive, solutions offering in markets increasingly interconnected with on-board security in all forms. By combining the expertise obtained through completed acquisitions, namely of ESS, the Group will thus offer solutions for securing content at the heart of some critical applications (Digital Rights Management or "DRM"), digital security and transactions.

Conference call

Management will comment on the results for the year 2012 in a conference call on March 7 2013 at 8:30 am (Paris). Access to the call will be by dialing one of the following numbers: +33 1 70 77 09 34 (France), + 44 20 3367 9453 (UK) or + 1 866 90 75 923 (USA).

The presentation and question and answer session will be available online, and approximately 3 hours after the end of the presentation on the INSIDE Secure site, and will remain posted there for one year.

Financial Calendar

- Conference call on the results of the year 2012: March 7, 2013 at 8:30 am (Paris)
- Publication of revenue for the 1st quarter of 2013: April 25, 2013 (before trading)
- Annual General Meeting of Shareholders: June 19, 2013
- Publication of consolidated results for the first half of the year 2013: August 2, 2013 (before trading)
- Publication of revenue for the 3rd quarter of 2013: October 24, 2013 (before trading)

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About INSIDE Secure

INSIDE Secure (NYSE Euronext Paris FR0010291245 – INSD.PA), is a leading designer, developer and supplier of semiconductor and software solutions for securing transactions, content and digital identity. INSIDE Secure mobile NFC, secure payment, embedded security and digital security solutions provide security for a wide range of information processing, storage and transmission applications. The company's customers are found in a wide range of markets including mobile payment, identification documents, access control, transit, electronic device manufacturing, pay television, mobile handsets and wireless content and service providers. For more information, visit www.insidesecure.com

Forward-looking statements

This press release contains certain forward-looking statements concerning the INSIDE Secure group. Although INSIDE Secure believes its expectations to be based on reasonable assumptions, they do not constitute guarantees of future performance. The group's actual results may accordingly differ materially from those anticipated in these forward-looking statements owing to a number of risks and uncertainties. For a more detailed description of these risks and uncertainties, please refer to the "Risk Factors" section of the annual financial report of 27 April 2012, available on www.insidesecure.com.

Appendix 1 - Consolidated income statement, balance sheet and cash flow statement (IFRS)

The following tables form part of the annual consolidated financial statements, prepared in accordance with IFRS, which are available on the Company's website.

INSIDE Secure has chosen the US dollar (USD) as the presentation currency for its consolidated financial statements. The dollar is the company's functional currency, and most of its transactions are denominated in USD. It is the main trading currency used by the company and in the semiconductor industry in relations between customers and suppliers.

Consolidated income statement

	Year ended December 31,	
In thousands of US$	**2011**	**2012**
Revenue	**151 468**	**122 047**
Cost of sales	(112 004)	(93 504)
Gross profit	**39 464**	**28 543**
Research and development expenses	(34 536)	(35 370)
Selling and marketing expenses	(18 175)	(18 010)
General and administrative expenses	(9 817)	(9 630)
Other gains / (losses), net	(1 398)	(2 811)
Operating loss	**(24 462)**	**(37 278)**
Finance income / (losses), net	1 503	(258)
Loss before income tax	**(22 959)**	**(37 536)**
Income tax expense	(74)	51
Loss for the year	**(23 033)**	**(37 485)**
Attributable to:		
Equity holders of the Company	(23 033)	(37 485)

Earnings per share attributable to the equity holders of the Company during the year

Basic earnings per share	(1,06)	(1,19)
Diluted earnings per share	(1,06)	(1,19)

Consolidated balance sheet

Assets

In thousands of US$	As at December 31, 2011	2012
Goodwill	3 251	15 152
Intangible assets	6 877	42 052
Property and equipment	16 812	12 810
Other receivables	7 287	16 163
Non-current assets	**34 227**	**86 177**
Inventories	23 276	17 350
Trade receivables	18 711	16 462
Other receivables	10 474	6 669
Derivative financial instruments	216	145
Cash and cash equivalents	20 940	66 321
Current assets	**73 618**	**106 946**
Total assets	**107 845**	**193 124**

Equity and liabilities

In thousands of US$	As at December 31, 2011	2012
Ordinary shares	11 369	17 822
Share premium	133 021	225 570
Other reserves	9 772	12 386
Retained earnings	(73 535)	(96 568)
Income / (loss) for the year	(23 033)	(37 485)
Equity attributable to equity holders of the Company	**57 594**	**121 725**
Non-controlling interests	-	-
Total equity	**57 594**	**121 725**
Intangible liabilities - Non-current portion	11 711	10 635
Financial debts	963	6 902
Repayable advances	852	3 443
Retirement benefit obligations	1 183	1 749
Non-current liabilities	**14 708**	**22 729**
Intangible liabilities - Current portion	1 168	1 583
Financial instruments	1 348	179
Trade and other payables	29 977	28 335
Additionnal payment on ESS acquisition	-	5 188
Financial debts	357	808
Provisions for other liabilities and charges	318	754
Deferred income	2 372	11 822
Current liabilities	**35 542**	**48 669**
Total liabilities	**50 250**	**71 399**
Total equity and liabilities	**107 845**	**193 124**

Consolidated cash flow statement

In thousands of US$	December 31, 2011	December 31, 2012
Loss for the period	**(23 033)**	**(37 485)**
Adjustments for:		
Depreciation of tangible assets	6 829	6 797
Amortization of intangible assets	2 089	2 538
Impairment of assets acquired as part of acquisition of business	1 713	-
Reversal of intangible liabilities	(829)	-
Impairment of receivables	(5)	664
Impairment of inventories	2 824	151
(Profit) / loss on disposal of property and equipment	-	(13)
Share-based payment	2 000	1 880
Change in retirement benefit obligation	281	144
Finance income, net	805	18
Income tax	74	(51)
Variation in provisions for risks	(354)	421
Cash used in operations before changes in working capital	**(7 605)**	**(24 936)**
Changes in working capital		
Inventories	(9 111)	5 873
Trade receivables	1 013	2 243
Trade receivables transferred	11 052	1 714
Other receivables	(1 748)	(368)
Research tax credit and grants	(6 327)	(2 878)
Trade and other payables	2 535	(4 189)
Non refundable advance on order backlog	-	6 460
Other payables	(498)	3 036
Cash used in changes in working capital	**(3 083)**	**11 891**
Cash used in operations	**(10 688)**	**(13 046)**
Interest received, net	(128)	612
Income tax paid	(194)	(74)
Net cash used in operating activities	**(11 010)**	**(12 508)**
Cash flows from investing activities		
Acquisition of business, net of cash acquired	-	(41 635)
Purchases of property and equipment	(4 367)	(2 119)
Purchases of intangible assets	(1 029)	(2 718)
Research and development capitalized costs	(1 188)	(973)
Payments corresponding to intangible liability	(1 409)	(1 064)
Net cash used in investing activities	**(7 993)**	**(48 509)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	446	104 950
Direct costs paid related to the IPO	(2 039)	(5 840)
Repayable advance	852	2 491
Proceeds from / (Repayment of) financial debts net of issuance costs	-	5 852
Principal repayment under finance lease	(225)	(463)
Treasury shares	-	(501)
Settlement of foreign exchange hedging instruments	-	(161)
Overdraft	-	276
Net cash generated/ (used) in financing activities	**(965)**	**106 604**
Net increase / (decrease) in cash and cash equivalents	**(19 969)**	**45 587**
Cash and cash equivalents at beginning of period	41 178	20 940
Effect of exchange rate fluctuation	(269)	(206)
Cash, cash equivalents at end of period	**20 940**	**66 321**

Appendix 2 - Non-GAAP measures – Reconciliation of IFRS results with adjusted results

The performance indicators presented in this press release that are not strictly accounting measures (adjusted operating result, and adjusted income /(loss)) are defined below. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the Group's financial performance. They should be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of strict accounting nature, as presented in the Group's consolidated financial statements and the corresponding notes. The Group uses these indicators because it believes they are useful measures of its operating performance and of its operating cash flow generation. These indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently than the Group, even though they use similar terms.

Adjusted gross profit is defined as gross profit 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.

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.

Adjusted net income/(loss) is defined as net 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, and also takes into account the tax expense adjustment recorded in the income statement and related to restated elements.

The tables below present reconciliations between the income statement figures in this document and the adjusted financial aggregates as defined above, for the years ended 31 December 2011 and 2012:

(in thousand of dollars)	December 31, 2012 IFRS	Business combinations	Share-based payment	Other non-recurring costs	December 31, 2012 adjusted
Revenue	122 047				122 047
Cost of sales	(93 504)	2 734	163		(90 608)
Gross profit	**28 543**	**2 734**	**163**	**-**	**31 439**
As a % of revenue	*23,4%*				*25,8%*
R&D expenses	(35 370)	1 783	369		(33 218)
Selling & marketing expenses	(18 010)		499		(17 511)
Genaral & administrative expenses	(9 630)		850		(8 780)
Other (losses)/gains, net	(2 811)			786	(2 025)
Operating income / (loss)	**(37 278)**	**4 517**	**1 880**	**786**	**(30 095)**
As a % of revenue	*-30,5%*				*-24,7%*
Finance income, net	(258)				(258)
Income tax expense	51				51
Net income	**(37 485)**	**4 517**	**1 880**	**786**	**(30 302)**

(in thousand of dollars)	December 31, 2011 IFRS	Business combinations	Share-based payment	Other non-recurring costs	December 31, 2011 adjusted
Revenue	151 468				151 468
Cost of sales	(112 004)	2 835	113		(109 056)
Gross profit	**39 464**	**2 835**	**113**	**-**	**42 412**
As a % of revenue	*26,1%*				*28,0%*
R&D expenses	(34 536)	1 462	328		(32 746)
Selling & marketing expenses	(18 175)	716	553		(16 907)
Genaral & administrative expenses	(9 817)		1 007		(8 810)
Other (losses)/gains, net	(1 398)	885		513	(0)
Operating income / (loss)	**(24 462)**	**5 898**	**2 000**	**513**	**(16 052)**
As a % of revenue	*-16,1%*				*-10,6%*
Finance income, net	1 503				1 503
Income tax expense	(74)				(74)
Net income	**(23 033)**	**5 898**	**2 000**	**513**	**(14 622)**

Note: Unallocated expenses correspond mainly to unused capacity not allocated to business segments

Appendix 3 - Adjusted results for the first and second half of fiscal year 2012 (unaudited)

(in thousand of dollars)	H1-2012	H2-2012	2012
Revenue	62 200	59 847	122 047
Adjusted gross profit	15 619	15 820	31 439
As a % of revenue	*25,1%*	*26,4%*	*25,8%*
Research and development expenses, adjusted	(18 297)	(14 922)	(33 218)
As a % of revenue	*-29,4%*	*-24,9%*	*-27,2%*
Selling and marketing expenses, adjusted	(8 782)	(8 729)	(17 511)
As a % of revenue	*-14,1%*	*-14,6%*	*-14,3%*
General and administrative expenses, adjusted	(4 281)	(4 499)	(8 780)
As a % of revenue	*-6,9%*	*-7,5%*	*-7,2%*
Other gains / (losses), net, adjusted	(437)	(1 588)	(2 025)
Adjusted operating expenses	**(31 797)**	**(29 737)**	**(61 534)**
As a % of revenue	***-51,1%***	***-49,7%***	***-50,4%***
Adjusted operating income	**(16 178)**	**(13 917)**	**(30 095)**
As a % of revenue	*-26,0%*	*-23,3%*	*-24,7%*
Financial income, net	(1 846)	1 588	(258)
Income tax expense	(49)	100	51
Adjusted net income	**(18 073)**	**(12 229)**	**(30 302)**
As a % of revenue	*-29,1%*	*-20,4%*	*-24,8%*