



*driving*  
*trust*

**INSIDE Secure**  
2013 Earnings Presentation

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February 21, 2014

**inside**  
SECURE

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# *Agenda*

2013 Key Highlights

Q4 Revenue and Full Year Financial Overview

2014 Outlook

Q & A

Appendix

## 2013 Key Highlights

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# 2013 Key Highlights

- 2013, a year of transformation, with the integration of ESS and the reorganization around two business divisions: Mobile Security and Secure Transactions
- FY consolidated revenue of \$154.6 M, up 27% (+5% on a normalized basis\*)
- Strong growth in the adjusted gross margin\* from 25.8% in 2012 to 39.0% in 2013 thanks to an evolving product-mix
- First profitable Half-Year with \$3.4m adjusted operating profit\* in H2 2013
- Strong reduction of the FY loss, to \$3.0m compared with a loss of (\$30.1) m in 2012

\* See definitions in Appendix

2013 Key Highlights

Q4 Revenue and Full Year Financial Overview

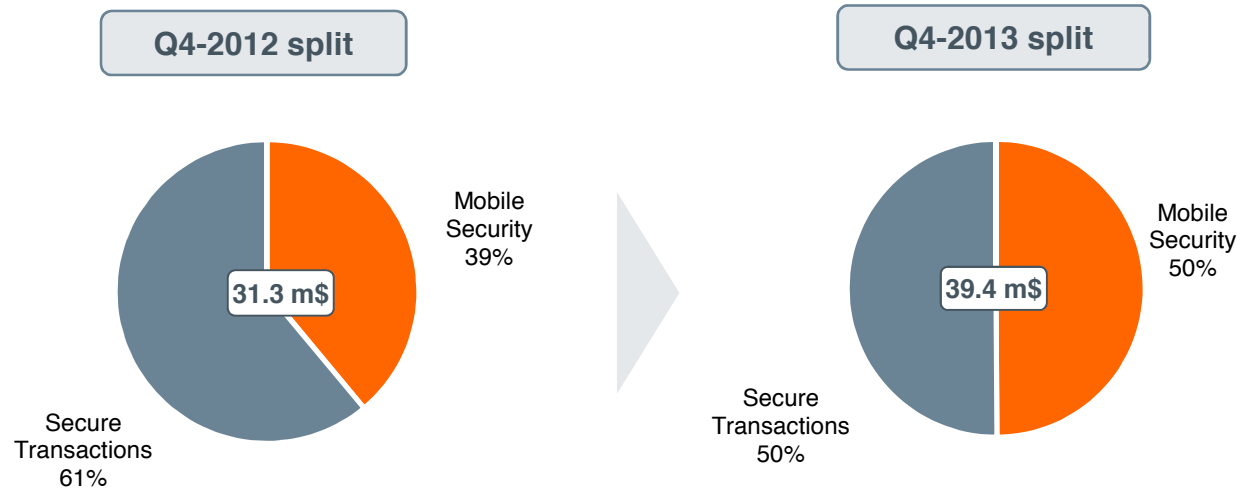
2014 Outlook

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Appendix

# Revenue Q4-2013

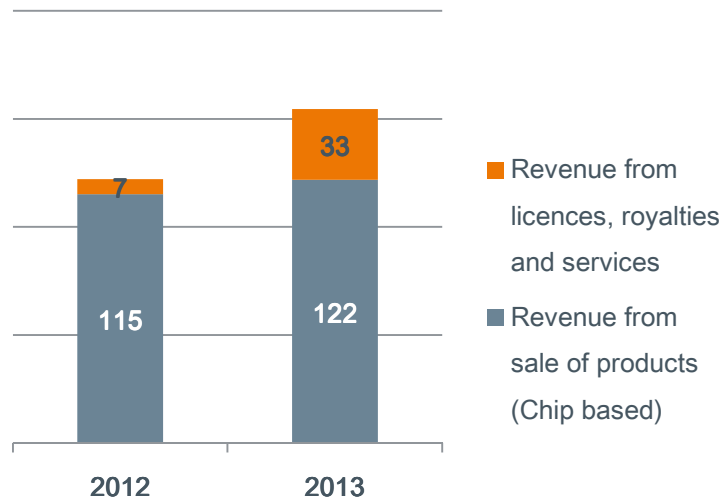
| in thousands of US\$ | Q4-2013       | Q4-2012       | % Y-o-Y    | % Y-o-Y normalized |
|----------------------|---------------|---------------|------------|--------------------|
| Mobile Security      | 19 668        | 12 180        | 61%        | 11%                |
| Secure Transactions  | 19 748        | 19 084        | 3%         | 3%                 |
| <b>Total Revenue</b> | <b>39 416</b> | <b>31 264</b> | <b>26%</b> | <b>7%</b>          |



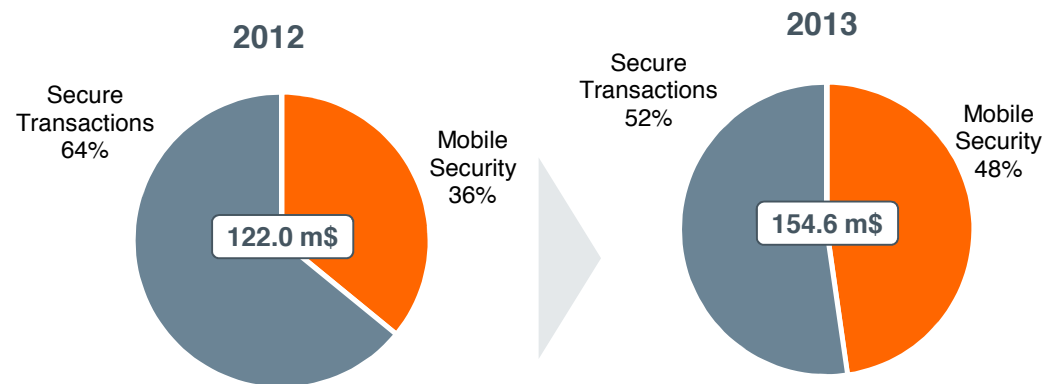
# FY 2013 Revenue

| in thousands of US\$            | 12 months<br>2013 | 12 months<br>2012 | % Y-o-Y      | % Y-o-Y<br>normalized |
|---------------------------------|-------------------|-------------------|--------------|-----------------------|
| <b>Mobile Security</b>          | <b>73 797</b>     | <b>43 828</b>     | <b>68%</b>   | <b>7%</b>             |
| <i>(incl. ESS product line)</i> | <i>26 581</i>     | <i>840</i>        | <i>3064%</i> | <i>2%</i>             |
| <b>Secure Transactions</b>      | <b>80 827</b>     | <b>78 219</b>     | <b>3%</b>    | <b>3%</b>             |
| <b>Total Revenue</b>            | <b>154 623</b>    | <b>122 047</b>    | <b>27%</b>   | <b>5%</b>             |

Revenue split by nature (in m\$)



Revenue split by division





# Adjusted Income Statement 2013

| in thousands of US\$                         | 12 months<br>2013 | 12 months<br>2012 |
|--|-------------------|-------------------|
| <b>Revenue</b>                               | <b>154 623</b>    | <b>122 047</b>    |
| <b>Cost of sales</b>                         | <b>(94 364)</b>   | <b>(90 607)</b>   |
| <b>Adjusted gross profit</b>                 | <b>60 259</b>     | <b>31 439</b>     |
| <i>in % of revenue</i>                       | <b>39,0%</b>      | <b>25,8%</b>      |
| <b>R&amp;D expenses</b>                      | <b>(31 903)</b>   | <b>(33 218)</b>   |
| <i>in % of revenue</i>                       | <b>-21%</b>       | <b>-27%</b>       |
| <b>Selling &amp; marketing expenses</b>      | <b>(20 477)</b>   | <b>(17 511)</b>   |
| <i>in % of revenue</i>                       | <b>-13%</b>       | <b>-14%</b>       |
| <b>General &amp; administrative expenses</b> | <b>(10 570)</b>   | <b>(8 780)</b>    |
| <i>in % of revenue</i>                       | <b>-7%</b>        | <b>-7%</b>        |
| <b>Other (losses)/gains, net</b>             | <b>(261)</b>      | <b>(2 025)</b>    |
| <b>Adjusted operating expenses</b>           | <b>(63 212)</b>   | <b>(61 534)</b>   |
| <i>in % of revenue</i>                       | <b>-1,9%</b>      | <b>-24,7%</b>     |
| <b>Adjusted operating income</b>             | <b>(2 952)</b>    | <b>(30 095)</b>   |
| <i>in % of revenue</i>                       | <b>-1,9%</b>      | <b>-24,7%</b>     |

## Revenue growth and product mix drive gross profit

- ESS integration generates \$25m in adjusted gross profit
- Effort to improve gross profit in all segments.
- Sizeable savings through restructuring

## Savings in R&D balanced by enlarged scope of business (integration of ESS)

## Slight decrease of S&M and G&A expenses as a % of revenue

- Integration of ESS
- Impact of cost reduction

Mainly exchange gains/losses related to operating expenses

# Adjusted Income Statement H2-2013

| in thousands of US\$                         | H2-2013<br>consolidated | H1-2013<br>consolidated | H2-2012<br>consolidated |
|--|-------------------------|-------------------------|-------------------------|
| <b>Revenue</b>                               | <b>83 858</b>           | <b>70 765</b>           | <b>59 847</b>           |
| <b>Cost of sales</b>                         | <b>(50 449)</b>         | <b>(43 915)</b>         | <b>(44 024)</b>         |
| <b>Adjusted gross profit</b>                 | <b>33 410</b>           | <b>26 850</b>           | <b>15 823</b>           |
| <i>in % of revenue</i>                       | <b>39,8%</b>            | <b>37,9%</b>            | <b>26,4%</b>            |
| <b>R&amp;D expenses</b>                      | <b>(13 796)</b>         | <b>(18 108)</b>         | <b>(14 922)</b>         |
| <i>in % of revenue</i>                       | <b>-16%</b>             | <b>-26%</b>             | <b>-25%</b>             |
| <b>Selling &amp; marketing expenses</b>      | <b>(9 832)</b>          | <b>(10 646)</b>         | <b>(8 730)</b>          |
| <i>in % of revenue</i>                       | <b>-12%</b>             | <b>-15%</b>             | <b>-15%</b>             |
| <b>General &amp; administrative expenses</b> | <b>(5 633)</b>          | <b>(4 937)</b>          | <b>(4 499)</b>          |
| <i>in % of revenue</i>                       | <b>-7%</b>              | <b>-7%</b>              | <b>-8%</b>              |
| <b>Other (losses)/gains, net</b>             | <b>(788)</b>            | <b>527</b>              | <b>(1 588)</b>          |
| <b>Adjusted operating expenses</b>           | <b>(30 048)</b>         | <b>(33 164)</b>         | <b>(29 739)</b>         |
| <i>in % of revenue</i>                       | <b>-35,8%</b>           | <b>-46,9%</b>           | <b>-49,7%</b>           |
| <b>Adjusted operating income</b>             | <b>3 361</b>            | <b>(6 313)</b>          | <b>(13 916)</b>         |
| <i>in % of revenue</i>                       | <b>4,0%</b>             | <b>-8,9%</b>            | <b>-23,3%</b>           |

- Adjusted operating income of \$3.4m (4% of revenue) H2 2013, compared to loss of \$13.9m in H2 2012
- H2 2013 operating expenses benefiting from restructuring

# Mobile Security

## MOBILE SECURITY

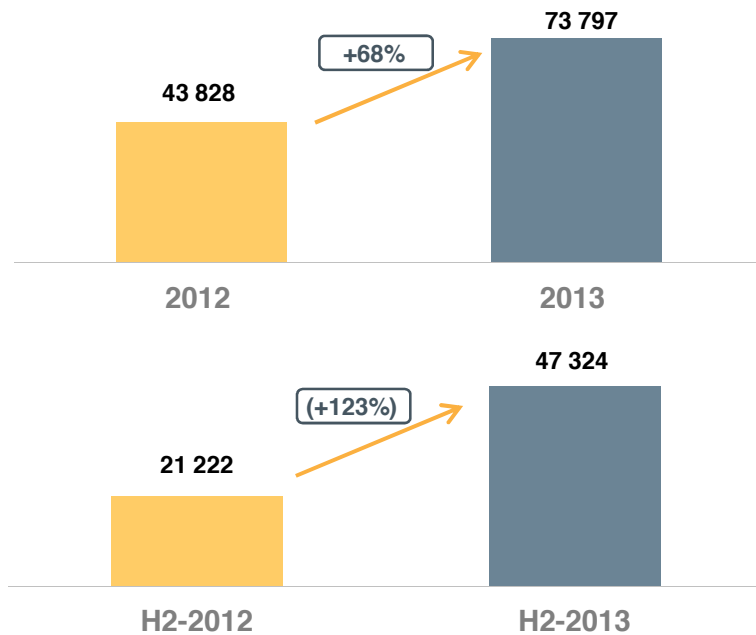
- Secure Element in mobile
- NFC and NFC IP
- Secure IPs , crypto engine, ...
- Secure apps: Content protection  
DRM, VPN, DAR, payment,...



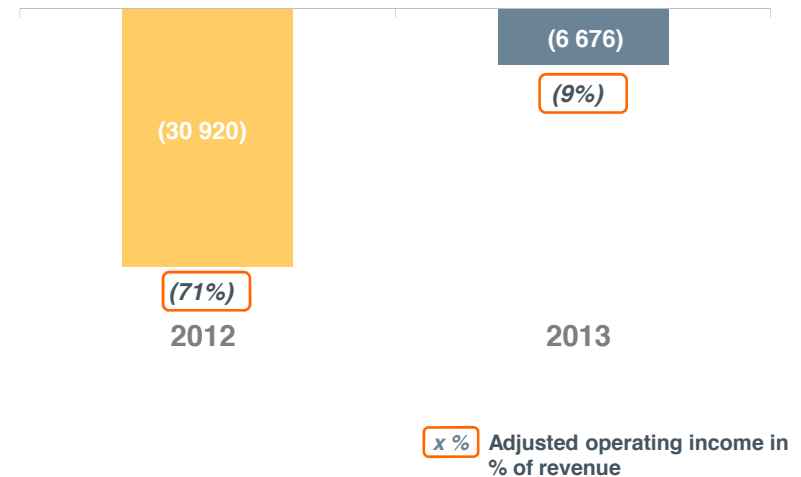
The image shows a man and a woman in business attire. The man is holding a tablet, and the woman is holding a smartphone. They are both smiling and looking at their devices. The background is a dark blue gradient with some light blue abstract shapes. Above the man and woman, there are four white icons: a server rack with a Wi-Fi signal, a smartphone, a server rack, and a laptop. The text 'MOBILE SECURITY' is written in large, bold, orange letters at the top left of the image.

# Mobile Security

Revenue (in \$m)



Adjusted operating income (in \$m)



- Strong revenue growth mainly driven by integration of ESS product line.
- Significant improvement of the gross margin at 49.4% in 2013 vs 28.9% in 2012, thanks to the integration of the ESS product lines and to improved gross margins on NFC semiconductors
- Adjusted operating loss divided by almost five, with a profit in H2 2013

# Secure Transactions



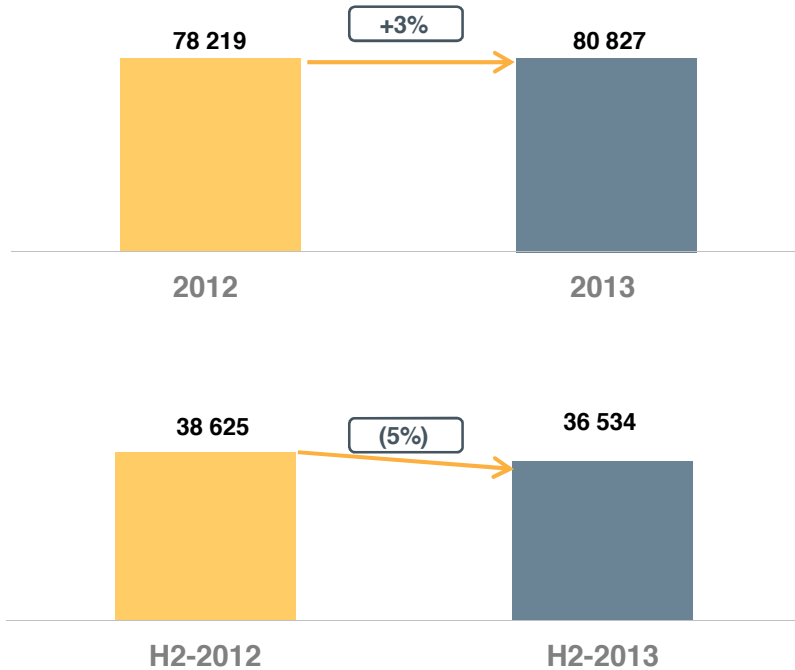
**SECURE TRANSACTIONS**

- Secure Payment
- Secure identity ,Pay TV
- Secure IoT / M2M
- Anti-counterfeiting

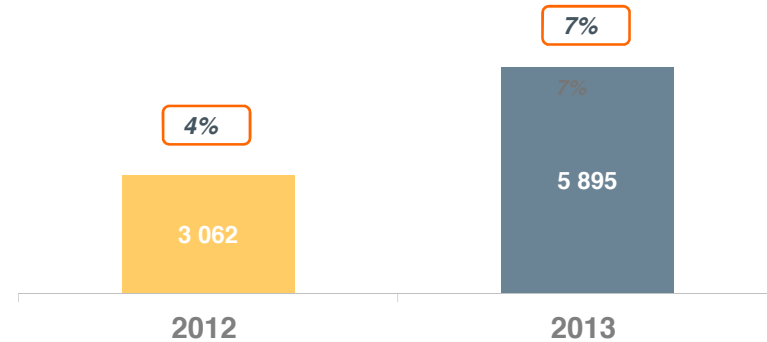
The graphic features a green background with a list of services and icons for a server, smartphone, printer, and laptop. Below the icons, a man in a suit holds a red card and a woman in a blue shirt holds a blue card, with a glowing green line connecting them.

# Secure Transactions

Revenue (in \$m)



Adjusted operating income (in \$m)

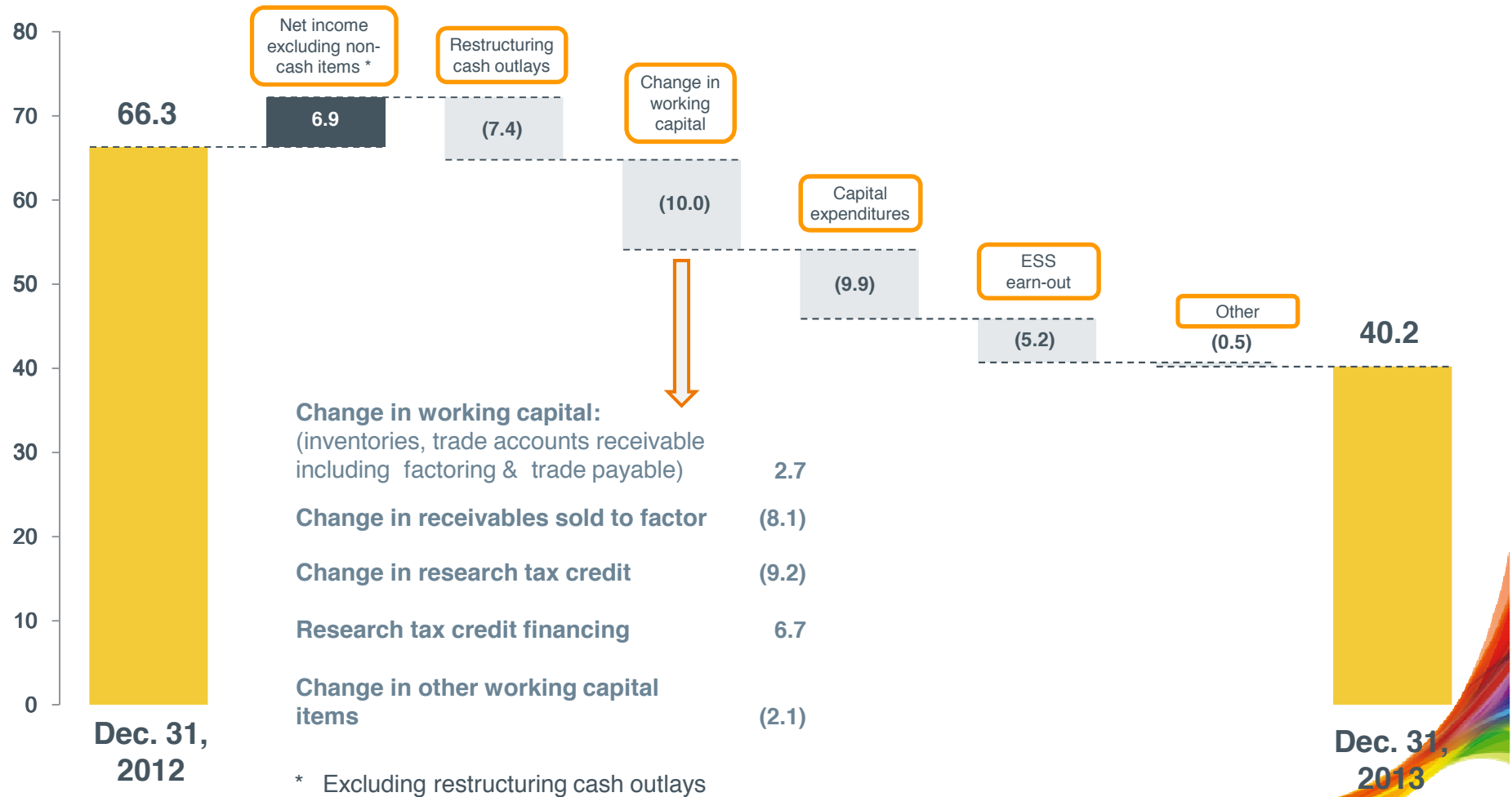


x % Adjusted operating income in % of revenue

- H2 revenue decrease of -5% explained by further slow-down of legacy payment products and delayed US EMV market migration not fully balanced by growth in other product lines.
- Gross margin in Secure Transactions up to 32.6% in 2013 vs. 26.8% in 2012, thanks to a favourable product/customer mix and to cost optimization efforts
- Adjusted operating income almost doubled, despite growth of R&D and SG&A costs.

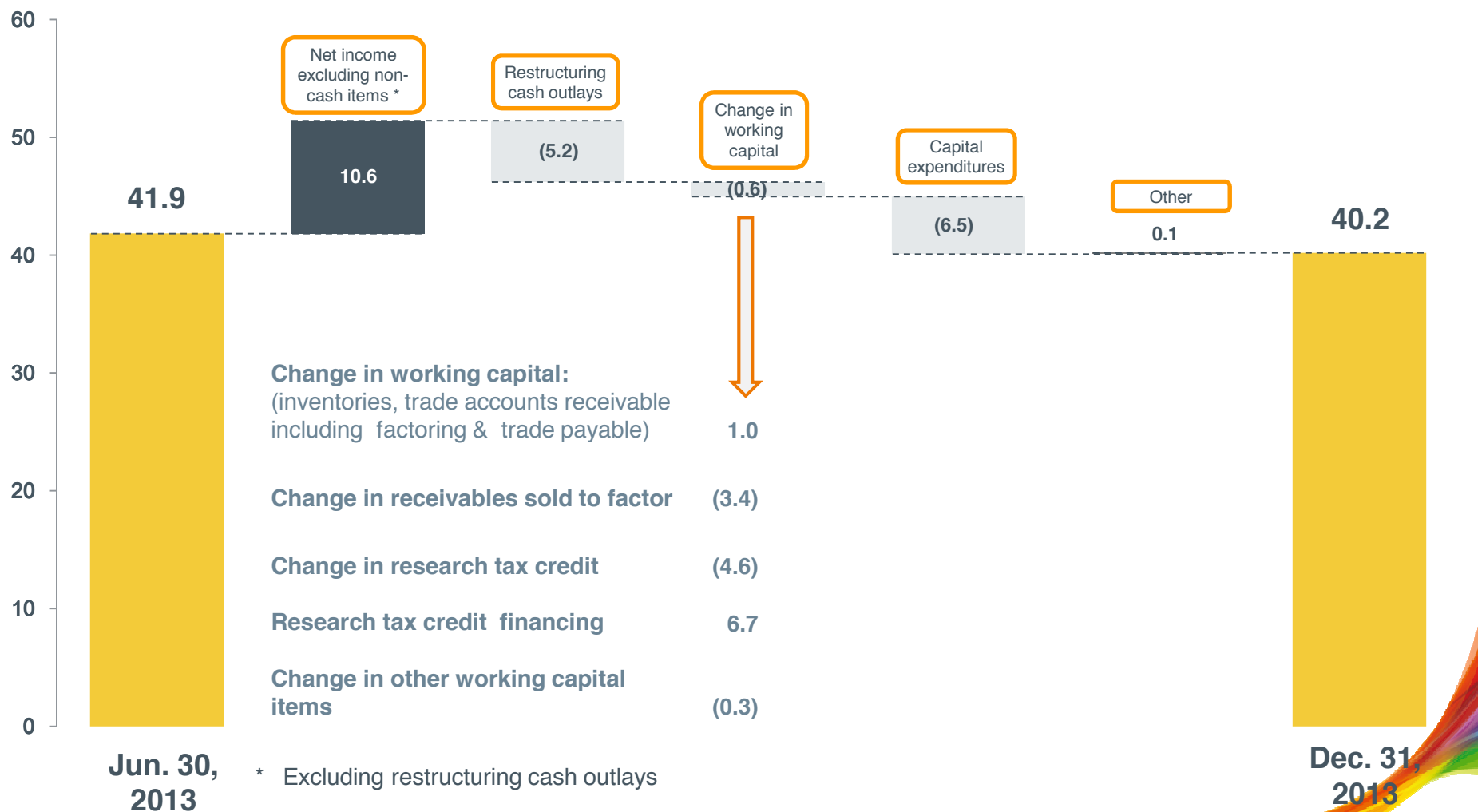
# FY 2013 - Tight Management of Cash Flow

In millions of US\$



# H2-2013 – Preserved Cash Position

In millions of US\$







2013 Key Highlights

Q4 Revenue and Full Year Financial Overview

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# Strategic Update and 2014 Outlook

- Strong growth potential for Mobile Security, across many applications in entertainment content delivery, enterprise, mobile payment, driven by high-profile cybersecurity breaches
- Mobile Security division however expected to decline sequentially in Q1 (no sale of NFC chips to BlackBerry)
- Pursuit of the strategy of monetizing the Group's NFC technology and patent portfolio
- Large opportunity in Secure Transactions from the roll-out of the EMV standard in the United States – INSIDE's dual interface EMV chip now VISA certified
- Further investment in the Internet of things and anti-counterfeiting solutions for brands

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Strategic Update and 2014 Outlook

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# Definitions

- **Adjusted measures**

- Certain financial measures and performance indicators are presented on an adjusted basis. 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 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 restructuring and 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.
- **EBITDA** is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.

- **Normalized revenue**

- is defined as the revenue of the ESS business over the considered period regardless accounting impacts consecutive to the change of control of the ESS business that led to remove a portion of revenue.

- **Net cash**

- is defined as cash at hand, cash equivalents and short-term investments, the net amount of derivatives, less finance lease liabilities, bank overdrafts and bank loans, and deferred payments due in connection with business combinations. Debts related to the financing of research tax credit (CIR) receivables are not taken into account since they are intended to be extinguished upon repayment by tax authorities of CIR claims.

## *P&L reconciliation from IFRS to Adjusted 2013*

| in thousands of US\$                             | 2013<br>IFRS | Business<br>combinations | Share based<br>payments | Other non-<br>recurring costs | 2013<br>Adjusted |
|--|--------------|--------------------------|-------------------------|-------------------------------|------------------|
| <b>Revenue</b>                                   | 154 623      | -                        | -                       | -                             | 154 623          |
| <b>Cost of sales</b>                             | (106 389)    | 11 953                   | 71                      | -                             | (94 364)         |
| <b>Gross margin</b>                              | 48 235       | 11 953                   | 71                      | -                             | 60 259           |
| <i>in % of revenue</i>                           | 31,2%        |                          |                         |                               | 39,0%            |
| <b>R&amp;D expenses</b>                          | (33 953)     | 1 869                    | 181                     | -                             | (31 903)         |
| <b>Selling &amp; marketing expenses</b>          | (20 648)     | -                        | 171                     | -                             | (20 477)         |
| <b>General &amp; administrative expenses</b>     | (10 702)     | -                        | 132                     | -                             | (10 570)         |
| <b>Other (losses)/gains, net</b>                 | (10 698)     | 599                      | -                       | 9 838                         | (261)            |
| <b>Operating income</b>                          | (27 766)     | 14 421                   | 555                     | 9 838                         | (2 952)          |
| <i>in % of revenue</i>                           | -18,0%       |                          |                         |                               | -1,9%            |
| <b>Amortization and depreciation of assets *</b> | -            | -                        | -                       | -                             | 5 745            |
| <b>EBITDA</b>                                    | -            | -                        | -                       | -                             | 2 793            |
| <i>in % of revenue</i>                           |              |                          |                         |                               | 1,8%             |

\* excluding amortization and depreciation of assets acquired through business combination

Business combinations : amortization of intangible assets and masks related to business combinations and any potential goodwill impairment,  
Other non-recurrent costs: restructuring expenses essentially for moving probing activity from Atmel to new subcontractors.

## *P&L reconciliation from IFRS to Adjusted 2012*

| in thousands of US\$                      | 2012<br>IFRS | Business<br>combinations | Share based<br>payments | Other non-<br>recurring costs | 2012<br>Adjusted |
|---|--------------|--------------------------|-------------------------|-------------------------------|------------------|
| <b>Revenue</b>                            | 122 047      |                          |                         |                               | 122 047          |
| Cost of sales                             | (93 504)     | 2 734                    | 163                     |                               | (90 607)         |
| <b>Gross margin</b>                       | 28 543       | 2 734                    | 163                     | -                             | 31 439           |
| <i>in % of revenue</i>                    | 23,4%        |                          |                         |                               | 25,8%            |
| 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)      | 554                      | -                       | 232                           | (2 025)          |
| <b>Operating income</b>                   | (37 278)     | 5 071                    | 1 880                   | 232                           | (30 095)         |
| <i>in % of revenue</i>                    | -30,5%       |                          |                         |                               | -24,7%           |
| Amortization and depreciation of assets * | -            | -                        | -                       | -                             | 4 972            |
| <b>EBITDA</b>                             | -            | -                        | -                       | -                             | (25 123)         |
| <i>in % of revenue</i>                    |              |                          |                         |                               | -20,6%           |

\* excluding amortization and depreciation of assets acquired through business combination

Business combination is the amortization of intangible assets and masks related to business combinations and any potential goodwill impairment,  
Other non-recurrent costs: restructuring expenses essentially for moving probing activity from Atmel to new subcontractors.



# Security for Business Innovation

A world leader securing millions of devices and identities from the chip to the cloud

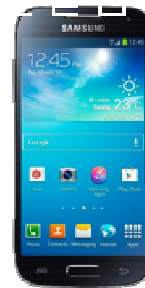


An Innovator with unique security assets, essential IP portfolio (>650 patents) and strong R&D focus

\$154.6M revenue in 2013  
CAGR 25.5% 2010-2013



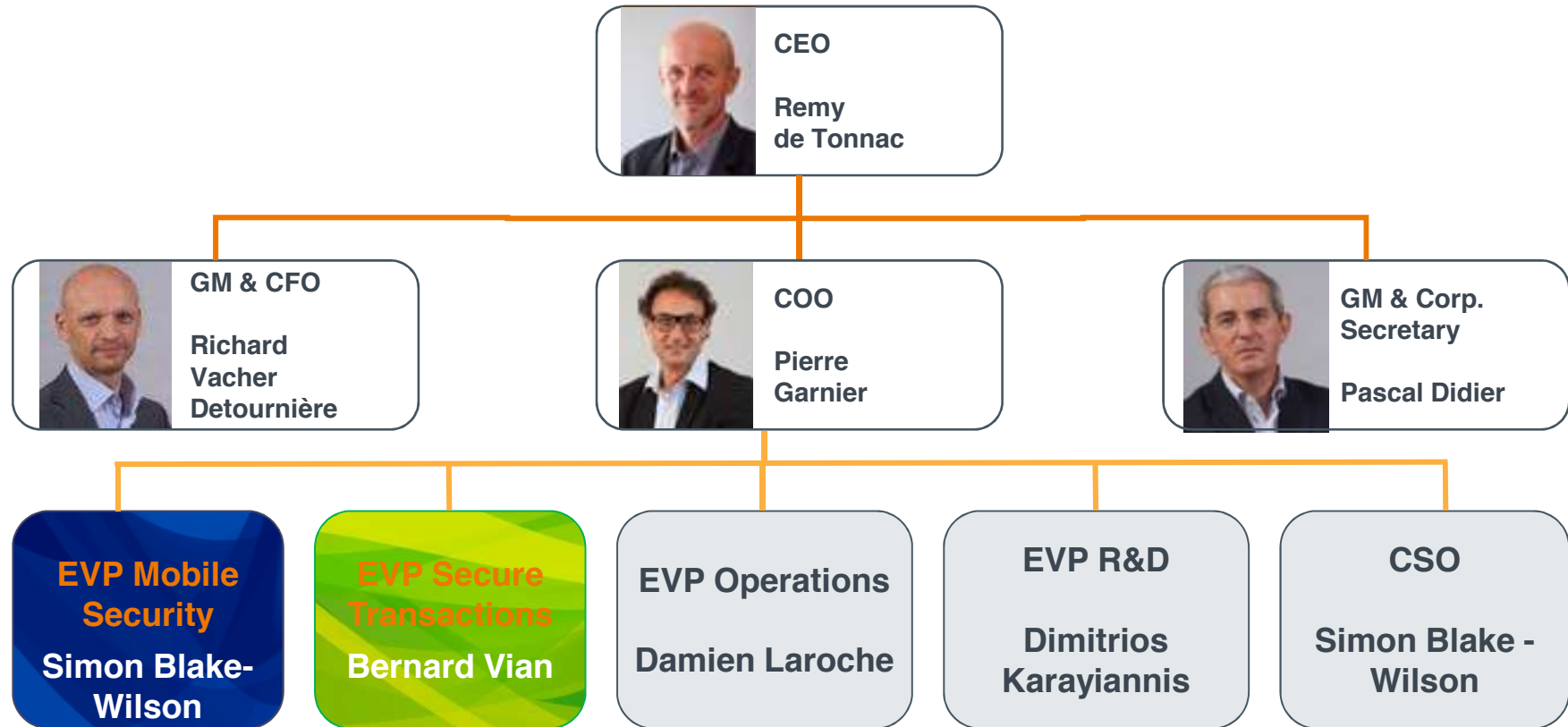
**FAKE**



Global organization of circa 370 employees with European & U.S. development centers

With more than 100 blue chip customers, INSIDE Secure serves a multi-billion unit TAM across non-cyclical, growing and diversified end-markets. Products incorporating INSIDE Secure are shipping in over 300M devices per year

# Executive Leadership Team



# Global Presence



# Investor Information

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## Financial Calendar

Q1 2014 Revenue April 24, 2014

H1 2014 Results July 31, 2014

Q3 2014 Revenue October 27, 2014

## Website

[www.insidesecond.com](http://www.insidesecond.com)

[www.insidesecond.com/investors](http://www.insidesecond.com/investors)

