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INSIDE Secure

First Half 2013 Financial Results

August 2, 2013

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H1 2013 key highlights

- H1 2013 consolidated revenue up 14% year-on-year at \$70.8 million
- Sharp reduction in adjusted operating loss, down 61% year-on-year, at \$6.3 million
- ESS integration completed, with favourable business momentum
- On-going strategic shift towards security solutions for mobiles and connected devices

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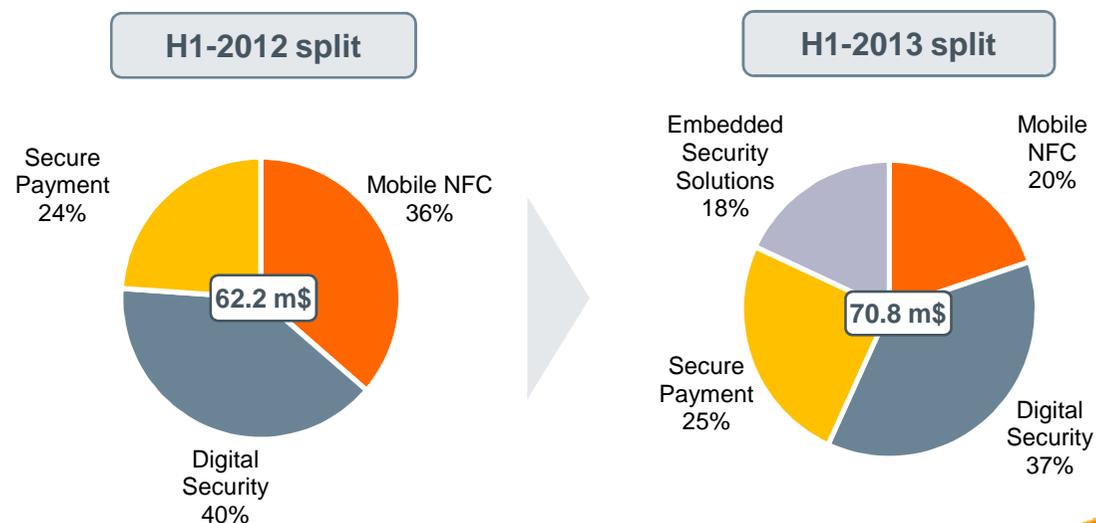
Revenue Q2-2013

in thousands of US\$	Q2-2013 consolidated	Q2-2012 consolidated	Q1-2013 consolidated	% Change annual	% Change sequential
Mobile NFC	9 502	8 348	4 534	14%	110%
Secure Payment	7 053	7 038	10 703	0%	-34%
Digital Security	13 915	12 789	12 251	9%	14%
Embedded Security Solutions	6 255	-	6 552	-	-
Total Revenue	36 726	28 176	34 039	30%	8%

- 30% y-o-y revenue growth driven by the acquisition of ESS and growth in other segments:
 - Strong sequential growth in Mobile NFC driven by shipments to BlackBerry.
 - Significant growth in the Digital Security revenues through recurrent and new customers.

Revenue H1-2013

in thousands of US\$	H1-2013 consolidated	H1-2012 consolidated	H2-2012 consolidated	% Change annual	% Change sequential
Mobile NFC	14 036	22 606	20 655	-38%	-32%
Secure Payment	17 756	14 866	16 922	19%	5%
Digital Security	26 166	24 728	21 430	6%	22%
Embedded Security Solutions	12 807	-	840	-	-
Total Revenue	70 765	62 200	59 847	14%	18%



Income statement H1-2013

in thousands of US\$	H1-2013 consolidated	H1-2012 consolidated
Revenue	70 765	62 200
Cost of sales	(49 944)	(47 726)
Gross margin	20 821	14 473
<i>in % of revenue</i>	<i>29,4%</i>	<i>23,3%</i>
Adjusted Gross margin	26 850	15 619
<i>in % of revenue</i>	<i>37,9%</i>	<i>25,1%</i>
R&D expenses	(19 263)	(19 314)
<i>in % of revenue</i>	<i>-27%</i>	<i>-31%</i>
Selling & marketing expenses	(10 770)	(9 046)
<i>in % of revenue</i>	<i>-15%</i>	<i>-15%</i>
General & administrative expenses	(4 991)	(4 729)
<i>in % of revenue</i>	<i>-7%</i>	<i>-8%</i>
Other (losses)/gains, net	(6 356)	(603)
Operating income	(20 559)	(19 218)
<i>in % of revenue</i>	<i>-29,1%</i>	<i>-30,9%</i>
Adjusted operating income	(6 313)	(16 178)
<i>in % of revenue</i>	<i>-8,9%</i>	<i>-26,0%</i>

Favourable and evolving product mix

- Gross margin growth driven by ESS acquisition
- Significant gross margin improvement in Secure Payment

On-going cost savings

- Incremental ESS expenses off-set by cost savings
- R&D expenses down in each segment except Digital Security and ESS.

Flat level of S&M and G&A expenses (in % of revenue)

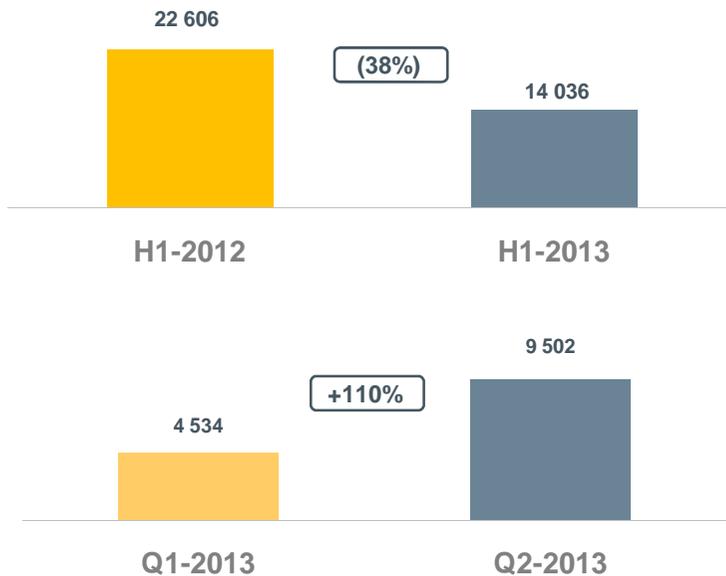
- Integration of ESS
- Savings in Selling & marketing and General & administrative expenses excluding ESS.

2013 includes:

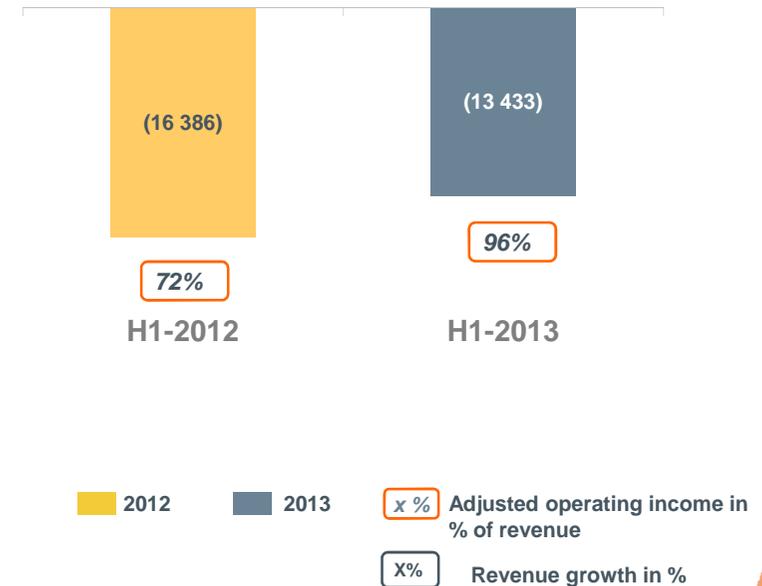
- \$(6565)K restructuring expenses
- \$342K exchange gains and losses on operational items.
- \$(133)K other items

Mobile NFC

Revenue (in \$m)



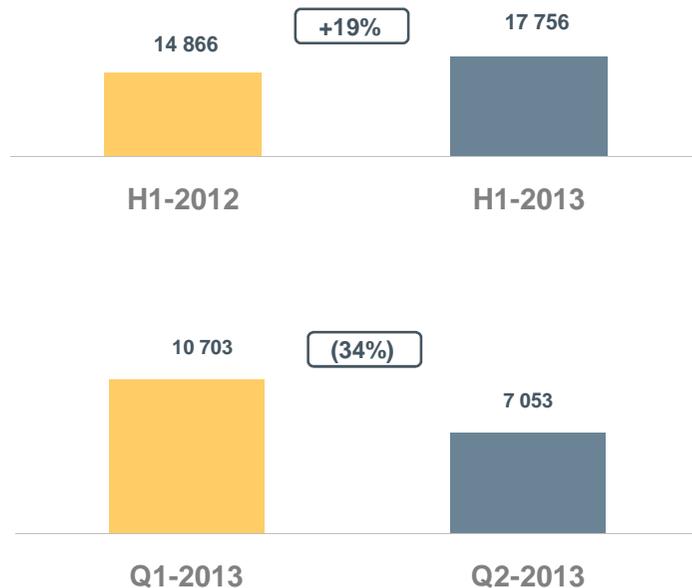
Adjusted operating income (in \$m)



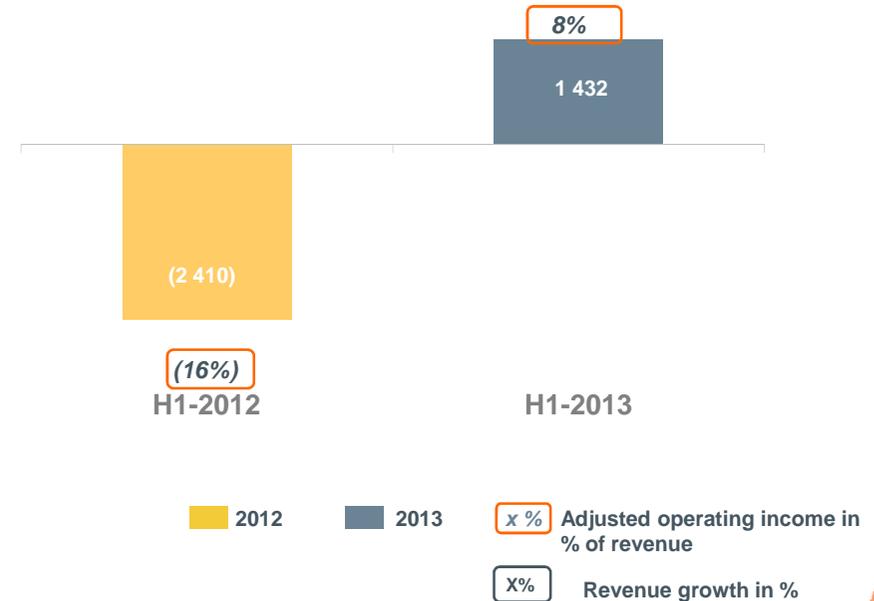
- Doubled Q2 revenues compared to prior quarter thanks to increased BlackBerry shipments.
- Significant Opex reduction in H1 2013 compared to H1 2012 thanks to cost reduction plan.
- Good progress on Intel : release of the first version of next-generation NFC controller IP to Intel.
- ComboPulse products actively sampled for potential customers.

Secure Payment

Revenue (in \$m)



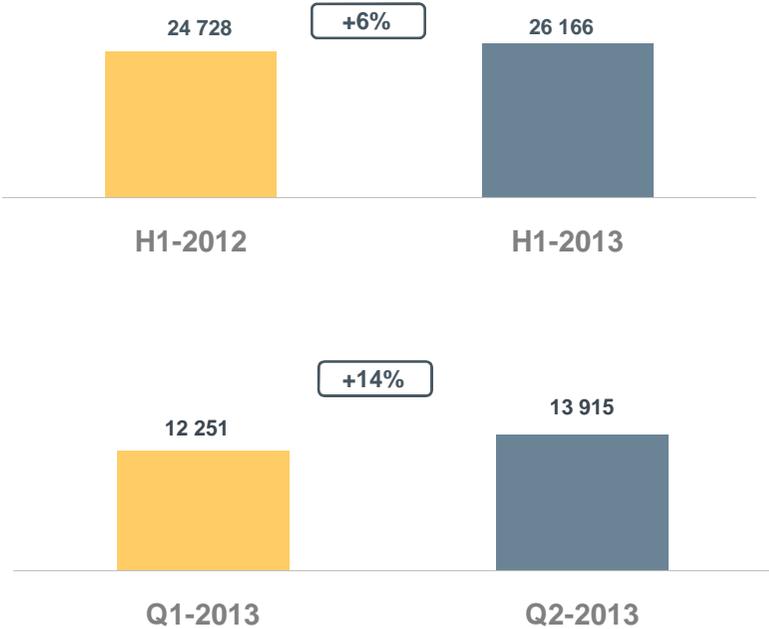
Adjusted operating income (in \$m)



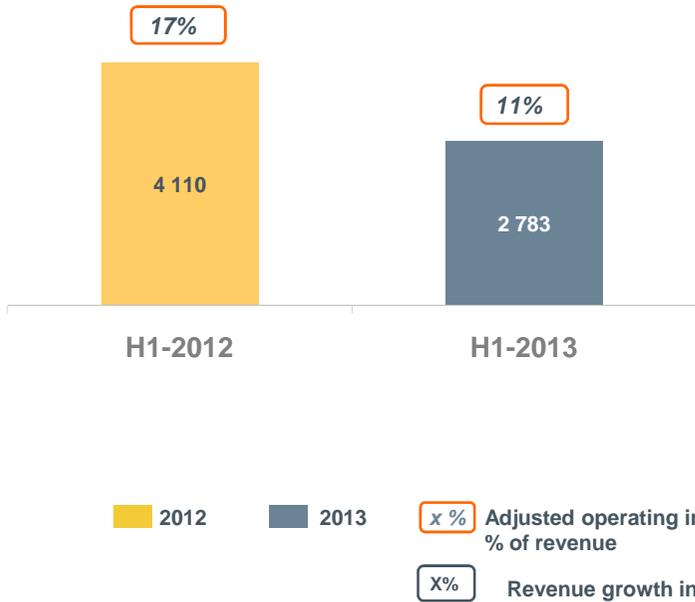
- Increase in H1 revenue by 19% mainly driven by contactless sales.
- Profitability target achieved thanks to favourable customer mix and reduced cost structure.
- Continued focus on developing a semiconductor platform designed to meet the specific requirements of the US market (received certification by MasterCard, VISA and Datacard Group)

Digital Security

Revenue (in \$m)



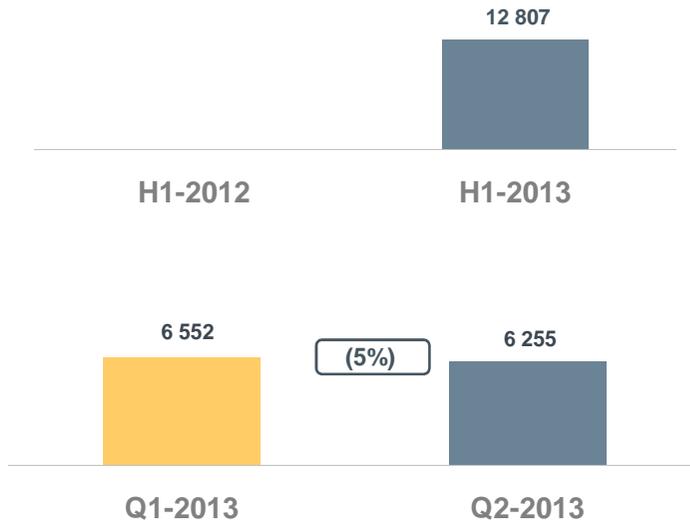
Adjusted operating income (in \$m)



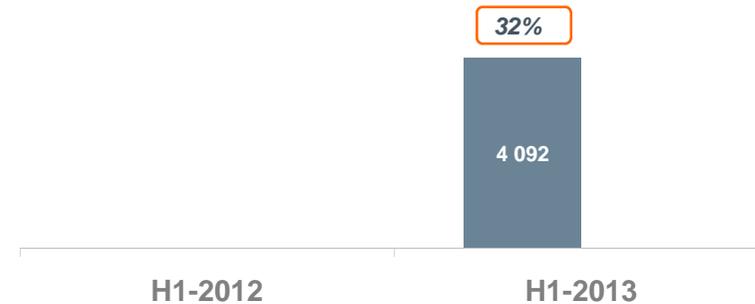
- Revenue growth (+14% in Q2 2013 and +6% in H1 2013) essentially driven by products designed for electronic document identification.
- Increase in research & development and selling & marketing expenses, in line with strategic priorities.
- First design-ins in the anti-counterfeiting market.

Embedded Security Solutions

Revenue (in \$m)

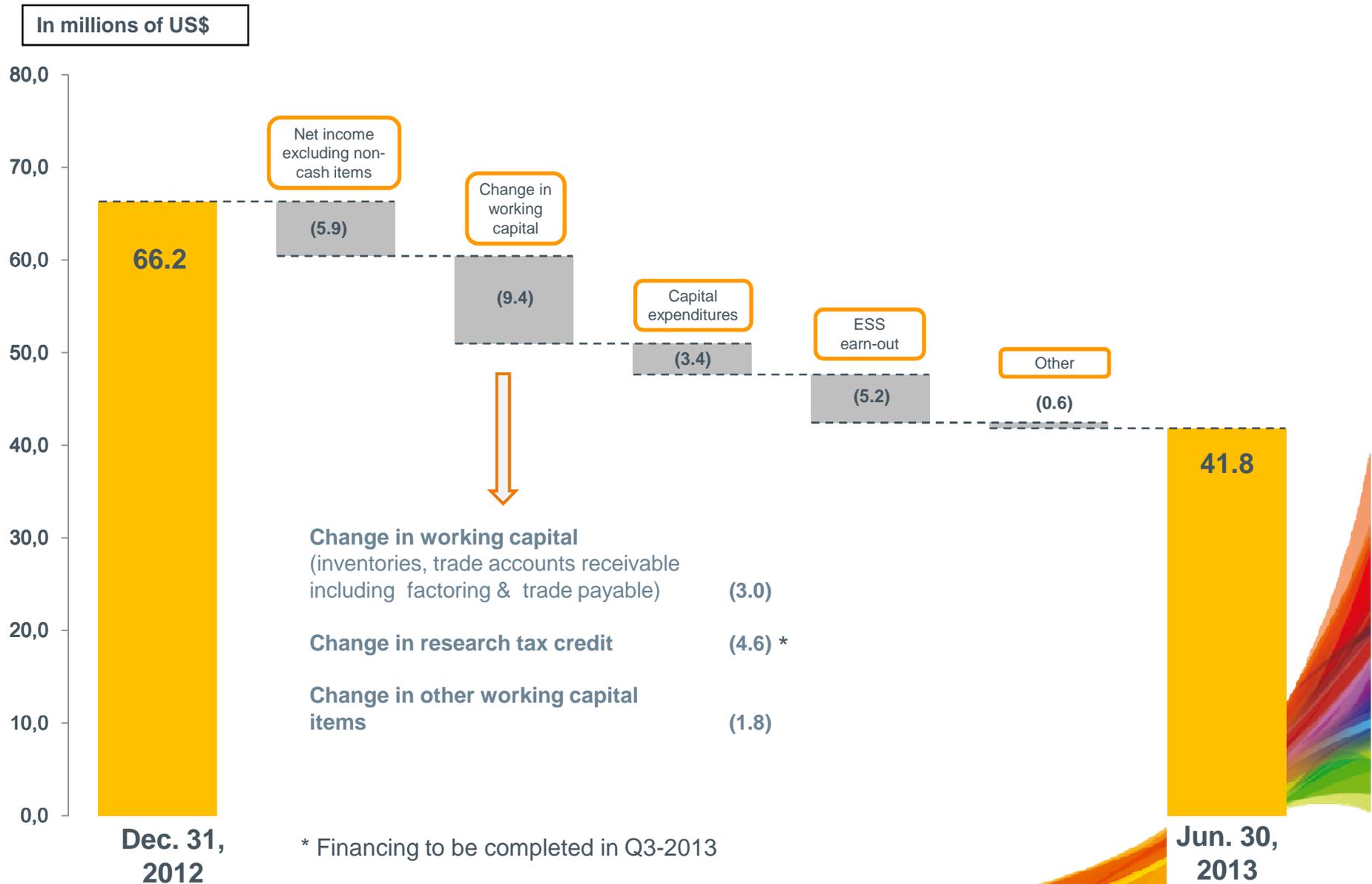


Adjusted operating income (in \$m)

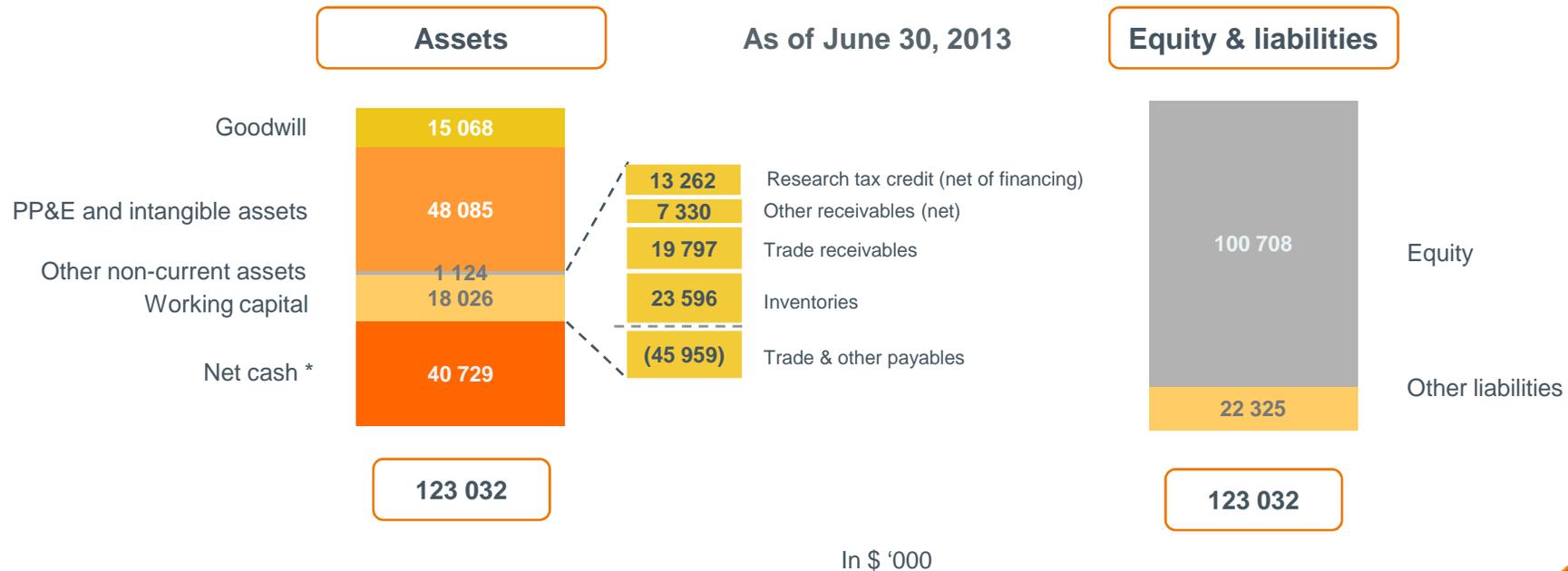


- Sizeable favourable impact of ESS on consolidated gross margin and operating result with 32% adjusted operating income on revenue
- Solid revenue and profit generation since acquisition, reflecting its successful integration within INSIDE Secure
- Integration of INSIDE Secure's VPN client into Samsung's Galaxy S4 smartphone for US telcos AT&T and Verizon

Cash flow H1-2013



Strong balance sheet



* See definition in Appendix

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Outlook for 2013

- Expected finalization of the reorganization by the end of 2013, aiming at reducing operating expenses by \$13 million on an annualized basis
- Full effect of these cost reductions expected from the 4th quarter of 2013 onwards
- Pursue of the Group's strategic shift in order to strengthen its security solutions offering and focus on high value-added products, leveraging on the NFC deployment for mobile and connected devices.

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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 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 composed of cash on hand, marketable securities, time deposits and derivative financial instruments, less obligations under finance lease, bank overdraft, bank loans and any additional payment on ESS acquisition.

P&L reconciliation from IFRS to Adjusted H1-2013

in thousands of US\$	H1-1 2013 IFRS	Business combination	Sharebased payments	Other non- recurring costs	H1-1 2013 Adjusted
Revenue	70 765	-	-	-	70 765
Cost of sales	(49 944)	5 976	54	-	(43 915)
Gross margin	20 821	5 976	54	-	26 850
<i>in % of revenue</i>	<i>29,4%</i>				<i>37,9%</i>
R&D expenses	(19 263)	1 012	144	-	(18 107)
Selling & marketing expenses	(10 770)	-	124	-	(10 646)
General & administrative expenses	(4 991)	-	54	-	(4 937)
Other (losses)/gains, net	(6 356)	-	-	6 883	527
Operating income	(20 559)	6 988	376	6 883	(6 313)
<i>in % of revenue</i>	<i>-29,1%</i>				<i>-8,9%</i>
Finance income, net	(222)	-	-	-	(222)
Income tax expense	(221)	-	-	-	(221)
Net income	(21 002)	6 988	376	6 883	(6 756)
<i>in % of revenue</i>	<i>-29,7%</i>				<i>-9,5%</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.

P&L reconciliation from IFRS to Adjusted H1-2012

in thousands of US\$	H1-1 2012 IFRS	Business combination	Sharebased payments	Other non- recurring costs	H1-1 2012 Adjusted
Revenue	62 200				62 200
Cost of sales	(47 726)	1 077	69		(46 581)
Gross margin	14 473	1 077	69	-	15 619
<i>in % of revenue</i>	23,3%				25,1%
R&D expenses	(19 314)	835	182	-	(18 297)
Selling & marketing expenses	(9 046)	-	264	-	(8 782)
General & administrative expenses	(4 729)	-	448	-	(4 281)
Other (losses)/gains, net	(603)	-	-	166	(437)
Operating income	(19 218)	1 912	962	166	(16 178)
<i>in % of revenue</i>	-30,9%				-26,0%
Finance income, net	(1 846)				(1 846)
Income tax expense	(49)				(49)
Net income	(21 113)	1 912	962	166	(18 073)
<i>in % of revenue</i>	-33,9%				-29,1%

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.

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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

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