INSIDE Secure - 2014 Annual Results

- **Consolidated revenue of $125.4 million in FY 2014, with a fundamentally different product mix compared with 2013, carrying higher margins**
- **Strong growth in the adjusted gross margin[1] to 59.3% of revenue (compared with 39% in 2013), as a consequence of the Group's strategic repositioning towards a more profitable business model**
- **Sharp increase in adjusted operating income to $8.1 million in 2014, compared with a loss of $3.0 million in 2013**
- **2014 EBITDA of $12.9 million (compared with $2.8 million in 2013)**
- **Strategic focus on embedding security at the heart of smartphones and connected devices, through a comprehensive offer of hardware, software and IP solutions**

Aix-en-Provence, France, February 26, 2015 – INSIDE Secure (Euronext Paris : INSD), a leader in embedded security solutions for mobile and connected devices, is today reporting its consolidated results[2] for the financial year 2014.

Financial results for the full year 2014 – Key figures

(in thousands of US$)	**Adjusted**		IFRS	
	12 months 2014	**12 months 2013**	12 months 2014	12 months 2013
Revenue	**125 362**	**154 623**	125 362	154 623
Gross profit	**74 399**	**60 260**	62 424	48 235
As a % of revenue	***59,3%***	***39,0%***	*49,8%*	*31,2%*
Operating income	**8 121**	**(2 952)**	(2 089)	(27 766)
As a % of revenue	***6,5%***	***-1,9%***	*-1,7%*	*-18,0%*
Net income	-	-	(5 022)	(27 560)
As a % of revenue	-	-	*-4,0%*	*-17,8%*
EBITDA	**12 880**	**2 793**	-	-
As a % of revenue	***10,3%***	***1,8%***	-	-

Commenting on these results, Rémy de Tonnac, President and Chief Executive Officer of INSIDE Secure, commented: "The strategic repositioning carried out throughout 2014 enabled us to focus our resources and expertise on INSIDE Secure's core businesses in the field of embedded security. In an all-digital and connected world, time has come to move from existing smartcard-based security models to a truly embedded model that places security at the heart of each device or application. This model requires specialized skills and a different approach: INSIDE Secure is the only market player able to offer a comprehensive range of security solutions in both hardware and software. Earlier in February, our flagship product VaultIP has been certified FIPS 140-2, the standard which defines security requirements for US Federal agencies that use cryptography to protect sensitive information. This is a first in the industry for a hardware IP product, and it demonstrates the strength of our approach. 2015, will be an inflexion point in the way trust and security are being implemented in the mobile industry and in the emerging Internet of Things. INSIDE Secure will be at the forefront of these profound changes."

[1] Some financial measures and performance indicators are presented on an adjusted basis as defined in Appendix 2 of this press release. They should be considered as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the consolidated financial statements in Appendix 1.

[2] The consolidated financial statements were prepared by the Management Board, reviewed by the Supervisory Board and audited by the Statutory Auditors.

Financial information for 2014

Fourth-quarter 2014 and full-year 2014 revenue

Revenue by operating segment:

(in thousands of US$)	Q4-2014	Q4-2013	Q3-2014	Q4-2014 vs. Q-4 2013	Q4-2014 vs. Q-3 2014	2014	2013	2014 vs. 2013
Mobile Security	12 222	19 668	12 966	-38%	-6%	57 938	73 797	-21%
Secure Transactions	22 730	19 748	12 677	15%	79%	65 391	80 827	-19%
Unallocated	320	0	200	-	-	2 033	-	-
Total	**35 272**	**39 416**	**25 843**	**-11%**	**36%**	**125 362**	**154 623**	**-19%**

Revenue by category:

(in thousands of US$)	Q4-2014	Q4-2013	Q3-2014	Q4-2014 vs. Q4-2013	Q4-2014 vs. Q3-2014	2014	2013	2014 vs. 2013
Revenue from sale of products	21 573	26 891	12 859	-20%	68%	66 592	121 877	-45%
Revenue from licenses, royalties, developement agreement, maintenance	13 700	12 525	12 985	9%	6%	58 770	32 746	79%
Total	**35 272**	**39 416**	**25 843**	**-11%**	**36%**	**125 362**	**154 623**	**-19%**

Consolidated revenue in the fourth quarter of 2014 came to $35.3 million, up 36% on the third quarter, but nonetheless weaker than in Q4 2013, when revenue mix was fundamentally different and supported by strong sales of NFC components to BlackBerry ($6.1 million in Q4 2013), which are now fully discontinued.

Now repositioned around two strategic divisions, the Group continued to monetize its NFC technology and patents throughout 2014 while focusing its sales efforts on a cutting-edge range of embedded security solutions. The revenue from this are gradually replacing the sales of NFC connectivity components, which largely came to a halt in Q4 2013. The embedded security solutions product line (former ESS division) recorded its strongest quarterly revenue in Q4 2014 since its integration within the Group.

In 2014, the Group posted consolidated revenue of $125.4 million, down 19% compared with 2013, but with a fundamentally different product mix and with higher margins.

High-margin revenues from licensing, royalties, development and maintenance services came to $58.8 million in 2014 and accounted for nearly half of total revenue, representing a steep increase compared with the previous year ($32.7 million, i.e. 21% of revenue). This increase particularly benefited from the June 2014 licensing agreement with Intel covering the Group’s NFC technology and patents, together with the initial benefits of the NFC patent licensing program led by France Brevets, as illustrated by the license agreement with South Korean group LG.

Adjusted operating income

(in thousands of US$)	12 months 2014	12 months 2013	H2-2014	H1-2014	H2-2013
Revenue	125 362	154 623	61 115	64 247	83 858
Adjusted gross profit	**74 399**	**60 260**	**36 577**	**37 822**	**33 410**
As a % of revenue	***59,3%***	***39,0%***	***59,8%***	***58,9%***	***39,8%***
Research and development expenses	(33 201)	(31 903)	(15 068)	(18 133)	(13 796)
As a % of revenue	*-26,5%*	*-20,6%*	*-24,7%*	*-28,2%*	*-16,5%*
Selling and marketing expenses	(20 530)	(20 477)	(9 961)	(10 569)	(9 832)
As a % of revenue	*-16,4%*	*-13,2%*	*-16,3%*	*-16,5%*	*-11,7%*
General and administrative expenses	(12 419)	(10 570)	(6 056)	(6 363)	(5 633)
As a % of revenue	*-9,9%*	*-6,8%*	*-9,9%*	*-9,9%*	*-6,7%*
Other gains / (losses), net	(128)	(261)	(610)	482	(788)
Total adjusted operating expenses	**(66 278)**	**(63 212)**	**(31 696)**	**(34 582)**	**(30 049)**
As a % of revenue	*-52,9%*	*-40,9%*	*-51,9%*	-53,8%	-35,8%
Adjusted operating income / (loss)	**8 121**	**(2 952)**	**4 881**	**3 240**	**3 361**
As a % of revenue	***6,5%***	***-1,9%***	***8,0%***	***5,0%***	***4,0%***

As anticipated, the adjusted gross margin strongly grew in 2014 to reach 59.3% of revenues (59.8% in H2 2014 alone), up from 39.0% in 2013 owing to a higher margin product mix effect resulting from the Group's strategic repositioning. The improvement in adjusted gross margin helped to offset the anticipated revenue contraction.

2014 adjusted gross profit increased by 23.5% and reached $74.4 million, compared with $60.3 million in 2013.

The positive impact of the 2013 restructuring plan on operating expenses was partly counterbalanced by:

- the negative impact on operating expenses of the integration of Metaforic within the Group's perimeter in Q2 2014,
- a reduction in the research tax credit,
- The absence of R&D expenses capitalized on the balance sheet, compared with $3.4 million capitalized in 2013.

Even so, adjusted operating income increased significantly in 2014 to reach $8.1 million (versus a loss of $3.0 million in 2013) with the sharp improvement in the gross margin. Accordingly, the Group posted positive adjusted operating income for the third half-year period in a row. Adjusted operating income recorded a strong increase in the second half of 2014 to $4.9 million or 8% of revenue.

<u>Euro vs USD impact</u>

Appreciation in the US dollar against the euro in the second half of 2014 had a positive impact of $0.6 million on the Group's adjusted operating expenses.[3] Over 2014 as a whole, trends in the euro held back the Group's operational performance slightly.

For 2015, the Group expects to significantly benefit from the appreciation of the dollar against the euro. Given the evolution of the exchange rates and thanks to the currency hedging policy in place, the adjusted operating expenses should be positively impacted by at least $ 2.8 million compared to the average exchange rate incurred in 2014. If the euro/dollar rate remained at current levels of 1.13 throughout 2015, the Group would realize additional savings of about 2 million dollars.

[3] The Group adopted the US dollar as the reporting currency for its consolidated financial statements; the US dollar is the currency in which the majority of its transactions are denominated, contributing almost all of its revenue. The majority of its operating expenses are denominated in euros, leaving the Group with exposure to trends in the euro against the US dollar.

(in thousands of US$)	12 months 2014	12 months 2013	2014 vs. 2013
EBITDA	**12 880**	**2 793**	**10 087**
Amortization and depreciation of assets (*)	4 759	5 745	(986)
Adjusted operating income	**8 121**	**(2 952)**	**11 073**
Business combinations (**)	(9 812)	(14 421)	4 609
Restructuring expenses	159	(9 838)	9 997
Share based payments	(557)	(555)	(2)
Operating income	**(2 089)**	**(27 766)**	**25 677**
Finance income / (losses), net	(1 703)	790	(2 493)
Income tax expense	(1 229)	(584)	(645)
Net income	**(5 022)**	**(27 560)**	**22 538**

(*) excluding amortization and depreciation of assets acquired through business combinations

(**) amortization and depreciation of assets acquired through business combinations and acquisition related external expenses

EBITDA increased by a factor of 4.8

In 2014, EBITDA was $12.9 million or 10.3% of consolidated revenue, up from $2.8 million in 2013.

In the second half of 2014, EBITDA reached $7.3 million or 11.9% of consolidated revenue, compared with a loss of $6.3 million in H2 2013 and $5.6 million in H1 2014.

Income tax expense

Income tax expense consists primarily of withholding levies paid when licenses are signed with customers in Asia.

Sharp increase in consolidated net income

Thanks to the strong increase in operating income and the absence of any restructuring costs, consolidated net loss (IFRS) for 2014 came to $5.0 million. This represented a major improvement compared with the $27.6 million loss posted in 2013 despite further significant amortization of assets recognized on acquisitions[4] that amounted to $9.8 million in 2014 (non-cash items).

[4] Secure Microcontroller Solutions in October 2010, Embedded Security Solutions in December 2012 and Metaforic in April 2014

Business segment analysis

as at December 31, 2014				
(in thousands of US$)	Mobile Security	Secure Transactions	Unallocated (*)	Total 2014
Revenue	57 938	65 391	2 033	125 362
Contribution to revenue	*46,2%*	*52,2%*	-	*100%*
Adjusted gross profit	51 672	20 695	2 033	74 399
As a % of revenue	*89,2%*	*31,6%*	-	*59,3%*
Adjusted operating income	11 525	(5 309)	1 905	8 121
As a % of revenue	*19,9%*	*-8,1%*	-	*6,5%*
EBITDA	12 427	(1 451)	1 905	12 880
As a % of revenue	*21,4%*	*-2,2%*	-	*10,3%*

as at December 31, 2013				
(in thousands of US$)	Mobile Security	Secure Transactions	Unallocated (**)	Total 2013
Revenue	73 797	80 826	-	154 623
Contribution to revenue	*47,7%*	*52,3%*	-	*100%*
Adjusted gross profit	36 459	26 336	(2 535)	60 260
As a % of revenue	*49,4%*	*32,6%*	-	*39,0%*
Adjusted operating income	(6 676)	5 895	(2 171)	(2 952)
As a % of revenue	*-9,0%*	*7,3%*	-	*-1,9%*
EBITDA	(5 653)	10 616	(2 171)	2 793
As a % of revenue	*-7,7%*	*13,1%*	-	*1,8%*

(*) unallocated amounts correspond mainly to non-recurring revenue
(**) unallocated expenses correspond mainly to unused capacity not allocated to business segments

Mobile Security

Fourth-quarter 2014 divisional revenue reached $12.2 million resulting, in particular, from a very good performance by the embedded security solutions product line. Revenue generated by Metaforic, which was acquired on April 5, 2014, remained marginal, but this emerging business was very active on the commercial front, especially with financial institutions, which are in the process of evaluating its software security technology for online banking and HCE mobile payment technology[5].

The discontinuation from late 2013 of NFC component sales to BlackBerry, which totalled $36 million during 2013 (i.e. 49% of divisional revenue), accounted for the fall in the division's full-year revenue.

As stated in previous quarterly reports, the more favourable product mix achieved through the Group's strategic and commercial repositioning led to an increase in adjusted gross margin from 49.4% of 2013 revenue to 89.2% in 2014.

The Mobile Security division, already profitable in H2 2013 and H1 2014, generated adjusted operating income of $4.8 million in the second half of 2014 owing to the steep improvement in the gross margin and, to a lesser extent, the cutback in its operating expenses.

In 2014, the division's adjusted operating income came to $11.5 million and its EBITDA to $12.4 million, compared with respective losses of $6.7 million and $5.7 million in 2013.

Secure Transactions

[5] Host Card Emulation. Introduced on Android 4.4 and currently being adopted by major payment brands, HCE technology enables contactless payments (and other services) directly between consumers' mobile banking applications and retailers' point-of-sale terminals using NFC technology. HCE technology allows sensitive data used during transactions to be securely stored on and accessed from Cloud servers rather than a mobile device, and without the use or a secure element or a SIM card hosted in a cell phone.

Fourth-quarter 2014 revenue in the Secure Transactions division reached $22.7 million, a significant growth compared with both Q3 2014 and Q4 2013. In particular, the Group benefited from a one-off, order of chips and technology licensing deal with a longstanding customer. The Group generated $3.8 million in fourth-quarter revenue from EMV chip and module sales in the United States and to a minor extent in emerging countries adopting EMV cards. Although they remain relatively modest compared with the level of the Group's historical sale in the EMV market in Europe, these sales are promising.

The division's full-year revenue declined from $80.8 million in 2013 to $65.4 million in 2014, as a result of the continued erosion in legacy EMV business in Europe and the sale of identification solutions (electronic identity documents), now less of a priority, and despite the ramp-up in more recently launched product lines.

The divisional adjusted gross margin slightly decreased, from 32.6% in 2013 to 31.6% in 2014, due to volume contraction and despite the shift in the product mix towards higher-margin products.

As announced in H1 2014, the Group reaffirms its focus on its priority markets: authentication, data protection and secure transactions for connected devices and the Internet of Things. INSIDE secure maintained its investment in R&D to develop new products addressing these markets, in particular in the field of next generation secure microcontrollers, and secure software embedded on semi-conductor platforms.

Accordingly, the division posted an adjusted operating loss of $5.3 million in 2014 (versus income of $5.9 million in 2013) and an EBITDA loss of $1.5 million (versus income of $10.6 million in 2013).

Cash and other key figures

Once again, the Group successfully maintained its cash position in 2014, with the cash generated by operating activities and very tight management of the working capital requirement providing sufficient funds to cover significant investments.

At December 31, 2014, the Group's available cash stood at $36.3 million, down from $40.2 million at December 31, 2013 and $38.8 million at June 30, 2014.

At December 31, 2014, the Group's net cash[6] stood at $ 28.6 million, compared with $39.7 million at December 31, 2013 and $37.1 million at June 30, 2014. The extension of the annual credit line related to the financing of the 2012 research tax credit financing is not yet finalized to date. As a consequence, the maturity of this credit line does not match the one of the 2012 research tax credit at this stage. There is therefore is a negative impact on the net cash position as at December 31, 2014 for an amount of $7.5 million.

The main movements in cash during 2014 were as follows:

- ongoing operations[7] generated $8.4 million;
- a reduction in the working capital requirement (including the financing of the 2013 research tax credit) generated $7.2 million;
- the Group paid out $13.0 million to acquire Metaforic;
- tangible and intangible asset investments amounted to $5.5 million.

Furthermore, the Group maintained a robust financial structure, with consolidated equity at $90.7 million at December 31, 2014.

Outlook for 2015

[6] Net cash consists of cash on hand, cash equivalents and short-term investments, the net amount of derivatives, less obligations under finance leases, bank overdrafts, bank loans, and any earnout payments due in connection with business combinations. Debt related to the financing of research tax credit clamis with a maturity equivalent to that of the research tax credit they finance are not taken into account because they will be extinguished when the research tax credit claims are repaid by the French government.

[7] Cash generated by operating activities before changes in the working capital requirement and before the non-recurring payment of $1.5 million relating to the departure in the first quarter 2014 of the last employees affected by the 2013 restructuring plan.

We expect 2015 to bring more commercial successes with a combination of design-ins and design-wins for our range of embedded security solutions for mobile and connected devices. The revenue take off related to this business development is expected for the second half of the year, with limited predictability quarter to quarter.

Conference call

To accompany the publication of its full-year 2014 results, the company will hold a conference call at 10.00am (Paris time) on February 27, 2015. Access to the call will be by dialing one of the following numbers: +33 (0)1 70 77 09 46 (France), +44 20 33 67 94 59 (UK) or +1 866 907 59 28 (USA). The presentation will be available online at www.insidesecure.com. An audio webcast of the presentation and the Q&A session will be available on the INSIDE Secure website approximately three hours after the end of the presentation and will remain posted there for one year.

Financial calendar

Publication of first-quarter 2015 revenue: April 30, 2015 (after market closing)

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About INSIDE Secure

INSIDE Secure (NYSE Euronext Paris FR0010291245 – INSD) provides comprehensive embedded security solutions. World-leading companies rely on INSIDE Secure's mobile security and secure transaction offerings to protect critical assets including connected devices, content, services, identity and transactions. Unmatched security expertise combined with a comprehensive range of IP, semiconductors, software and associated services gives INSIDE Secure customers a single source for advanced solutions and superior investment protection. For more information, visit www.insidesecure.com.

Supplementary non-IFRS financial information

The supplementary non-IFRS financial information presented in this press release are defined within the 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 in addition to, and not as a substitute for, any other operating and financial performance indicator of a strictly 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 activity. Although they are widely used by companies operating in the same industry around the world, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently to the Group, even though they use similar terms.

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 April 24, 2013, available on www.insidesecure.com.

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

The following tables are an integral part of the consolidated financial statements prepared in accordance with IFRS.

Consolidated income statement

(In thousands of US$)	2014	2013
Revenue	**125 362**	**154 623**
Cost of sales	(62 938)	(106 389)
Gross profit	**62 424**	**48 235**
Research and development expenses	(35 095)	(33 953)
Selling and marketing expenses	(20 813)	(20 648)
General and administrative expenses	(12 527)	(10 702)
Other gains / (losses), net	3 921	(10 698)
Operating loss	**(2 089)**	**(27 766)**
Finance income / (loss), net	(1 703)	790
Loss before income tax	**(3 792)**	**(26 976)**
Income tax expense	(1 229)	(584)
Loss for the period	**(5 022)**	**(27 560)**
Attributable to:		
Equity holders of the Company	(5 022)	(27 560)
Non-controlling interests	-	-
Earnings per share:		
Basic earnings per share	(0,15)	(0,81)
Diluted earnings per share	(0,15)	(0,81)

Consolidated balance sheet

Assets

In thousands of US$	December 31, 2014	December 31, 2013
Goodwill	24 623	15 287
Intangible assets	28 453	32 720
Property and equipment	6 001	10 411
Other receivables	23 437	24 863
Non-current assets	**82 514**	**83 282**
Inventories	9 919	14 830
Trade receivables	13 580	17 521
Other receivables	12 893	7 652
Derivative financial instruments	93	587
Cash and cash equivalents	36 315	40 213
Current assets	**72 801**	**80 804**
Total assets	**155 315**	**164 086**

Equity and liabilities

In thousands of US$	December 31, 2014	December 31, 2013
Ordinary shares	18 020	17 822
Share premium	225 820	225 599
Other reserves	13 494	14 140
Retained earnings	(161 613)	(134 053)
Income / (loss) for the period	(5 022)	(27 560)
Equity attributable to equity holders of the Company	**90 698**	**95 947**
Non-controlling interests	-	-
Total equity	**90 698**	**95 947**
Intangible liabilities - Non-current portion	3 460	7 962
Borrowings	6 472	6 862
Repayable advances	5 820	3 592
Retirement benefit obligations	1 503	1 596
Non-current liabilities	**17 255**	**20 012**
Intangible liabilities - Current portion	1 076	3 011
Financial instruments	1 055	215
Trade and other payables	29 756	32 525
Borrowings	12 572	7 386
Provisions for other liabilities and charges	273	2 312
Unearned revenues	2 630	2 678
Current liabilities	**47 362**	**48 127**
Total liabilities	**64 617**	**68 138**
Total equity and liabilities	**155 315**	**164 086**

Consolidated cash flow statement

In thousands of US$	December 31, 2014	December 31, 2013
Loss for the year	**(5 022)**	**(27 560)**
Adjustments for:		
Depreciation of tangible assets	3 442	5 428
Amortization of intangible assets	14 534	13 865
Impairment of fixed assets	2 168	1 511
Reversal of unused amount related to intangible liabilities	(6 404)	(1 125)
Impairment of receivables	(629)	414
Impairment of inventories	(410)	3 100
Financial result	(459)	-
(Profit) / loss on disposal of property and equipment	(20)	(231)
Share-based payment	557	555
Change in retirement benefit obligation	(33)	231
Income tax	1 229	584
Variation in provisions for risks	(2 010)	1 563
Cash generated by / (used in) operations before changes in working capital	**6 944**	**(1 665)**
Changes in working capital		
Inventories	5 321	(580)
Trade receivables	(1 186)	5 041
Trade receivables transferred	5 656	(8 106)
Other receivables	1 101	(384)
Research tax credit and grants	(7 552)	(9 193)
Trade and other payables	4 090	(1 745)
Non refundable advance on order backlog	(2 683)	-
Other payables	(4 583)	(1 703)
Cash generated by / (used in) changes in working capital	**164**	**(16 670)**
Cash generated by / (used in) operations	**7 108**	**(18 335)**
Interest received, net	(88)	235
Income tax paid	(1 013)	(106)
Net cash used in operating activities	**6 007**	**(18 206)**
Cash flows from investing activities		
Acquisition of business, net of cash acquired	(12 951)	(5 188)
Investments accounted for under the equity method	(969)	-
Purchases of property and equipment	(1 157)	(4 556)
Purchases of intangible assets	(4 321)	(1 101)
Research and development capitalized costs	-	(3 402)
Disposal of fixed assets	129	297
Net cash used in investing activities	**(19 269)**	**(13 950)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	216	28
Repayable advance	2 228	-
Proceeds from / (Repayment of) borrowings, net of issuance costs	7 624	6 676
Principal repayment under finance lease	(550)	(407)
Treasury shares	(64)	87
Bank overdraft	-	(276)
Net cash generated by / (used in) financing activities	**9 454**	**6 109**
Net decrease in cash and cash equivalents	**(3 809)**	**(26 048)**
Cash and cash equivalents at beginning of the year	40 213	66 321
Effect of exchange rate fluctuations	(89)	(60)
Cash, cash equivalents at end of the period	**36 315**	**40 213**

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 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 as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the Group's consolidated financial statements and their related notes. The Group uses these indicators because it believes they are useful measures of its recurring operating performance and its operating cash flows. Although they are widely used by companies operating in the same industry around the world, 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) nonrecurring 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 restructuring and 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..

The following tables show the reconciliation between consolidated income statements and adjusted financial indicators, as defined above, for the years ended December 31, 2013 and 2014:

(in thousands of US$)	2014 adjusted	Business combinations	Share-based payment	Other non-recurring costs (*)	2014 IFRS
Revenue	125 362	-	-	-	125 362
Cost of sales	(50 963)	(11 932)	(43)	-	(62 938)
Gross profit	**74 399**	**(11 932)**	**(43)**	**-**	**62 424**
As a % of revenue	*59,3%*				*49,8%*
R&D expenses	(33 201)	(1 770)	(123)	-	(35 095)
Selling & marketing expenses	(20 530)	-	(283)	-	(20 813)
Genaral & administrative expenses	(12 419)	-	(108)	-	(12 527)
Other gains/(losses), net	(128)	3 890	-	159	3 921
Operating income / (loss)	**8 121**	**(9 812)**	**(557)**	**159**	**(2 089)**
Amortization and depreciation of assets (**)	4 759	-	-	-	
EBITDA	**12 880**				

(in thousands of US$)	2013 adjusted	Business combinations	Share-based payment	Other non-recurring costs (*)	2013 IFRS
Revenue	154 623	-	-	-	154 623
Cost of sales	(94 364)	(11 953)	(71)	-	(106 389)
Gross profit	**60 260**	**(11 953)**	**(71)**	**-**	**48 235**
As a % of revenue	*39,0%*				*31,2%*
R&D expenses	(31 903)	(1 869)	(181)	-	(33 953)
Selling & marketing expenses	(20 477)	-	(171)	-	(20 648)
Genaral & administrative expenses	(10 570)	-	(132)	-	(10 702)
Other gains/(losses), net	(261)	(599)	-	(9 838)	(10 698)
Operating income / (loss)	**(2 952)**	**(14 421)**	**(555)**	**(9 838)**	**(27 766)**
Amortization and depreciation of assets (**)	5 745	-	-	-	
EBITDA	**2 793**				

(*) the amount corresponds mainly to restructuring expenses

(**) excluding amortization and depreciation of assets acquired through business combinations