



INSIDE Secure 2014 Earnings Presentation

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AGENDA



2014 Key Highlights

Q4 Revenue and Full Year Financial Overview

Outlook for 2015

Q & A

Appendix



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2014 KEY HIGHLIGHTS



- Consolidated revenue of \$125.4 million in 2014 with fundamentally different product mix compared with 2013
- Strong growth in adjusted* gross margin to 59% of revenue vs. 39% in 2013, as a consequence of the strategic repositioning
- Adjusted operating profit of \$8.1 million vs. a loss of \$3.0 million in 2013
- Third consecutive half-year of positive adjusted operating profits and EBITDA
- Metaforic integration completed, with encouraging business momentum
- First success of strategy of monetization of the Groups' NFC technology and patents (new license agreement with Intel in June 2014, LG/France Brevets patent licence agreement in August 2014)

* Definition in Appendix





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Q4-2014 REVENUE



in thousands of US\$	Q4-2014 consolidated	Q4-2013 consolidated	Q3-2014 consolidated	% Change annual	% Change sequential
Mobile Security	12 222	19 668	12 966	-38%	-6%
Secure Transactions	22 730	19 748	12 677	15%	79%
Unallocated	320	-	200	-	60%
Total Revenue	35 272	39 416	25 843	-11%	36%

Mobile Security

- Very good performance from embedded security solutions product line

Secure Transactions

- One-off order of chips and technology licensing agreement with a longstanding customer
- \$3.8 million revenue from chip and module sales on emerging EMV card market in the US and other countries adopting EMV



FY 2014 REVENUE



in thousands of US\$	12 months 2014	12 months 2013	% Change annual
Mobile Security	57 938	73 797	-21%
Secure Transactions	65 391	80 827	-19%
Unallocated	2 033	-	-
Total Revenue	125 362	154 623	-19%

FY 2014 revenue down 19% but with a fundamentally different product mix and with higher margins, in line with the Group strategic repositioning

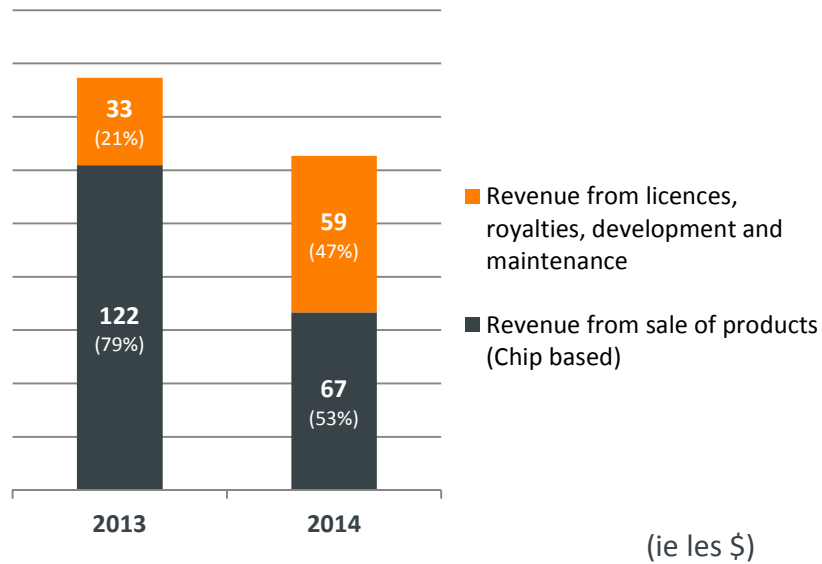
Revenue from embedded security solutions gradually replacing the sales of NFC connectivity component



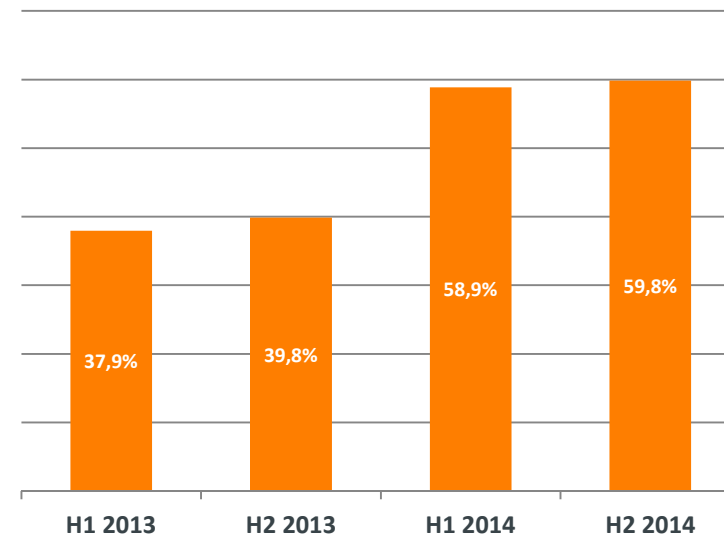
SUCCESSFUL EXECUTION OF STRATEGIC REPOSITIONING



Revenue split by nature (in m\$)



Adjusted gross margin trend



High-value products and SW and IP model driving profitability



ADJUSTED INCOME STATEMENT



in thousands of US\$	12 months 2014	12 months 2013
Revenue	125 362	154 623
Cost of sales (adjusted)	(50 963)	(94 363)
Adjusted Gross profit	74 399	60 260
<i>in % of revenue</i>	59,3%	39,0%
R&D expenses (adjusted)	(33 201)	(31 903)
<i>in % of revenue</i>	-26%	-21%
Selling & marketing expenses (adjusted)	(20 530)	(20 477)
<i>in % of revenue</i>	-16%	-13%
General & administrative expenses (adjusted)	(12 419)	(10 570)
<i>in % of revenue</i>	-10%	-7%
Other (losses)/gains, net (adjusted)	(128)	(261)
Total adjusted operating expenses	(66 278)	(63 212)
Adjusted operating income	8121	(2 952)
<i>in % of revenue</i>	6,5%	-1,9%

24% increase in adjusted gross profit: anticipated revenue contraction offset by improvement in adjusted gross margin



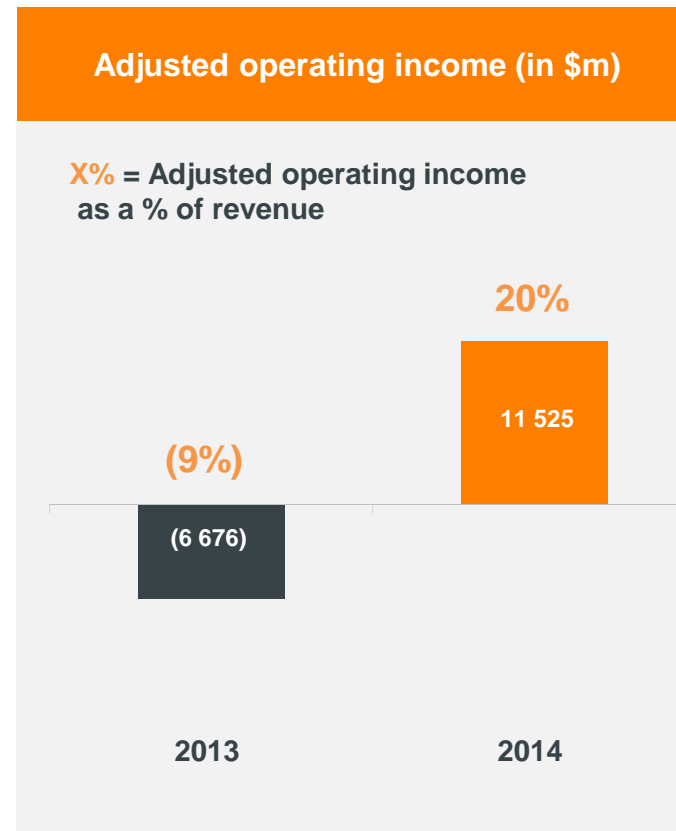
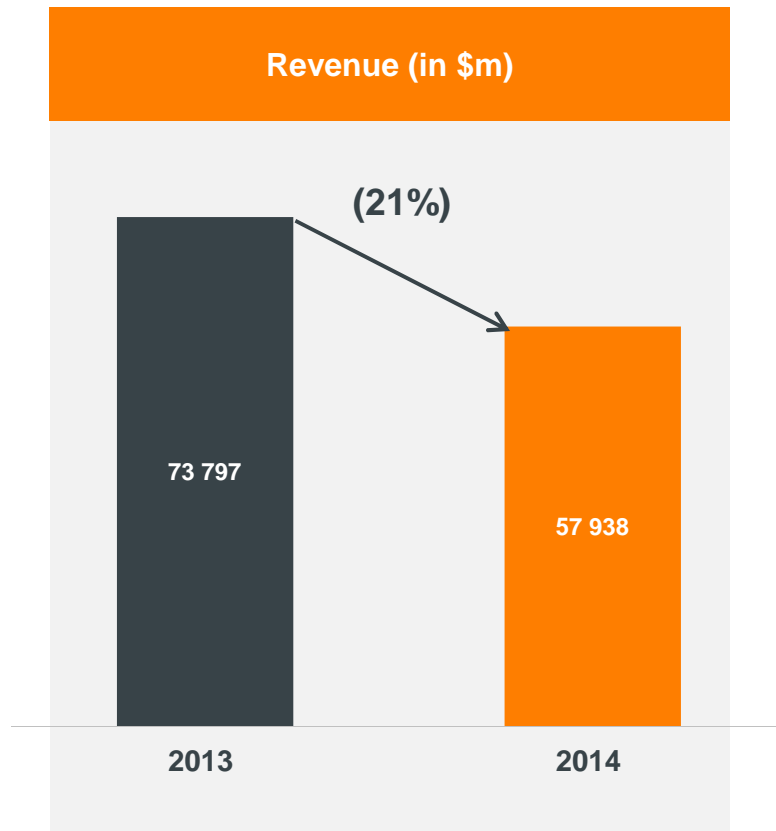
Absence of R&D expenses capitalized on the balance sheet in 2014 vs 2013 and lower research tax credit



Positive impact of 2013 restructuring plan but partly offset by the integration of Metaforic in the Group



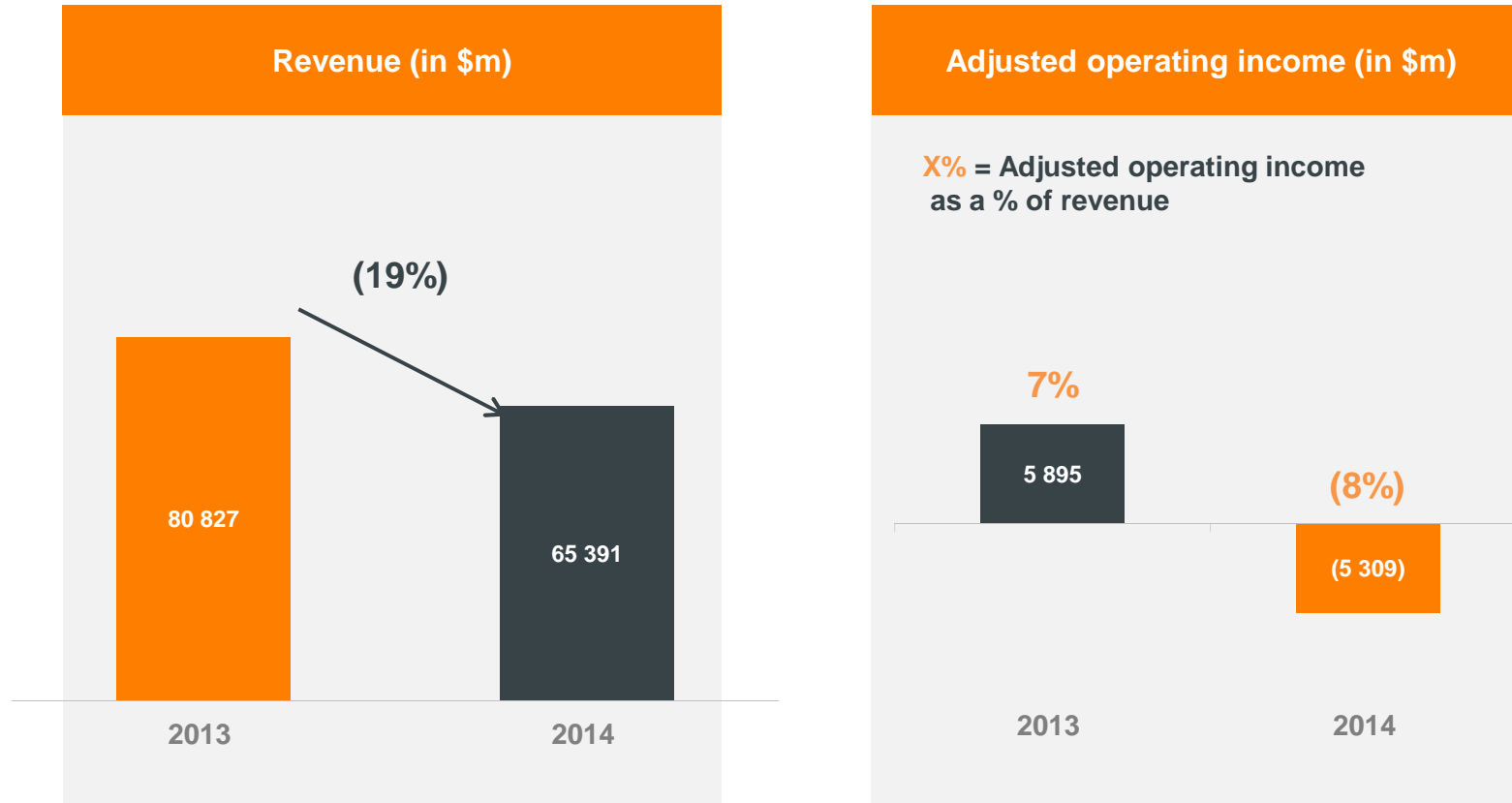
MOBILE SECURITY



- Decrease in sales due to discontinuation of NFC sales to BlackBerry
- Sharp increase in gross margin from 49.4% to 89.2% reflecting a more favorable product mix
- Third half-year in a row of adjusted operating profit



SECURE TRANSACTIONS



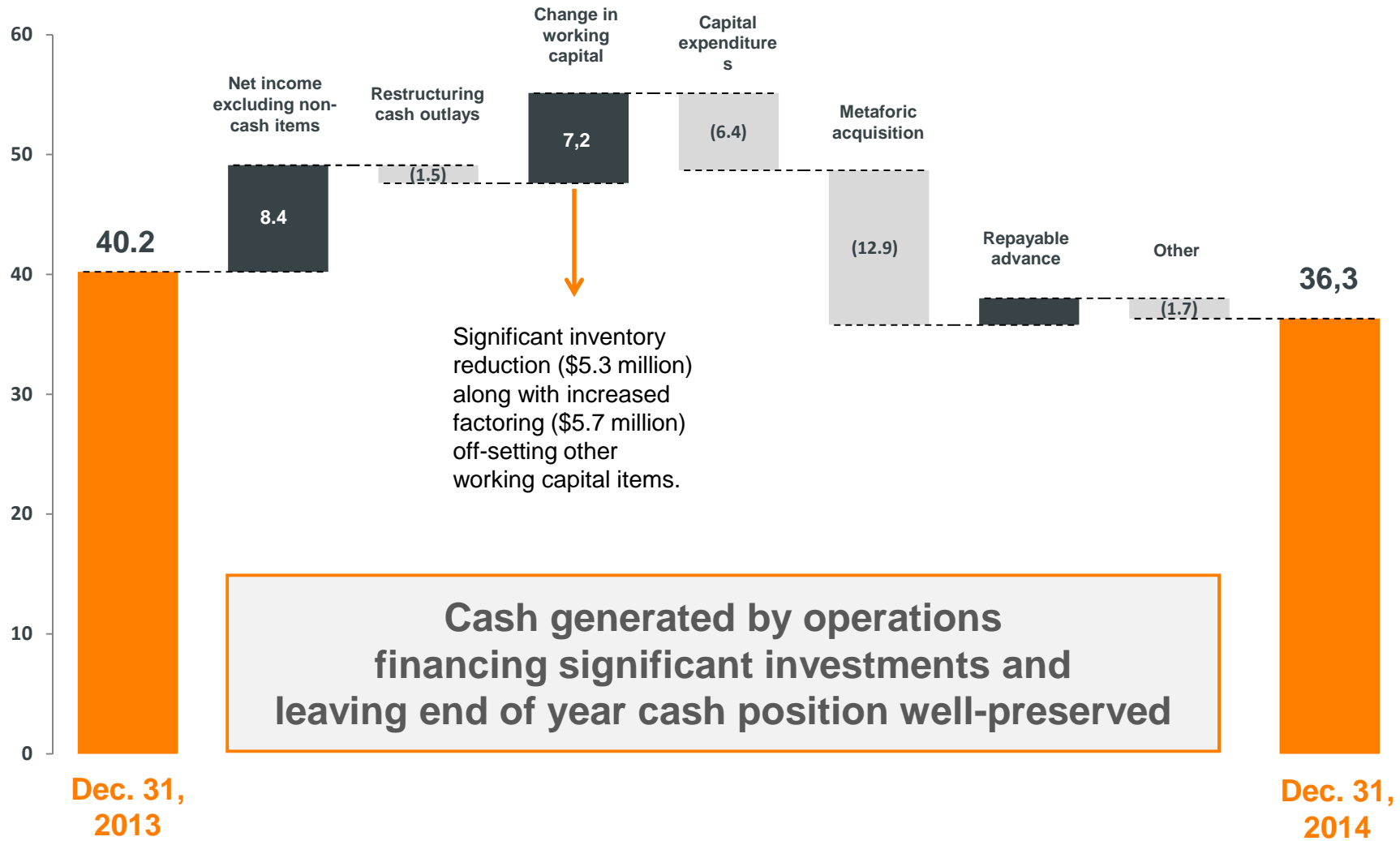
- Decline in revenue due to continued erosion of legacy EMV and ID business in Europe
- Progressive ramp-up of new product lines in connected devices and IoT
- Slight decrease in adjusted gross margin to 31.6% (-100bps)



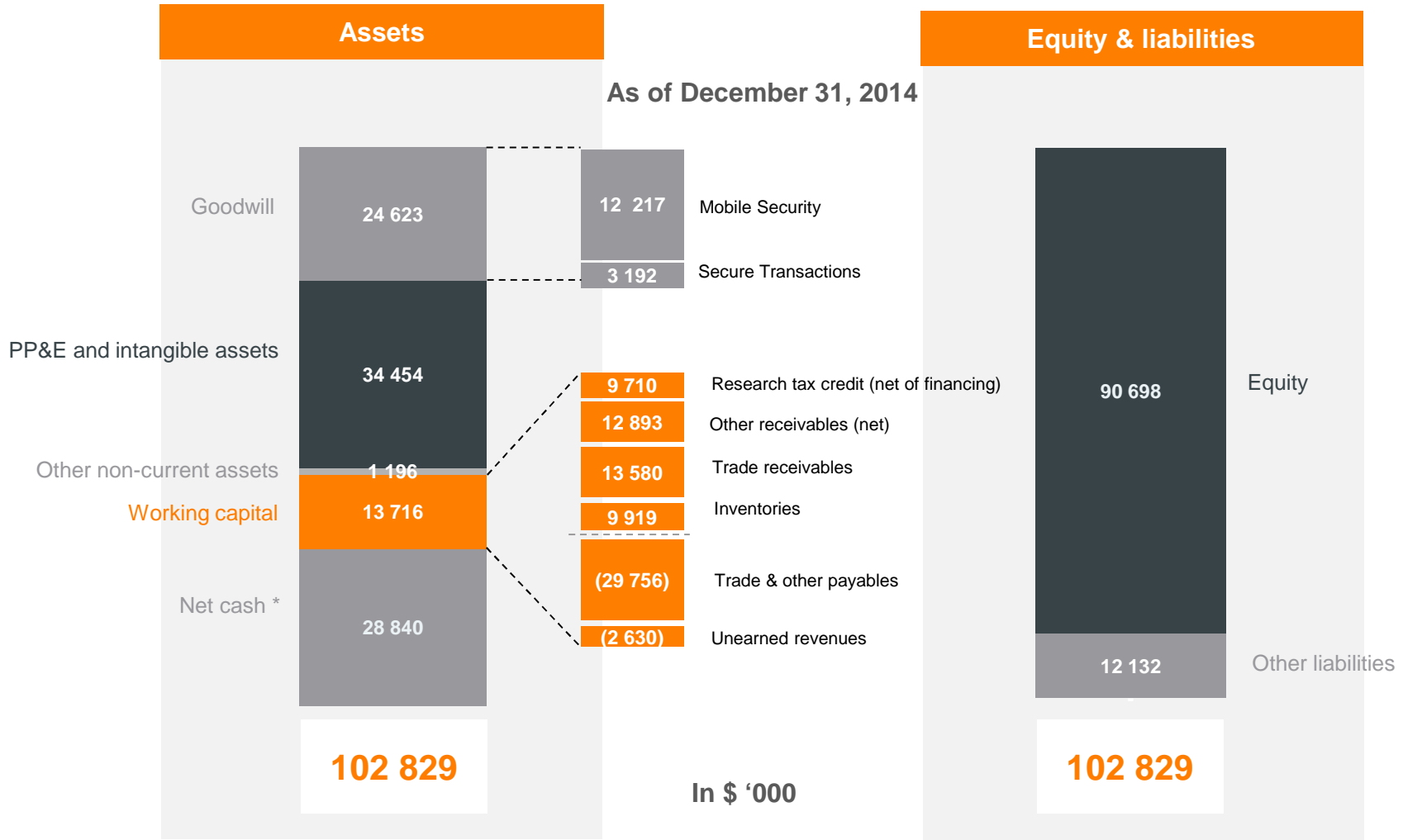
FY 2014 CASH FLOW



In millions of US\$



STRONG BALANCE SHEET



* Definition in Appendix





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OUTLOOK 2015 - CONFIRM POSITIVE IMPACT OF STRATEGIC REPOSITIONING



- Win customers in mobile and connected devices with our embedded security solution approach
- Get first significant commercial success in mobile banking and HCE MPayment thanks to our unique offering (derived from Metaforic acquisition)
- And: (i) ramp up volumes in the US and countries adopting EMV; (ii) sign new licensees with NFC patents program through France Brevets

Our Vision:

In an all-digital and connected world, time has come to move from existing “add on” security models to a truly embedded model that places security at the heart of each device or application.





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DEFINITIONS

Adjusted measures

- Certain financial measures and performance indicators are presented on an adjusted basis. These indicators are not defined under IFRS; 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
- 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.

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. Debt related to the financing of research tax credit (CIR) claims with a maturity equivalent to the CIR claims they finance are not taken into account since they are intended to be extinguished upon repayment by tax authorities of CIR claims.

RECONCILIATION FROM ADJUSTED TO IFRS FY 2014



in thousands of US\$	2014 Adjusted	Business combination	Sharebased payments	Other non- recurring costs	2014 IFRS
Revenue	125 362	-	-	-	125 362
Cost of sales	(50 963)	(11 932)	(43)	-	(62 938)
Gross margin	74 399	(11 932)	(43)	-	62 424
<i>in % of revenue</i>	59,3%				49,8%
R&D expenses	(33 201)	(1 770)	(123)	-	(35 095)
Selling & marketing expenses	(20 530)	-	(283)	-	(20 813)
General & administrative expenses	(12 419)	-	(108)	-	(12 527)
Other (losses)/gains, net	(128)	3 890	-	159	3 921
operating income	8 121	(9 812)	(557)	159	(2 089)
<i>in % of revenue</i>	6,5%				-1,7%



RECONCILIATION FROM ADJUSTED TO IFRS FY 2013



in thousands of US\$	2013 Adjusted	Business combination	Sharebased payments	Other non- recurring costs	2013 IFRS
Revenue	154 623	-	-	-	154 623
Cost of sales	(94 364)	(11 953)	(71)		(106 389)
Gross margin	60 259	(11 953)	(71)	-	48 235
<i>in % of revenue</i>	39,0%				31,2%
R&D expenses	(31 903)	(1 869)	(181)	-	(33 953)
Selling & marketing expenses	(20 477)	-	(171)	-	(20 648)
General & administrative expenses	(10 570)	-	(132)	-	(10 702)
Other (losses)/gains, net	(261)	(599)	-	(9 838)	(10 698)
operating income	(2 952)	(14 421)	(555)	(9 838)	(27 766)
<i>in % of revenue</i>	<i>-1,9%</i>				<i>-18,0%</i>



INVESTOR INFORMATION



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Financial Calendar

Q1 2015 Revenue **April 30, 2015**

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<http://www.insidesecure-finance.com>

