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INSIDE Secure

First Half 2014 Earnings Presentation

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inside
SECURE

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H1 2014 Key Highlights

- 1st half of 2014 results confirm successful execution of strategic repositioning
- First success of strategy of monetization of the Groups' NFC technology and IP with the new license agreement with Intel completed in June 2014
- Metaforic integration on-going, with encouraging business momentum
- Strong growth in gross margin to 59% of revenue, from 38% in H1 2013 and 40% in H2 2013 driven by strategic shift towards high-value products and SW and IP model
- Second consecutive half-year of positive adjusted operating profits and EBITDA

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Revenue Q2-2014

in thousands of US\$	Q2-2014 consolidated	Q2-2013 consolidated	Q1-2014 consolidated	% Change annual	% Change sequential
Mobile Security	25 677	15 630	7 073	64%	263%
Secure Transactions	13 658	21 095	16 325	-35%	-16%
Unallocated	1 513	-	-	-	-
Total Revenue	40 848	36 726	23 399	11%	75%

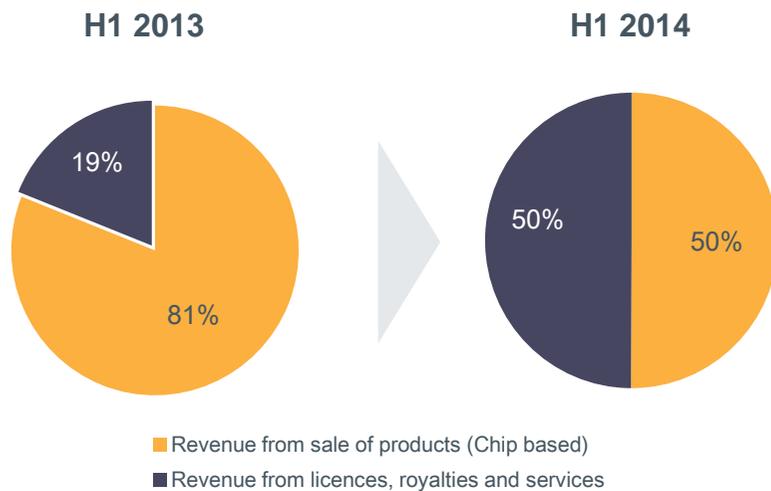
Key elements of the 2nd quarter:

- Monetization of NFC technology and intellectual property rights – Intel license in June
- Acquisition of Metaforic in April confirming leading position in mobile payment advanced technologies
- No revenue from NFC connectivity components to BlackBerry.

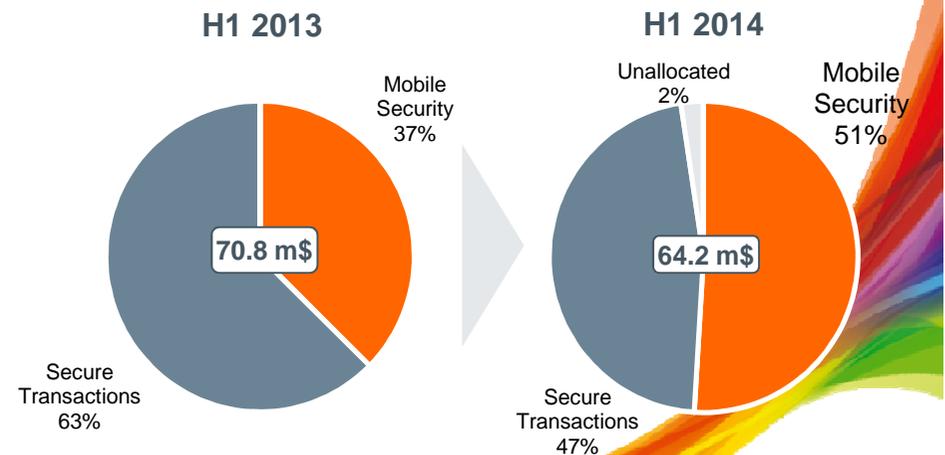
Revenue H1-2014

in thousands of US\$	H1-2014 consolidated	H1-2013 consolidated	% Change annual
Mobile Security	32 750	26 473	24%
Secure Transactions	29 984	44 292	-32%
Unallocated	1 513	-	-
Total Revenue	64 247	70 765	-9%

Revenue split by nature



Revenue split by division



H1-2014 Income Statement

in thousands of US\$	H1-2014 consolidated	H1-2013 consolidated
Revenue	64 247	70 765
Cost of sales	(26 425)	(43 915)
Adjusted gross profit	37 822	26 850
<i>in % of revenue</i>	58,9%	37,9%
R&D expenses	(18 133)	(18 107)
<i>in % of revenue</i>	-28%	-26%
Selling & marketing expenses	(10 569)	(10 646)
<i>in % of revenue</i>	-16%	-15%
General & administrative expenses	(6 363)	(4 937)
<i>in % of revenue</i>	-10%	-7%
Other (losses)/gains, net	482	527
Adjusted operating expenses	(34 582)	(33 163)
<i>in % of revenue</i>	-53,8%	-46,9%
Adjusted operating income	3 240	(6 313)
<i>in % of revenue</i>	5,0%	-8,9%
EBITDA	5 627	(3 542)
<i>in % of revenue</i>	8,8%	-5,0%

Significant increase in gross margin reflecting the shift in the Group's positioning and revenue model

Slight increase in R&D expenses (in % of revenue):

- Lower research tax credit due to less eligible project and lower cost base
- H1 2013 favourably impacted by capitalized R&D expenses.
- Unfavourable FX effect in H1 2014

Positive restructuring impact on S&M and G&A expenses, off-set by :

- 1) integration of Metaforic in Q2
- 2) Unfavourable FX effect in H1 2014

Mobile Security

MOBILE SECURITY

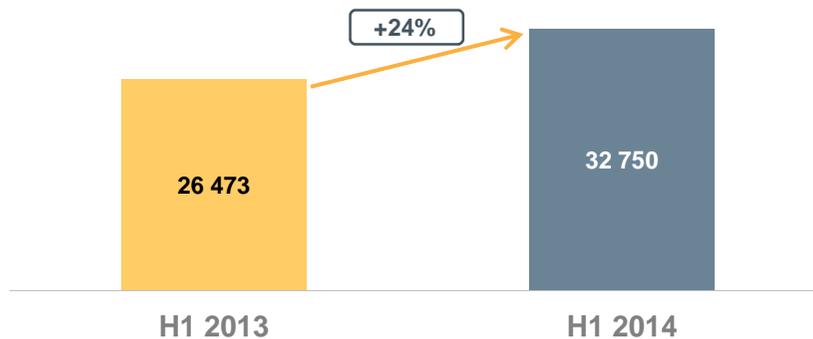
- Secure Element in mobile
- NFC and NFC IP
- Secure IPs , crypto engine, ...
- Secure apps: Content protection
DRM, VPN, DAR, payment,...



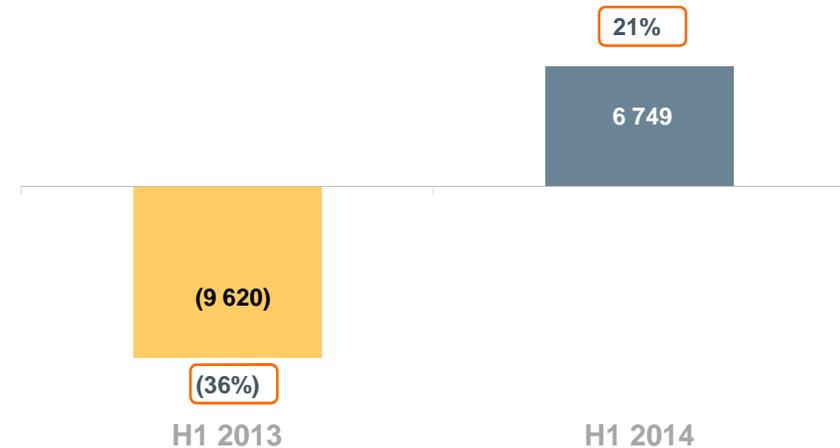
Icons representing mobile devices: a smartphone with a signal tower, a smartphone, a tablet, and a laptop.

Mobile Security

Revenue (in \$m)



Adjusted operating income (in \$m)



x % Adjusted operating income in % of revenue

- Strong revenue growth of 24% due to:
 - Licensing agreement with Intel on next generation of NFC modem technology and NFC patents, fully paid up at closing (\$19.2m in cash), of which \$17.1m recognized in Q2 revenue
 - Strong revenue growth in the embedded security solutions product line
- Sharp increase in adjusted gross margin to 86.9% in H1 2014 vs 52.1% in H1 2013 due to favorable product mix.
- Positive adjusted operating income for the second half-year in a row.

Secure Transactions

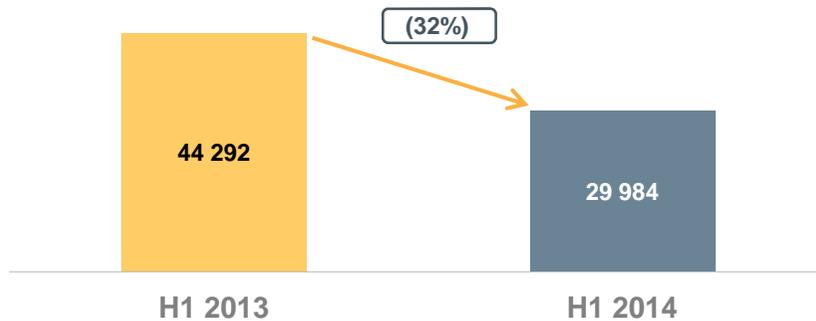
**SECURE
TRANSACTIONS**

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

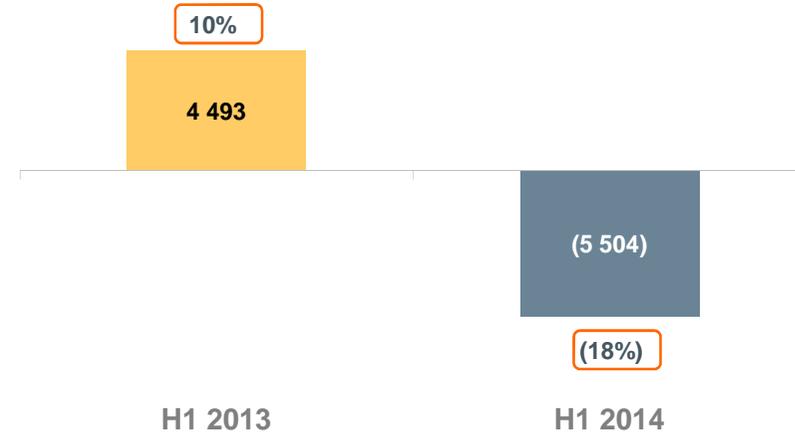
The graphic features a man in a suit holding a red card and a woman in a blue shirt holding a blue card. Above them are icons for a server rack, a smartphone, a tablet, and a laptop. The background is a green gradient with abstract light patterns.

Secure Transactions

Revenue (in \$m)



Adjusted operating income (in \$m)

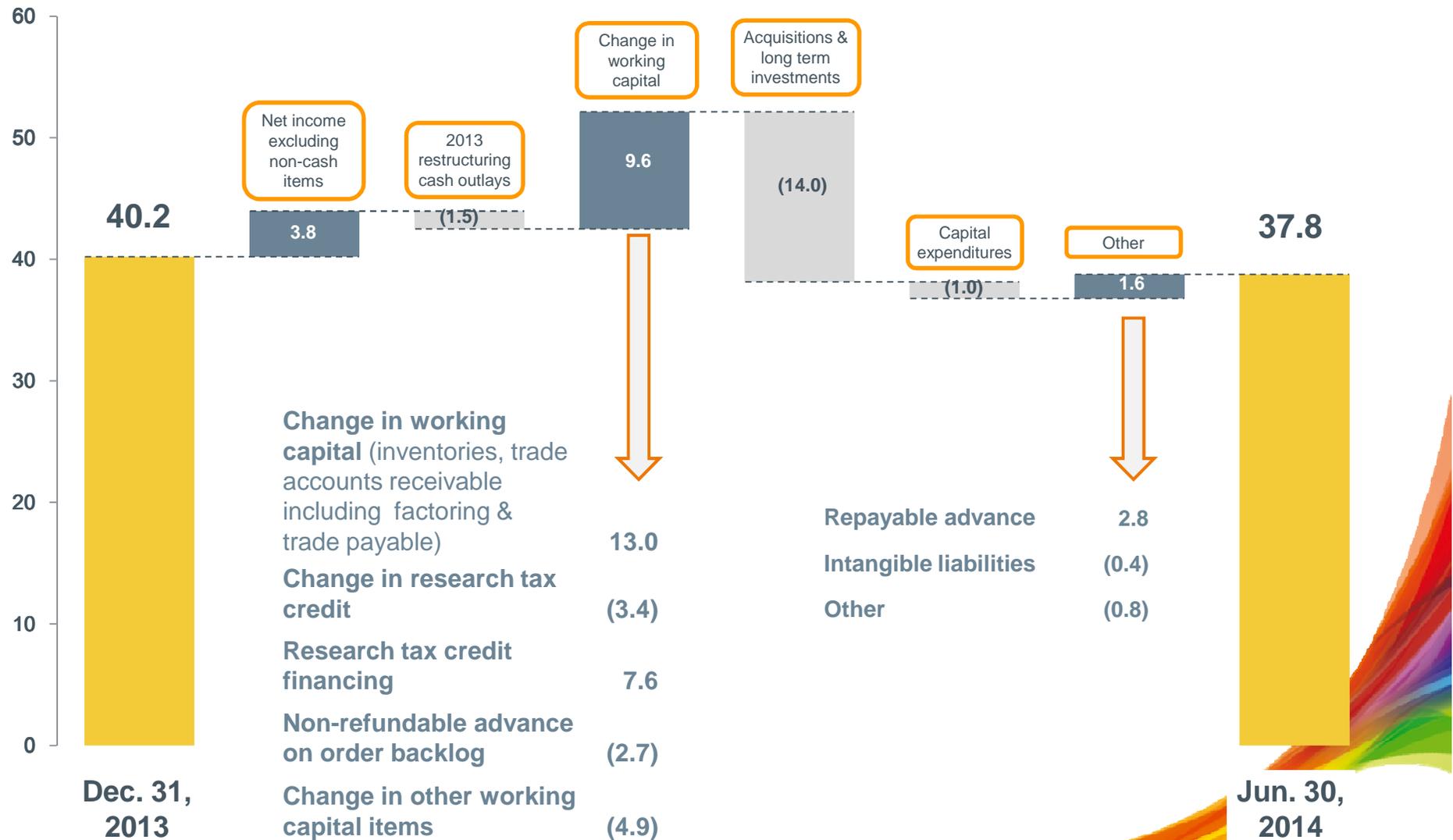


x % Adjusted operating income in % of revenue

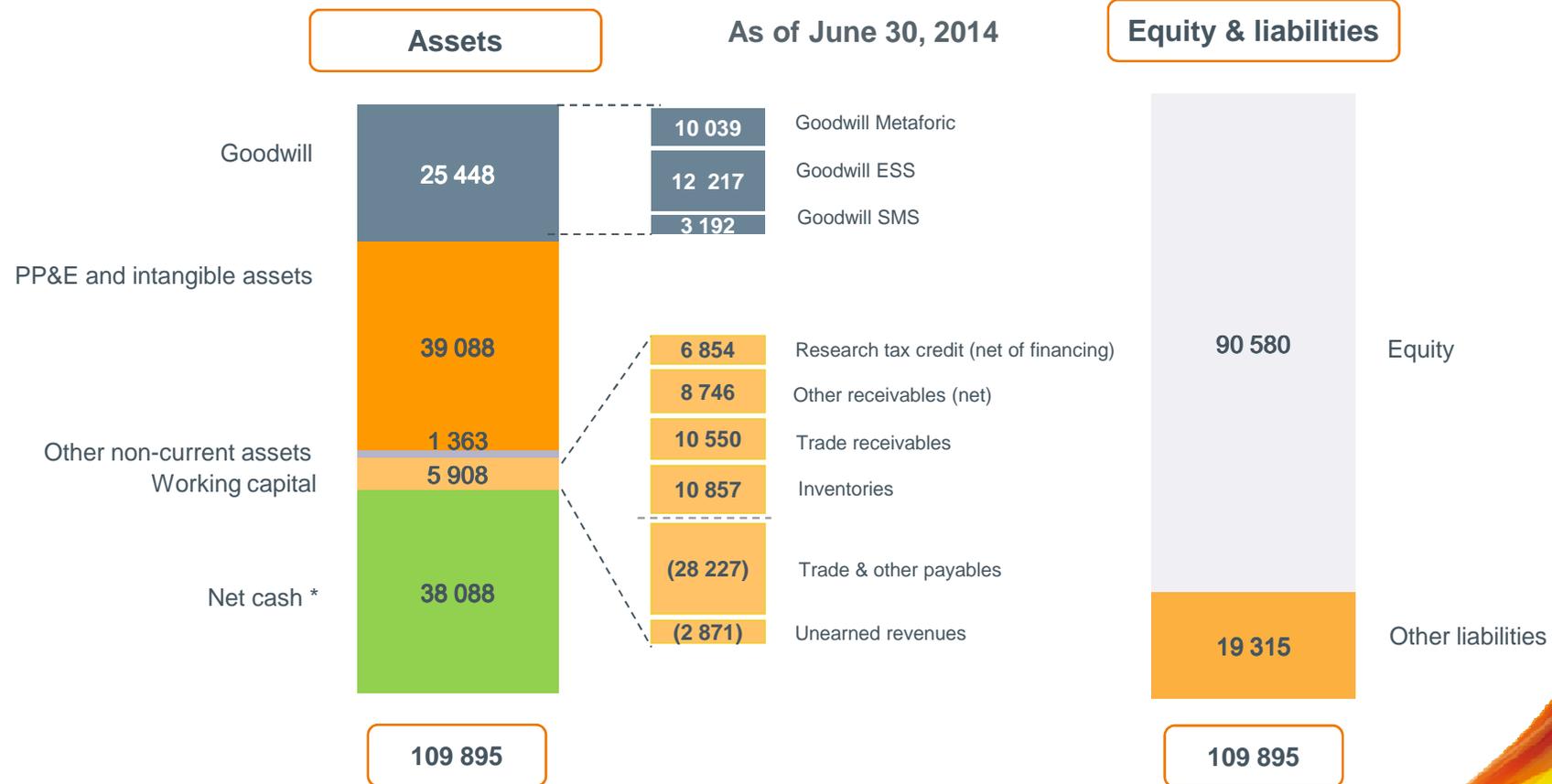
- H1 2014 revenue impacted by legacy EMV payment products continuing decline and pending take-off of the EMV market in the US
- Adjusted operating loss in H1 2014 due to volume decrease and increase in R&D spending around new generation secure microcontrollers and related embedded secure software

H1-2014 Cash Flow

In millions of US\$



Strong Balance Sheet



* See definition in Appendix

In \$ '000

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Outlook 2014

Confirm positive impact of strategic repositioning

- On-going efforts to license NFC technology and patents
- Maintain dynamic trend on mobile security embedded products
- Confirmation of first commercial success on HCE solutions thanks to Metaforic acquisition and enlarged product offering
- Register first volumes on EMV in the US
- Anti-counterfeiting: pursuing business development on wine & liquor and luxury goods segments with field trial implementations

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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.

- **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.

Reconciliation from Adjusted to IFRS H1 2014

in thousands of US\$	H1-1 2014 Adjusted	Business combination	Sharebased payments	Other non- recurring costs	H1-2014 IFRS
Revenue	64 247	-	-	-	64 247
Cost of sales	(26 425)	(5 924)	(38)	-	(32 386)
Gross margin	37 822	(5 924)	(38)	-	31 860
<i>in % of revenue</i>	58,9%				49,6%
R&D expenses	(18 133)	(777)	(51)	-	(18 961)
Selling & marketing expenses	(10 569)	-	(91)	-	(10 659)
General & administrative expenses	(6 363)	-	(59)	-	(6 422)
Other (losses)/gains, net	482	(2 028)		28	(1 517)
Operating income	3 240	(8 729)	(239)	28	(5 699)
<i>in % of revenue</i>	5,0%				-8,9%

Reconciliation from Adjusted to IFRS H1 2013

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

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Q3 2014 Revenue October 27, 2014

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