



Third quarter 2014 revenue of INSIDE Secure

- Third quarter consolidated revenue of \$25.8 million and \$90.1 million over the first nine months of the year
- Decrease in revenue relative to the same period in 2013, in the context of the transformation of INSIDE Secure's business activities portfolio, as a result of the Group's strategic refocusing around comprehensive security solutions for mobile and connected devices initiated in 2013
- Confirmation of the gradual evolution of revenue split toward a high-margin product mix, with revenue from licenses and royalties now representing 50% of the Group's revenue, significantly up relative to the previous year

Aix-en-Provence, France, October 27, 2014 – INSIDE Secure (Euronext Paris: INSD), a leader in embedded security solutions for mobile and connected devices, reports consolidated revenue of \$25.8 million for the third quarter ended September 30, 2014. This brings consolidated revenue for the first nine months to \$90.1 million, down relative to the first nine months of the 2013 fiscal year, reflecting significant change in revenue composition following the Group's strategic refocusing.

Consolidated revenue (IFRS) for the third quarter and the first nine months of 2014:

(in thousands of US\$)	Q3-2014	Q3-2013	Q2-2014	Q3-2014 vs. Q3-2013	Q3-2014 vs. Q2-2014	9 months 2014	9 months 2013	% Y-o-Y
Mobile Security	12 966	27 656	25 677	-53%	-50%	45 716	54 129	-16%
Secure Transactions	12 677	16 786	13 658	-24%	-7%	42 660	61 078	-30%
Unallocated	200	-	1 513	-	-	1 713	-	-
Total	25 843	44 442	40 848	-42%	-37%	90 090	115 207	-22%

High-margin revenue from software, intellectual property and patent licenses, royalties, maintenance and other services totaled \$45.1 million over the first nine months of 2014. This represents 50% of the Group's total revenue, significantly up from only 18% of total revenue last year. As such, the Group confirms the significant increase in its gross margin¹ compared with 2013 (even when excluding the positive impact of the license executed with Intel in June 2014).

(in thousands of US\$)	Q3-2014	Q3-2013	Q2-2014	Q3-2014 vs. Q3-2013	Q3-2014 vs. Q2-2014	9 months 2014	9 months 2013	% Y-o-Y
Sale of semiconductors	12 859	37 643	15 343	-66%	-16%	45 019	94 986	-53%
Development and license agreements	2 349	2 347	19 577	0%	-88%	24 458	7 905	209%
Royalties	9 692	3 508	4 968	176%	95%	17 726	9 701	83%
Maintenance	944	943	960	0%	-2%	2 886	2 615	10%
Total	25 843	44 442	40 848	-42%	-37%	90 090	115 207	-22%

Commenting on these results, Rémy de Tonnac, Chief Executive Officer of INSIDE Secure, said: *"Third quarter revenue highlights the positive effects of our new strategic focus, notably resulting in the increase in our gross profit margin. In addition, the Group continues to roll out its NFC patents and technology monetization program, and has won new licensing contracts for its embedded security products. The Group also continues to develop innovative solutions aimed at securing the Internet of Things and connected machines in particular. Recent developments in the mobile security space, especially around mobile payment solutions, give us comfort on the relevance of the strategic vision of the Group on embedded security. Hardware and software technologies and solutions developed by INSIDE Secure address both present and future security challenges, adapting to the issues of architecture, integration and certification."*

¹ Adjusted gross profit as a percentage of consolidated revenue

Business segment analysis

Mobile Security

After having completed a NFC technology and patents license agreement with Intel in June 2014, representing \$16.2 million in 2nd quarter revenue, the Group benefited from the execution of NFC patent license agreement between France Brevets and the Korean manufacturer LG in the 3rd quarter. These licenses, which are non-recurring and offer a high profit margin, are consistent with the Group's strategy to monetize NFC-related technology and intellectual property.

Q3 2014 revenue has decreased relative to the previous year, which was still supported by significant NFC component sales to BlackBerry. The impact in the revenue base is particularly significant in the third quarter, since these sales to BlackBerry had generated \$20.2 million in revenue in Q3 2013 out of \$29.8 million in the first nine months of 2013.

In addition, third quarter business activities confirm the change in the Group's revenue split toward a product mix offering higher margins. Therefore, the share of revenue deriving from software sales and technology (intellectual property) and patent licenses has significantly increased, allowing for a continued increase in the Group's adjusted gross margin.

Furthermore, the Group continues Metaforic's integration into its product offering. In the 3rd quarter, three new agreements were signed, mainly with financial institutions, which have started to assess Metaforic's technology, applied to the security of HCE² technology in particular, prior to product integration and commercial deployment.

Secure Transactions

Revenue in the Secure Transactions division totalled \$12.7 million, a decrease relative to Q3 2013. This was due to an ongoing and anticipated decline in the Group's legacy EMV business in Europe (sales of EMV chips), which has not yet been offset by the Group's ramp-up in the emerging USA EMV market. INSIDE Secure has developed a complete product line of contact, contactless, and dual interface (contact and contactless) EMV solutions³ to meet the American market's requirements. These solutions rely on a native and optimized operating system, whereas competitors' solutions rely on Java-based technology. The Group's solutions allow for faster bank card personalization, which reduces total cards issuance costs for banks. Efforts made to demonstrate the benefits of this innovative approach are beginning to bear fruit, and the Group believes it should start to record its first significant volume deliveries on the EMV market in the United States in the 4th quarter of 2014.

This quarter's revenue continues to be supported by investments in the Group's product offering aimed at securing the Internet of Things and promoting anti-counterfeiting solutions, which is one of the Group's key focus areas. In addition to a 15% increase in the revenue of this product line over the first nine months of 2014, the Group has also achieved 12 design-ins and design-wins over this period, in the fields of home automation, wearable devices, smart metering and luxury goods, which could translate into revenue as soon as 2015. Moreover, revenue in the third quarter was impacted by weak sales of identification solutions (electronic identification documents), a lower priority business segment for the Group.

Outlook for 2014

Results for the second half of 2014 should confirm the positive effects of the strategic refocusing launched in 2013, and particularly the significant increase in the Group's annual gross margin. As a result, despite an expected decrease in annual revenue in the context of the transformation of INSIDE Secure's business activities portfolio as a result of its strategic refocusing, the Group anticipates an increase in the annual adjusted gross profit.

² Host Card Emulation. Introduced on Android 4.4 and being supported by major payment brands, HCE technology allows for contactless payments (and other services) to be made directly between consumers' banks mobile applications and retailers' point-of-sale terminals using NFC technology. It allows sensitive data used to facilitate transactions to be securely stored on, and accessed from, cloud servers rather than a mobile device and without the use of a secure element or a SIM card.

³ Certified microcontrollers together with an operating system and applets compliant with Visa and Mastercard standards.

Financial calendar

Publication of the 2014 consolidated financial results: February 26, 2015 (after trading)

Press and investor contacts

INSIDE Secure
Communication corporate
Géraldine Saunière
Marcom Director
+33 (0) 4 42 39 33 01
gsauniere@insidefr.com

Brunswick
Financial communication
Jérôme Biscay, Mathilde Rodié
+33 (0) 1 53 96 83 83
INSIDE@brunswickgroup.com

INSIDE Secure
Investor Relations
Richard Vacher Detournière
Directeur général - finances
rvacherdetourniere@insidefr.com

About INSIDE Secure

INSIDE Secure (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.insidesecond.com.

Supplementary non-IFRS financial information

To better assess the financial performance, the Group uses additional indicators. 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. Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets and masks related to business combinations purchased through a business combination, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with restructuring and acquisitions carried out by the Group.

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 registration document ("Document de Référence" filed with the *Autorité des marchés financiers* (the "AMF") on September 11, 2014 under number R.14-054, available on www.insidesecond.com.