



INSIDE Secure

2015 Results and Strategy Update

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AGENDA



Key Highlights

Q4 Revenue and Full Year Financial Overview

Strategy Update and Outlook

Q & A

Appendix



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KEY HIGHLIGHTS



FY 2015

- **Consolidated revenue of \$70.1 million** (\$15.8 million in Q4 2015)
- **Adjusted* operating loss of \$21.0 million** (vs. operating income of \$8.1 million in 2014)

Strategic decisions on the Group's business lines

1. **Secure Transactions division: Exit¹ from the semiconductor business in the context of a project to sell the business, with an exclusivity granted to a potential buyer**
2. **Mobile Security division: completion of the process to reposition the Company in software security and technology licensing, with leaner operating costs that match current business levels**
3. **Rightsizing of operations – launch of a restructuring plan impacting about 15% of the global workforce**
4. **Launch of a project to raise €7 million of capital through 2 successive capital increase**

* Definitions of adjusted measures in Appendix

1. Implementation of this plan is subject to prior notification and consultation of the relevant employee representative bodies





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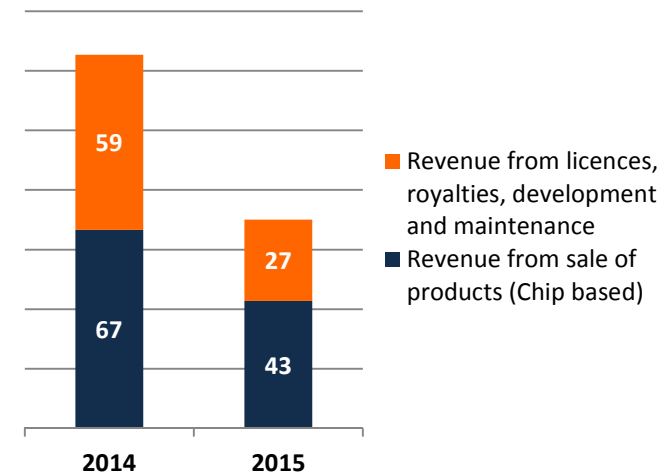


Q4 AND FULL YEAR 2015 REVENUE



in thousands of US\$	Q4-2015 consolidated	Q4-2014 consolidated	Q3-2015 consolidated	% Change annual	% Change sequential
Mobile Security	6 077	12 222	9 805	-50%	-38%
Secure Transactions	9 706	22 730	9 553	-57%	2%
Unallocated	-	320	-	-	0%
Total Revenue	15 783	35 272	19 357	-55%	-18%

in thousands of US\$	12 months 2015	12 months 2014	% Change annual
Mobile Security	27 035	57 938	-53%
Secure Transactions	42 422	65 391	-35%
Unallocated	650	2 033	-
Total Revenue	70 106	125 362	-44%



Mobile Security

- 4Q15 revenue miss due to delayed royalty stream on hardware IP, after a strong 3Q15

Secure Transactions



- Marginal increase in 4Q15 vs. 3Q15 but still significant decline Y-over-Y

ADJUSTED* INCOME STATEMENT



in thousands of US\$	12 months 2015	12 months 2014
Revenue	70 106	125 362
Cost of sales (adjusted)	(37 264)	(50 963)
Adjusted Gross profit	32 843	74 399
<i>in % of revenue</i>	46,8%	59,3%
R&D expenses (adjusted)	(22 810)	(33 201)
<i>in % of revenue</i>	-33%	-26%
Selling & marketing expenses (adjusted)	(17 916)	(20 530)
<i>in % of revenue</i>	-26%	-16%
General & administrative expenses (adjusted)	(10 604)	(12 419)
<i>in % of revenue</i>	-15%	-10%
Other (losses)/gains, net (adjusted)	(2 465)	(128)
Total adjusted operating expenses	(53 794)	(66 278)
Adjusted operating income	(20 951)	8 121
<i>in % of revenue</i>	-29,9%	6,5%
EBITDA	(17 584)	12 880
<i>in % of revenue</i>	-25,1%	10,3%

Change essentially explained by revenue mix (NFC technology and patent licences in 2014)



Lower headcount further to Intel agreement (R&D team transferred to Intel in June 2014)



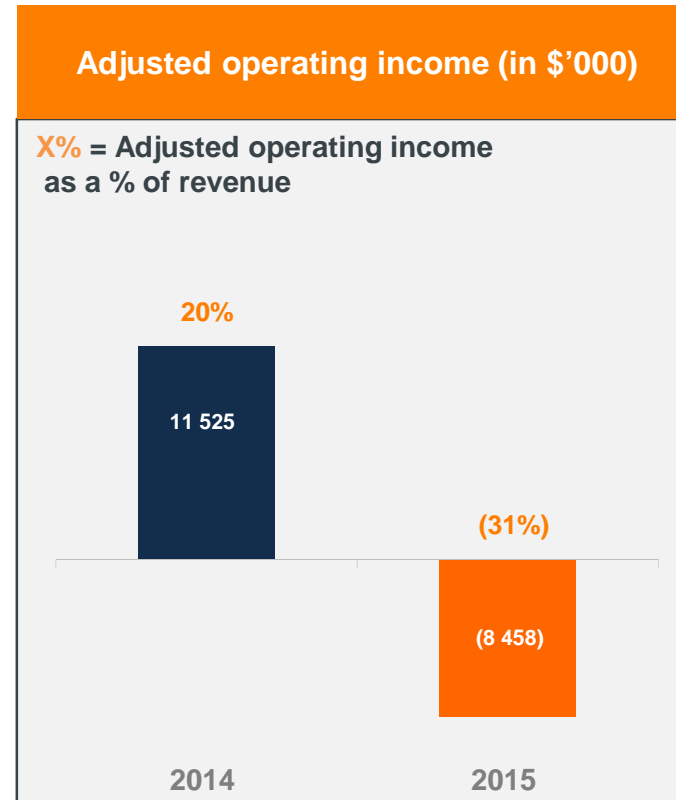
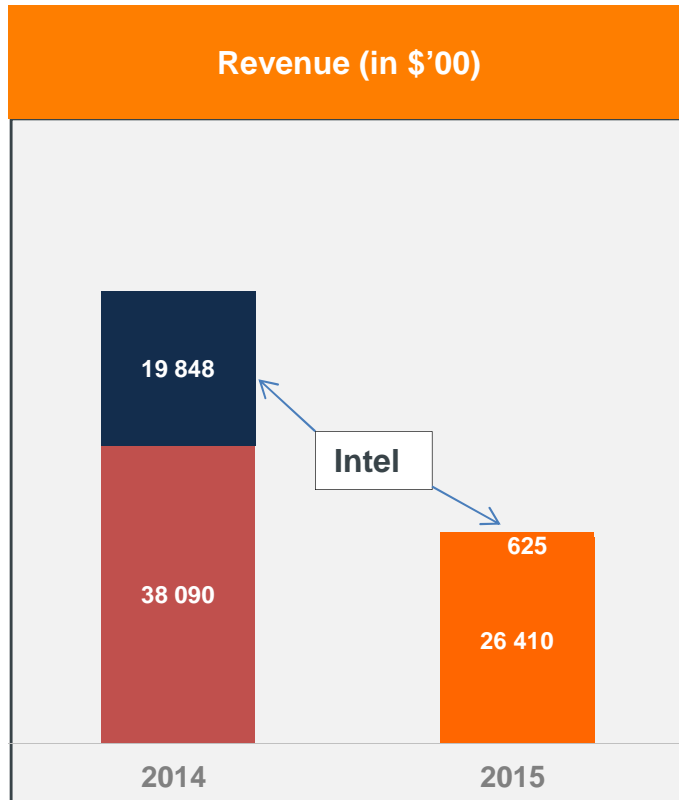
OPEX favourably impacted by positive FX effect in 2015 (\$4.2 million) and cost savings



* Definitions of adjusted measures in Appendix



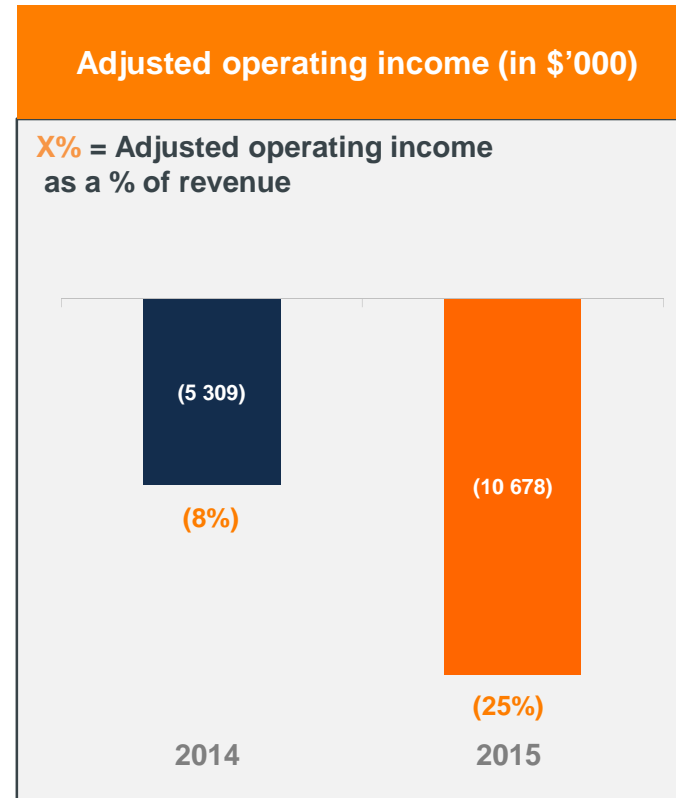
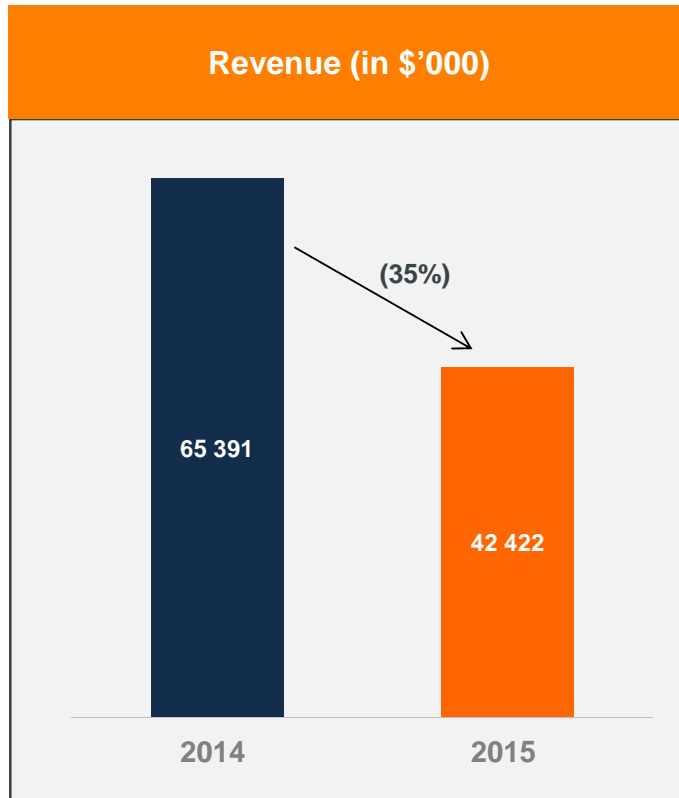
MOBILE SECURITY – FULL YEAR 2015



- 2014 Intel licensing agreement and NFC patent licensing program explaining most of the change in revenue Y-o-Y
- Good momentum on Metaforic SW protection and HCE products
- Low sales of Secure Element explaining FY15 operating loss



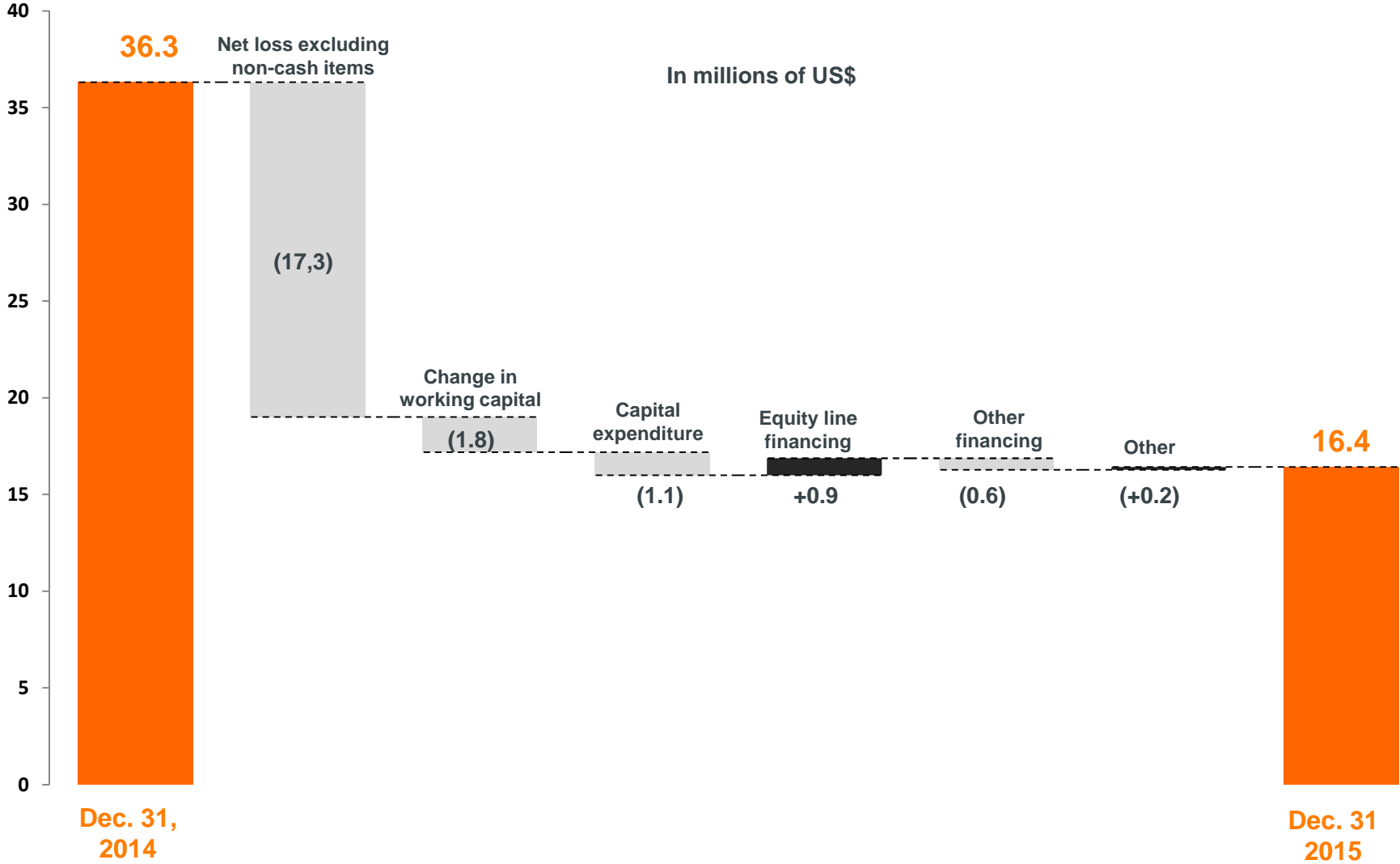
SECURE TRANSACTIONS – FULL YEAR 2015



- EMV chip sales in the U.S. market below expectations
- Reduction in operating expense not off-setting decline in revenue and gross margin



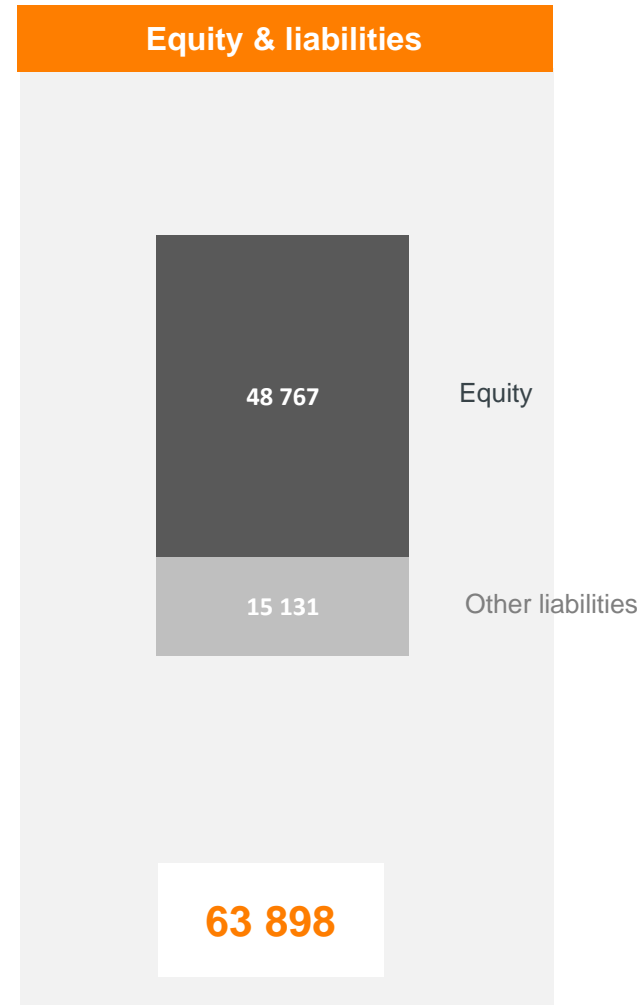
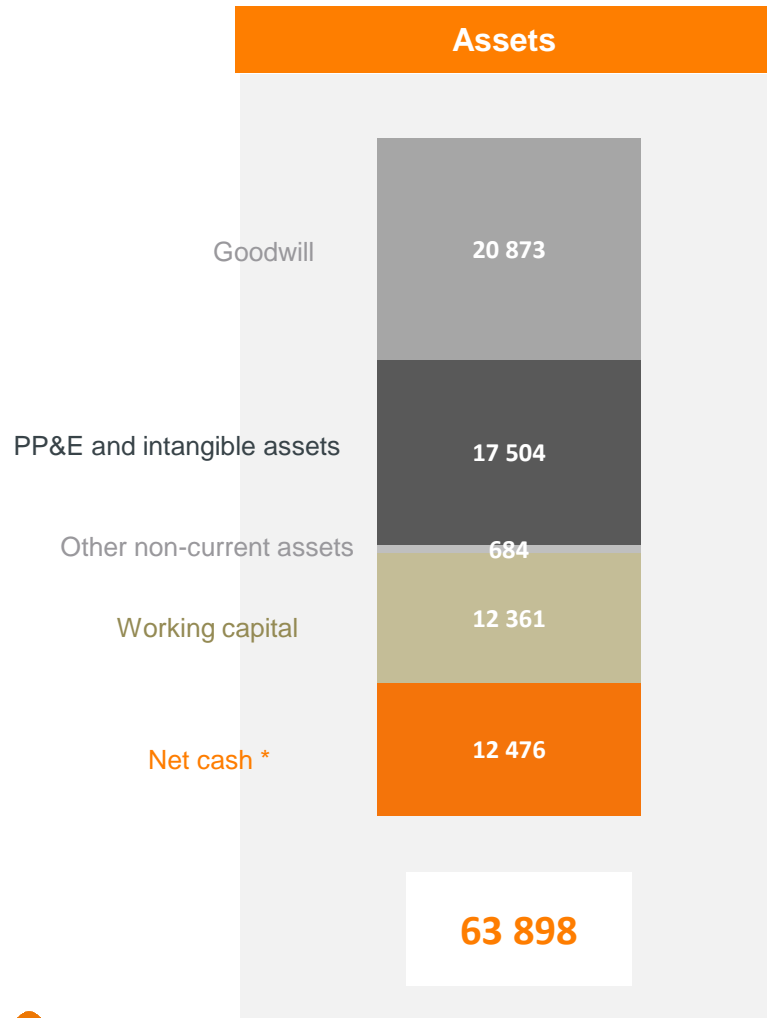
2015 CASH FLOW



BALANCE SHEET



In US\$ thousands
As of December 31,
2015



* Definition in Appendix



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1. SECURE TRANSACTIONS

Exit from the semiconductor business

- Exclusive negotiations commenced with a view to **selling the semiconductor business**¹
- In parallel, working with a strategic customer on the transfer under license of a line of semiconductor products developed specifically for this customer, together with associated resources
- Both projects to provide INSIDE Secure's customers with an ongoing solution both for their development projects and the sourcing of existing products.
- Objective: zero disruption for customers





1. SECURE TRANSACTIONS (CONT'D)

Launch of a restructuring plan¹ in residual semiconductor activities and more broadly the company's organization worldwide

- 15% of the global workforce to be impacted
- Estimated restructuring cost of around \$4m
- Generating \$4.6m reduction in operating costs per annum upon completion
- Objectives:
 - Build a leaner and more efficient organization
 - Reach target organization by beginning of 3Q16





2. MOBILE SECURITY

Completion of repositioning of INSIDE Secure in software security and embedded security technology licensing

- Concentrating all efforts on core software and embedded security technologies serving primarily the expanding payment & mobile banking and IoT markets
- Leaner cost base as a result of restructuring plan
- Focus on strategic offering:
 - Software protection and application protection
 - Content protection with Digital Right Management (DRM) and enterprise security with Virtual Private Networks (VPN)
 - Intellectual property licensing (HW-IP components)



3. PLANNED CAPITAL INCREASE

- Launch of a project of **2 successive capital increases for approximately €7 million**
 - To increase financial flexibility
 - To support the development of software and technology licensing business and
 - To better serve customers
- Launch in the coming weeks of a **€ 5 million** capital increase
 - Backstopped by Jolt Capital, which has undertaken to subscribe for 75%
 - Shareholders to have preferential subscription rights for this issue (“maintien du DPS”)
 - Expected to go ahead over the next few weeks, market conditions permitting and subject to receipt of the AMF’ visa on a prospectus for the issue to be filed shortly
- Subsequent launch of a **€ 2 million** reserved capital increase
 - Without preferential subscription rights
 - 0.75 euro per share
 - To be submitted to the vote of shareholders in a meeting to be held before June 30

OUTLOOK



- **2016: a transition year in the context of implementation of major strategic and structuring initiatives**
- **Transformation plan aiming at returning to profitable growth over time**





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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, cash received in return of assignment of trade receivables under factoring agreements and deferred payments due in connection with business combinations. Debt related to the financing of research tax credit (CIR) claims 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 2015



in thousands of US\$	2015 Adjusted	Business combination	Sharebased payments	Other non- recurring costs	2015 IFRS
Revenue	70 106	-	-	-	70 106
Cost of sales	(37 264)	(9 557)	(1)	-	(46 822)
Gross margin	32 843	(9 557)	(1)	-	23 284
<i>in % of revenue</i>	46,8%				33,2%
R&D expenses	(22 810)	(1 759)	(210)	-	(24 779)
Selling & marketing expenses	(17 916)	-	(141)	-	(18 057)
General & administrative expenses	(10 604)	-	(126)	-	(10 730)
Other (losses)/gains, net	(2 465)	(23)	-	(10 496)	(12 983)
Operating income	(20 951)	(11 340)	(478)	(10 496)	(43 265)
<i>in % of revenue</i>	-29,9%				-61,7%
Finance income, net	1 420	-	-	(2 403)	(983)
Income tax expense	(335)	-	-	-	(335)
Net income	(19 866)	(11 340)	(478)	(12 899)	(44 583)
<i>in % of revenue</i>	-28,3%				-63,6%



RECONCILIATION FROM ADJUSTED TO IFRS 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)	(380)	-	4 429	3 921
Operating income	8 121	(14 082)	(557)	4 429	(2 089)
<i>in % of revenue</i>	6,5%				-1,7%
Finance income, net	(1 703)	-	-	-	(1 703)
Income tax expense	(1 229)	-	-	-	(1 229)
Net income	5 189	(9 812)	(557)	159	(5 022)
<i>in % of revenue</i>	4,1%				-4,0%



INVESTOR INFORMATION



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Financial Calendar

Q1 2016 Revenue **April 21, 2016**

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

