A French *société anonyme* with a Management Board and a Supervisory Board
A share capital of EUR 13,908,529.20
Registered offices: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Registered in the Trade and Companies Registry of Aix-en-Provence, France under number 399 275 395

REGISTRATION DOCUMENT

The English version of this Registration Document is a free translation of the official "Document de Référence" prepared in French and registered with the *Autorité des marchés financiers* (the "AMF") on March 30, 2016 under number R. 16-014.

In accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code, the registration of the French document was carried out after verification by the AMF that "*the document is complete and comprehensible, and the information contained therein is consistent*". It does not imply that the AMF has verified the accounting and financial information presented therein.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original version of the document in French shall prevail.

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Notice

In this registration document (the "Registration Document"), the terms "INSIDE Secure" or the "Company" refer to INSIDE Secure, a French *société anonyme* (joint stock company) governed by a Management Board and a Supervisory Board, whose registered office is located at rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France. The Company is registered with the Trade and Companies Register of Aix-en-Provence, France under number 399 275 395. The term "Group" refers to the group of companies made up of the Company and all of its consolidated subsidiaries and equity interests. A glossary defining certain terms used in this Registration Document is included in Chapter 26.

Disclaimer

Information pertaining to the market and competition

This Registration Document and, in particular, Chapter 6 "Business Overview" contains information relating to the markets in which the Group does business and its competitive market position. This information notably stems from studies carried out by external bodies. Publicly available information that the Company considers reliable has not been verified by an independent expert and the Company cannot guarantee that a third party using different methods to collect, analyze, or calculate such market data would obtain the same results.

Forward-looking statements

This Registration Document contains statements relating to the outlook and development of the Group. These statements are sometimes identified by the use of the future or conditional tense or terms of a forward-looking nature such as "consider", "envisage", "think", "have as an objective", "expect", "intend", "should", "aim to", "estimate", "believe", "desire", "could", or, where applicable, the negative form of these terms or any other variant or similar terminology. Such information is not historical data and must not be interpreted as a guarantee that the facts and data given will occur. Such information is based on data, assumptions and estimates that the Group deems reasonable. It is subject to change due to uncertainties, in particular with respect to the economic, financial, competitive and regulatory environment. Such information is mentioned in various sections of this Registration Document and contains data related to the intentions, estimates and objectives of the Group, particularly concerning the market in which it operates, its strategy, its growth income, its results, its financial position, its cash flows and its forecasts. The forward-looking information mentioned in this Registration Document is provided solely as of the date of this Registration Document. The Group operates in a constantly evolving competitive environment. It is therefore impossible for the Group to anticipate all the risks, uncertainties or other factors that could affect its activities, their potential impact on its business or the extent to which the materialization of a risk or combination thereof could affect the results mentionned in any forward-looking information, as none of this forward-looking information constitutes a guarantee of actual results.

Risk factors

Investors are invited to carefully read the risk factors described in Chapter 4 "Risk factors" of this Registration Document before making any investment decision. The materialization of all or part of these risks could potentially have a material adverse effect on the Group's activities, financial position, results, or outlooks. In addition, other risks – either not yet identified, or deemed non-significant by the Group as of the date of this Registration Document – could also have a material adverse effect.

References

This Registration Document incorporates by reference:

- the Group's consolidated financial information for the fiscal year ended December 31, 2014 and the corresponding statutory auditors' report, which can be found in section 20.1 "Historical Financial Information" and section 20.4 "Verification of the Annual Historical Financial Information" of the 2014 Registration Document, respectively, which was registered with the AMF on April 30, 2015 under number R. 15-030, and

- the Group's consolidated financial information for the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011 and the corresponding statutory auditors' report, which can be found in section 20.1 "Historical Financial Information" and section 20.4 "Verification of the Annual Historical Financial Information" of the 2013 Registration Document, respectively, which was registered with the AMF on September 11, 2014 under number R. 14-054.

1. PERSONS RESPONSIBLE

1.1 Person responsible for the Registration Document

Mr. Amedeo D'Angelo, Chairman of the Management Board.

1.2 Statement from the person responsible for the Registration Document

After having taken all reasonable measures thereto, I hereby certify that the information contained in this Registration Document is, to my knowledge, accurate and contains no omission likely to affect its scope or significance.

I have received a completion-of-work letter (*lettre de fin de travaux*) from the statutory auditors in which they state that they have verified the information relating to the financial condition and financial statements contained in this Registration Document and that they have read this Registration Document in its entirety.

in Meyreuil, France, on March 30, 2016

Amedeo D'Angelo
Chairman of the Management Board

1.3 Person responsible for the financial information

Richard Vacher Detournière
Group General Manager & Chief Financial Officer
Address: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Email: contactinvestisseurs@insidesecure.com

2. STATUTORY AUDITORS

2.1 Permanent statutory auditors

PricewaterhouseCoopers Audit SA
Represented by Didier Cavanié, Partner
PricewaterhouseCoopers Audit is a member of the *Compagnie régionale des commissaires aux comptes* (French regional association of auditors) of Versailles, France
63, rue de Villiers, 92200 Neuilly-sur-Seine, France
Date of initial appointment: June 19, 2007
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2018.

Antoine Olanda
38, parc du Golf, 13856 Aix-en-Provence Cedex 3, France
Date of initial appointment: May 11, 2011
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2016.

2.2 Alternate statutory auditors

Anik Chaumartin
63, rue de Villiers, 92200 Neuilly-sur-Seine
Date of initial appointment: June 19, 2013
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2018.
Member of the PricewaterhouseCoopers professional network

Christian Davoult
Le Ponant Littoral, bâtiment A, 7, avenue André Roussin, 13016 Marseille, France
Date of initial appointment: May 11, 2011
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2016.

3. SELECTED FINANCIAL INFORMATION

The selected financial information provided in this Chapter 3 originates from the consolidated financial statements of the Group for the fiscal years ended December 31, 2014 and 2015, presented in section 20.1 "*Historical Financial Information*" of this Registration Document, as well as the consolidated financial information of the Group for the fiscal year ended on December 31, 2014, presented in section 20.1 "*Historical Financial Information*" of the 2014 Registration Document, included for reference purposes.

This financial information must be read in tandem with (i) the analysis of the Group's income and financial condition, presented in Chapter 9 of the Registration Document and (ii) the analysis of the Group's cash and equity, presented in Chapter 10 of the Registration Document.

The Group has elected the US Dollar (or "$," or "US$") as presentation currency of its consolidated financial statements. The US Dollar is the functional currency of the Company, and the currency in which the majority of its transactions are denominated. With respect to transactions between customers and suppliers, it is the main currency the Group uses to conduct its business and the main currency employed in the industry in which the Group operates.

The exchange rates of the US Dollar against the Euro (or "€", or "EUR"), the main currency used by the Group after the US Dollar, are as follows for the fiscal years ended December 31, 2013, 2014 and 2015:

Dollar / Euro	December 31, 2013	December 31, 2014	December 31, 2015
Closing rate	1.3791	1.2141	1.0887
Average rate	1.3282	1.3288	1.1096

(Please also refer to Note 2.1 of the Notes to the Group's consolidated financial statements presented in section 20.1 "*Historical Financial Information*" of this Registration Document for further information.)

The scope of consolidation of the Group is detailed in Note 37 of the Notes to the consolidated financial statements presented in section 20.1 "*Historical Financial Information*" of the Registration Document.

The Group is currently structured based on two operating segments: (i) Mobile Security and (ii) Secure Payments. This organization, presented in Chapter 9 of the Registration Document, constitutes the basis for the Group's internal reporting.

Excerpts from the consolidated financial information for the fiscal years ended December 31, 2013, 2014, and 2015 (in accordance with IFRS)

Selected financial information from the consolidated income statement:

	Year ended December 31		
(in thousands of US$)	**2013**	**2014**	**2015**
Revenue	154,623	125,362	70,106
Adjusted gross profit [(1)]	60,260	74,399	32,843
Adjusted gross profit as a % of revenue	*39%*	*59%*	*47%*
Adjusted operating income [(2)]	(2,952)	8,121	(20,951)
Operating income	(27,766)	(2,089)	(43,265)
Net income	(27,560)	(5,022)	(44,583)
EBITDA [(3)]	2,793	12,880	(17,584)
EBITDA as a % of revenue	*2%*	*10%*	*-25%*

[(1)] The 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 payments expense, and (iv) non-recurring costs associated with business combinations and acquisitions completed by the Group.
[(2)] The 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 payments expense and (iv) non-recurring costs associated with business combinations and acquisitions completed by the Group.
[(3)] EBITDA is defined as the adjusted operating income/(loss) before any amortization and impairment unrelated to business combinations.

Earnings from operating segments:

	Year ended December 31		
(in thousands of US$)	**2013**	**2014**	**2015**
Mobile Security:			
Revenue	73,797	57,938	27,035
Adjusted gross profit	36,459	51,672	23,498
Adjusted gross profit as a % of revenue	49%	89%	87%
Adjusted operating income	(6,676)	11,525	(8,458)
Adjusted operating income as a % of revenue	-9%	20%	-31%
EBITDA	(5,653)	12,427	(7,682)
Secure Transactions:			
Revenue	80,826	65,391	42,422
Adjusted gross profit	26,336	20,695	8,695
Adjusted gross profit as a % of revenue	33%	32%	20%
Adjusted operating income	5,895	(5,309)	(10,678)
Adjusted operating income as a % of revenue	7%	-8%	-25%
EBITDA	10,616	(1,451)	(8,886)

Selected financial information from the consolidated balance sheet:

	Year ended December 31		
(in thousands of US$)	**2013**	**2014**	**2015**
Non-current assets	83,282	82,514	57,399
Cash and cash equivalents	40,213	36,315	16,434
Other current assets	40,591	36,486	29,265
Current assets	80,804	72,801	45,699
Total assets	**164,086**	**155,315**	**103,097**
Equity	95,947	90,698	48,767
Non-current liabilities	20,012	17,255	19,762
Current liabilities	48,127	47,362	34,568
Total equity and liabilities	**164,086**	**155,315**	**103,097**

Selected financial information from the consolidated cash flows statement:

	Year ended December 31		
(in thousands of US$)	**2013**	**2014**	**2015**
Cash and cash equivalents at beginning of the year	**66,321**	**40,213**	**36,315**
Net cash generated/ (used) in operating activities	(18,206)	6,007	(25,099)
Net cash used in investing activities	(13,950)	(19,269)	(1,187)
Net cash generated by / (used) in financing activities	6,109	9,454	6,252
Effect of rate fluctuation[1]	(60)	(89)	150
Cash, cash equivalents at end of the year	**40,213**	**36,315**	**16,430**

[1] Element with no impact on the cash position, and resulting from the conversion into US Dollars of cash denominated in other currencies

Tables presenting reconciliations between the consolidated income statement figures in this document and the adjusted financial aggregates as defined above, for the 2014 and 2015 fiscal years, are provided in Note 6 of the Notes to the Group's Consolidated Financial Statements in section 20.1 "Historical Financial Information" of this Registration Document and, for the fiscal year ended on December 31, 2013, in section 20.1 "Historical Financial Information" of the 2014 Registration Document.

4. RISK FACTORS

Investors should consider all of the information contained in this Registration Document, including the risk factors described in the following chapter, before they decide to acquire or subscribe Company shares. While preparing the Registration Document, the Company conducted a review of the risks that could have a significant adverse impact on the Group, its business activities, its financial condition, income, future outlook, or its ability to achieve its objectives, and considers that the most significant risks are those described herein.

However, it is possible that other risks – either currently unknown or of which the materialization is not considered likely at the filing date of this Registration Document – could nonetheless exist and have a material adverse effect on the Group, its business activities, financial condition, income, or future outlook were they to materialize.

4.1. Risks associated with the Group's business and industry

The Group operates in a very competitive environment and must contend with competitors that are larger than the Group. If the Group were no longer competitive vis-à-vis other market players, it could fail to increase and/or maintain its market share or the amount of revenues it generates.

Some of the Group's competitors have longer operating histories in the sector, with access to significantly greater resources, have more established reputations and a larger base of existing customers than those of the Group. Their long-established positions in these markets have enabled them to forge strong relationships with their customers, which could be an advantage for them notably due to their access to information about market trends and future demand. The significant resources available to more sizeable competitors enable them to be more reactive in competing for technology, benefit from economies of scale, expand their portfolio of products and benefit from higher credibility in front of existing and potential customers of the Group. Lastly, some competitors may offer customers bundled solutions with complementary products or have the ability to adopt a more aggressive pricing policy. This could affect the Group's ability to gain or maintain its market share.

Due to the very competitive environment of the semiconductor sector and to the high costs associated with the design and manufacturing of semiconductors, the industry demonstrates a trend toward consolidation, which heightens the risk described above. This trend toward consolidation is evidenced, in particular, by transactions involving large companies acquiring smaller ones. This trend is expected to continue in the future.

In the markets to which it targets its semiconductor, software, and intellectual property products, the Group competes with companies such as, in particular, NXP Semiconductors, Infineon Technologies, STMicroelectronics, Samsung Electronics, ARM, and Arxan. In the markets to which it targets its embedded security software, the Group competes with companies that are, as of now, smaller and lesser known. Other companies could enter into direct competition with the Group if they were to develop their own technology or enter into licensing agreements with third parties for technology, software and intellectual property.

The Group's competitiveness depends on several factors, including:
- its ability to predict market needs (particularly by identifying new ones) and to develop products to successfully meet them;
- its ability to deliver products in large volumes on a timely basis at competitive prices;
- its ability to accurately understand the price points and performance metrics of competing products in the market;
- its products' performance and cost-effectiveness relative to those of its competitors;
- its ability to maintain and develop relations with its key customers; and
- its ability to conform to industry standards while developing new and proprietary technologies to offer products and features previously not available in the payments market, in particular.

If the Group were unable to remain competitive against its current or future competitors, or if it contends with market rivals that are more successful as a result of, in particular, their larger size, this will adversely impact its market shares, revenues, financial condition and development.

The Group could be unsuccessful in developing and selling new products on a timely and cost-effective basis or in penetrating new markets.

The markets in which the Group conducts its business activities, as well as those markets it targets, are characterized by rapidly changing technologies and industry standards, technological obsolescence and frequent product introductions. They are also characterized by intense price competition, the introduction of new products being a distinguishing factor enabling companies to demand higher prices. Therefore, in order to protect its market position, the Group must be able to predict technological changes and design, develop, market and support new products and enhancements on a timely and cost-effective basis.

The development of technologies and new marketable products is complex and usually requires significant long-term investments. The Group could experience delays in completing these developments and, as a result, find itself attempting to penetrate the market with an obsolete technology or one in which a competitor is already very well established. The Group could even develop products based on a standard that is ultimately not retained by the industry. Furthermore, the Group's development costs could be excessive compared to the price at which the Group would be able to market its products. These types of risks, if they were to materialize, would have an adverse impact on the Group's business activities, revenues, financial condition and future development.

The development of the security solutions (hardware and software) of the Group depends on the overall development of the market for mobile and network security systems, on it being accepted by users, as well as on customer demand.

The market for the Group's mobile and network security solutions (hardware and software) depends on, in particular:

- the perceived ability of its products and services to address real customer problems,
- the perceived quality, price, user friendliness and interoperability of its products and services as compared to those of its competitors,
- the market's perception of how easy or difficult it is for the Group to deploy its products, especially in complex network environments,
- the continued evolution of electronic commerce as a viable means of conducting business,
- market acceptance and use of new technologies and standards,
- the public's perception of the need for secure electronic commerce and communications over both wired and mobile networks,
- the ability of the Group to effectively adapt to the pace of technological change, and
- general economic conditions, which among other things, influence how much money the customers and potential customers of the Group are willing to spend on such technology.

If the Group were unable to face such circumstances, its revenues, income, financial condition and development would be negatively affected.

The success of the Group is dependent, in particular, on an increase in demand for the supply of embedded security solutions.

The customers of the Group can postpone the purchase, stop using, or decide not to renew the use license for the Group's embedded security solutions, and some customers of the Group could also decide to terminate licensing contracts at any time. The contracts signed with the customers of the Group generally provide for basic licensing rights, access fees for technologies and/or fees established on a per unit basis, usage fees or a percentage of revenues for solutions that integrate the Group's technology, as well as service and maintenance fees. A certain number of key contracts also provide for capped fees whenever the volume of sales announced by certain customers exceeds set thresholds. Consequently, a portion of the revenues of the Group is not recurrent, which makes them harder to predict. Since the levels of expenditures rely in part on the projections of future revenues, and since expenditures are, for the most part, fixed in the short run, the Group could be unable to adjust its spending fast enough in order to offset an unexpected drop in revenues, which could have an adverse impact on its income, its financial condition and its development.

The success of the Group will depend, in particular, on the timely market introduction of new security solutions with new or improved functionalities.

The future financial performance of the Group will depend, in particular, on its ability to meet the needs and specifications of its customers by improving its mobile and network security solutions and by developing solutions with new and improved functionalities. The Group allocates significant resources to the identification of new market trends and to the development of solutions in order to anticipate the demand for security solutions. However, customers could lose interest in the solutions of the Group, which makes the Group unable to guarantee that the demand for its solutions will continue to develop as projected. The Group must develop new solutions and improve existing solutions in order to meet the rapidly evolving needs of customers. The success of new functionalities is dependent on several factors, including their timely introduction to the market and their market acceptance. The Group could be unable to improve its existing solutions or to develop new solutions, or be unable to introduce these solutions to the market in a timely fashion. The Group could face delays in the development and market introduction of its solutions, which could render them obsolete or unsellable once introduced. Customers could also postpone their purchases in order to wait for the introduction of new solutions. If the Group's solutions are not considered competitive, in particular if it is unable to improve on existing solutions or to introduce new ones in a timely fashion, the Group could no longer be perceived as a leader in its field, its reputation might be negatively impacted, the value of its brand could be diminished, and its financial performance could be adversely affected. In addition, uncertainties regarding the time frame of availability and the nature of the functionalities of new solutions could result in an increase in research and development expenses with no assurance of future revenues.
Such circumstances would have an adverse impact on the revenues of the Group and, in so doing, on its income, its financial condition and its development.

The Group is dependent on certifications from third parties, such as Visa and MasterCard, in order to sell its solutions for integration in some applications, and could prove unable to obtain or, as the case may be, lose these certifications.

The sale of some of the Group's solutions requires compliance with standards and protocols established by third parties and, in some instances, a certification from those parties, granted for three years and based on evaluations conducted by independent laboratories. Although the Group considers, as of the date of the Registration Document, that there is a low risk that all or part of these certifications will not be renewed or be obtained, if this were to happen it could prevent the Group from selling some of its solutions insofar as they failed to secure the required certification and, as a result, would have an adverse impact on the Group, its business activities, financial condition, income and development.

The strategy rolled out by the Group on the NFC applications market relies on the monetization of its portfolio of NFC patents via licensing programs.

Currently, even though NFC technology is a standard function in smartphones, NFC services have not yet been massively deployed and have not yet been adopted on a large scale, on the one hand, by either mobile operators or mobile handset and consumer electronics manufacturers and, on the other hand, by end-users themselves.

Furthermore, there are some existing and emerging alternative technologies that are also available and could be preferred to the NFC solutions offered by the Group. Solutions including short message service (SMS) and online payment websites already exist to enable payments to be made from mobile devices (telephones, tablets and laptop computers, for example). In peer-to-peer communications, existing wireless technologies such as wireless-LAN and Bluetooth can enable direct communication and data transfer between mobile devices.

Additionally, in many countries the use of contactless technology for applications such as payments or public transportation is not yet widespread.

NFC technology or the NFC applications market could fail to develop or develop more slowly than expected. Products developed by the Group and integrating NFC technology could potentially fail to meet market demands (particularly if consumers are reluctant to adopt the technology), or simply not be adopted by the Group's customers on a sufficiently large scale. Under these circumstances, significant investments in time and resources committed by the Group to this technology could be lost, in full or in part, and the development of the Group, its business activities and financial condition could be affected.

The Group could fail to monetize its patents portfolio.

One of the Group's areas of development focuses on monetizing its patents portfolio or other intellectual property rights, which could result in the Group's execution of licensing agreements, particularly when it holds intellectual property rights it deems significant, such as some of its patents in the NFC field.

Mainly, in 2012 the Group launched an NFC patents licensing program with France Brevets (additional information can be found in Chapter 22 of this Registration Document).
However, the Group could face challenges in implementing this strategy. In particular, the Group cannot guarantee with any certainty that its strategy aimed at growing the value of its intellectual property rights will result in the execution of licensing agreements or that, if they were executed, such agreements will meet revenue forecasts, that the Group's contractual partners will not violate such agreements or that the Group will find the right solutions to such violations were they to occur. In addition, it is possible that third parties against which legal action has been taken in connection with alleged violations of these patents or intellectual property rights will dispute the legitimacy of such action, its enforceability or the validity of the rights in question. This could have an adverse impact on the Group, its business activities, financial condition, income and its development.

The semiconductor industry has historically experienced significant fluctuations.

The semiconductor industry is cyclical. In addition to changes in the general economic climate, which can result in imbalances between supply and demand, it is subject to rapid technological changes, which create growth in demand for new products followed by a period of slower growth once these new products are widely adopted by the market. The slower rate of growth typically continues until the next technological development, at which point the pattern begins again.

This cyclical nature of the industry affects the Group in the following three ways:
- any decrease in demand for the products marketed by the Group has an adverse impact on its business activities, its revenues, its cash condition and, as a result, its financial condition;
- a significant portion of the Group's costs is fixed and a significant portion of its variable costs is committed through advance payments on future sales. As such, the Group may not be able to adjust its expenses rapidly enough to offset any unanticipated shortfall in revenue following a shift to a new phase in the development cycle. This would have an adverse impact on the Group's margins, operating income, cash and financial condition; and
- furthermore, the Group does not own any manufacturing capacity, resulting in a reliance on subcontractors for the manufacturing, assembly, testing and shipping of its products. During

periods of high demand, competition for access to the services of these subcontractors increases. When the cycle shifts and demand slows, such subcontractors may decide to reduce the amount of their capacity to adjust for this market change. As such, the Group may experience difficulty in obtaining access to the manufacturing services it relies on to achieve its sales projections or it may be subjected to price increases imposed by its subcontractors. This would have an adverse impact on the Group's revenues, margins, operating income, cash and financial condition.

The terms of the contracts governing the relationships between the Group and its customers and subcontractors only partially allow the Group to protect itself against exposure to these risks (for further information, refer in particular to the paragraphs entitled "The Group subcontracts the manufacturing, assembly, testing and shipping of its products to third parties and one such third party could fail to fulfill its obligations to meet deadlines and comply with specified conditions" and "The Group's customers could cancel their orders, change the quantity ordered, or delay their production"). The Group could be unable to accurately estimate the demand for its products and, as a result, either be unable to use its inventory or, conversely, be unable to satisfy the orders placed by its customers.

Historically, the average selling price of the Group's semiconductor products have tended to decrease over time. This trend could become more pronounced in the future.

The semiconductor industry is characterized by significant sales price erosion, which is particularly acute once a product has been on the market for some time and as volumes increase over time. Therefore, the average selling price for semiconductor solutions is on a downward historical trend. Although this trend is generally slowed down or even offset by the introduction of new generations of products integrating several functionalities, it could become more pronounced in the future and the Group could be unable to offset this drop in prices with an increase in volume or the development of new or enhanced semiconductor solutions on a timely and cost-effective basis, or even to reduce its costs, which would prove particularly difficult considering the Group is entirely dependent on subcontractors for the manufacturing, assembly, testing and shipping of its products. Even if the Group were able to achieve either of these goals, any resulting improvements still might not be sufficient to offset the decrease in prices.

These events, if they were to materialize, would have an adverse impact on the Group's gross margin and, therefore, on its income, financial condition and development.

The Group could face higher costs for the manufacturing of its products and be unable to pass such higher costs on to its customers.

The semiconductor business is characterized by ongoing competitive pricing pressure from customers and competitors, generating a limited capacity to pass the increase in the cost of the Group's products to its customers. Consequently, any increase in the manufacturing costs of the Group's products, whether related to adverse purchase prices, yield discrepancies or other factors, could reduce the Group's gross profit margin and operating income. The Group and its subcontractors have entered into framework supply agreements, which often provide for an annual price negotiation. Consequently, the Group could be unable to either obtain price reductions or to predict or prevent price increases imposed by its suppliers, in particular due to the fact that the Group relies on a limited number of suppliers for the manufacturing, assembly, testing and shipping of its products.

These events, if they were to materialize, would have an adverse impact on the Group's gross margin and, therefore, on its income, financial condition and development.

The Group could experience setbacks in transitioning to more advanced wafer fabrication process technologies or in achieving higher levels of product integration in the design of its semiconductors.

In order to secure and improve its competitiveness, the Group intends to continue to invest in the development of increasingly "smaller geometries" and to achieve higher levels of design integration. These ongoing efforts require the Group to regularly change the manufacturing processes applied by its foundry partners for its semiconductor solutions. The Group could experience setbacks and delays as a result of its reliance on foundries to endorse and integrate new production processes. The Group cannot guarantee that its contracted foundries or its test and assembly subcontractors will be able to effectively manage the transition to new processes or, if they failed to do so, that it would be able to find new subcontractors able to successfully complete this transition. If the subcontractors upon which the Group relies are not able to complete this transition toward smaller geometries on a timely basis, or if the Group is not able to achieve a higher level of integration in the design of its products or fails to achieve this level of integration on a timely basis, this could have an adverse impact on the Group, its business activities, revenues, income, financial condition and development.

The Group could be unable to follow the North American market's migration toward the EMV standard.

The North American market's adoption of the EMV standard could take longer than expected and the Group could be unable to follow this migration. The solutions developed by the Group could not be accepted by the North American market or such solutions could fail to be adopted on a wide scale. This could have an adverse impact on the Group, its business activities, financial condition, income and its development.

4.2. Risks associated with the lack of ownership of any industrial infrastructure

The Group outsources the manufacturing, assembly, testing and shipping of its products to third parties and one such third party could fail to fulfill its obligations in a timely manner and in compliance with set specifications.

The Group outsources the manufacturing, assembly, testing and shipping of its products to third parties. As such, the Group relies on its suppliers in terms of quantity, quality, yield and costs of services and products. The Group cannot maintain the same level of oversight and control over these outsourced operations as it would if these operations were carried out internally.

The Group relies on a limited number of suppliers. In addition, with respect to the manufacturing process of its products, the Group typically operates with just a single foundry, even though several foundries can be qualified per category of products. As such, the leading supplier of the Group, its top five suppliers and its top ten suppliers, represented 25%, 41%, and 52% of its purchases in fiscal year 2015 and 20%, 41%, and 52% of the value of its purchases in fiscal year 2014, respectively. The supply agreements existing between the Group and its main partners are usually signed for three to five years and are, for the most part, renewable tacitly every year. If one of these partners decided to terminate its relationship with the Group, to sign an agreement with a competitor, or to change the quantities it delivers to the Group or the conditions under which the deliveries are made, this could affect the Group's ability to deliver its products to its customers in a timely manner and in sufficient volume, which would impact the Group's sales and damage its business relations.

Any one of these events would have an adverse impact on the business activities of the Group, its revenues, results, financial condition and development.

If the foundries the Group relies on for the manufacturing of its products fail to provide satisfactory levels of output or quality, the Group's reputation and its customer relationships could be negatively affected.

The Group does not own any industrial facilities. Its products are manufactured, assembled and tested by subcontractors, mainly by UMC, Global Foundries, and TSMC. Minor deviations in the manufacturing process can result in substantial decreases in yields and in some cases, cause production to be suspended. Changes in the manufacturing process or the inadvertent use of defective materials by the Group's foundries can trigger serious manufacturing defects or result in lower than anticipated manufacturing yields or unacceptable performance.

Most of these problems are difficult to detect at an early stage of the manufacturing process and could be time consuming and expensive to correct. A foundry which provides insufficient output levels, or the existence of defects, integration problems, or other performance-related problems associated with the manufacturing of semiconductors could, in addition to its direct impact on sales and revenues, damage the Group with respect to its customer relationships, tarnish its reputation or require the Group to pay damages to its customers. If the Group's subcontractors are not able to provide acceptable products, the Group will have to find other subcontractors, which could take time and carry additional costs. These risks are increased for certain products for which the Group currently has only one supplier. These types of events, if they were to materialize, would have an adverse impact on the Group's business activities, revenues, results, financial condition and development.

4.3. Risks associated with the Group's types of customers

Most markets in which the Group operates are characterized by large customers with significant market share and buying power who may use a number of companies to develop and provide semiconductors, which perform similar functions as the Group's products.

Several of the Group's targeted markets, particularly the security solutions market for mobile handsets, payment cards and conditional access cards for Pay TV, are characterized by the presence of sizeable customers with significant market share and buying power.

In some markets where the number of customers is limited or where customers use several suppliers, the Group's competitors could increase their volumes to the Group's detriment, which could lead the Group's customers to seek to renegotiate the financial conditions of their contracts to their advantage.

These types of events, if they were to materialize, would have an adverse impact on the Group, its business activities, financial condition, income and development.

The Group's customers could decide not to integrate the Group's semiconductor solutions in their products or their products could fail to be commercially successful.

The Group sells semiconductor solutions to original equipment manufacturers (or "OEMs") and to smart card manufacturers who integrate them into their products and also to original design manufacturers (or "ODMs") that integrate the Group's semiconductor solutions in the products they provide to OEMs. As such, the Group relies on OEMs and smart card manufacturers to continue to integrate its semiconductor solutions in their own lines of commercialized products.

First, the Group must invest a substantial amount of capital in the development of new semiconductor solutions, with no guarantee that customers will select them and integrate them in their products (which, if selected and integrated by customers, results in a "design win"). Achieving design wins is all the more important given that it is typically very difficult for a customer to switch suppliers of semiconductor solutions. An absence of design wins therefore would have an adverse impact on the Group's revenues, results and financial condition.

Once they are selected, the Group's semiconductor solutions are usually integrated into the customers' products at the design stage, before such products are introduced to the market. The Group has no guarantee that the products marketed by its customers will attain commercial success. In addition, if the Group's semiconductor solutions contain defects affecting their performance or their compliance with certification standards after they have been selected and integrated in the products of the Group's customers, not only would the sales of these products be directly and adversely affected, but such customers could refuse to consider the Group's semiconductor solutions when they design new products. If the Group's semiconductor solutions do not meet the expectations of its customers, or if the products marketed by the Group's customers fail to meet the expectations of their own customers or are not accepted by consumers, the revenues, results and financial condition of the Group would be harmed.

The Group provides solutions that offer its customers security features that third parties may attempt to circumvent.

The Group's core business is to provide semiconductors, software and, more generally, platforms intended to protect the integrity of the products' operating functionality, the information stored within the product and any communication within it. These solutions are central to protecting the revenues, business models and/or interests of the Group's customers. For example, such solutions include preventing fraudulent bank payment card transactions, protecting national borders, ensuring that only customers who pay for television content are allowed to receive it and maintaining the security of confidential information.

Considerable efforts can be deployed by those attempting to breach the security of systems within which the Group's solutions are integrated. Any successful breach of the security of the Group's products or of the systems within which they are integrated (whether or not due to a breach in the security of the Group's products) could cause financial or other damage to the Group's customers, which would damage the reputation and the business activities of the Group.

The Group generates a significant portion of its revenues through a limited number of customers. The Group could fail to retain its key customers or to expand its business relationships.

A significant portion of the Group's total revenue is attributable to a limited number of customers and the Group anticipates that this could continue to be the case. These customers may decide not to purchase the Group's semiconductor solutions at all, to purchase fewer semiconductor solutions than they did in the past or to alter the terms on which they purchase its products. Insofar as a customer represents a significant percentage of the Group's accounts receivable, the Group is exposed to the risk of insolvency or late payment from any one of them. As of the date of this report, the amount of bad debt is not significant (also see Note 14 of the Notes to the Consolidated Financial Statements of the Group for the fiscal year ended December 31, 2015, which can be found in section 20.1 "Historical Financial Information" of the Registration Document).

The top customer of the Group, its top five customers, and its top ten customers represented, respectively, 13%, 40%, and 51% of its revenues for the fiscal year ended December 31, 2015, and 16%, 48% and 66% of its revenues for fiscal year 2014.

The loss of any key customer, a significant decrease in revenues, or any issue with collection of receivables from customers could impact the Group's financial condition and the operating income.

The Group's customers could cancel their orders, change the quantities ordered, or delay their production. The Group could be unable to accurately estimate the demand for its products and, as such, either be unable to sell its inventory or, conversely, be unable to satisfy customer's orders.

The Group and its customers have not signed any long-term purchase agreements for committed quantities. All sales are made on a purchase order basis, which allows its customers to cancel, amend or delay product purchase commitments with little or no notice to the Group and without penalty. Given that production lead times often exceed the amount of time required to fulfill orders, the manufacturing process often begins in advance of orders, relying on an imperfect demand forecast for every customer to project volumes and product mix. The Group's forecasts depend on the accuracy of the forecasts prepared by its customers, changes in market conditions, changes in the Group's product order mix and demand for the products marketed by its customers. Excessively optimistic forecasts, obsolete forecasts due to changes in market conditions or cancelled or delayed orders could significantly impact the Group by triggering a sudden drop in revenues while the corresponding production costs have already been incurred, or result in excessive or obsolete inventory that the Group may not be able to clear.

Conversely, in the past, customers have sometimes substantially increased the size of their orders with limited notice. If the Group were not able to accurately predict this change and, therefore, not be able to meet the demands of its customers by the set deadline, customers could cancel their orders and request damages or approach other competitors for their supply.

Any one of these events would have an adverse impact on the Group's business activities, revenues, income, cash condition and, therefore, its financial condition.

The high level of complexity of the Group's semiconductor solutions could lead to unforeseen delays or expenses as a result of undetected defects or faulty design.

The Group's semiconductor solutions are highly complex and could contain defects or design errors that, if significant, could impair their performance or prevent compliance with industry standards. If such a situation were to occur, the Group could be unable to correct these defects within a reasonable time. Correcting these errors could cause delays in production or generate significant costs. This risk is even more significant given that the Group outsources the manufacturing, assembly, testing and shipping of its products to third parties and, as such, cannot maintain the same level of oversight and control over these outsourced operations as it could if these operations were carried out internally.

If the design defects of the products marketed by the Group are not identified until after they are introduced to the market, additional costs could be incurred due to product recalls, repairs and replacements. In addition, the Group typically provides one to three-year warranties on its products. Therefore, the Group could be required to issue refunds on its products and might face claims for damages filed by its customers.

The occurrence of any one of these events would have an adverse impact on the Group's business activities, results, financial condition and development.

4.4. Risks associated with intellectual property

The Group relies, to a large extent, on the exclusive exploitation rights it holds in connection with its intellectual property. However, for each of these rights, the Group could be unable to secure the necessary scope of protection to guarantee a competitive advantage.

The Group relies, to a large extent, on its intellectual property rights in order to protect its products and technologies from misappropriation by others.

The Group, like other filers or requesters of intellectual property rights, could experience setbacks in obtaining patents, registering trademarks, or securing other intellectual property rights. The issuance of a patent or the registering of a trademark, even after a Patent or Trademark Office reviews the request, does not absolutely guarantee either its validity or enforceability. Indeed, the Group's competitors could, at any time, successfully dispute the issuance, validity or enforceability of the Group's patents, patents requests, registered trademarks or registered trademark requests in court or in the context of other proceedings that could, based on the ruling relative to said disputes, prevent their issuance, lead to their revocation or invalidation or reduce their scope, or make it possible for competitors to circumvent them.

In addition, to date the Group has not filed patent applications or applications for other intellectual property rights in all countries in which it conducts its business. The Group's ability to protect its intellectual property rights represents a significant expense associated with, in particular, patent application filing and patent renewal fees, compensation paid to inventors and the management of its other intellectual property rights, thereby leading the Group to study and select, on a case-by-case basis, the States in which protection is requested based on its plans for each patent.

Consequently, the rights obtained could prove insufficient to either ensure adequate protection or secure a competitive advantage. In particular, the Group cannot guarantee that:

- the Group will be able to develop patentable know-how;
- the know-how developed by the Group will be patentable;
- requesting patents, trademark registrations, or obtaining other intellectual property rights of the Group that are under review will effectively result in the issuance of certificates or that such certificates, should they be issued, will cover the same scope as that initially requested;
- the patents issued and trademarks registered in the Group's name, as well as the other intellectual property rights it has been granted, will not be disputed, invalidated, revoked or circumvented, or will not be subject to a reduction in scope;
- the protection granted under the terms of the Group's patents, trademarks and other intellectual property rights is and will remain broad enough to protect it from its competitors and from the patents or other intellectual property rights held by third parties and covering similar technologies;
- employees of the Group will not claim rights, extra compensation or a fair price for inventions or other creations in which they participated.

Situations the Group might face, which may prevent it from securing intellectual property rights for its know-how, its distinguishing features and/or its creations, or which may prevent it from peacefully taking full advantage of them, could have an adverse impact on the Group, its business activities, financial condition, income and its development. In addition, the Group could be asked to grant licenses on its patents in connection with its participation in various standard-setting organizations.

The Group may decide to take legal action.

Third parties could use or attempt to use elements of the Group's know-how for which it holds an intellectual property right, which would be detrimental to the Group and, as a result, could lead the Group to taking legal action to enforce compliance with its rights. However, the detection of counterfeits is a difficult task and the Group cannot be absolutely certain that it will successfully avoid breaches and unauthorized uses of its know-how, in particular in foreign countries where its rights are potentially not as extensive as they are elsewhere, or even non-existent, or where a violation is not as easy to detect.

In the context of its strategy aimed at increasing the value of its patents and other intellectual property rights, the Group or its exclusive licensees (please also refer to section 20.8 of this Registration Document for further information) can take legal action against third parties to enforce compliance with the Group's patents. Therefore, the Group cannot guarantee that either itself or its exclusive licensees will not attempt to take new legal or administrative action in order to enforce the monopoly granted under the terms of its intellectual property rights (particularly its patents) and that, following such actions, its intellectual property rights will not be revoked, invalidated or reduced in scope.

Any dispute could result in significant expenditures and ultimately fail to secure the desired protection or sanction, which could have an adverse impact on the Group, its business activities, financial condition, income and its development.

Legal action may be taken against the Group.

To this day, and insofar as possible, the Group continues to conduct the preliminary research it deems necessary for identifying potential pre-existing rights and, as a result, limit the risk for any disputes prior to investing in introducing its various products to the market.

However, it is possible that pre-existing third party patents or other intellectual property rights may exist that could enable their holders to file a legal claim for patent infringement against the Group, its industrial partners or its customers.

As such, the persons or legal entities to which the Group has granted licenses or provided products or services could be involved in litigation concerning the violation of patents or rights held by third parties, in connection with such licenses, products or services. Some of the Group's customers have already received notifications in writing from third parties seeking to enforce their alleged proprietary rights over certain technologies and recommending that the Group's customers obtain a license from such third parties. In accordance with the terms of the contracts it has signed with its customers and industrial partners, the Group could be required to defend and compensate its customers or industrial partners in the event that any legal action is taken against them based on an alleged violation of intellectual property rights held by third parties, in connection with the Group's patents, products or services.

Therefore, the Group cannot guarantee with any certainty that its products do not infringe upon or violate third party patents or other third party intellectual property rights, or that the industry standards implemented by the Group do not violate third party rights.

Any legal claim filed against the Group, irrespective of its ultimate resolution, could result in significant expenditures as well as tarnish the Group's reputation and negatively affect its financial condition. Indeed, if such legal actions were to be pursued to the full extent of the law, the Group could be forced to:

- stop selling or using the product(s) that depend(s) on the disputed intellectual property in a given geographic area, which could in turn reduce its revenue,
- secure a license from the holder of such intellectual property rights, which may not be granted or granted under unfavorable conditions,
- amend the design of its products or services or, for trademark infringement claims, rename its products in order to avoid violating any third party intellectual property rights.

Such disputes could also hinder the Group's business activities or those of its customers or industrial partners and, as a result, trigger a decrease in the sales of its technologies and products. This could have an adverse impact on the Group, its business activities, financial condition, income and its development.

Limitations on the protection of the Group's trade secrets and know-how.

It is also important for the Group to safeguard against the unauthorized use and disclosure of its confidential information and trade secrets.

While conducting its business activities, the Group must often grant third party access to sensitive information, which may or may not be patent protected. In such cases, the Group enters into non-disclosure agreements with these third parties in order to ensure that the latter undertake not to misappropriate this information, engage in its unauthorized use, or share this information with third parties. Indeed, these non-patented and/or non-patentable proprietary technologies, processes, know-how and data are viewed as trade secrets that the Group aims to protect via such non-disclosure agreements.

However, these non-disclosure agreements only offer limited protection and could fail to prevent a third party's unauthorized use of the Group's technologies. Therefore, the Group cannot guarantee that such third parties will comply with said agreements, that it will be informed in the event of a violation of said agreements or even that the compensation it may potentially receive will be sufficient enough to offset the loss incurred, if only due to the amount of time needed to secure such compensation.

Therefore, such access to its sensitive information puts the Group at risk of seeing third parties (i) reap the benefits from the intellectual property rights covering elements of the Group's know-how, (ii) fail to maintain the confidentiality of the Group's patentable and non-patentable know-how, (iii) disclose the Group's trade secrets to its competitors or use said trade secrets to develop rival technologies and/or (iv) violate said agreements, while leaving the Group without any adequate response to counter such violations.

Consequently, the Group's rights over its trade secrets and know-how may not provide the desired protection against its competitors and the Group cannot guarantee with any certainty:
- that its know-how and trade secrets will not be usurped, circumvented, shared without its consent or used;
- that the Group's competitors have not already developed know-how that is analogous or similar in nature or purpose to those developed by the Group; and
- that no contractual partner or third party will reap the benefits from intellectual property rights associated with the Group's inventions, knowledge or income.

The materialization of all or part of these risks could have an adverse impact on the Group, its business activities, financial condition, income and its development.

4.5. Legal Risks

To the Group's knowledge, there are no other government, legal or arbitration proceedings, including any proceedings that are either pending or threatened, that are expected to have or have had, in the past twelve months, a significant adverse effect on the Company or Group's financial condition or profitability (please also refer to section 20.8 of this Registration Document for further information).

4.6. Financial Risks

4.6.1. Risks associated with currency exchange rates

A significant portion of the Group's revenues and its payments made to suppliers are expressed in US Dollars, while a large portion of its operating expenses and a number of its assets and liabilities are expressed in other currencies, mainly in euros.

The Company's functional currency is the US Dollar, which is also the currency used to present its Consolidated Financial Statements. The Group's sales and, likewise, the payments made to its major suppliers are, for the most part, expressed in US Dollars while a large portion of its operating expenses and a portion of its assets and liabilities are expressed in other currencies, mainly in euros and to a smaller extent in British sterling. Consequently, the Group's operating income and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, primarily the U.S. Dollar to Euro exchange rate.

For example, the impact of the strengthening of the US Dollar by 10% compared to the Euro would have led to an increase in the 2015 adjusted operating result of 2.4 million US Dollars. Indeed, although 93% of revenues are generated in US Dollars, a significant portion of research and development expenses, sales and marketing fees, and general and administrative fees is expressed in Euros, since these activities are mainly carried out in France and other European countries. The impact of the strengthening of the US Dollar by 10% compared to the Euro would have led to a reduction in total assets (excluding goodwill), property and equipment, and intangible assets by 2.9 million US Dollars, and the total amount of liabilities (excluding equity) by 3.4 million US Dollars. Concerning balance sheet assets, the inventory and trade receivables line items are mainly expressed in US Dollars, whereas the research tax credit and, in particular, the cash line item are expressed in Euros. Within balance sheet liabilities, borrowings mainly corresponding to the financing of research tax credit receivables are expressed in Euros. Please also refer to Note 3.1 (a) of the Notes to the

Consolidated Financial Statements of the Group for the fiscal year ended on December 31, 2015, which can be found in section 20.1 “Historical Financial Information” of this Registration Document.

In order to mitigate this exchange rate risk, since 2009 the Group conducts a foreign exchange rate risk hedging policy for these currencies for the purpose of maintaining its profitability and its cash condition. However, the Group cannot guarantee that this risk coverage policy will protect it efficiently from any fluctuations in exchange rates (please also refer to note 3.1(a) “Currency Exchange Risk” of the Notes to the Consolidated Financial Statements for the fiscal year ended December 31, 2015).

4.6.2. Credit risks, interest rate risks, and risks associated with cash management

As of the date of this report, the Group has not contracted any significant financial debt and, therefore, believes that it is not exposed to a significant risk associated with interest rate fluctuations. However, the Group plans to diversify its sources of financing in the future by gradually relying on bank loans, which could result in exposure to this risk in the future.

The Group uses a conservative approach in its management of available cash. Cash and cash equivalents include available cash and current financial instruments held by the Group (which, for the most part, are French monetary SICAVs (Société d’Investissement à Capital Variable, or open-ended collective investment schemes), and time deposits). As of December 31, 2015, available cash and investment securities held by the Group were invested in financial instruments with maturities of less than 12 months.

4.6.3. Risks associated with off-balance sheet commitments

The total amount of off-balance sheet commitments of the Group as of December 31, 2014 was $5.0 million (against $5.9 million as of December 31, 2013). These off-balance sheet commitments are described in Note 33 of the Notes to the Consolidated Financial Statements for the fiscal year ended on December 31, 2014 and mainly correspond to commitments associated with operating leases.

4.6.4. History of operating losses – Risks associated with projected losses

The Group has a history of operating losses that could continue.

The Group has accumulated losses over time and may be unable to achieve or sustain profitability in the future.

The Group was established in 1995 and has been incurring losses since that time. Net losses totaled $5.0 million in 2014 and $44.6 million in 2015. As of December 31, 2015, accumulated losses since June 2005, the date on which the Group carried out its share capital reduction followed by a share capital increase in the amount of €1 million, were $211.2 million.

In order to develop its products and ensure that its business expands, the Group believes significant investment will be necessary, including research and development expenses and business, marketing and administrative expenses. As a publicly traded company, the Group also incurs additional legal and accounting fees, as well as other expenses in connection with its listing on the stock exchange. Furthermore, the Group could face unforeseen setbacks, complications or shipment delays that may generate additional expenses. As a result of these additional expenses, the Group would have to achieve and maintain higher revenues in order to protect its profitability. The positive growth trend of recent years may not be sustainable. Accordingly, the Group could be unable to ensure or maintain the profitability of its business and, as such, could continue to incur significant losses in the future.

4.6.5. Risks associated with fluctuations in the Group’s revenues and operating income

Fluctuations in quarterly or annual revenues and operating income, as well as difficulties in forecasting them could cause the market price of the Group’s shares to fall.

Historically, the Group's revenues and operating income have fluctuated significantly and are expected to continue to do so in the future. As a result, the comparison of revenue and operating income over successive periods is not a reliable method for predicting future performance. In the future, the Group's revenues and operating income could be insufficient to meet the projections of market analysts and investors, which could cause the price of the Company's Shares to drop.

4.6.6. Risks associated with the absence of dividend distributions in the near future

The Company has never paid dividends and does not plan to do so in the near future.

To date, the Company has not paid out any dividends to its shareholders and does not intend to do so in the near future. Unless the general shareholders' meeting decides otherwise, it is expected that any potential dividends will be reinvested in the Company.

4.6.7. Liquidity risks – Future equity capital requirements and additional financing

The Group could be required to increase its share capital or to seek additional financing in order to ensure its continued development.

Since its creation, the Company has financed its development through equity, by carrying out share capital increases targeted at venture capital funds and industrial partners and, in February 2012, in the context of a public offering carried out in conjunction with the admission of its shares on the Euronext regulated stock exchange in Paris, France. The Group has never relied on any significant bank loans. Consequently, the Group believes that it is not exposed to a liquidity risk associated with accelerated repayment requirements that may be contained in certain bank loans.

The Group conducted a specific review of its liquidity risk and believes that it will be able to meet all of its upcoming payment obligations for the next twelve months.

The Group will continue to require financing in order to develop its technologies, market its products and carry out potential external growth transactions. Under these conditions, it is possible that the Group will not generate enough operating cash flow to enable it to self-finance its growth, which would require the Group to seek other sources of financing, in particular through share capital increases or, more generally, calls for tenders.

The level of financing required and its allocation over time depends on factors that the Group generally cannot control, such as:

- higher costs and slower progress than those projected for its research and development programs;
- expenses incurred in connection with preparing, filing, protecting and preserving its patents and other intellectual property rights;
- spending required to meet the technological developments in the market and to ensure the manufacturing and marketing of the Group's products; and
- new opportunities for developing new products or acquiring technologies, products or companies.

The Group may be unable to secure additional capital when it is needed and this capital may not be available under terms acceptable to the Group. If the required funds were not available, the Group could be required to:

- postpone, reduce, or cancel research programs;
- secure funds through industrial partnership agreements that may force the Group to waive the rights it holds over some of its technologies or products; or
- grant licenses or execute agreements under terms that could be less favorable to the Group than those it could have obtained in a different context.

In addition, insofar as the Group raises capital through the issuance of new shares, the equity interest of its shareholders could be subject to dilution. Debt financing, assuming it is available, could also be costly and require the Group to comply with restrictive covenants. If one or more of these risks were to materialize, it could have a significant adverse impact on the Group, its business activities, financial condition, results, development, future outlook, or on the market price of the Company's shares.

Lastly, since the fourth quarter of 2011, the Group signed factoring contracts in Euros and US Dollars with Natixis Factor, including a guarantee fund and featuring an underlying credit insurance contract. These contracts have open-ended terms and can be terminated subject to a three-month advance notice period. Since the risk of non-recovery and late recovery of these receivables is now transferred to Natixis Factor, the receivables sold under this factoring program are no longer accounted for in the Group's balance sheet. As of December 31, 2015, receivables sold (including underwriting reserves were financed in the amount of $3.8 million (against $9.9 million as of December 31, 2014). The termination of these contracts could have an adverse impact on the financial position of the Group.

4.6.8. Risk associated with dilution

The Group could, in the future, issue new shares or other equity-linked financial instruments in order to finance its development, or as part of its employee and management incentives policies.

As indicated above in the paragraph entitled "Liquidity risks – Future equity capital requirements and additional financing", the Company may issue new shares or new equity-linked financial instruments in order to finance its development.

In addition, within the context of its employee and management incentive policies, the Company has consistently, throughout its history, issued or granted warrants (*bons de souscription d'actions*, or "BSA(s)"), stock options and free shares. As such, in the event that all the equity-linked financial instruments are exercised in full (including 3,000,000 warrants issued in connection with the equity line program – please refer to section 10.1.3 of this Registration Document "Sources of funding") and that all free shares that remain subject to a vesting period effectively vest, 5,129,423 new shares would be issued, resulting in the dilution of approximately 14.8% of the current share capital (which represents a "fully diluted" share capital of EUR 15,960,308.40, split up into 39,900,771 shares). The Company intends to continue to issue or grant new equity-linked financial instruments.

The equity interest of shareholders will be diluted as a result of such transactions.

4.6.9. Risks associated with the volatility of the Company's share price

Volatility greatly affects financial markets. This is the case for the Company's share price, which has experienced significant fluctuations since its initial public offering in February 2012. In the future, its share price could continue to be subject to significant fluctuations as a result of, in particular, the market's perception of the Company as it achieves, experiences delays in achieving, or fails to achieve certain stages in its development.

Such fluctuations could have a significant effect on the assets held by the Company's shareholders and on the Company's ability to secure new funding and, in so doing, on the Group's business activities, its financial condition, its results, and its development.

4.6.10. Tax Risks

4.6.10.1 Risks associated with the French research tax credit

In order to finance its business activities, the Company has opted for the French tax regime of the Research Tax Credit (crédit d'impôt recherche or "CIR"), which consists of offering a tax credit to companies making significant investment in research and development. CIR research expenses eligible for the tax credit for research include, in particular, wages and salaries, consumables, services outsourced to certified research institutions (public or private) and expenses related to intellectual property. The CIR for the 2015 and 2014 fiscal years was equal to US$ 5.8 million and US$ 6.7 million, respectively.

Even though the Group complies with the requirements regarding record-keeping and eligibility of research expenses, the tax authorities may nevertheless decide to challenge the methods of calculation used to determine the research and development expenses declared by the Company or to suspend the CIR due to a change in regulations. If this were to occur, it could have a significant adverse impact on the Group's financial condition and development.

4.6.10.2 Tax loss carryforwards

The tax loss carryforwards of the Company were equal to EUR193 million as of December 31, 2015 (against €EUR61 million as of December 31, 2014). In principle, these tax loss carryforwards can be carried over indefinitely under the conditions of Article 209-I paragraph 3 of the French General Tax Code. However, this carryover right can be questioned in the event that the interested company were restructured or forced to change its business to such an extent that it would qualify as a "profound change" in business activities within the meaning of Article 221-5 of the French General Tax Code, as construed by the tax authorities. No deferred tax asset has been recognized as a tax loss carryforward. As of the date of this report, the Group cannot guarantee that the tax authorities will not attempt to use this provision as a basis to challenge its right to tax loss carryforwards. If such a challenge were to occur, it could have an adverse impact on the Group, its results, financial condition and development.

4.6.10.3 Risks associated with the Group's international businesses

The Group conducts its business activities in many countries, and mainly in Europe, the Asia Pacific region and in North America. As such, 95% and 85% of the Group's revenues were generated in foreign countries in fiscal years 2015 and 2014, respectively.

Due to this international presence, the Group is subject to taxation in many jurisdictions. The overall tax liability borne by the Group in such jurisdictions depends, in particular, on the legal interpretation of local tax regulations, on international tax treaties, on the fiscal policy enforced in each of these jurisdictions and on the applicable transfer pricing policy. Changes in these tax regulations could have an adverse impact on the Company's overall tax liability and its subsidiaries and, as such, on its results, financial condition and development.

The Group relies on the guidelines established by the OECD, particularly in terms of transfer pricing. In so doing, the Group undertakes to review the process of determination of these prices in an effort to ensure the security of completed transactions. However, as of the date of this report, the Group cannot guarantee that the tax authorities in the relevant jurisdictions will not seek to challenge its transfer pricing policy. Such a challenge could have a significant adverse impact on the Company's overall tax liability and that of its subsidiaries and, consequently, on its results, its financial condition and its development.

4.7. Risks associated with the Group's organizational structure

4.7.1. Risks of dependence on key employees

The Group could lose key personnel and be unable to attract new qualified employees.

The Group's future success will depend, in part, on its ability to attract, retain and motivate highly qualified management, research and development, engineering and sales and marketing personnel. The Group's employees in research and development represent a particularly significant asset as they are the source of its innovations. The Group also plans to recruit additional design and applications engineers. The Group could fail to retain or attract enough technical and engineering personnel to achieve its growth plans. Additionally, in order to expand its customer base and increase its sales to existing customers, the Group will need to hire additional qualified sales personnel. Competition in the recruitment of qualified employees is intense, given the lack of qualified people in the Group's sector and the Group could be unable to retain or attract them.

If the Group were unable to recruit and train qualified employees quickly, its growth would be affected. In addition, if the Group were unable to retain its existing employees, ensuring its future development would be difficult. This would have an adverse impact on the Group's business activities, revenues, financial condition and future outlook.

4.7.2. Risks associated with growth management

The Group could be unable to successfully integrate acquired companies and businesses.

The development of the Group relies on, in particular, the acquisition of additional companies and/or businesses. The Group is unable to guarantee the successful integration of recently acquired companies and businesses, the integration of services and staff and, lastly, the projected impact of such synergies. Although the Group conducts due diligence work and takes integration steps prior to completion of the acquisition, it could be confronted, in particular, with integration problems and difficulties establishing synergies, on both the operational and staff levels, with events challenging the liability of the Company, as a result of, in particular, a higher number of labor or intellectual property disputes, with the loss of long-term customers, with the failure to achieve the objectives set within the context of its acquisitions, and with difficulties ensuring there is no interruption in the provision of services to customers of acquired businesses.

These types of events, if they were to materialize, would have an adverse impact on the Group's business activities, results, financial condition and development.

In particular, the Group completed three acquisitions since 2010:

- *Secure Microcontroller Solutions*

  On September 30, 2010, the Group completed the acquisition of the Secure Microcontroller Solutions business of Atmel Corp ("SMS"). As announced post-closing of the 2015 fiscal year, the Company's decision to sell certain semiconductor businesses, as a result of their long-term assets' recoverable value falling below their book value, led the Company to recording an impairment charge in the amount of $2,070 thousand in its Consolidated Financial Statements for the fiscal year ended December 31, 2015, thereby reducing the value of these long-term assets to 0 (please also refer to note 28 of the notes to the Consolidated Financial Statements as of December 31, 2015).

- *Embedded Security Solutions*

  On December 1, 2012, the Group acquired the business known as Embedded Security Solutions ("ESS"). There is a risk of impairment of identified assets acquired in the context of the acquisition of the ESS business, which were accounted for at their fair value in the consolidated financial statements (particularly the patented technologies stated therein for a total net amount of $7.3 million as of December 31, 2015 – please also refer to Note 5 of the Notes to the Consolidated Financial Statements established as of December 31, 2015).

- *Metaforic*

  On April 5, 2014, the Group acquired all of Metaforic Ltd's shares. The latter company is a leader in the development of software obfuscation technologies and encryption-related security software for a variety of industries, yet mainly intended for the mobile payment and mobile banking markets. The final acquisition price amounts to $13.2 million after taking into account price adjustments based on actual working capital requirements as of the transaction date and the various business objectives set for 2014.

In addition to the risks associated with Metaforic's integration, the identified assets acquired in the context of Metaforic's takeover, as well as its U.S. subsidiary, are also exposed to an impairment risk. They were recorded at fair value in the Consolidated Financial Statements (in particular, the patented technologies stated therein for a total net amount of $3.2 million as of December 31, 2015 – also refer to Note 5 of the Notes to the Consolidated Financial Statements established as of December 31, 2015).

In addition, there is a risk of impairment the goodwill resulting from these three acquitions. These goodwill amounts are monitored based on their respective operating divisions, namely the "Mobile Security" and "Secure Transactions" divisions. They are subject to an annual impairment test conducted at the division level. As announced post-closing of the 2015 fiscal year, the Company's decision to sell certain semiconductor businesses, as a result of their long-term assets' recoverable value falling below their book value, led the Company to recording a goodwill impairment charge in the amount of $2,993 thousand. Therefore, as of December 31, 2015, goodwill associated with the "Secure Transactions" division was fully impaired (please also refer to note 8 "Goodwill" of the Notes to the Consolidated Financial Statements for the fiscal year ended on December 31, 2015).

Future acquisitions of companies, businesses, assets or technologies could lead to difficulties in integrating new entities, occupy the time and attention of the management team and distract it from the Group's core business, dilute the equity holdings of existing shareholders or adversely impact the Group's financial results.

Within the framework of its external growth strategy, the Group could seek to acquire additional companies, businesses, or technologies in order to continue developing its own business activities, improve its competitiveness in its market or penetrate new markets. The Group cannot guarantee that opportunities for acquisitions will be available or that the acquisitions the Company may undertake will be profitable and/or reach their expected objectives. Furthermore, the completion of such acquisitions may generate difficulties integrating new entities, mobilize the management team and distract it from the Group's core business, dilute the equity holdings of existing shareholders or adversely impact the Group's financial results and, as such, have a significant adverse impact on the Group.

If the Group fails to successfully manage its development, it could be unable to execute its business plan and its income could be affected accordingly.

The Group's future income mainly depends on its ability to successfully manage its development and its return to growth.

In order to remain competitive and manage its development, the Group must constantly improve its equipment and technologies and deploy significant efforts in terms of research and development, requiring not only significant investments in this area, but also investments in sales and marketing. The Group could also be forced to make such investments before some of the benefits expected from them can be attained. The return on investment could either be lower, or achieved more slowly than expected, or not materialize at all, which could negatively affect the Group's operating income.

In addition, the Group must constantly seek to adapt its management policies, its administrative, financial, and operating tools and systems, as well as its control processes. It must also adapt its structure to the changes in technologies and targeted markets and, more generally, to changes in its strategy, and recruit and train qualified staff.

If the Group is unable to efficiently manage its development, it could be unable to take advantage of market opportunities or to develop the products the market is expecting, it could fail to maintain the quality of its products, be unable to execute its business plan, and be unable to adapt itself quickly enough to its technological, competitive, and market environments. Any of these events, if they were to materialize, would have an adverse impact on the Group, its business activities, financial condition, results and development.

4.7.3. Risks associated with the restructuring of the Group

In February 2016, INSIDE Secure initiated a plan to reorganize its worldwide business activities in the context of its new strategic plan. This plan sought to lower its operating expenses (in the context of the shift in the Group's strategic priorities for each of its markets) by reducing its structural and sales costs, refocusing is research and development activities and improving its operating sales efficiency and, generally, its operating efficiency.

If the expected future savings generated in connection with this restructuring were lower than anticipated, and if the Group were unable to implement, within the defined deadlines and budgets, and maintain an efficient structure, or if such savings were ill-adapted to the strategic and business challenges it faces, it could have a significant adverse impact on its business, its income, financial condition, and development.

4.7.4. Regulatory Risks

Because the Group provides cryptology solutions and services, its takeover, the acquisition of all or part of one of its business lines, or the crossing of a threshold of one third of its share capital could, among other things, require the prior authorization of governmental authorities.

The Group provides cryptology solutions and services. As a result, pursuant to the provisions of the French Monetary and Financial Code, a takeover of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) or the direct or indirect acquisition of all or part of a business line of the Group by (i) a natural person that is not a citizen of a Member State of the European Community ("EC"), or of a State party to the agreement on the European Economic Area that has signed a *convention d'assistance administrative* (convention on mutual administrative assistance) with France, or an employee of a company with registered headquarters located in one of these States, or a natural person with French citizenship that is not a resident of such States, in accordance with Article R. 153-2 of the French Monetary and Financial Code (a "Non EC Investor") or (ii) a natural person that is a citizen of a Member State of the European Community ("EC"), or of another State party to the agreement on the European Economic Area that has signed a *convention d'assistance administrative* (convention on mutual administrative assistance) with France, or an employee of a company with registered headquarters located in one of these States, or a natural person with French citizenship that is a resident of such States, in accordance with Article R. 153-4 of the French Monetary and Financial Code (an "EC investor"), could be subject to the prior authorization of the French minister responsible for the French economy (pursuant to the terms of Article L.151-3 of the French Monetary and Financial Code). Similarly, the acquisition of more than 33.33% of the Company's share capital by a Non EC Investor could also be subject to prior authorization of the French minister responsible for the French economy. Prior authorization from the governments of other countries could also be required for similar reasons. There is no guarantee that these authorizations would be granted or that, if granted, the terms of such authorizations would not discourage any potential acquirers. The existence of such conditions precedent to an acquisition of the Company could have an adverse impact on its share price.

4.8. Risks associated with the environment

The Group's business activities are subject to certain environmental regulations regarding the use of hazardous substances and the management of its waste.

The Group's business activity is subject to the RoHS directive (*Restriction of the use of certain hazardous substances in electrical and electronic equipment*) (2002/95/EC) restricting the use of six substances harmful to human health and the environment that may be included in the chemical composition of electric or electronic equipment, namely four heavy metals (Hg, Pb, Cd and CrVI) and two flame retardants (PBB and PBDE). Although the Group does not manufacture its own products, the Group ensures, to the extent possible, that its suppliers and subcontractors comply with this directive. In this context, all of the Group's subcontractors provide their RoHS reports on the products they deliver.

REACH (*Registration, Evaluation, Authorization and restriction of Chemicals*) is a French regulation (CE No. 1907/2006) allowing for the identification through registration and gradual elimination of the most hazardous chemical substances (the substance itself, or in mixtures and products). Its mission is to develop a better understanding of the uses of chemical substances produced or imported into the European Union and to control the risks associated with their use. Under REACH, the Group imports and introduces "articles" to the market that contain certain substances not intended to be discarded under normal or reasonably predictable conditions and, conversely, does not market any "substance", or "mixture", within the meaning of the REACH regulations. The Group is therefore exempt from the applicable filing requirements. REACH regulations also require the disclosure of information to customers in the event that SVHCs (*Substances of Very High Concern*) are found in an article in concentrations higher than 0.1% of their mass. To fulfill its obligations, the Group regularly checks the SVHC candidate list updated by the European Chemicals Agency (ECHA) and takes all necessary measures to confirm the compliance of its suppliers in order to ensure that the products it introduces to the market do not contain such substances in concentrations higher than the set level. The Group also verifies the SVHC list as included in Appendix XIV of REACH in order to ensure that the Group's products are not exposed to the risk of being banned from the market.

The directive *Déchets d'équipements électriques et électroniques* (2002/96/CE) (directive on waste electrical and electronic equipment, or "WEEE") sets forth that the producers are responsible for organizing and financing the collection, treatment and valuation of their products at the end of their life cycle. In order to avoid the risk of any related pollution, a specialized third party company reprocesses all of the waste from equipment and products. In addition, whenever necessary, the Group reprocesses wafers and masks via outsourcing to a third party service provider.

Compliance with these regulations is expensive and any restrictions in addition to these regulations would generate additional costs for the Group. Furthermore, the regulations are complex and any violation by the Group could lead to payment of fines or penalties or trigger liability claims against it. These events, if they were to materialize, would have an adverse impact on the Group's financial condition and development.

4.9. Other risks

Some natural disasters, such as floods, earthquakes, tsunamis, or volcano eruptions, could cause damage to the industrial equipment of the suppliers to whom the Group outsources the manufacturing, assembly, or testing of its products and could also cause damage to the direct or indirect suppliers of these subcontractors. It could disrupt operations, cause delays in the production and delivery of its products or trigger expenses due to repair, replacement, or other needs. For example, most of the Group's semiconductors are manufactured and assembled by subcontractors located in Asia. The risk associated with earthquakes and tsunamis in this region is significant due to the geographic proximity of major seismic fault lines to the location of the plants of the Group's subcontractors and to the location of their own suppliers. Even if these plants were not directly affected, a major natural disaster would undoubtedly impact the industry's supply and distribution chains. Any disruptions resulting from these events could cause significant delays in the production or shipping of the Group's products as well as significant increases in shipping costs until the Group is able to transfer the manufacturing, assembly, testing and shipping of its products from the affected subcontractor to another one.

Such events, if they were to materialize, would have an adverse impact on the Group's business activities, results, financial condition and development.

4.10. Changes in legislation and tax and regulatory policies

The Group's business activities are subject to the risk of a change in legislation, tax policies or regulations. These changes could have a significant adverse impact on the Group, its business, financial condition, results, development and future outlook.

4.11. Insurance and risk coverage

The Group has secured insurance policies with various insurance companies in order to cover all of the significant risks it is exposed to. Most of these risks are covered by insurance policies subscribed in France. The Group also has specific and/or local coverage in order to comply with regulations applicable in certain locations.

These insurance policies are reviewed on a regular basis and adjusted, as the case may be, in order to account for a change in revenues, in business activities exercised, and in the risks the various companies of the Group are exposed to.

In addition, the Group has implemented internal preventative mechanisms aimed at maintaining operations and limiting the impact of a significant loss in the event of a major disaster. As such, several secure data backup systems have been put in place to protect source codes and all of the electronic data kept on servers and workstations at the offices of the various entities of the Group.

4.12. Insurance policies

In 2015, the Group recorded an amount of EUR 0.5 million for all of its insurance policies.

In the 2015 fiscal year, the amount of insurance policies applicable to the entire Group can be broken down in the following way per major risk category:

- All of the companies of the Group benefit from an insurance policy covering their professional civil liability and products, representing EUR 10 million in aggregate guaranteed coverage.
- An insurance policy also covers the civil liability associated with the operation of the Company and its subsidiaries in the amount of EUR 8.5 million in aggregate guaranteed coverage.
- The Company purchased a professional multi-risk insurance policy (which covers operating losses and damages to goods) representing EUR 132 million in aggregate guaranteed coverage (sum of all ceilings set per claim).
- The Group also took out an insurance policy covering the risks associated with the liability of the directors and corporate officers of the Company and its subsidiaries, representing EUR 20 million in aggregate guaranteed coverage for 2015.
- The Group also benefits from insurance policies covering the transportation of its staff and its merchandise, as well as the IT-related risks based on the overall value of its IT equipment. The amounts borne by the Company and its subsidiaries with respect to local insurance plans that comply with legal and regulatory requirements applicable in each country must also be added to these insurance totals.

5. INFORMATION ABOUT THE COMPANY

5.1 History and Development of the Company

5.1.1 Legal and business name of the Company

The Company's legal name is "INSIDE Secure". The decision to change its name from "INSIDE Contactless" to "INSIDE Secure" was made at the Extraordinary Shareholders' Meeting dated November 15, 2010.

5.1.2 Place of registration and number

The Company is registered with the Trade and Companies Registry (*registre du commerce et des sociétés*) of Aix-en-Provence, France, under the registration number 399 275 395.

5.1.3 Date of incorporation and term

The Company was incorporated on November 30, 1994 for a period of 99 years beginning on the day of its registration in the Trade and Companies Registry, or December 29, 1994 and, barring early liquidation or extension, ending on December 28, 2093.

5.1.4 Registered office of the Company, legal form, and governing law

The Company is incorporated under the form of a French *société anonyme à directoire et à conseil de surveillance* (joint stock company with a Management Board and a Supervisory Board) governed by French law and operating pursuant to articles L. 225-1 *et seq.* of the French Commercial Code.

The registered office of the Company is located at Rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France.

The contact information for the Company is the following:
Email: info@insidesecure.com
Website: www.insidesecure.com

5.1.5 Key events in the development of the Company's business activities

2015 – vault*IP*
VaultIP FIPS-140-2 Certification (Hardware IP block)

2015 – PRESTO Engineering
Presto Engineering partnership to outsource semiconductor operations and supply chain

2014 – matrixSSE | matrixHCE
MatrixHCE and MatrixSSE (Security software for payment)

2014 – intel
INSIDE Secure closes agreement with Intel on new NFC technology and IP license

2014 – INSIDE SECURE | METAFORIC an INSIDE Secure company
INSIDE Secure acquires Metaforic, gaining access to key technologies for enabling cloud-based mobile payments security with Host Card Emulation

2013

INSIDE Secure extends leaderships in protecting connected devices with the new generation of authentification chips (VaultIC™ 150)

2012 – AuthenTec
Acquisition de l'activité ESS

2012 – EURONEXT
IPO on the regulated market of Euronext Paris that raised €79.3 million

2012 – vault SEcure™
Launch of VaultSecure
INSIDE introduces its first secure element

2010 – INSIDE SECURE
INSIDE illustrates its new positioning on security by changing its name

2010 – Atmel
Acquisition for $32 million of US group Atmel Corp's Secure Microcontroller Solutions business, funded by a round of capital financing of around €50 million contributed to principally by the Company's original investors

2007

First to market with NFC chip MicroRead

2006 – Smardtech
Acquisition of Smardtech (France), design of embedded operating systems

2005 – VISA | SOFINNOVA PARTNERS
Round of capital financing led by Sofinnova Partners (France) and Visa (United States), paving the way for the launch of MicroPass in the market and in the United States with Visa as a priority

2005 – micropass®
First IC for contactless payment approved by Visa and MasterCard

2003

First microprocessor architecture designed specifically for contactless smart cards (MicroCrypt) backed by several patents

2002 – Inside CONTACTLESS
INSIDE Secure signs exclusive license and first multi-million volume order with HID, the world leader in access control

2000 – R2R
NFC technology pioneer with the R2R patent

1997

Development of the first product (InCrypt contactless memory chip) and round of capital financing led by GIMV

1996 – altaberkeley
Initial round of capital financing (Alta Berkeley fund and business angels)

1995 – Inside TECHNOLOGIES
Company created and launched by Jacek Kowalski together with five former Gemplus engineers

5.2 Investments

5.2.1 Main investments carried out in the last three fiscal years

In addition to the capital expenditures associated with research and development and the acquisition of companies or businesses, the Group's investments were mainly aimed at acquiring various tangible property, licenses, and software as well as, in accordance with IFRS, at capitalizing some R&D expenditures.

The Group's capital expenditures (excluding acquisitions of companies and businesses) over the course of the past three fiscal years can be broken down as follows:

(in thousands of US$)	**2013**	**2014**	**2015**
Purchase of property and equipment	4,556	1,157	1,029
Purchase of intangible assets	1,101	4,321	98
Capitalized development costs	3,402	-	-
Total	9,059	5,478	1,127

Industrial investments

Since the Group does not have a manufacturing business, it does not need to invest in manufacturing and assembly. The Group also subcontracts the testing of wafers and chips to third party partners, located mainly in Asia, while subcontractors generally remain the owners of the product testing equipment. In addition, in June 2015, a third party acquired the Group's testing center at the Meyreuil (France) worksite, a center focused on industrial prototypes and preproduction models. The Group now outsources said services to this partner.

Portfolio of mask sets

Part of the Group's research and development activities consist in the development of semiconductors. The tangible result of this development is a set of masks used by the third party foundries that supply the Company. During the research and development phase, expenses committed are recorded as expenses for the fiscal year, which is the same as recording the sets of masks developed before the industrialization of products.

Technology licenses

Throughout its development, in addition to its intellectual property, INSIDE Secure relies on technology and intellectual property rights licensed by third parties. This is the case, in particular, for some technologies integrated into its semiconductors and software as well as for the systems and the design of its software. Typically, licensing agreements are non-exclusive and granted in exchange for the payment of fees calculated based on the Group's sales volumes and/or in exchange for licenses for a fixed amount paid for upon execution. In this latter case, the licenses are stated in the balance sheet (as intangible assets) and amortized over the term of the license or, should it be shorter, its economic life term as estimated by the Company.

Acquisitions of companies and businesses

In the context of its development, the Group also acquires companies and businesses. Since 2012, and in the context of the development of its security technologies and software licenses business, the Group has made the following acquisitions:

Embedded Security Solutions ("ESS")

On December 1, 2012, the Group acquired the Embedded Security Solutions ("ESS"). ESS designs and develops encryption-related security hardware intellectual property (IP) and software for a variety of industries, including the mobile and networking markets. Its revenues are generated through licenses, royalties, services and maintenance fees. In order to acquire the ESS business, INSIDE Secure paid out US$ 46.8 million, net of cash acquired (please also refer to Note 5 of the Notes to the Consolidated Financial Statements for further information).

Metaforic

On April 5, 2014, the Group acquired all of Metaforic Ltd's shares. The latter company is a leader in the development of software obfuscation technologies and encryption-related security software for a variety of industries, yet mainly intended for the mobile payment and mobile banking markets.

The final acquisition price amounted to $13.2 million after taking into account price adjustments based on actual working capital requirements as of the transaction date and the various business objectives set for 2014 (please also refer to section 6.1.4 "Acquisitions," and to note 5 of the Notes to the Group's Consolidated Financial Statements in section 20.1 "Historical financial information" of this Registration Document).

5.2.2 Main current investments

As of the filing date of this Registration Document, the Group has not undertaken any investment it deems either significant or outside the normal course of its business.

5.2.3 Main future investments

As of the filing date of this Registration Document, the Group's management body have made no firm commitment pertaining to significant investments or investments outside the normal course of its business.

6. BUSINESS

6.1 General overview

6.1.1 Presentation and history

INSIDE Secure designs, develops and sells embedded security systems for smartphones, tablets, and other devices connected to the Internet, in order to protect transactions, content, and communications.

INSIDE Secure provides comprehensive embedded security solutions for mobile and connected devices, thereby reinforcing existing smartcard-based security models.

The Group sells:

- software, particularly embedded software providing the secure management and communication of data as well as cryptography algorithms,
- elements of intellectual property (blocks or IP components) that its customers integrate directly into the design of their semiconductor platforms, thereby enabling them to access security functions of which they do not have the necessary know-how or understanding, and to reduce product development cycles. For example, an IP component can be integrated into an application processors or SoC (systems-on-chip) to provide an optimal level of security at the heart of smartphones and connected objects, and
- semiconductor hardware solutions that, in particular, integrate secure microcontrollers and electronic solutions enabling secure data storage,

These solutions rely on the Group's know-how in terms of analog and digital electronics and embedded software, as well as its expertise in the software design of security and certification applications.

Historically focused on microcontrollers development, INSIDE Secure has gradually expanded its offer to include intellectual property and software. Since 2012, this expansion has grown larger and the Group intends to continue in that direction.

Together with the publication of its financial results for the 2015 fiscal year, on February 25, 2016, Inside Secure announced a series of strategic initiatives intended to reposition the Group and focus its efforts exclusively on its core business of security software and intellectual property ("Hardware IP") dedicated to security, which address the rapidly growing mobile payment and banking and Internet of Things markets, as well as develop and market its differentiated embedded security technologies.

The Group is currently organized around two divisions:

- the Mobile Security division, which applies all of the Group's expertise to all of the security associated with mobile communication and the Internet of Things ("IoT"). This division's product line includes software solutions as well as intellectual property ("Hardware IP") able to meet the growing need for security solutions on all mobile and IoT platforms, thereby securing mobile payments, content protection, transfers, and data storage, and

- the Secure Transactions division, which combines all of the Group's expertise in semiconductor solutions or integrated circuits for all of the transactions occurring in the universe of connected machines, the Internet of things, smartcards, and identification and payment solutions via smartcards.

Since 2016, the NFC patent licensing program managed by France Brevets is handled at the corporate level because of the specifics of this program and the fact that it is not strategic for the embedded security market (it had been handled by the Mobile Security division until late 2015).

With respect to the Secure Transactions division, INSIDE Secure announced it had entered into exclusive negotiations with a potential acquirer with a view to selling its semiconductor business. The scope of the transaction would include products, technology, customer agreements, certain patents and, generally, the assets associated with the development and sale of secure microcontroller-based integrated circuits, as well as a complete team (R&D, sales, marketing, support). This scope largely comprises the semiconductor activities of INSIDE Secure focused on the Internet of Things, anti-counterfeiting and brand protection, EMV payment card and secure access.

At the same time, INSIDE Secure announced it was working with one of its strategic customers on the transfers under license of a line of semiconductor products developed specifically for this customer, together with the associated resources.

INSIDE Secure's decision to dispose of it semiconductor products design and sales business will enable it to focus all of the Group's efforts on the redeployment of its core security software business, which operates on the promising payment and mobile banking markets, and its technologies dedicated to embedded security.

The Group anticipates profound changes in the approach to security in the current context of mobile telephony, mobile applications, and the Internet of Things, which introduce new security challenges for billions of connected devices and objects. INSIDE Secure believes that the world of security is undergoing a period of change and that the time has come to reinforce existing security models based on smartcard technology (in other words "connected security"), to an "embedded security" architecture, which should guarantee an optimal security level at the heart of a device or application. As such, in February 2015, INSIDE Secure announced that it completed an important milestone in this field by reducing the time frame for the certification of an intellectual property component to one month (instead of one year) and, in so doing, significantly accelerating the introduction of more secure mechanisms to the market.

In 2015, the Group generated US$ 70.1 million in revenue. Over 300 million devices integrating INSIDE Secure products (hardware, software, and IP) are sold annually throughout the world.

As of December 31, 2015, the Group employed 291 persons in Europe, Asia, and the United States. The Group's patent portfolio currently includes over 1,000 patents and patent requests, representing over 200 patent families.

6.1.2 Key business strengths

INSIDE Secure has a security solution on the market that combines software and hardware components (intellectural property ("IP") blocks). This enables the Company to be a key partner, able to meet all of its customers' security needs for any type of mobile or connected device, and to offer state-of-the-art solutions adapted to all applications.

Mainly intended for the mobile and connected device market, its solutions and technologies are designed to meet current and future security requirements while adapting to architectural and certification challenges.

INSIDE Secure is perfectly neutral in its approach to security, due to the fact that it offers a range of secure software and hardware solutions that "revolutionizes" consumer access to audio and video content, the management of issues associated with the security of companies, mobile banking, mobile payments, or the currently booming Internet of Things and, mainly, in the following market segments:

- The Internet of Things ("IoT"),
- Payment and Mobile Banking,
- Content Protection and Entertainment, and
- Enterprise Security and Secure Access.

Due to its long-standing experience in the security market, INSIDE Secure has developed first-rate expertise in the field. The Group's policy has been instrumental in securing its large patents portfolio, which currently includes over 1,000 patents and patent requests.

6.1.3 Development strategy

INSIDE Secure's strategy is currently built on two focus areas:

- To become a key player in the mobile security and mobile applications industry, and
- To establish a presence in the emerging Internet of Things.

In addition, and for tactical purposes, INSIDE Secures continues to monetize its portfolio of NFC patents.

For each of these areas, INSIDE Secures intends to systematically explore the best approach allowing it to optimize how it meets customer needs and the return on investments and on capital. As such, and as has been done in the past, the Company maintains a process of analysis aimed at selecting, for each major investment, the best approach between internal developments, partnerships and, as the case may be, targeted acquistions, or a combination of these means, while taking into consideration the fast changing ecosystem in which the Group operates.

a) To become a key player in the mobile security and mobile appplications industries

All types of mobile devices and mobile applications have a need for security. INSIDE Secure offers a comprehensive range of products (software and IP component) that meet the needs of its customers and are designed to overcome upcoming architectural and certification discontinuities.

As such, the Group aims to develop its product offering in order to support the development of the three main uses its technologies have established in the mobile security market, namely:

- Financial service and mobile payment (via Host Card Emulation or "HCE"),
- the secure access to companies' systems through the Bring Your Own Device or "BYOD" trend (via Virtual Private Networks or "VPN(s)", for example), and
- Digital Entertainment Content Protection (via Digital Rights Management or "DRM").

Relying on its expertise and technology, the Group plans to contribute to the definition of future standards in mobile security, of new mobile security architectures and certification schemes. In particular, INSIDE Secure is convinced that the application processor (or host processor) will become the "heart" of mobile security and is developing a product strategy based on that assumption.

b) To establish a presence in the emerging Internet of Things market

The Internet of Things is booming. The ability to connect, communicate with, identify, and remotely manage an innumerable number of networked, automated devices and equipment via the Internet is becoming pervasive, from the factory floor to the hospital operating room to the residential basement, and regardless of whether the connected thing is a fridge or a smoke detector. The 2 main challenges are security and privacy.

INSIDE Secure develops and sells a range of hardware and software solutions aimed at securing and protecting the privacy of[1]:

- Communication, in order to enable information exchange between devices,
- Sensors, in order to capture and represent the physical world in the digital world
- Actuators, to perform actions in the physical world triggered in the digital world (thermostats or garage door remote controls, for example),
- Identification, to bring unique physical object identification to the digital world (as an anti-counterfeiting measure, for example),
- Storage for data collected from sensors, identification and tracking systems,
- Devices for interaction with humans in the physical world (access control, for example),
- Processing systems used in data mining and services, and
- Localization and tracking for physical world location determination and movement.

c) Leverage and monetize the NFC-based patent portforlio

As a pioneer of the NFC connectivity technology, INSIDE Secure considers that it owns several key NFC technology patents. In June 2012, the Group announced the launch of a plan to license part of its NFC patents in partnership with France Brevets (a European investment fund specialized in patent promotion and monetization).

According to the terms of this agreement, France Brevets is in charge of all operations associated with the NFC licensing program, and liaise with manufacturers of NFC devices and, in particular, mobile devices.

The growing penetration of NFC technologies in smartphones (now a de-facto feature) and positive progress in implementing the program enabled revenues to be generated as from 2014. In that respect, France brevets announced on August 18, 2014, it had excuted a NFC patent license agreement with the Korean mobile handset maker LG Electronics (LG), as part of the NFC license program managed by France Brevets, which includes INSIDE Secure's NFC patents.

In June 2014, the extension of the license INSIDE Secure had initially granted Intel, and its development into a broader and fully paid-up license upon execution, as well as the transfer of INSIDE Secure's next generation NFC modem technology to Intel, are further examples of this strategy aimed at monetizing and growing the value of the Group's NFC technology and intellectual property rights.

6.1.4 Acquisitions

In addition to its organic development strategy, INSIDE Secure has for long been committed to a targeted acquisitions policy. Since 2010, INSIDE Secure has completed three acquisitions consistent with the strategic development of its range of embedded security solutions.

- The acquisition of Atmel's SMS (Secure Microcontroller Solutions) business in September 2010 contributed complementary technologies to its secure microcontrollers operations, including in certified environments.

- The acquisition of Authentec's Embedded Security Solutions (ESS) division in December 2012 enabled INSIDE Secure to acquire further expertise while broadening its intellectual property, software and services portfolio, by relying not only on a secure element, but also by enhancing the security of the application processor (or "host processor").

- In April 2014, the acquisition of Metaforic, a company specialized in the development of software obfuscation technologies and encryption-related security software for a variety of industries, expands the portfolio of solutions of INSIDE Secure's Mobile Security division.

[1] Source: Security and Privacy Challenges in the Internet of Things, Christoph P. Mayer, 2009.

Due to these acquisitions, INSIDE Secure believes it owns the most comprehensive range of embedded security products in these markets. Please also refer to section 5.2 “Investments”, and note 5 of the Group’s Notes to the Consolidated Financial Statements included in section 20.1 “Historical Financial Information” of this Registration Document.

6.2 Main markets

6.2.1 Overview

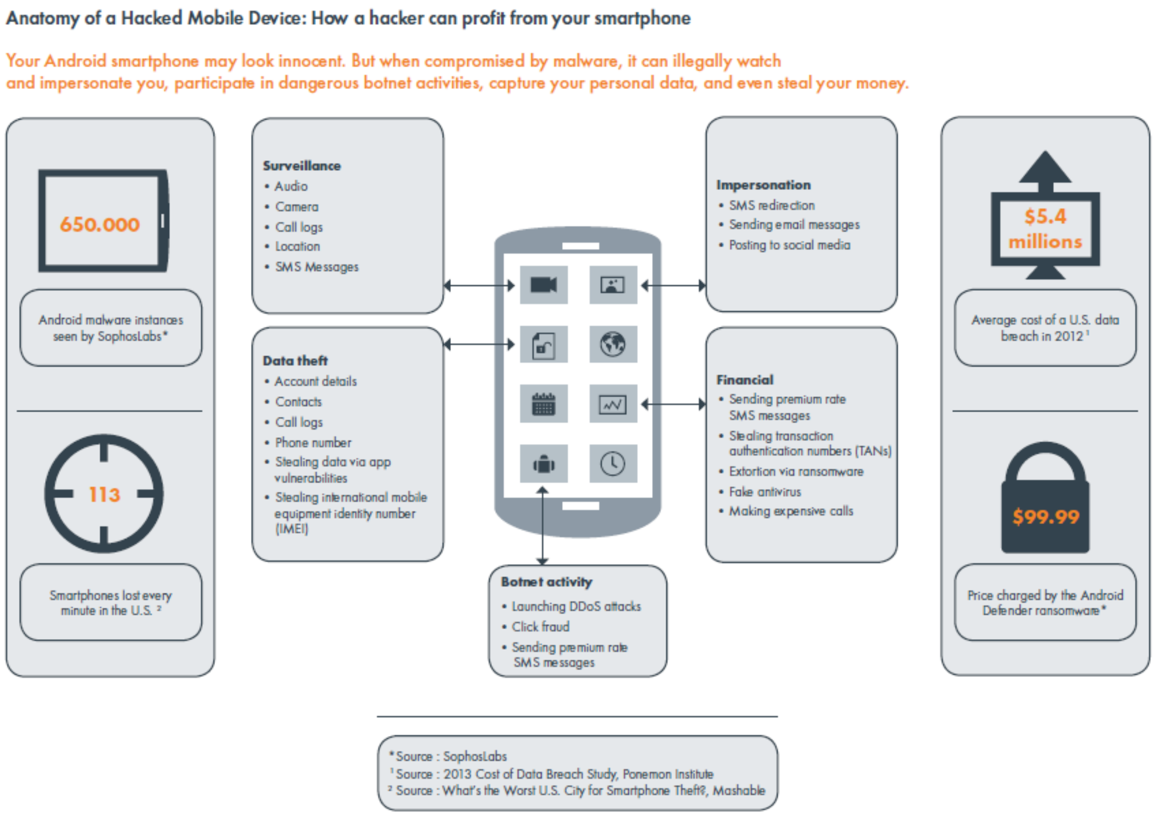
INSIDE Secure’s embedded security solutions are built into devices early on in the electronic equipment and applications’ design process in order to provide security to the transfer and exchange content, transactions, and communications.

The substantial growth observed in the global market for mobile devices, including smartphones, tablets, and handheld computing devices and their uses, and mobile application popularity create a tremendous opportunity for INSIDE Secure. As a matter of fact, all of these products could potentially require security to protect the mobile transactions they complete and the content they host. This relates to the development of streaming technologies, which revolutionizes the way in which the consumer can access audio and video content, problems associated with the security of companies, mobile financial services, mobile payments, or the booming Internet of Things.

6.2.2 Mobile security and mobile applications

As presented below, security and privacy requirements are omnipresent in the use of mobile devices and mobile applications. Being able to implement the best security conditions possible within a mobile device requires expertise in various fields: systems and hardware, software, and IP blocks.

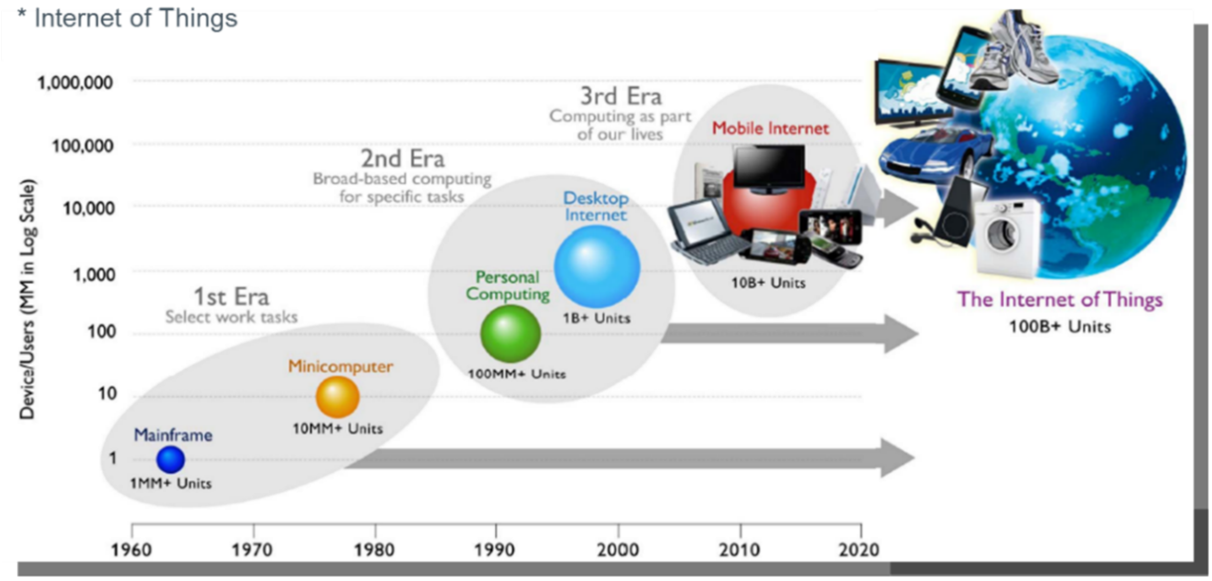
In particular, the Group recently announced the FIPS-140-2 certification of VaultIP, a world first. This security module, offered in the form of intellectual property components (“IP block” or “Intellectual Property block”), allows semiconductor manufacturers to certify their chips faster (time frame reduced to roughly 1 month relative to 1 year previously) and to lower costs. The VaultIP security module can be embedded into the core of application processors and SoCs (systems-on-chip) to provide an optimal level of security at the heart of smartphones and connected objects (Internet of Things). Customers can now use INSIDE Secure’s IP module to comply with the particularly strict security requirements of U.S. government applications and, as a result, promote the use of their products in the context of secure applications facing challenges related to BYOD (Bring You Own Device) and access to premium content. For government applications, the FIPS 140-2 standard is considered an industry reference on security.



The Group has identified three business segments driving demand in this market:

- Security needs in the financial services industry, including mobile payment and the e-wallet,
- Providing security to professional access to businesses as a result of the trend toward the "Bring Your Own Device" or BYOD model), and
- DRM Content Protection.

6.2.3 Secure Internet of Things



"As from the day it was created, the Internet garnered unsuspected success and spread throughout the world. Recently, major technological breakthroughs reduce the amount of resources used and miniaturize the devices communicating on the Internet. If, until now, the Internet was reserved exclusively for interconnecting computers, telephones, or tablets, these technological advances have created a world in which one could imagine connecting any type of object to the network. This revolution has been dubbed the "Internet of Things".

There are two main types of connected devices. "Passive" devices typically use a tag (RFID chip or barcode) for identification purposes and, when scanned with a mobile reader, offer access to information via a computer application. "Active" devices embed technologies able to connect them to the Internet (a GSM module for the mobile network, Wi-Fi, Ethernet, Bluetooth, or low-energy technologies).

According to Cisco, one of the global leaders in network equipment, in 2008 the number of devices connected to the Internet exceeded the number of persons on Earth. By 2020, it projects that approximately 50 billion devices will be connected, or an average of 6 to 7 devices per person. This network equipment provider estimates the value of the Internet of Things market will total US$ 14.4 trillion from 2013 to 2022.

One of the Internet of Things' most significant challenges is security. The use of open technologies allows for interoperability while also exposing object to attack. This is why the security must be an integral part of the systems' design in order to minimize risk. Thankfully, the most sophisticated computer security mechanisms developed until now can be adapted to the Internet of Things. Like any new technology, the Internet of Things can be frightening, however the potential contributions to society cannot be underestimated."[2]

This description of the security challenges associated with connected devices is well aligned and the foundation for INSIDE Secure's vision. The Group intends to rely on its technologies and know-how to benefit from the significant growth in the number of connected devices and, in so doing, become a major player in this market.

[2] Source: Yannick Iseli, Novaccess – "L'Internet des objets: la prochaine révolution numérique" (*The Internet of Things: the next digital revolution*)

6.3 Technologies and products

INSIDE Secure differentiates itself from its competitors through its ability to address security challenges by developing comprehensive software and intellectual property ("IP") blocks. In order to reach this objective, and for each market segment, the Group works directly with the leading device manufacturers developing their own integrated circuits and operators/service providers, while liaising with the leading platform providers.

6.3.1 Mobile security products and mobile applications

6.3.1.1 Vault IP

VaultIP is a Secure Element delivered as a synthesizable Verilog RTL source code IP Block. VaultIP is an embedded security platform that operates independently as an SE and/or to fortify a TEE against software attacks.

Implemented in Hardware IP, it comprises a tightly integrated set of modules optimized for the ARM architecture. VaultIP is not only giving to INSIDE Customers a time-to-market advantage but, more importantly, is providing them leading edge security technologies that would take years to develop.

As a result, the VaultIP solution will be intricately integrated into the main processor of the electronic equipment (application processor), which thus becomes the security core for mobile devices.

VaultIP is the first ever security module in the world, offered in the form of an IP block, to receive an FIPS 140-2 certification. It allows semiconductor manufacturers to certify their chips faster (time frame reduced to roughly 1 month relative to 1 year previously) and to lower costs. For government applications, the FIPS 140-2 standard is considered an industry reference on security.

6.3.1.2 Mobile Payment: MatrixHCE

MatrixHCE is targeted to allow Mobile Banking & Payment App developers to speed up their development and time-to-market by combining host card emulation (or "HCE") as well as many security software functions.

Relying on an architecture introduced by Android 4.4 (KitKat) and recently adopted by the main suppliers of payment systems, HCE technology authorizes contactless payments (and other services, in particular loyalty programs, physical access to buildings and transportation) between the user's banking mobile application and the vendor using the NFC standard. With HCE technology, sensitive data used during transactions are stored securely and accessible via servers in the "Cloud" and no longer in a secure element or SIM card on the mobile device.

The MatrixHCE solution benefits from INSIDE Secure's expertise in the NFC and Payment & Mobile Security markets. In addition, the recent acquisition of Metaforic technology further solidifies INSIDE Secure's expertise in the Mobile Security field.

Securing mobile payment apps requires more than just data encryption. Instead, developers must secure the application's source code with its logic and processes, data, and keys. MatrixHCE makes it extremely difficult and time-consuming for attackers to understand how a payment application works in order to compromise it. The final purpose is to secure transactions.

6.3.1.3 Content Protection: DRM Fusion

To its knowledge, INSIDE Secure offers the industry's only most comprehensive security solutions, on both the client and server side, for all DRM (Digital Rights Management) standards such as Microsoft

PlayReady, Windows Media DRM, or OMA DRM used for licensing, protecting, and monetizing digital entertainment content and services.

The ability to enable content access at anytime, anywhere, and from any device is a crucial success factor for any digital content service. In order to meet these consumer demands and achieve success in emerging digital markets, broadcasters, content providers, mobile operators, and service providers must be able to provide a variety of purchasing and consumption models.

Only with the adoption of industry standards-based security solutions can broadcasters, mobile operators and service providers stay in control of their DRM policies while providing consumers with device and network agnostic feature-rich content and services. The adoption of closed, proprietary DRM solutions or Conditional Access Systems ("CAS") instead ties broadcasters, mobile operators and service providers to a single DRM supplier therefore limiting device and network interoperability and leaves their consumers reliant on a DRM solution that is not guaranteed for the long haul.

INSIDE Secure's products in this field are the following: DRM Fusion Server, DRM Fusion Agent for Embedded Deployment, DRM Fusion Agent for Downloadable Deployment, Microsoft DRM-based Solutions and OMA Solutions.

6.3.1.4 Entreprise: QuickSec, MACsec, MatrixSSL

INSIDE Secure's Enterprise software solutions such as QuickSec® IPsec toolkit, MACsec, MatrixSSL™ security toolkits offer mobile and networking OEMs the most advanced levels of protection, reliability, and performance. INSIDE Secure offers a wide variety of IPsec VPN Client solutions with features for Android and other mobile platforms. It provides off-the-shelf solutions for secure end-to-end communication that are easy to integrate and deploy, and poised to remain current as technology changes. Networking and telecom equipment manufacturers can increase performance while saving time and money by using INSIDE Secure's solutions.

6.3.2 Secure Transaction Products

6.3.2.1 Payment: MicroPass

MicroPass solutions were developed for the Payments market to foster the success of the payment card migration from magstripe technology toward contactless and/or contact technology while taken two essential variables into consideration: cost and interoperability.

The latest MicroPass generation offers several features:

- An optimized operating system (OS) able to fit into the smallest possible silicon space while delivering the highest security level in the industry.
- The three leading payment systems - Discover, MasterCard and VISA – are pre-installed, in order to simplify the pre-personalization or the personalization stage of the card manufacturing process.
- Optimized personalization timing in order to speed-up the personalization equipment yield and reduce costs.
- PIN and data sharing across applications using the same card, in order to avoid data loading redundancies during personalization, while supporting a user friendly experience to the cardholder (a unique PIN).

INSIDE Secure's MicroPass also comes with the "Smart Purse" application to support loyalty programs or the use of a virtual wallet in conjunction with payment applications.

6.3.2.2 Secure Access and Secure Internet of Things: VaultIC1xx, VaultIC4xx, VaultIC6xx

The VaultIC1xx, VaultIC4xx, and VaultIC6xx products are application specific standard chips designed to secure various systems against counterfeiting, cloning or identity theft. These hardware security modules can be used in many applications such as intellectual property protection, access control or hardware protection. The proven technology used in the security modules for the VaultIC1xx, VaultIC4xx, and VaultIC6xx product families is already widespread and used in national ID/health cards, e-passports, bank cards (storing user Personal Identification Number, account numbers and authentication keys among others), pay-TV access control and cell phone SIM cards (allowing the storage of subscribers' unique ID and PIN code, and providing authentication of subscribers on the network), where cloning must definitely be prevented. For example, designed to keep contents secure and avoid leaking information during code execution, the VaultIC420 includes voltage, frequency and temperature detectors, illegal code execution prevention, tampering monitors and protection against side channel attacks and probing. The chips can detect tampering attempts and destroy sensitive data on such events, thus avoiding data confidentiality being compromised.

6.3.2.3 Anti-counterfeiting: CapSeal

CapSeal is a smart, patent-pending and secure system to fight counterfeiting in the wine and spirits market. This innovative solution is aimed at solving the bottle refill problem, an increasing threat to the industry. It is a solution that combines an authentication mechanism with the deactivation of the tag when the bottle is opened. The chip confirms that the capsule on the bottle has not been tampered with and that the cork has not been removed.

Producers, industry players, and even consumers can easily check the authenticity of a bottle and confirm that it was never previously opened, by using an NFC-equipped smartphone or other device and scanning the chip embedded in the tag via a mobile application platform such as the one developed by Selinko (INSIDE Secure's partner for anti-counterfeiting turnkey solutions). The chip confirms that the capsule on the bottle has not been tampered with and the cork has not been removed.

INSIDE Secure's highly secured CapSeal solution is certified against the highest worldwide certification standard (Common Criteria certification, EAL5+ level used for Electronic Passport-certification) and smart packaging solution. Combined with Selinko's innovative application platform, Capseal is providing the wine and spirits industry a unique and most secure solution to solve counterfeiting and refilling problem.

6.3.2.4 VaultITrust

The IoT market is booming. The ability to authenticate and remotely manage millions of networked, automated devices and equipment is becoming pervasive.

This strong need for authentication is not met only with an embedded secret and/or unique identifier. The highest level of trust can only be achieved when provisioning and personalization are done in the must secure manner. This extra step in production can add unwanted costs and delay time to market.

To assist manufacturers, INSIDE Secure developed VAULTiTRUST, a security key personalization and provisioning service in an environment (secure premises) that is Common Criteria EAL5 + Certified.

6.4 Customers

INSIDE Secure has a customer base that includes over one hundred leading brand names and serves diversified markets.

As such, the Group offers:

- Embedded software to developers of operating systems or applications and service providers or content providers,
- IP blocks to semiconductor platform manufacturers or to Original Equipment Manufacturers (OEMs) developing their own application-specific integrated circuits (ASICs), and
- Semiconductor solutions (hardware, security microcontrollers) to Original Design Manufacturers (ODMs) and Original Equipment Manufacturers (OEMs), such as: manufacturers of mobile devices, network infrastructures, or payment cards.

Alcatel-Lucent, AT&T, BBC, Cinemax, Cisco, Docomo, Fujitsu, Oberthur, HBO, HID, IBM, INTEL, Juniper, LG, LSI, Motorola, Samsung, NEC, Oberthur, Orange, Tilera, Sky, Safran and Texas Instruments are among the Group's customers. It should be noted that the above list is not exhaustive, as some of INSIDE Secure's customers require a high level of confidentiality regarding the nature of their contractual relationships with the Group, which plays a necessary role in their strategy to develop security solutions.

6.5 Competition

The Group operates in a fragmented competitive environment:

- In the embedded software market, the Group competes with a greater number of companies because the barrier to entry for software security is seemingly less stringent and the market is more recent. Nonetheless, due to the fact that mobile security is a systems issue based on understanding the complex combination of hardware, software, and IP blocks, the Group believes is benefits from a competitive advantage in this market,

- In the IP blocks market, very few companies offer IP security products with high certification levels. Relying on its expertise and technology, the Group plans to contribute to the definition of future standards in mobile security, of new mobile security architectures and of new security certification schemes, and

- In the semiconductor or "hardware" market, the Group faces a relatively limited number of competitors. However, these are large companies in the semiconductor industry, most of which only supply hardware platforms to customers that develop secure solutions based on their operating system and service platform.

On the markets to which it targets its software and intellectual property, the Group competes with companies such as ARM, Rambus, or Arxan.

6.6 Organizational structure

6.6.1 Research and development

Innovation has always been at the heart of INSIDE Secure's strategy, and the Group has for long implemented a policy that is starting to bear its fruits: a portfolio of over 1,000 patents and patent requests split up into over 200 patent families (please also refer to Chapter 11 of the Registration Document for further information).

6.6.2 Manufacturing

With respect to the microcontrollers it develops and sells, the Group operates under a fabless business model, whereby it uses third-party foundries for the production of its wafers and other subcontractors for the assembly and testing of its products. By outsourcing its manufacturing, assembly and the testing of its products, the Group is able to simplify its business operations and reduce its capital requirements. Engineers work in close collaboration with partner foundries and other subcontractors in an effort to increase yields, reduce manufacturing costs and maximize product quality. Since 2007, the Group is ISO 9001 certified and its major suppliers and subcontractors are required to own quality manufacturing systems that are ISO 9000 and ISO 14000 certified, as well as appropriate environmental control programs (please also refer to section 8.2 “Environmental Matters” of this Registration Document for further information).

The Group has established relationships and signed manufacturing contracts with three key foundries: UMC, Global Foundries, and TSMC. Production processes are based on 350nm, 150nm, 130nm and 90nm CMOS technology. The manufacturing of some of these products, produced in very high volumes, is split up among several foundries, which provides the Group’s customers with added security with respect to their supply as well as higher flexibility in the management of manufacturing.

Among others, the Group subcontracts to UTAC (United Test and Assembly Center), ASE (Advanced Semiconductor Engineering Group), and Amkor Technology for its assembly and testing needs. In June 2015, INSIDE Secure outsourced its product engineering (for prototypes and preproduction units, in particular) and manufacturing chain management activities to Presto Engineering. For some smart card applications, the Group’s customers can request that the semiconductors be packaged in a module or inlay (chips connected to an antenna) form factor, in which case the Group outsources to third party manufacturers such as Nedcard, Chipbond Technology, and Smartrac.

Contracts signed with partner foundries and subcontractors for the assembly and testing of products do not typically require the Group to make a firm commitment regarding volume and purchase orders are processed on the basis of order forms.

6.6.3 Sales and marketing

The Group focuses its sales efforts on winning an increasing number of projects, or “design ins” that will lead to orders, or “design wins” from manufacturers of mobile devices and network equipment, smart cards and electronic devices requiring integrated security features and electronic components integrating one of INSIDE Secure’s IP blocks. Securing a design win is all the more important due to the difficulty for the customer of later switching to another semiconductor vendor for a given generation of products.

Furthermore, the Group relies on marketing initiatives in order to directly convince its customers’ customers, of the relevance of its products. These companies are mobile network operators, bankcard issuers, mass transit companies, governmental organizations, digital content suppliers, or companies in the luxury goods industry to which the Group will promote the benefits of its security solutions and technology.

For example, some of the products offered in the Group’s Secure Payment division are sold to manufacturers of decoders for PayTV and access control applications, or to smart card manufacturers within the national ID cards manufacturing business.

The Group’s marketing strategy is defined per business segment. The marketing team defines product strategy and manages the product portfolio, new product introduction processes, product development roadmap, market demand studies and competition analysis. It is also responsible for ensuring that demand and supply planning, new product launches and marketing programs are coordinated with sales, operations (planning, logistics and quality control) and development activities.

The Group supplies its key customers through direct distribution channels and also works with partners (such as agents and distributors) in order to supply the entire value chain of its target markets.

INSIDE Secure’s customer base includes a broad range of companies from start-ups to larger international groups, as well as small and medium-sized companies. In order to provide its customers with the best possible support, INSIDE Secure has developed a worldwide presence with sales forces organized regionally throughout the globe, in three main areas: Europe/South America, North America, and Asia. This sales structure also includes local technical support teams for its customers. Located near its customers, these teams are responsible for advising customers during the development, manufacturing, and launch phases of their products.

As of December 31, 2015, the Group had a direct sales team comprised of 18 people (excluding the technical support functions and marketing teams assigned to each segment).

The communications division of the Group is centralized and is responsible for all company and product-related communications. Financial communications are managed independently.

6.7 Geographic distribution

The registered offices of the Company and the main executive offices of the Group are located in Meyreuil near Aix-en-Provence in France. This location accommodates a portion of the research and development teams, as well as a significant portion of the sales and marketing, operating, financial, and administrative activities.

The Group has also established a presence in other European countries (Scotland, the Netherlands, Finland), in Asia, and in North America.

6.8 Regulations applicable to the Group's cryptology business

The Group offers cryptology solutions and services, which is a regulated business activity insofar as it is linked to national security.

Cryptology is a science comprised of two fields of expertise:

- cryptography, which allows us to protect messages, and
- cryptoanalysis, which aims to implement mechanisms that allow to circumvent the protection of these messages without knowing the protection key in order to study its weaknesses.

In France, the legal framework for cryptology is defined in articles 29 *et seq.* of French Law No. 2004-575 dated June 21, 2004 concerning confidence in digital economics. This article draws a distinction between (i) using and disseminating means of cryptology and (ii) providing cryptology services.

The use and dissemination of means of cryptology

Any piece of equipment or software designed or modified to manipulate data, including both information and signals, irrespective of whether any secret agreements apply or of whether it is used to achieve the opposite result, with or without an applicable secret agreement, is considered a means of cryptology. The main purpose of these means of cryptology is to guarantee the security of data storage and transmission, by ensuring their confidentiality, authentication, or by controlling their integrity.

In principle, the use or dissemination of means of cryptology is not restricted, but it can be subject to making a prior declaration to the Prime Minister or to obtaining his prior authorization.

The supply, the transfer from or to a Member State of the European Union or the importing and exporting of means of cryptology used exclusively for authentication or integrity control purposes are not restricted.

The supply, the transfer from a Member State of the European Union, or the importing of a means of cryptology that is not used exclusively for authentication or integrity control purposes are subject to a prior declaration to the Prime Minister. Certain categories of means of cryptology can be exempted from this prior declaration requirement.

The transfer to a Member State of the European Union and the exporting of a means of cryptology that is not used exclusively for authentication or integrity control purposes are subject to the prior authorization of the Prime Minister. Certain categories of means of cryptology can also be subject to the prior declaration requirement or exempted from any formality to give prior notice.

In accordance with French Decree No. 2007-663 dated May 2, 2007, any formalities imposing prior notice requirements are hereby waived for "personalized microprocessor cards intended for general public applications, whenever the cryptographic means are (a) designed for and limited to exclusive use in mobile radio reception equipment intended for the general public or wireless handset equipment intended for the general public or equipment used in banking or financial transactions intended for the general public and (b) cannot be accessed by the user and was specifically designed for and limited to enabling the protection of data stored within".

The use and dissemination, by the Company, of the cryptology necessary for its business are either unrestricted, or exempted from an obligation to make a prior declaration to the Prime Minister, or exempted from the requirement to obtain his prior authorization.

However, certain means of cryptology used or disseminated by the Company do not enter into the scope of application of the exception discussed above, and their use or dissemination is therefore subject to the obligation to make a prior declaration to the Prime Minister, or to the requirement to obtain his prior authorization.

In addition, given the possible differences in construing applicable regulations among European jurisdictions, the prior authorization of the Prime Minister is at times requested by the Company, as a precautionary measure, in order to export some of its cryptology means.

Lastly, the use, dissemination, or exportation of the cryptology means of the Group in accordance with the regulations applicable in countries other than France, but in which the Group conducts its business activities or sells its products, could be subject to a prior authorization.

The provision of cryptology services

According to the aforementioned law for confidence in digital economics, and barring any potential exceptions, the provision of cryptology services is also subject to the obligation of making a prior declaration to the Prime Minister or to the requirement to obtain his prior authorization. The persons exercising these duties are subject to professional secrecy. In addition, they will be considered liable in the event of a breach of the integrity, the confidentiality, or the availability of data, notwithstanding any opposing contractual clause.

Insofar as French Decree No. 2007-663 dated May 2, 2007 exempts from the prior declaration or prior authorization requirement the provision of microprocessor card type cryptology services, as defined above, the provision by the Company of cryptology services necessary for the operation of its business is therefore also not, in principle, subject to the obligation to make a prior declaration to the Prime Minister, or to the requirement to obtain his prior authorization.

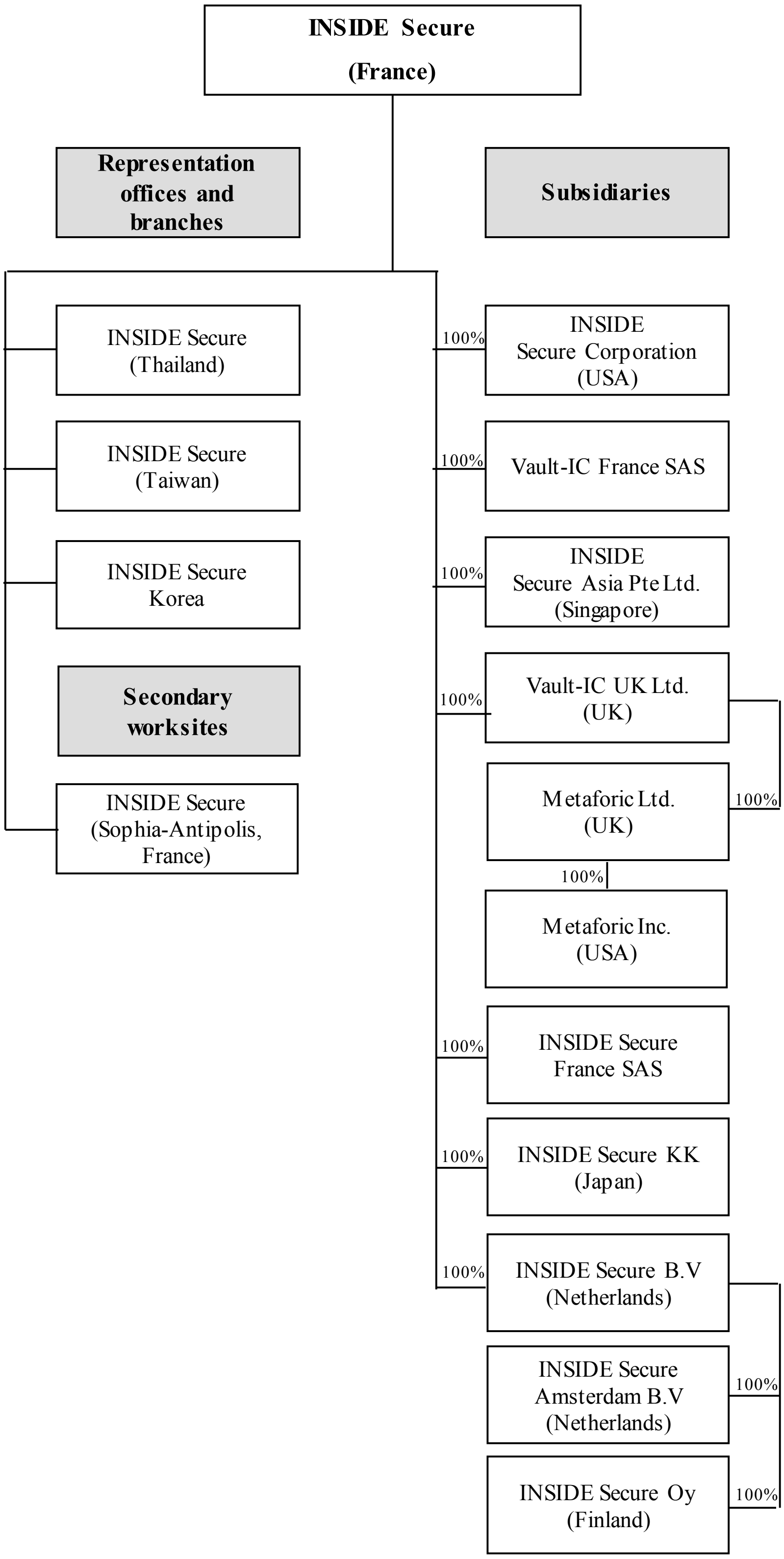
6.9 Degree of the issuer's dependence on patents or licenses, industrial, sales, or financial contracts or new manufacturing methods

In accordance with the terms of Article 6.4 of Appendix I of the European Regulations, the Group states that, consistent with its technological choices, it signed some licenses for, in particular, patents or other intellectual property rights, the most significant of which are described in section 11.2 of this Registration Document.

7. ORGANIZATIONAL CHART

7.1 Overview of the Group

As of the filing date of this Registration Document, the legal structure of the Company and its subsidiaries (jointly referred to as the "Group") can be broken down as follows:



INSIDE Secure is the parent company of the Group and its main operating company. It holds a majority of the Group's assets and manages most of the operating cash flows derived from its business activities (which includes handling practically all purchased inventories and invoicing the Group's customers).

The Group companies' main equity interests can be summarized as follows (in thousands of US Dollars and in accordance with IFRS):

As at December 31, 2015 (in thousands of US$)	Vaut-IC UK Ltd.	Vaut-IC France SAS	Subsidiaries "ESS" (*)	Subsidiaries "Metaforic" (**)	Other subsidiaries	INSIDE Secure	Total
Fixed assets	112	1	86	4,007	88	13,211	**17,504**
Cash and cash equivalents	262	171	551	381	933	14,136	**16,434**
Inventories	-	-	-	-	-	7,943	**7,943**
Intangible liabilities	-	-	-	-	-	1,544	**1,544**
Trade and other payables	611	1,223	981	1,253	1,037	12,128	**17,232**

(*) INSIDE Secure B.V., INSIDE Secure Amsterdam B.V. et INSIDE Secure Oy
(**) Metaforic Ltd et Metaforic Inc.

The Group's business activities are described in Chapter 6 "Business" of this Registration Document and the Group companies' business activities are described below in section 7.2 "Businesses of subsidiaries and of held companies".

7.2 Business of subsidiaries and of branches and represention offices

7.2.1 Subsidiaries

As of December 31, 2015, the Company held an equity interest in the following subsidiaries:

- INSIDE Secure Corporation (San Jose, California, United States) is a subsidiary in which the Company holds a 100% equity stake. Its main business activity is sales development and technical support. The subsidiary has 23 employees on staff.
- INSIDE Secure Asia Pte Ltd. (Singapore) is a subsidiary in which the Company holds a 100% equity stake. Its main business activity is research and development. The subsidiary has 5 employees on staff.
- Vault-IC UK Ltd. (London, United Kingdom) is a subsidiary in which the Company holds a 100% equity stake. Its main business activities, which are carried out at its only worksite located in East Kilbride (Scotland), are research and development and product engineering. The Company acquired this subsidiary in the context of the acquisition of the SMS business of Atmel Corp. on September 30, 2010. The subsidiary has 30 employees on staff.
- Vault-IC France SAS (Meyreuil, France) is a subsidiary in which the Company holds a 100% equity stake. The Company acquired this subsidiary in the context of the acquisition of the SMS business of Atmel Corp. Its main business activities are research and development, product engineering, planification and marketing. The subsidiary has 49 employees on staff.
- INSIDE Secure B.V. (Vught, The Netherlands) is a subsidiary in which the Company holds a 100% equity stake. Its main business activities are research and development and the marketing of intellectual property blocks intended for the design of security processors. The Company acquired this subsidiary in the context of the acquisition of the ESS business on December 1, 2012. The subsidiary has 27 employees on staff.
- INSIDE Secure Amsterdam B.V. (Amsterdam, The Netherlands) is a subsidiary in which INSIDE Secure B.V. holds a 100% equity stake. Its main business activities are research and development and software marketing. The subsidiary has 10 employees on staff.

- INSIDE Secure Oy (Helsinki, Finland) is a subsidiary in which INSIDE Secure B.V. holds a 100% equity stake. Its main business activities are research and development and software marketing. The subsidiary has 28 employees on staff.
- INSIDE Secure K.K (Tokyo, Japan) is a subsidiary in which the Company holds a 100% equity stake. The Company created it following its acquisition of the ESS business. Its main business activities are sales development and technical support. The subsidiary has 4 employees on staff.
- INSIDE Secure France SAS (Aix-en-Provence, France) is a subsidiary in which the Company holds a 100% equity stake. The Company created this subsidiary in December 2012. It carries out no commercial activity and does not have any employees on staff.
- Metaforic Ltd (Glasgow, United Kingdom) is a subsidiary in which Vault-IC UK Ltd. holds a 100% equity stake. This subsidiary was acquired on April 5, 2014. Its main business activities are research and development, marketing, and software sales. The subsidiary has 11 employees on staff.
- Metaforic Inc. (San Jose, California, United States) is a subsidiary in which Metaforic Ltd. holds a 100% equity stake. Its main business activities are marketing and software sales. It does not have any employees on staff.

7.2.2 Secondary worksite

- INSIDE Secure (Vallauris, France) is one of the Company's secondary worksites. Its main business activity is research and development. As of December 31, 2015, this secondary worksite had 10 employees on staff.

7.2.3 Branches and representation offices

The Group also operates via branches and representation offices whenever the size of the teams and the business conducted locally do not justify the creation of a dedicated legal entity.

- INSIDE Secure Taiwan (Taipei, Taiwan) is a branch of the Company. Its main business activities are sales development and technical support.
- INSIDE Secure Korea (Seoul, South Korea) is a branch of the Company. Its main business activities are sales development and technical support.
- INSIDE Secure Thailand (Cachoengsao, Thailand) is an agency of the Company. Its main business activity is the oversight of subcontractors responsible for product testing. As a result of the Company's transfer of its engineering and supply chain management activities to Presto Engineering, this representation office is currently closing.

8. PROPERTY, PLANTS AND EQUIPMENT

8.1 Real estate property

The Group does not own any buildings.

Generally, the Group leases office space it uses (including the Company's registered offices).

8.2 Corporate social responsibility

The purpose of the INSIDE Secure group's report on labor and environmental responsibility (*responsabilité sociale et environnementale*, or "RSE") is to ensure that it fulfills its legal and regulatory obligations in connection with the French "Grenelle II" Law and its application decree. The information presented in this report, which, in addition to this chapter, can also be found in Chapter 17 of the Registration Document, was prepared consistently with the nature of the Group's business activities and with the labor, environmental, and local community impacts related thereto. As such, they may not cover all of the points covered under the Grenelle II Law's application decree, and instead limit itself to information deemed relevant. A table comparing these regulatory points with the Group's corporate communication can be found in section 8.2.4 hereafter. The quantitative indicators mentioned therein pertain to either the entire global scope of consolidation or the European entities (85% of employees). Any exclusion from the scope is systematically indicated.

INSIDE Secure appointed an independent third party service for the verification of this information. The independent third party's report will be presented in the management report after the Company's Management Board and Supervisory Board have approved the latter report.

8.2.1 Labor-related Information

Labor-related information can be found in section 17.1 of this Registration Document.

8.2.2 Environmental Information

8.2.2.1 General policy with respect to the environment

Conscious of current environmental challenges and of its social responsibilities, INSIDE Secure seeks to ensure that its business activities follow the principles of sustainable development, whether directly or via its commercial partners. As such, INSIDE Secure aims to find common ground between its economic and social growth objectives on the one hand and its efforts to respect the environment by limiting, in particular, the harmful impact it may have on the environment and by managing its natural resources in a rational way.

Since the Group does not carry out any manufacturing activities in its offices (fabless model), it is not exposed to any significant direct risks of environmental harm. The Group's quality control department is responsible for the management system that handles environmental matters. An awareness program on environmental protection was organized in fiscal year 2012 for employees based in France. It was not renewed in fiscal years 2013, 2014, and 2015, due to the fact that the Company's business activities did not quite justify it at that time.

There are no provisions or guarantees made to cover risks associated with the environment.

During the fiscal year, the Group did not award any compensation as a result of a court decision on an environmental matter.

8.2.2.2 Pollution and waste management

Since its business activities are mainly conducted within the tertiary sector, the Group has not taken specific measures to prevent, reduce or remedy any waste released in the air, water or on land that could significantly harm the environment.

The Waste Electrical and Electronic Equipment Directive ("WEEE") (2002/96/CE) allows for manufacturers to organize and finance the collection, processing, and valuation of their products at end-of-life. In order to avoid any related risk of pollution, all of this waste is removed and processed by a specialized third party company.

A procedure was put in place within the Company aimed at the disposal and processing of the following waste: silicon wafers, electrical and electronic equipment, power cells and batteries, toner and ink cartridges and paper. The processing can take the form of materials recycling, energy recovery, or other methods of waste management.

In 2015, the Group produced and ordered the processing of the following quantities of waste:

a) French worksites

- Electric and electronic equipment (1)	99 kg
- Lead-based and other batteries	8 kg
- Toner and ink cartridges	2 kg
- Paper	1,178 kg

(1): The weights specified for electric and electronic equipment do not include hard drives, which are destroyed in accordance with the Company's obligations under the ISO 27001 certification.

b) Scottish worksites

- Electric and electronic equipment	612 kg
- Silicon wafers	257kg
- Lead-based and other batteries	60 kg
- Paper	1,758 kg

c) Dutch worksites

- Paper	742 kg

d) Finnish worksite

- Electric and electronic equipment	347 kg

In addition, the Vught and Amsterdam worksites also manufacture and dispose of electric and electronic equipment, as well as lead-based and other batteries. However, they do not keep precise records of the quantities processed/recycled.

Similarly, the Helsinki worksite (Finland) manufactures and orders the processing of its waste without keeping precise weight records of the quantities of lead-based batteries and paper it recycles.

Information concerning the processing of its Scottish, Dutch, and Finnish worksites' toner and ink cartridges is not available.

Due to the nature of its business activities, the Group does not generate any significant amount of noise pollution.

8.2.2.3 Sustainable use of resources

Over the course of 2015, the Group's electric power consumption in France, Scotland, the Netherlands, and Finland was the following:

- France: 992,333 kWh
- Scotland (East Kilbride and Glasgow worksites): 103,502 kWh
- Netherlands (Vught worksite – data for the Amsterdam worksite not available): 144,497 kWh
- Finland: 71,956 kWh

It should be noted that the elimination of a significant number of IT servers at the East Kilbride worksite during the 2015 fiscal year allowed for a sizable reduction in this worksite's electric power consumption.

In August 2013, the Group regrouped all of the staff it initially employed in Aix-en-Provence and Rousset under one roof in a building compliant with thermal regulation RT2012 while boasting high-performance energy features.

The upper section of the building favors access to solar energy via photovoltaic sensors. The building's outer protective layer is highly efficient in controlling heat as it ventilates naturally while supported by reinforced air circulation, which enables the building to maintain a comfortable internal temperature even on very hot days.

In particular, the building stands out relative to its primary energy consumption. Indeed, it offers performance gains of 70% relative to the requirements of RT 2012 in terms of the building's maximum conventional primary energy consumption levels (Pec_{max}).

In addition, in an effort to protect the environment, the building is equipped with efficient energy systems:

- Counter-flow ventilation system with a rotary heat exchanger in order to optimize energy consumption in the building.
- Walls and roof equipped with reinforced thermal isolation.
- Heating/cooling via a direct expansion system.
- 57/27 argon-filled double glazed windows (lets in 57% light and only 27% heat)
- The roof allows for photovoltaic solar power production via an installed solar panel power capacity of 99.75 kilowatt-peak.

The impact of the bioclimatic design on the energy performance of the building can be seen through "Bbio" coefficient (*Besoin Bioclimatique*, or Bioclimatic Requirement). The building's needs (heating/cooling, ventilation, lighting) depend on this Bbio figure. The building boasts a 45% gain on the $Bbio_{max}$ threshold required under the terms of RT2012.

Due to its fabless business model, the Group does not cause any signification impact on land use or water consumption and has not taken any specific measures to improve its efficiency in the use of raw materials.

8.2.2.4 Climate change

The electrical power consumption of French worksites has generated 19.102 tons of CO_2 emissions.

In 2013, regrouping the teams based in the Aix-en-Provence region under one roof has, amongst other things, eliminated employees' frequent automobile commutes between the two worksites in Aix-en-Provence and Rousset where they used to work.

The electrical power consumption of the East Kilbride and Glasgow worksites in Scotland has generated 51.917 tons of CO_2 emissions. The electrical power consumption at the Dutch worksite in

Vught has generated 69.454 tons of CO_2 emissions. The electrical power consumption at the Finnish worksite in Helsinki has generated 17.269 tons of CO_2 emissions.

The Company's travelling policy recommends that employees favor travel by train than by plane for commutes between Marseille and Paris. In addition, and insofar as possible, the Group encourages its employees to use the telephone conferencing solutions available to them in order to limit travel.

However, the Group has not yet conducted any specific analysis to identify the measures it should implement to adapt to the consequences of climate change on its business activities.

8.2.2.5 Biodiversity

The Group's various worksites do not carry out the types of activities that could cause direct harm to the biological balance of natural habitats or protected animal and plant species.

8.2.3 Local Community Relations

8.2.3.1 Territorial, economic, and social impact of the Group's business activities

In France, the Group's business activities require it to call upon a certain number of subcontractors that can supply it with various products and services (design tools and equipment for its laboratory, consulting services (in particular in relation with product development), front desk personnel, security personnel, and cleaning personnel…)

These subcontractors are mainly located in the vicinity of the Group's registered office in Meyreuil, France. As such, the Group contributes to the development of indirect local employment that supports its business activities.

Until December 2013, the Group was, in particular, outsourcing a significant portion of its wafer production to LFoundry, based in Rousset, France in the Bouches-du-Rhône region. This company's court-ordered liquidation proceedings in late 2013 forced the Group to transfer this outsourced business outside of the country, due to the lack of any other company on the French territory working with the technology required.

8.2.3.2 Relations with persons or entities with an interest in the company's business activities, in particular social integration associations, education institutions, environmental protection association, consumer associations and local groups

In the Provence-Alpes-Côte-d'Azur region of France, the Group fosters a relationship with several higher education institutions from which it recruits interns and employees. It is also in contact with some regional research laboratories, the work of which is related to its own business activities. Due to its "fabless" business model, the Group does not have a decisive territorial, economic, or social impact on local groups or communities.

8.2.3.3 Subcontracting and suppliers

In an effort to perform at the highest level and to remain competitive, the Company must remain very reactive and flexible. In addition, to grow beyond the limits of its own corporate structure and reinforce these two criteria, the Company has decided to seek external technical assistance. Therefore, as of December 31, 2015, the Group was working with approximately twelve external service providers retained through calls for tenders. This technical assistance is mainly exercised in France by companies located, for the most part, in the vicinity of the Company's registered office. For the length of the assignment, the corresponding engineers are integrated into the development teams and work under the supervision of the people responsible for these teams.

Furthermore, since it operates under a fabless model, foundries and subcontractors handle the manufacturing and testing of the products developed by the Group. As such, the manufacturing of semiconductors sold by the Group is entirely outsourced. It represents 61% of the Group's consolidated revenues in 2015.

In addition, on June 30, 2015, the Company transferred its France-based semiconductor engineering activities and its worldwide supply chain management activities, as well as a team of 40 people, to Presto Engineering, a company specializing in providing engineering and production services to semiconductor manufacturers. Presto Engineering provides the Group with these semiconductor engineering and supply chain management services under the terms of a multi-year contract (please refer to section 22 "Key Contracts").

The Group pays close attention to the environmental impact of its products and tries to ensure that its production partners comply with environmental regulations. The foundries in which the Group's products are manufactured and the subcontractors responsible for product testing and assembly have all been ISO 14001 certified (a standard mainly recognized at the international level for environmental management systems). This certification is part of the criteria required in contract extensions (the *Technical Supplier Agreement*), a document that defines, in detail, the Company's expectations in technical terms, in quality, and environmentally.

Despite the transfer of its semiconductor engineering and supply chain management activities to Presto Engineering, the Group remains in contact with subcontractors responsible for the manufacturing and testing of its products and, as such, closely monitors compliance with the various environmental regulations applicable across the globe.

8.2.3.4 Loyalty practices

The Company carries out its business activities in compliance with rules of integrity. In November 2012, it implemented an ethics charter that defines the principles and values that comprise the fundamental standards of conduct expected of its employees mainly in the following areas:

- Fighting against all forms of discrimination
- Prohibiting anti-competition practices
- Prohibiting child labor and forced labor
- Preserving the confidentiality of information
- Preventing fraud
- Preventing conflicts of interest
- Allowing employees to associate freely and to engage in collective bargaining
- Prohibiting acts of corruption and influence peddling
- Relationship with shareholders and financial markets

When the Group completed its initial public offering, the Ethics Charter was distributed to all employees of the Group in French and English. It is now handed to each new employee of INSIDE Secure. In April 2012, the Group also distributed an insider-trading policy handbook (*code de déontologie boursière*) to all of its employees. It is also handed to any new employees. The purpose of the insider-trading policy handbook is to provide information to the Group's employees and the people around them regarding their obligations relative to transacting on the stock exchange and preventing the unlawful use or dissemination of privileged information.

<u>Measures taken to promote the health and safety of consumers:</u>

The business activities of the Group are subject to the RoHS directive (*Restriction of the use of certain hazardous substances in electrical and electronic equipment*) (2002/95/EC), which limits the use of six substances that present both health and environmental hazards and that could be used in the manufacturing of electrical and electronic equipment, namely four heavy metals (Hg, Pb, Cd and

CrVI) and two flame retardants (PBB and PBDE). Although the Group does not manufacture its own products, the Group checks that its various suppliers and subcontractors comply with this directive. In this context, while the Group remains in direct contact with the subcontractors responsible for the manufacturing and testing of its products, the latter share their RoHS analyses with the Group for the products they deliver.

REACH regulations also require information to be disclosed to customers in the event that an SVHC (Substance of Very High Concern) is present in a product at a mass concentration higher than 0.1%. In order to meet its obligations, the Group closely monitors the list of SVHC candidates updated by the European Chemicals Agency (ECHA) and takes the necessary steps with its suppliers to ensure that the products introduced to the market do not contain such substances at higher concentrations than the levels specified. The Group also closely monitors the SVHC list as it appears in Appendix XIV of REACH in order to ensure that the products of the Group do not risk being banned from the market.

As such, the Group makes sure its suppliers and subcontractors across the globe comply with applicable environmental regulations.

8.2.3.5 Other projects in support of human rights

In agreement with the collective initiative launched by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), the Company checks that its subcontractors source their supplies in minerals (gold, tungsten, tantalus, and tin) away from the conflict zones of the Democratic Republic of Congo or its associated countries, in which the revenue from these minerals is, in particular, used to finance such local conflicts.

To achieve this, the Group asks the various subcontractors in question to produce a written document certifying that the minerals they use in manufacturing their products are not sourced in such conflict zones.

9. REVIEW OF THE COMPANY'S INCOME AND FINANCIAL POSITION

The following presentation and analysis must be read along with the Registration Document as a whole and, in particular, the Group's Consolidated Financial Statements for the fiscal years ended December 31, 2014 and 2015 included in section 20.1 "Historical Financial Information" of the Registration Document.

The Group's Consolidated Financial Statements were prepared in accordance with IFRS (International Financial Reporting Standards) and IFRIC interpretations (International Financial Reporting Interpretations Committee), as adopted by the European Union and mandatory as of December 31, 2015. The Company's Statutory Auditors performed an audit of the Consolidated Financial Statements for the fiscal years ended December 31, 2014 and 2015.

9.1 General presentation of the Group's results

9.1.1 Overview of the Group's business activities

INSIDE Secure (the "Company") and its subsidiaries (together forming the "Group") design, develop, and sell semiconductors and embedded software that provide security to transactions, content, and digital identification.

On December 1, 2012, the Group acquired Embedded Security Solutions ("ESS"). ESS designs and develops encryption-related security hardware intellectual property (IP) and software for a variety of industries, including the mobile and networking markets. Its revenues are generated through licenses, royalties, services and maintenance fees. In addition, subsequent to the acquisition of Metaforic on April 5, 2014, the software product line grew larger (see below in this section).

Regarding its semiconductor products, the Group operates based on a fabless business model, whereby manufacturing, assembly and testing are outsourced to third-party foundries (companies specializing in the manufacturing of semiconductors) and other outsourcing partners. The Group designs, develops and markets products offering various types of security protection for applications where information is required to be processed, stored or transferred with a high degree of security. The Group's solutions integrate secure architecture microcontrollers, routers, hardware-integrated security, embedded software providing the secure management of incoming and outgoing data, as well as cryptography algorithms. These solutions also rely on the Group's know-how in radio frequency and analog semiconductor design, as well as the Group's expertise in the field of security software and applications.

As a result of the corporate restructuring plan implemented in October 2013, the Group now conducts its business across two divisions, "Mobile Security" and "Secure Transactions".

9.1.2 Preliminary notes on the Group's financial information and results

The Consolidated Financial Statements for the fiscal year ended December 31, 2015 were prepared in accordance with IFRS (International Financial Reporting Standards) and the IFRIC interpretations, as adopted by the European Union. The main accounting methods are described in Note 2 of the Notes to the Financial Statements established as of December 31, 2015 and the significant accounting estimates and rulings are presented in Note 4 of said Notes.

Currency in which the Consolidated Financial Statements are presented

The Group selected the US Dollar as the currency in which to present its Consolidated Financial Statements. The US Dollar is the Company's functional currency, and the currency in which the majority of its transactions are denominated. It is the main currency used for the Group's transactions and within the industry in which the Group operates.

The exchange rates of the US Dollar against the Euro (or "€", or "EUR"), the main currency used by the Group after the US Dollar, are as follows for the 2014 and 2015 fiscal years:

Dollar / Euro	**2014**	**2015**
Closing	1.2141	1.0887
Average	1.3288	1.1096

Scope of consolidation

The Group's scope of consolidation is described in Note 37 of the Notes to the Group's Consolidated Financial Statements, which can be found in section 20.1 "Historical Financial Information" of this Registration Document.

Performance indicators not defined under IFRS

In its business analysis, the Group includes the performance indicators defined below, which are not strictly of accounting nature. These indicators are not aggregates defined under IFRS and do not constitute accounting figures used to measure the Group's financial performance. They must be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of strict accounting nature, such as those presented in the Group's Consolidated Financial Statements and their corresponding Notes. The Group currently monitors and intends to keep monitoring these indicators as it considers them relevant in the analysis of its current operating profitability and operating cash flow generation. However, these indicators are not necessarily directly comparable to those of other companies, which may have assigned a different definition or calculation method to indicators with similar names.

The 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 payments expense, and (iv) non-recurring costs associated with business combinations and acquisitions completed by the Group.

The 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 payments expense and (iv) non-recurring costs associated with business combinations and acquisitions completed by the Group.

EBITDA is defined as the adjusted operating income/(loss) before any amortization and impairment unrelated to business combinations.

Tables presenting reconciliations between the consolidated income statement figures in this document and the adjusted financial aggregates as defined above are included in Note 6 of the Notes to the Group's Consolidated Financial Statements for the 2014 and 2015 fiscal years, presented in section 20.1 "Historical financial information" of this Registration Document.

9.2 Financial information and consolidated income of the Group

9.2.1 Revenue

Revenue by operating segment:

(in thousands of US$)	2015	2014	2015 vs. 2014
Mobile Security	27 035	57 938	-53%
Secure Transactions	42 422	65 391	-35%
Unallocated	650	2 033	-68%
Total	**70 106**	**125 362**	**-44%**

Revenue by category:

(in thousands of US$)	2015	2014	2015 vs. 2014
Revenue from sale of products	42 794	66 592	-36%
Revenue from licenses, royalties, developement agreements, maintenance	27 313	58 770	-54%
Total	**70 106**	**125 362**	**-44%**

Consolidated revenue for the fiscal year 2015 amounted to $70,106 thousand, significantly down compared to 2014, however with a mix fundamentaly different as the Company benefited in 2014 from non-recurring NFC technology and patents license with Intel and NFC patents license under the partnership with France Brevets.

9.2.2 Adjusted operating income (loss)

(in thousands of US$)	12 months 2015	12 months 2014	H2-2015	H1-2015	H2-2014
Revenue	70 106	125 362	35 140	34 966	61 115
Adjusted gross profit	**32 843**	**74 399**	**16 423**	**16 420**	**36 577**
Research and development expenses	(22 810)	(33 201)	(10 435)	(12 375)	(15 068)
Selling and marketing expenses	(17 916)	(20 530)	(9 539)	(8 377)	(9 961)
General and administrative expenses	(10 604)	(12 419)	(5 568)	(5 036)	(6 056)
Other gains / (losses), net	(2 465)	(128)	(1 020)	(1 445)	(610)
Total adjusted operating expenses	**(53 794)**	**(66 278)**	**(26 563)**	**(27 232)**	**(31 695)**
Adjusted operating income / (loss)	**(20 951)**	**8 121**	**(10 139)**	**(10 813)**	**4 882**

Note: Sums may not equal totals due to rounding.

Adjusted gross profit amounted to $32,843 thousand (46.8% of revenue) in 2015, down from $74,399 in 2014 (59.3% of revenue), which included non-recurring high-margin revenues in relation with NFC technology and patent license to Intel and NFC patent license under the partnership with France Brevets.

The Company's adjusted operating expenses amounted to $53,795 thousand in 2015, down 19% on the previous year. In the second half of 2015, adjusted operating expenses totalled $26,563 thousand, representing a small decline compared to the first half of 2015 and a steep fall in comparison to the second half of the 2014.

The decrease in operating expenses in 2015 compared with 2014 reflected the shift in INSIDE Secure's business model towards higher value-added security activities, including the impact of:

- The June 2014 licensing agreement with Intel, under which an R&D team was transferred to Intel from the second half of 2014 onwards, and
- The outsourcing of the engineering and supply chain management activities to Presto Engineering on June 30, 2015, including the transfer of a team of about 40 people.

The decrease in operating expense was also due to the appreciation in the US dollar against the euro[3], which, as anticipated, had a positive impact on adjusted operating expenses in 2015, for about $4,200 thousand.

As a result of a lower revenue and despite a significant decrease in operating expenses, INSIDE Secure recorded an adjusted operating loss of $20,951 thousand for 2015 (vs. income of $8,121 thousand in 2014).

(in thousands of US$)	12 months 2015	12 months 2014	2015 vs. 2014
EBITDA	**(17 584)**	**12 880**	**(30 464)**
Amortization and depreciation of assets (*)	3 367	4 759	(1 392)
Adjusted operating income	**(20 951)**	**8 121**	**(29 072)**
Business combinations (**)	(11 340)	(14 082)	2 742
Other non recurring expenses (***)	(10 496)	4 429	(14 925)
Share based payments	(478)	(557)	79
Operating income	**(43 265)**	**(2 089)**	**(41 176)**
Finance income / (losses), net	(983)	(1 703)	720
Income tax expense	(335)	(1 229)	894
Net income	**(44 583)**	**(5 022)**	**(39 561)**

(*) excluding amortization and depreciation of assets acquired through business combinations. Items with no cash impact.
(**) amortization and depreciation of assets acquired through business combinations and acquisition related external expenses. Items with no cash impact.
(***) restructuring expense (net) and, for 2015, disposal of an activity.
Sums may not equal totals due to rounding.

EBITDA

In 2015, EBITDA showed a loss $17,584 thousand (compared with income of $12,880 thousand in 2014) as a result of the adjusted operating loss, while the depreciation expense was $1,392 thousand lower in 2015 than in 2014.

[3] The Company 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. This leaves the Company with exposure to trends in the euro against the US dollar.

9.2.3 Net Financial Income / Expense

Net financial expense was $983 thousand in 2015 (against a net expense of $1,703 thousand in 2014) consisting mainly of the impact of the evolution of the EUR / USD exchange rates and interest expense on asset-backed financing (R&D tax credit).

9.2.4 Income Tax Expense

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

9.2.5 Net Income (loss)

The group's share of the consolidated net loss (IFRS) was $44,583 thousand in 2015, representing a significant deterioration on the loss of $5,022 thousand recorded in 2014. In addition to the adjusted operating loss of $20,951 thousand, the consolidated net loss can be explained by:

- The still significant burden of (non-cash) amortization expense related to intangible assets arising from the Company's acquisitions in past years (SMS in 2010, ESS in 2012, and Metaforic in 2014), which amounted to $11,317 thousand in 2015[4] (compared with $13,457 thousand in 2014);

- A non-recurring, non-cash impact of $2,661 thousand for the impairment of long-term assets, net of the reversal of accrued liabilities, related to the semiconductor business; and

- The recognition of a $6,956 thousand charge in relation with the implementation of the partnership agreement for the outsourcing of INSIDE Secure's engineering and semiconductor supply chain activities to Presto Engineering Inc. on June 30, 2015, and with the anticipated outlook for the semiconductor activity.

[4] In 2016, amortization charges resulting from acquisitions should, barring any impairment charges, be significantly lower, with amortization of the assets purchased from ESS (2012) largely complete and assets related to the SMS acquisition (2010) fully amortized and/or impaired.

9.2.6 Segment Analysis

(in thousands of US$)	Mobile Security	Secure Transactions	Unallocated (*)	Total 2015
	as at December 31, 2015			
Revenue	27 035	42 422	650	70 106
Contribution to revenue	*38,6%*	*60,5%*	-	*100%*
Adjusted gross profit	23 498	8 695	650	32 843
As a % of revenue	*86,9%*	*20,5%*	-	*46,8%*
Adjusted operating income	(8 458)	(10 678)	(1 814)	(20 951)
As a % of revenue	*-31,3%*	*-25,2%*	-	*-29,9%*
EBITDA	(7 682)	(8 886)	(1 017)	(17 584)
As a % of revenue	*-28,4%*	*-20,9%*	-	*-25,1%*

(in thousands of US$)	Mobile Security	Secure Transactions	Unallocated (*)	Total 2014
	as at December 31, 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%*

(*) unallocated amounts correspond mainly to non-recurring revenue

Mobile Security

The division's revenue amounted to $27,035 thousand in 2015. This reflected a disappointing performance by the embedded security solutions product line (largely owing to lower-than-expected royalty payments from certain customers, also lower than in the previous year) and the lack of any revenue from France Brevets' licensing program for INSIDE Secure's NFC patents.

The software protection and HCE mobile payment product line continued to experience strong momentum. In particular, INSIDE Secure executed a multi-million dollar software protection licensing agreement with one of the three largest banks in the U.S. to enhance the security of mobile applications provided by the bank to its employees and customers. Revenue from this deal was recognized in the third quarter of 2015. This contract joins the licensing agreements sealed with a major U.S. retailer and, in the second quarter, with one of the leading US healthcare insurance providers, demonstrating the potential of INSIDE Secure's security offering in the field of mobile applications for the financial and retail industries in particular. Accordingly, this product line generated revenue amounting to several million US dollars in 2015.

The division's adjusted gross margin amounted to 86.9% of revenue in 2015, reflecting the favourable product mix consisting almost solely of licenses, royalties and maintenance revenue.

The Mobile Security division recorded an adjusted operating loss of $8,458 thousand in 2015 (vs. operating income of $11,525 thousand in 2014) as a result of:

- Lower revenue in 2015 (revenue recognized under the licensing deal with Intel and licenses to NFC patents in 2014), and
- An expense related to the development and marketing of INSIDE Secure's embedded secure element, which did not generate any significant business volumes in 2015. Company

anticipates to significantly reduce the 2016 corresponding expenses in the context of the reorganization plan described above.

The division recorded a $7,682 thousand loss at EBITDA level in 2015 (vs. EBITDA of +$12,427 thousand in 2014).

Save the embedded secure element related operating expense, the Mobile Security division remained significantly profitable in 2015, both in terms of adjusted operating income and EBITDA.

Secure Transactions

The Secure Transactions division's revenue totalled $42,422 thousand in 2015, down 35% on the previous year. As stated in previous quarters, sales of INSIDE Secure's chips and modules for the US market as it transitions to the EMV standard remained disappointing, confirming the issues the Company faces in generating a satisfying market share in this business. The secure access (excluding 2014 revenue from a one-time, non-recurring order of chips together with a licensing agreement from a longstanding customer) and secure modules product lines recorded revenue growth in 2015.

The division's adjusted gross margin deteriorated again in 2015, slipping from 31.6% in 2014 to 20.5% in 2015, largely as a result of provisions for excess inventories.

The adjusted operating loss widened in 2015 ($10,678 thousand, up from $5,309 thousand in 2014) owing to the decline in revenue, despite the reduction in operating expenses. EBITDA in 2015 showed a loss of $8,886 thousand (compared with a loss of $1,451 thousand in 2014).

9.3 Qualitative and quantitative assessment of the market risks the Group faces

For a description of the Group's exposure to exchange rate and interest rate risks, please also refer to note 3 of the Notes to the Consolidated Financial Statements included in section 20.1 "*Historical Financial Information*" of the Registration Document (see also sections 4.6.1 and 4.6.2 of the Registration Document).

10. CASH AND EQUITY POSITION

10.1 Equity

10.1.1 Equity and share capital

Note 17 of the Notes to the Group's Consolidated Financial Statements and the table presenting the change in consolidated shareholders' equity prepared according to IFRS, included in the financial statements in section 20.1 "Historical Financial Information" of this Registration Document, provide a description of the change in the Company's share capital and shareholders' equity in the past three fiscal years, respectively.

10.1.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid securities (mainly monetary securities). Such cash and securities are used to finance the Group's operating activities. As of December 31, 2014, the Group's cash and securities classified as cash were mainly invested in financial instruments with a maturity of less than twelve months.

As of December 31, 2015, the Group's available cash totaled US$16,434 thousand against US$36,315 thousand as of December 31, 2014.

Net cash stood at $12,476 toushand at December 31, 2015, compared with $25,297 thousand at December 31, 2014 and $16,631 thousand at June 30, 2015. 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, cash received in return for the assignment of trade receivables under factoring agreements, and any deferred payments due in connection with business combinations. Debt related to the financing of research tax credit claims is not taken into account because it will be extinguished when the research tax credit claims are repaid by the French government.

Reconciliation of net cash with cash in the consolidated financial statements for the same period is as follows:

(en milliers de dollars)	December 31, 2014	June 30, 2015	December 31, 2015
Cash and cash equivalents	**36,315**	**23,770**	**16,434**
+ net amount of derivatives	(962)	(656)	(49)
- obligations under finance leases	(510)	(423)	(897)
- cash received in return for the assignment of trade receivables under factoring agreements	(9,321)	(5,835)	(3,012)
- deferred payments due in connection with business combinations	(225)	(225)	-
Net cash	**25,297**	**16,631**	**12,476**

10.1.3 Sources of funding

Since its creation, the Company has been financed through the issuance of new shares as well as the research tax credit reimbursement, and to a lesser extent, grants, and repayable advances, in particular, by Bpifrance.

In 2011, the Company entered into factoring agreements in US Dollars and Euros, including a deposit and backed by a credit insurance contract. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet. As of December 31, 2015, the total amount of transferred receivables (net of factoring warranty reserve) amounted to US$3,809 thousand (compared to US$9,883 thousand as of December 31, 2014).

Even though the Group elected to present its consolidated financial statements in US Dollars, the Company, which has its registered office in France, carries out share capital increases in Euros. Over the course of 2014, the Company did not carry out any share capital increases (with the exception of transactions including the subscription of share warrants, the exercise of stock options or the definitive acquisition of free shares granted to the Group's employees in 2014). In 2015, INSIDE Secure completed two capital increases, pursuant to an equity line progam organized with Kepler Cheuvreux (announced on April 15, 2015) under which Kepler Cheuvreux has undertaken to subscribe for new shares over a period of two years up to a maximum allocation of 3,400,000 shares (representing 9.9% of the share capital[5]), provided that the conditions laid down by the parties are satisfied. In April and May 2015, 400,000 new shares were issued under this agreement. No further shares were issued under this equity line in the second half of 2015.

10.2 Cash flow

10.2.1 Analysis of cash flows for the 2015 fiscal year

Financial information selected from consolidated cash flow statement:

	Year ended	
(in thousands of US$)	**Decemeber 31, 2014**	**Decemeber 31, 2015**
Cash and cash equivalents at beginning of the year	**40,213**	**36,315**
Net cash generated/ (used) in operating activities	6,007	(25,099)
Net cash used in investing activities	(19,269)	(1,187)
Net cash generated by / (used) in financing activities	9,454	6,252
Effect of exchange rate fluctuations (1)	(89)	150
Cash, cash equivalents at end of the period	**36,315**	**16,430**

(1) Element with no impact on cash derived from the conversion to US Dollars of assets and liabilities denominated in other currencies.

[5] Based on the 34,328,848 shares of INSIDE Secure issued as of March 31, 2015

10.2.1.1 Net cash from operating activities

(in thousands of US$)	Year ended Decemeber 31, 2014	 Decemeber 31, 2015
Loss for the year	(5,022)	(44,583)
Adjustments for non cash items	11,966	27,307
Cash generated/ (used) in operations before changes in working capital	**6,944**	**(17,276)**
Changes in working capital :		
Inventories	5,321	2,053
Trade receivables net of trade receivabkes transferred	4,470	5,655
Trade and other payables	4,090	(7,541)
Other receivables/ others payables,net	(13,717)	(7,940)
Cash used in changes in working capital	**164**	**(7,773)**
Others (Interest received, net, income tax paid)	(1,101)	(50)
Net cash generated (used) in operating activities	**6,007**	**(25,099)**

In 2015, cash used by operating activities amounted to $25,099 thousand ($19,153 thousand including financing of the research tax credit claim for which the corresponding receivable is classified as a working capital item) compared with $6,007 thousand cash generated in 2014 ($13,631 thousand including financing of the research tax credit).

INSIDE Secure used significantly less cash in the second half of 2015, compared with the first half. In the second half of 2015, cash used by operating activities amounted to $7,563 thousand ($ 7,317 thousand including financing of the research tax credit), down from $17,536 thousand used in the first half of 2015 ($11,836 thousand including financing of the research tax credit) owing mainly to a reduction in the working capital requirement. The decrease in working capital resulted primarily from inventory reductions ($7,943 thousand at December 31, 2015, compared with $11,949 thousand at June 30, 2015 and $9,919 thousand at December 31, 2014).

10.2.1.2 Cash flow from investing activities

(in thousands of US$)	Year ended Decemeber 31, 2014	 Decemeber 31, 2015
Acquisition of subsidiaries, net of cash acquired	(12,951)	(225)
Equity method investments	(969)	165
Purchases of property and equipment	(1,157)	(1,029)
Purchases of intangible assets	(4,321)	(98)
Research and development capitalized costs	-	-
Disposal of fixed assets	129	-
Net cash used in investing activities	**(19,269)**	**(1,187)**

Year 2015

Capital expenditure remained low in 2015 ($1,127 thousand).

In addition, the Group paid and earnout for $225 thousand to former shareholders of Metaforic (also refer to the notes to the consolidated financial statements included in section 20.1 "historical financial information" of thee Registration Document).

Finally, in the fall of 2015, INSIDE Secure sold a minority interest in a young innovative company in which it had invested in 2014.

Year 2014

On April 5, 2014, the Group acquired all of Metaforic Ltd's shares for a total amount of US$13,176 thousand (net of price adjustments). Please also refer to the Notes to the Group's Consolidated Financial Statements, which can be found in section 20.1 "Historical Financial Information" of this Registration Document.

In addition, in the spring of 2014, INSIDE Secure acquired a minority shareholding in a young innovative company.

Lastly, over the course of 2014, the Group acquired US$5,478 thousand in property and equipment and intangible assets (against US$5,657 thousand in 2013).

10.2.1.3 Net cash from financing activities

	Year ended	
(in thousands of US$)	**Decemeber 31, 2014**	**Decemeber 31, 2015**
Proceeds from issuance of ordinary shares, net of issuance costs	216	870
Repayable advance	2,228	(263)
Financing of the research tax credit	7,624	5,946
Principal repayment under finance lease	(550)	(330)
Treasury shares	(64)	28
Bank overdraft	-	-
Net cash generated by / (used) in financing activities	**9,454**	**6,252**

Year 2015

In April and May 2015, the Company completed two capital increases for a total of $870 thousand (share premium included), in relation with the implementation of an equity line program (see also section 10.1.3 "Sources of funding" above).

Year 2014

In 2014, the Group received US$2,228 in repayable advances in order to finance certain innovative research projects.

Excluding this financing, the Group neither contracted any financial debt nor carried out any significant share capital increases.

10.2.2 Off balance sheet commitment

Total off balance sheet commitments for the Group as of December 31, 2015 amounted to US$3,391 thousand, against US$5,043 thousand as of December 31, 2014. These commitments are described in Note 34 of the Notes to the Group's Consolidated Financial Statements as of December 31, 2015, which can be found in section 20.1 "Historical Financial Information" of this Registration Document.

The main off balance sheet commitment in 2015 was the lease agreement for the building where the Company's registered offices are located.

10.3 Information on borrowing conditions and the structure of financing

Beyond the specific case of the financing of its research tax credit receivables (see Note 22 of the Notes to the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2015, included in section 20.1 "Historical Financial Information" of this Registration Document), the Group has no on-going borrowing as of the filing date of this Registration Document.

10.4 Restriction on the use of capital

None applicable.

10.5 Future necessary sources of financing

In addition to the objective to improve its operating cash flow generation, the Group plans to continue to enter into financing agreements for its research tax credit receivables as well as lease-financing agreements, in order to cover part of its current IT investment requirements. Generally, the Group plans to continue to optimize its financial structure and flexibility by acquiring debt instruments or carrying out share capital increases through the issuance of shares or securities granting access to the share capital.

11. RESEARCH AND DEVELOPMENT, PATENTS, AND LICENSES

11.1 Research and development

11.1.1 A key element in the success of the Group

The Group commits significant resources to its research and development activities, which represents a key element in its success. These investments lead to the creation of new products, the integration of new functionalities in its semiconductors, the development and improvement of its software, while perfecting the security of its products.

The research and development activities of the Group comprises 167 of its employees (for the most part, designers of semiconductors, embedded software and applications developers, security engineers and integration and testing engineers), together with, on average, approximately ten developers contracted by engineering companies and service providers. They represent approximately 57% of the Group's employee base and are mainly based in Meyreuil (region of Aix-en-Provence, France), East Kilbride (Scotland), Vught (The Netherlands), Amsterdam (The Netherlands), Glasgow (Scotland), and Helsinki (Finland).

The Meyreuil, East Kilbride, Sophia-Antipolis, Singapore, and Taiwan worksites are ISO 27001 certified (international standard on information security management).

The Group's research and development expenditures (net of the research tax credit and subsidies) totaled US$24,780 thousand in 2015 against (US$35,095 thousand in 2014). In 2015, gross expenditures relative to the research and development activities of the Group (net of the research tax credit and grants) represented 35% of its consolidated revenue (against 28% in 2014).

11.1.2 The Group's technologies

The technological core of the Group is composed of the following main areas of activity:

- Semiconductor and IP block development: the design of low-power chips, the architecture of microprocessors and of systems-on-chip, analog (radiofrequencies) and digital design, signal processing, security and cryptography;
- Software development: embedded "real time" operating systems, software, middleware and applications layers and testing protocols; and
- Systems integration and packaging.

From a functional point of view, the core expertise of the Group lies in the areas of secure microcontrollers, with embedded memory and low power consumption, near-field communication (contactless technologies), data and transactions security, and the architecture of microcontrollers.

The Group has been developing secure semiconductors and embedded software since 1995 and its history is punctuated by major innovations in the industry. In recent years, it has also received numerous awards; this industry recognition highlights the research and development talents of the Group in various technical areas.

As a result of the ESS and Metaforic acquisitions (for further information, please refer to section 5.2 "Investments" of this Registration Document), the Group has enriched its technological expertise with regard to security and, in particular, security software. ESS develops intellectual property and security software using encryption algorithms. As such, ESS develops a wide range of software and toolkits based on set standards, for digital rights management ("DRM"), intended for mobile operators, service providers, and platform integrators on the server side, as well as DRM solutions on the client side for device manufacturers and suppliers of semiconductors, applications software, and platform integrators. The portfolio of ESS also includes security toolkits as well as intellectual property for the design of semiconductors and security processors for security on mobile devices and networks. Metaforic specializes in the development of software using obfuscation[6] technologies and security software specialized in cryptology. Metaforic's software product line offers a high level of protection for payment functions and is intended to provide secure data exchange by relying on an exclusively software-based infrastructure. These solutions protect static, transiting, or dynamic data, and provide communication confidentiality functions to critical applications, offer protection per encryption key and data security, and are able to meet the growing security needs of large companies.

The Group plays a leading role within standardization organizations and a number of other industry organizations. In particular, it is a member of Global Platform, USB.org, and of the SmartCard Alliance, the OSPT (Open Standard for Public Transport), and the NFC Forum. The Group is also a member of the ISO and AFNOR and participates in a number of these organizations' workgroups.

11.2 Intellectual property

The Group has a number of intellectual property rights and is committed to actively protect them in the relevant jurisdictions and before the relevant authorities (for further information please refer to sections 11.2.2 to 11.2.5 below). Furthermore, the Group uses the intellectual property rights of third parties and licenses its own technology to third parties (for further information please refer to section 11.2.1 below).

11.2.1 Licenses

Eager to optimize its return on investment, in addition to its own intellectual property the Group's development relies on technology and intellectual property rights licensed by third parties. In particular, this is the case for some technologies integrated in its semiconductors or used in the design of its software. The license agreements are typically non-exclusive and granted at a price determined based on the volume of products or solutions sold by the Group. Generally, they are either entered into for an indefinite period or are automatically renewable so long as the Group continues to pay the corresponding fees and complies with the terms of the license agreement. However, some licenses relative to a specific technology used in the development of a specific product are entered into for a fixed period, typically with the option to renew, being understood that the licensed technology may be replaced by other technologies based on the future evolution of the product.

The main licenses used by the Group are the following:
- License agreement entered into with ARM Limited[7] relating to secure core microcontrollers;
- License agreement entered into with Atmel Corp, executed in the context of the acquisition of Atmel Corp.'s SMS business (for further information, please refer to Chapter 22 "Key Contracts" of the Registration Document, the description of the Core License Agreement between Atmel Corp. and the Company dated September 30, 2010);
- License agreement signed with CRI relative to certain techniques to defend against attacks (for further information, please refer to Chapter 22 "Key Contracts" of the Registration Document, the description of the Patent License Agreement between Atmel Corp. and Cryptography Research Inc. dated August 12, 2009 and transferred to the Company in the context of the acquisition of Atmel Corp.'s SMS business, and the Tamper Resistance License Agreement between the Company and Cryptography Research, Inc. dated July 1, 2009); and
- License agreement signed with Silicon Storage Technology ("SST"), a subsidiary of Microchip Technology Inc., relative to the ESF3-110 technology and the Flash Cell allowing the Company to, in particular, develop and sell semiconductors that feature Flash memory technology.

[6] Obfuscator technology improves the security of applications by voluntarily making them more difficult to understand and piece together (software obfuscation).
[7] ARM Limited is the global leader in the development of semiconductor IP blocks and, in particular, in the supply of core processors used in embedded systems (mobile telephones, in particular).

11.2.2 Patents

The Company considers that the protection of its intellectual property rights is fundamental in the pursuit of its commercial development. In this context, its ability to register patents in France, Europe, the United States, and the rest of the world is of prime importance.

As from the early years of its development, the Company therefore implemented an active policy aimed at protecting its innovative efforts, its technologies, and its products, by filing patent applications. Typically, the Company files its initial patent applications in France. The second step then involves filing extensions for these patents in Europe and generally, in the United States, in Canada, in China and in Korea.

Patents are granted for 20 years as from the date the patent application is filed.

The Company has built a broad patent portfolio to protect its technologies and innovative products. It has also acquired non-exclusive licenses for certain third party patents and intellectual property elements (please refer to section 11.2.1 for further information).

Historically, the Company's patent portfolio principally covers contactless interfaces and security. At the time of the integration of the SMS business in 2010, the Company acquired an additional patent portfolio principally relating to security and chips architecture. In addition, the portfolio was further extended via the patents acquired through the acquisition of the ESS business in December 2012 (portfolio comprised of 19 patent families) and Metaforic in April 2014 (21 patents and patent requests), principally relating to both secure content transfer and embedded software security.

To date the Company currently holds a portfolio of nearly 1,000 active intellectual property titles or pending patent requests.

By the end of 2015, the patent portfolio included over 200 patent families, in line with the Group's strategy and business activities. They are allocated as follows: 25% relate to contactless interfaces and NFC, 30% relate to security, 30% relate to applications and transactional structures, and 15% relate to the architecture of semiconductors.

Some of the Company's patents and patent applications are particularly significant insofar as they are considered indispensable in meeting market needs or in addressing certain technical obstacles. In addition, some of the Company's patents have been declared as essential to implementing a standard pursuant to the applicable rules of standardization institutions, such as ETSI. Some of these patents will be in the public domain between 2017 and 2012.

11.2.3 Software

The Group's software product offering is organized around the following areas:

- Embedded "real time" operating systems
- Embedded software stacks
- Embedded applications
- Software development and testing toolkits
- Testing and test analysis programs, pre-personalization and personalization scripts.

The Group's software and, in particular, its source code (in other words all of a programmer's instructions, written in intelligible form for such programmer) is protected not only by copyright but also as trade secrets (in addition to the protection by patent to the extent possible and subject to strategic considerations).

Most of the Group's software is developed internally – mainly by the Group's employees in the course of the performance of their duties or as a result of the Group's instructions. As a result, the Group owns this software.

Other software was acquired, such as security software (i) based on encryption algorithms, in the context of the acquisition of ESS (please refer to section 6.1.4 of this Registration Document for further information) and (ii) specialized in cryptology, in the context of the acquisition of Metaforic (please refer to section 6.1.4 of this Registration Document for further information).

When it is commercialized, the Group's software is distributed pursuant to license agreements, whereby the Group grants its customers a right to use this software (as opposed to a right of ownership). As such, these agreements contain terms pursuant to which the Group reserves its ownership rights on its software and protects its confidential nature.

11.2.4 Trademarks

The Company owns the following trademarks and trademark applications, which are necessary for the conduct of its business:

The Secure Silicon Solution	INCRYPT
INSIDE – LOGO	INSIDE TECHNOLOGIES
PICOCRYPT	PICOTAG
CONTACTLESS	INSIDE CONTACTLESS
PICOPASS	ACCESSO
eNFC	PICOREAD
MICROREAD	MICROPASS
NATIVE APPLET	WAVE – ME
MAKE THE MOVE (accentuated undulation)	INSIDE CONTACTLESS (black logo)
INSIDE CONTACTLESS (yellow and black logo)	MAKE THE MOVE (light undulation)
Open NFC (logo)	S SECUREAD (logo)
VaultIC	INSIDE SECURE
DRIVING TRUST	C Ad-X (logo)
V Vault /C (logo)	C Ad X2 (logo)
C µAD-X (logo)	m microloyalty (logo)
Twincore	Picopulse (logo)
VaultSecure (logo)	InsideRus
Vault NFC (logo)	MicroXsafe (logo)
BikeSeal (logo)	NFC ID (logo)
CapSeal (logo)	Smartread (logo)
Quicksec	65 UNIC (logo)
Booster (logo)	VaultID(logo)
Combopulse (logo)	VaultIP (logo)
VVaultIP (logo)	Capseal
PulseSuite	

These trademarks and trademark applications are protected in France. In some cases, the Company also registered trademarks or filed trademark applications at the European Community or international level and, in particular, in China, the United States, and Japan.

11.2.5 Domain names

As of the filing date of this Registration Document, the Company has registered and currently owns the following domain names:

beepscience.com
dmdlicenser.com
dmdmobile.com
dmdpackager.com
dmdsecure.com
embeddedssl.com
enfc.com
in-club.co.uk
in-club.fr
inside-secure.com
insidecontactless.asia
insidecontactless.com
insidecontactless.eu
insidecontactless.us
insidefr.com
insidefr.eu
insidefr.us
insidesecure-finance.com
insidesecure.co
insidesecure.com
insidesecure.eu
insidesecure.fr
insidesecure.info
insidesecure.net

beepscience.com
dmdlicenser.com
dmdmobile.com
dmdpackager.com
dmdsecure.com
embeddedssl.com
enfc.com
in-club.co.uk
in-club.fr
inside-secure.com
insidecontactless.asia
insidecontactless.com
insidecontactless.eu
insidecontactless.us
insidefr.com
insidefr.eu
insidefr.us
insidesecure-finance.com
insidesecure.co
insidesecure.com
insidesecure.eu
insidesecure.fr
insidesecure.info
insidesecure.net

11.2.6 Disputes

Please refer to section 20.8 of this Registration Document for further information.

12. TRENDS

When it published its consolidated financial results for the 2015 fiscal year on February 25, 2016, the Company announced its strategic plan as well as the planned reorganization of its businesses at the world level, and confirmed the measures announced on the date this Registration Document was registered.

1. Secure Transactions division: Exit from the semiconductor business

Exclusive negotiations commenced with a view to selling the semiconductor business

INSIDE Secure has entered into exclusive negotiations with a potential acquirer with a view to selling its semiconductor business. The scope of the transaction would include products, technology, customer agreements, certain patents and, more generally, the assets related to the development and sale of secure microcontroller-based integrated circuits, as well as a complete team (R&D, sales, marketing, support). This scope largely comprises the semiconductor activities of INSIDE Secure centered around the Internet of Things, anti-counterfeiting and brand protection, EMV payment card and secure access.

At the same time, INSIDE Secure is working with one of its strategic customers on the transfer under license of a line of semiconductor products developed specifically for this customer, together with the associated resources.

These projects follow on from the outsourcing agreement entered into in June 2015 with Presto Engineering covering the engineering of the integrated circuits and the supply chain management activities.

In combination, they should provide INSIDE Secure's customers with an ongoing solution both for their development projects and for the sourcing of existing products.

Restructuring plan[8] for the residual semiconductor activities and, more broadly, the Company's worldwide organization

Together with the sale of the semiconductor business to a third party, the Company plans to restructure itself. The aim is to tailor the Company's resources to fit its future size and to pave the way for it to reach and then move beyond its operational breakeven point. The plan also aims to reduce and adapt sales, general & administrative costs, refocus the research and development activities and improve its sales efficiency and, more generally, its operational efficiency.

This restructuring could potentially lead to a reduction in INSIDE Secure's workforce in France and in other countries where it operates (approximately 15% of its current worldwide staff).

The Company aims to achieve its target organization by the beginning of the third quarter of 2016.

INSIDE Secure estimates that the cost of restructuring, carried out together with the aforementioned transfer of the semiconductor business, will be equal to $4 million in 2016. INSIDE Secure is targeting a reduction in its operating costs of around $4.6 million on an annualized basis upon completion of this reorganization.

[8] Implementation of this plan is subject to prior information and consultation of the relevant employee representative bodies.

2. Mobile Security division: completion of repositioning of the Company in software security and embedded security technology licensing

INSIDE Secure's exit from the semiconductor activity would help to concentrate all its efforts on its core software security business serving the expanding payment and mobile banking markets, as well as embedded security technologies.

This business would then have a leaner cost base as a result of the envisaged restructuring plan, and it would be able to call on well-known and value-enhancing strategic offerings:

- The software and application protection product lines, providing software solutions securing all banking transactions and mobile payments, as well as for any secure exchange between fixed and connected devices, a technology that lies at the heart of the Internet of Things.
- DRM (Digital Rights Management) solutions enabling secure content access and protecting rights anywhere, at anytime, and from any device and allowing broadcasters, content owners, mobile operators to provide a variety of purchasing and consumption models for premium multimedia content to consumers. Secure communication solutions (VPN or Virtual Private Network) helping enterprises and governments secure access to critical information for employees from anywhere, addressing demand for mobility such as bring-your-own-device through certified cryptography, authentication and secure protocols.
- An intellectual property offering (IP blocks or components) that customers can integrate directly in the design of their semiconductor platforms. For example, an IP component can be added to the core of application processors and SoC (Systems-on-Chip) chips, introducing an optimum level of security for smartphones and connected objects.

Outlook for 2016

2016 will be a transition year due to the implementation of the strategic transformation initiatives announced in February 2016. Through these actions, INSIDE Secure intends to focus exclusively on its activities related to software security and embedded security technology licensing and, as such, aims to generate profitable growth over time and reach an operating margin target in line with the standards of companies positioned in the software and technology licensing sectors.

13. PROFIT FORECASTS OR ESTIMATES

The Company does not intend to make profit forecasts or estimates.

14. GOVERNING, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

The Company is a French *société anonyme* (joint stock company) with a Management Board and a Supervisory Board.

14.1 Members of the Management Board and members of the Supervisory Board

14.1.1 Members of the Management Board[9]

Name	Title	Operating duties and other offices held within the Group	Terms of Office
Amedeo D'Angelo	Chairman of the Management Board	- INSIDE Secure S.A. (France) - Chairman of the Management Board - INSIDE Secure Corp. (United States) – Chairman of the Board of Directors	Initial appointment: September 29, 2015 Term of office expires: at the end of the General Shareholders' Meeting called to approve the financial statements of the fiscal year ended 31 December 2018

[9] Pursuant to the letter received on August 18, 2014, the Company was informed of the resignation of Simon Blake-Wilson and of his departure from the Group on August 31, 2014.

Name	Title	Operating duties and other offices held within the Group	Terms of Office
Richard Vacher Detournière	Member of the Management Board	- INSIDE Secure S.A. (France) - Member of the Management Board and Chief Financial Officer - Vault-IC UK Ltd (United Kingdom) – Director - INSIDE Secure K.K. (Japan) – Director - INSIDE Secure France S.A.S. – Chief Executive Officer - INSIDE Secure B.V. (Netherlands) - Director - INSIDE Secure Amsterdam B.V. (Netherlands) - Director - INSIDE Secure Oy (Finland) - Director - Metaforic Ltd (United Kingdom) - Director	Initial appointment: October 2, 2008 Date of most recent renewal: June 3, 2015 Term of office expires: at the end of the General Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2018

Name	Title	Operating duties and other offices held within the Group	Terms of Office
Pascal Didier	General Manager	- INSIDE Secure S.A. (France) - Member of the Management Board and General Manager and Corporate Secretary - INSIDE Secure France S.A.S. (France) – Permanent representative of the Company who acts as Chairman - INSIDE Secure Corp. (United States) - Director - INSIDE Secure (Asia) Ltd Pte (Singapore) - Director - Vault IC France SAS – Permanent representative of the Company who acts as Chairman - INSIDE Secure K.K. (Japan) – Director - Metaforic Inc. (United States) - Director	Initial appointment: January 31, 2003 Date of most recent renewal: June 3, 2015 Term of office expires: at the end of the General Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2018

The professional address of all the members of the Management Board is the corporate headquarters of the Company.

The management expertise and experience of the Management Board's members is the result of various salaried and managerial positions they have held in the past, which are summarized below.

Amedeo D'Angelo
Chairman of the Management Board

Prior to joining INSIDE Secure in October 2015, Amedeo D'Angelo spent a large portion of his career in the hi-tech sector. He dedicated the first 12 years of his career in the field of semiconductors at AMD (Advanced Micro Devices), and then as the head of Samsung's European operations. He has held top management positions in leading global companies including Gemplus Card International, now Gemalto, as President. He was also the founder and CEO of Incard, an Italian company developing chip card, software applications and security products to serve the banking, telecom and the identity markets. He then was founder and Chairman of Y Generation, which developed a mobile payment platform for the Italian bank card issuers and acquirers. Amedeo also served as Chief Operating Officer at Oberthur Card Systems, developing security software and solutions for payment and telecom markets. Amedeo has also been CEO of Ingenico, a global leader in secure transactions and payment systems, at a moment when it was necessary to implement a structural strategic change, succeeding to position the company back to profitability and to position it as the industry leader. He is and will maintain the position of non-executive Chairman of Linxens, a world leader in the design and manufacture of connectors and contactless inlays for smart cards and secure documents.

Richard Vacher Detournière
Group General Manager & Chief Financial Officer

Before joining the Company in 2008, Richard Vacher Detournière served as a partner at Siparex, one of France's leading private equity investment groups. He joined Siparex in 1994 and had a key role in more than 25 financing transactions, including leveraged buy-outs, growth capital investments and investments in young, innovative companies. Richard went on to serve as a partner in the information technology sector. Following that, he helped to run SBV Venture Partners in California's Silicon Valley, a venture capital firm co-managed by Siparex. He was Siparex's permanent representative on the boards of thirteen of its portfolio companies, including Nanolase (sold to JDS Uniphase), SoiSic (sold to ARM), Leguide.com (listed on Alternext market in Paris, France), EVE (specializing in hardware/software co-verification) and INSIDE. He also served on the audit committees of several of these companies. He started off his business career in 1990 as a consultant at Price Waterhouse, concentrating on auditing and transaction support services, first in France, then in Central Europe. Richard, a graduate of the Ecole supérieure de commerce in Amiens (France), holds a Master's degree in accountancy and finance.

Pascal Didier
General Manager and Corporate Secretary

Pascal Didier joined the Company in 2003. From 1988 to 2002, he worked for Gemplus, where he carried out the mandate of Vice President for e-Solutions from 2000 to 2002. Involved with Gemplus from its inception onwards, Pascal was part of the management team that set up the firm's North American subsidiary. He went on to occupy various sales and marketing positions within the firm, including Director of Sales Operations, as well as being a member of the executive committee and of the Supervisory Board (representing employee shareholders). He began his career as a designer of integrated circuits and a technical support engineer at Philips Components in France and in the United States, before moving to Thomson Semiconducteurs (which became SGS Thomson and is now STMicroelectronics) to manage smart card marketing in its memory division. Pascal is a graduate of two Parisian institutions, the Ecole polytechnique and the Ecole nationale supérieure des télécommunications.

14.1.2 Members of the Supervisory Board[10]

Name	Title	Main offices held outside of the Group	Terms of Office
Patrick Schwager Jones 7057 Valley Green Circle Carmel, CA 93923 United States	Chairman of the Supervisory Board	None applicable	Date of appointment as Member of the Supervisory Board: June 3, 2015 Date of appointment as Chairman of the Supervisory Board: June 3, 2015 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2017
Jean Schmitt 8 rue Leroux, 75116 Paris France	Vice-Chairman and independent member of the Supervisory Board	Chairman of SuperJolt SAS Chairman of Jolt Capital Chairman of Alma Learning Group	Date appointed: June 19, 2013 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2015
Alex Brabers c/o GIMV Karel Oomsstraat 37, 2018 Antwerp Belgium	Member of the Supervisory Board	GIMV, Chief Business Operations	Date appointed: June 26, 2014 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2016
Glenn Collinson 56 High Street Chippenham Ely, Cambs CB7 5PP, United Kingdom	Independent member of the Supervisory Board	None applicable	Date appointed: June 26, 2014 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2016
Joëlle Toledano 361 rue Lecourbe, 75015 Paris France	Independent member of the Supervisory Board	None applicable	Date appointed: June 3, 2015 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2017
Muriel Barnéoud 183, rue Lecourbe, 75015 Paris France	Independent member of the Supervisory Board	Chairman and Chief Executive Officer of Docapost	Date appointed: June 26, 2014 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2016

[10] Olivier Sichel resigned from the Supervisory Board on February 2, 2016

Name	Title	Main offices held outside of the Group	Terms of Office
Bpifrance Participations represented by Thierry Sommelet 56 rue de Lille, 75007 Paris France	Independent member of the Supervisory Board	None applicable	Date appointed: June 19, 2013 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2015

The management expertise and experience of the Supervisory Board's members is the result of various salaried and managerial positions they have held in the past, which are summarized below.

Patrick Jones
Chairman of the Supervisory Board, Chairman of the Audit Committee, Member of the Nominating and Governance Committee
Age: 71 Nationality: American

Patrick Jones currently sits on the board of directors of Fluidigm (Nasdaq symbol: FLDM), a creator and manufacturer of integrated fluidic systems for biology, of Adionics S.A., a company specialized in water desalination and industrial water waste treatment, of Vesta Inc., a designer of electronic payment solutions, of ITESOFT, in the field of electronic document capture, and of Talend, leading software vendor for open source data integration solutions for companies seeking data management services. In addition, he previously sat on the board of many high-tech firms financed by venture capital investors. From 1998 to 2001, Patrick Jones was Senior Vice President and CFO of Gemplus SA (currently integrated into Gemalto), the smart card market leader, for which he successfully oversaw the initial public offering on the New York and Paris stock exchanges. He had previously served as Vice President for Finance and Corporate Controller at Intel and CFO at LSI Logic, a manufacturer of specialized semiconductors. He began his career as an engineer at IBM, before working for Singer Company in France, then in Singapore and Thailand. He has an MBA in finance from Saint Louis University (United States) and is a graduate of the University of Illinois-Urbana-Champaign (United States).

Jean Schmitt
Vice Chairman of the Supervisory Board, Member of the Audit Committee
Age: 51 Nationality: French

Jean Schmitt is Managing Partner of Jolt Capital, Chairman of Super Jolt SAS, and Chairman of the Alma Learning Group, the European leader in eLearning. Before founding JoltTech Capital, from 2001 to 2011 Jean Schmitt was Partner then Managing Partner at Sofinnova Partners. Before that, Jean Schmitt was CEO and founder of several companies, including SLP InfoWare, one of the worldwide leaders in predictive CRM software for the telecommunications sector, which he sold to Gemplus in 2000. He then held the joint roles of CEO of SLP InfoWare and Vice President for Telecoms Solutions & Applications at Gemplus. Jean Schmitt is currently a member on the board of directors of companies such as Heptagon (Singapore), Fogale Interactive Technologies (Switzerland), Softonic (Spain), or Greentropism (France). He was member of the board of Myriad (SIX: MYRN) and Authentec, before its sale to Apple Inc. (NASDAQ: AUTH). Jean Schmitt is a graduate of the Ecole Nationale Supérieure des Télécommunications (ENST) in Paris and holds a postgraduate degree in artificial intelligence. Jean lectures at Telecom ParisTech, Mines ParisTech and at HEC business school.

Alex Brabers
Member of the Supervisory Board, Member of the Audit Committee, Member of the Compensation Committee, Member of the Nominating and Governance Committee
Age: 50 Nationality: Dutch

Alex Brabers developed the international venture capital activity of Gimv, by investing in new innovative companies, followed by active support of the management team and eventually exiting either through IPO or trade sale. He built the VC team of Gimv and coached them in developing its place in the European VC ecosystem. Since 2012, Alex Brabers is responsible for all investment activity of Gimv, overseeing its 4 investment platforms. He is a board member of various listed and non-listed companies, including Nomadesk (Belgium), OTN Systems (Belgium), and Punch Powertrain (Belgium). Before that, he was a member of the board of directors of Telenet (Belgium), Mobistar (Belgium), Emme (France), Barco (Belgium), Barconet (Belgium), Option (Belgium), Oree (Israel), Virtensys (UK) and Telos (Canada). Alex is also involved in policy issues for the European VC and PE industry as board member of Invest Europe (EVCA) and as previous chairman of the Venture Capital Platform of Invest Europe (EVCA). Alex Brabers holds a Master degree in Economics KU Leuven (Belgium).

Glenn Collinson

Member of the Supervisory Board, Chairman of the Compensation Committee
Age: 52 Nationality: British

The co-founder of Cambridge Silicon Radio Plc. (LSE symbol: CSR), Glenn Collinson oversaw the development of CSR from its formation in 1998 to its listing as a public company in 2004 until May 2007, first as Marketing Director and then as Sales Director. He is currently serving as Director and Chairman of the Compensation Committee of SDL plc (LSE: SDL), leading company in the worldwide management of customer experience, and Director of Blu Wireless Technology Ltd, a company developing IP blocs intended for 60 GHz wireless transmission. Other posts Glenn Collinson has held include Director of Sonaptic Ltd, from April 2005 to July 2007, when it was sold to Wolfson Microelectronics plc, Director of DiBcom SA from September 2007 to July 2011, Director of Microemissive Displays Group plc. from April to November of 2008, Director of Solar Press Ltd from September 2009 to October 2013, Director of Neul Ltd from September 2010 to June 2013, and Director and Chairman of the Compensation Committee of Wolson Microelectronics plc. until it was sold to Cirrus Logic Inc. in August 2014. Prior to co-founding CSR, he was Senior Engineer and Marketing Manager at Cambridge Consultants Ltd (1996-1998) and Design Engineer and Marketing Manager at Texas Instruments (1989-1996), Motorola Ltd. (1988-1989), and Racal Research Ltd. (1985-1988). He is a member of the Institution of Engineering and Technology and holds a Bachelor of Science in physics and a Master of Science in electronics from Durham University, as well as an MBA from Cranfield University.

Thierry Sommelet

Permanent representative of Bpifrance Participations, Member of the Supervisory Board, Member of the Audit Committee, and Member of the Compensation Committee
Age: 47 Nationality: French

Thierry Sommelet is Senior Investment Director within the “large and mid cap” department of Bpifrance Participations (formerly known as Fonds Stratégique d’Investissement, or “FSI”). Before joining FSI in 2009 as an Investment Director, Thierry Sommelet was Head of Investments in the *développement numérique des territoires* (Regional Digital Development) service of the *Caisse des Dépôts*, where he was responsible for investments in the digital sector. Thierry Sommelet’s career began in the financial markets with Crédit Commercial de France (now HSBC), in Paris and New York, where he was in charge of risk management. In 1996, he joined Renaissance Software (now Infinity), a supplier of software to financial institutions, managing its London-based European financial engineering team. From 2000 to 2001, he took charge of development and Internet strategy at media company InfosCE. He then moved to *Caisse des dépôts* in 2002. Thierry Sommelet represents Bpifrance on the board of directors of TDF, Mäder, and Sipartech. His is also a Director of Sipartech, Greenbureau and Cloudwatt. He is a graduate of the ENPC civil engineering school in Paris and earned an MBA from Insead, the international business school.

Joëlle Toledano

Member of the Supervisory Board, Member of the Compensation Committee
Age: 62 Nationality: French

With a PhD in both mathematics and economics, Joëlle Toledano has pursued a career in higher education along with a career in business. She started out as a research associate with the *Centre National de la Recherche Scientifique* (French National Center for Scientific Research) before becoming a lecturer (*maître de conférences*) in Economics at the University of Rouen (France). At the same time, she held various management posts in IT and telecommunications companies. As such, she became Vice-President of Alcatel TITN and of Alcatel-Answare from 1987 to 1989, followed by CEO of CCMC Ressources Humaines. She then joined the La Poste group as Head of Strategy in 1993, before becoming its Head of European and National Regulation in 2001. A professor at the Universités à SUPELEC (Paris) since 2005, Joëlle Toledano was a member of the college of the *Autorité de régulation des communications électroniques et des postes* (ARCEP) from 2005 to late 2011. She is a Director on the board of the *Résidentiel numérique*, Red Technologies, and *Agence Nationale des Fréquences*.

Muriel Barnéoud
Member of the Supervisory Board
Age: 48 Nationality: French

Muriel Barnéoud serves as Chairman, President and Chief Executive Officer of Docapost (a subsidiary of La Poste group with revenues of €450 million and 4,500 employees) specializing in digital and mobile transition of companies and institutions and an expert in document management, digitalization, and security of electronic communications. Muriel Barnéoud joined the La Poste group in 1994 after an initial experience at Arthur Andersen. She went on to become Deputy Chief Executive Officer of Mail with responsibility for production. Muriel Barnéoud was non-executive chairman of two holding companies for the La Poste group's logistics operations (Viapost and STP). She is the chairman of approximately ten boards of directors within the Docapost group. She also sits on the supervisory committee of Xange Private Equity, La Poste's private equity company. In addition, she is a board member of the *Syntec Numérique* professional association (vendors committee) and of the *Centre National de Référence* (CNR) *Santé à Domicile et Autonomie* (French national organization set up to facilitate the development and use of information technology for health and dependency-related applications) and is also a member of the management committee for the CNAM Abbé Grégoire foundation. She is a Knight in the French National Order of Merit (*Ordre National de la Légion d'Honneur*). Muriel Barnéoud graduated from the IEP Paris and ENSPTT schools and holds a postgraduate diploma in finance and tax.

14.1.3 Other positions held by the Members of the Management Board and Supervisory Board

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
Amedeo D'Angelo	- Linxens (France) – Chairman of the board of directors - Tactilis (Singapore) – Chairman of the board of directors - Bloompix (Italy) – Director - Diadema (Italy) – Director	- Intelcav (Brazil) – Director - Intelicard (Italy) – Director
Richard Vacher Detournière		Knowings SA (France) - Director
Pascal Didier		Mobile Distillery SA (France) - Director
Alex Brabers	- Automation (Belgium) – Director - OTN Systems (Belgium) – Director - Nomadesk (Belgium) – Director - Several Investment Vehicles managed by Gimv - EVCA (Belgium) – Director - Punch Powertrain (Belgium) – Director - Festival Van Vlaanderen (Belgium) – Director - Easyvoyage (France) – Director - Powerinbox (ActivePath Ltd.) (USA) – Director	- Telenet Communications (Belgium) - Director - Telenet Bidco (Belgium) – Director - Incofin (Belgium) – Director - Telenet (Belgium) (*) – Director - I&I Leuven (Belgium) – Director - Oree (United States) – Director
Jean Schmitt	- Fogale Interactive Technologies (Switzerland) – Director - Heptagon (Singapore) – Director - Softonic – Director - Greentropism (France) – Director	- Upek/Authentec (United States) - Director - Sagem (France) (*) – Director - Comprove (Ireland) - Director - Celsius (France) – Director

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
Patrick Schwager Jones	- Fluidigm Inc. (United States) (*) - Director - ITESoft SA (France) (*) - Director - Adionics SA (France) – Director - Vesta Inc. (United States) – Director - Talend (France) – Director	- Lattice Semiconductor Corp (United States) (*) – Chairman of the board of directors - Unwired Planet. (United States) (*) – Director - Novell Inc. (United States) (*) - Director - Mobiwire (France) (*) - Director - Epocrates Inc. (United States) (*) – Chairman of the board of directors - Heptagon OY (Finnish company, with registered offices in Zurich), Chairman of the board of directors - Trema (Netherlands) - Director - QRS Corp. (United States) - Director - Mobile365 (United States) Director - Liberate Technologies (United States) – Director - Smarttrust AB (Sweden) – Director - Dialogic Inc. (United States) (*) – Chairman of the board of directors
Glenn Collinson	- Blu Wireless Technology Ltd (United Kingdom) – Director - SDL plc. (United Kingdom) (*), Director	- CSR Plc (United Kingdom) (*) - Director - Dibcom SA (France) – Director - Solar Press Ltd (United Kingdom) - Director - Neul Ltd (United Kingdom) – Director - Wolfson Microelectronics Group Plc (United Kingdom) - Director
Bpifrance Participations Represented by Thierry Sommelet	- Altia Industry (France) – Director - Altrad Investment Authority (France) – Director - Cegedim (France) (*) – Director - CDC Entreprises Capital Investment (France) – Director - Clestra (France) – Director - Cylande (France) – Director - Eutelsat (France) (*) – Director - Farinia (France) – Director - FT1CI (France) – Director - G2 Mobility (France) – Director	- Assystem (France) (*) – Director - Séché Environnement (France) (*) – Director - 3S Photonics (France) – Director - Dailymotion (France) – Director - Avanquest Software (France) – Director - Windhurst (France) – Director - Saur (HIME) (France) – Director - SuperSonic Imagine (France) – Director - Tokheim Group (France) – Observer

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
	- Gruau (France) – Director - HPC (France) – Director - Horizon Holding SAS (France) – Director - Horizon Holding SARL (France) – Director - Isorg (France) – Director - Limagrain (CGH) (France) – Director - Metnext (France) – Director - NTL Holding (France) – Director - Orange (France) (*) – Director - Paprec Holding (France) – Director - Poxel (France) – Director - Sequana (France) (*) – Director - Stentys (France) (*) – Director - Soitec (France) – Director - Soprol (France) – Director - Tinubu Square (France) – Director - Tokheim Luxco (Luxembourg) – Director - Tokheim Luxco 2 (Luxembourg) – Director - Tyrol Acquisition 1 (Luxembourg) – Director - Tyrol Acquisition 2 (Luxembourg) – Director - Vexim (France) (*) – Director - Viadeo (France) (*) – Director - VIT (France) – Director - AD Industrie (France) – member of the Collegial Committee - Crystal (France) – member of the Supervisory Board - De Dietrich (France) – member of the Supervisory Board - Fidec (France) – member of the Supervisory Board - Financière du Millénium (France) – member of the	

<u>Names</u>	<u>Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group</u>	<u>Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)</u>
	Supervisory Board - Grimaud (France) – member of the Supervisory Board - Mäder (France) – member of the Supervisory Board - Mecachrome (France) – member of the Supervisory Board - Mersen (France) (*) – member of the Supervisory Board - Neoen (France) – member of the Supervisory Board - NGE (France) – member of the Supervisory Board - Novasep Holding SAS (France) – member of the Supervisory Board - Vergnet (France) (*) – member of the Supervisory Board - Voluntis (France) – member of the Supervisory Board - Avanquest (France) (*) – Observer - Cerenis (France) – Observer - Constellium (France) – Observer - Financière Carso (France) – Observer - Groupe Gorgé (France) – Observer - Innate Pharma (France) (*) – Observer - Meca Dev (France) – Observer - Qosmos (France) – Observer - Siclaé (France) – Observer - Valneva (France) (*) – Observer - Vittal Finances (France) – Observer - Withings (France) – Observer	
Joëlle Toledano	- Résidentiel Numérique (France) – Director - Agence Nationale des Fréquences (ANFR) (France) – Director - Red Technologies (France) - Director	
Muriel Barnéoud	- Docapost CSP (France) – Permanent representative of Docapost who also acts as Chairman, Chairman of the Board of Directors	- La Poste Global Mail (France), Director - Proveance (ex SFDOC.4) (France) – Permanent representative of Docapost who also acts as Chairman

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
	- Docapost DPS (France) – Chairman of the Board of Directors and Director - Maileva (France) – Legal representative of Docapost and Chairman - Docapost BPO (France) – Chairman - Docapost BPO IS (France) – Chairman of the Board of Directors - CER – Docapost (France) – Chairman - Docapost Conseil (France) – Chairman, Chairman of the Supervisory Board Mediapost Holding (France) – Director - Sofrepost (France) - Director - Seres (France) – Permanent representative of Docapost on the Board of Directors - Xange Capital (France) - Permanent representative of Docapost on the Supervisory Board - Sefas Innovation (France) - Permanent representative of Docapost on the Board of Directors - Bretagne Routage (France) – Permanent representative of Docapost who also acts as Chairman - Fondation CNAM Abbé Grégoire (France) – Director - Syntec Numérique (France) – Director - Docapost IoT (France) – President of the company - France Silver Eco (France) – Treasurer - SFDOC. B (France) – permanent Docapost representative on the board of directors - SFDOC. C (France) – permanent Docapost representative on the board of directors - La Banque Postale Assurances IARD – Director	- La Vosgienne Industrielle de Mailings (France) - Permanent representative of Docapost who also acts as Chairman - Orsid (France) – Chairman - Mediapost Holding (France) - Director - Viapost (France) – Director

Companies carrying the symbol (*) are publicly traded companies.

14.1.4 Statements relative to the members of the Management Board and Supervisory Board

To the Company's knowledge, there is no familial tie between the persons listed above.
To the Company's knowledge, over the past five years none of these persons:

- was found guilty of fraud;
- was associated with a bankruptcy, receivership or liquidation while acting as senior executive or director;
- was banned from exercising management responsibilities;
- was officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities.

14.2 Conflicts of interest at the level of the governing and senior management bodies

As of the date of this Registration Document, and to the Company's knowledge, there is no actual or potential conflict of interest between the private interests and/or other duties of the members of the Management Board and Supervisory Board of the Company and the interests of the Company. The related party transactions are described in Note 34 of the Notes to the Consolidated Financial Statements included in section 20.1 of this Registration Document.

Furthermore, to the Company's knowledge, there is no pact or agreement whatsoever entered into with shareholders, customers, suppliers or other entities by virtue of which one of the members of the Management Board or Supervisory Board of the Company was appointed to his or her position.

Based on the terms of an investment protocol signed between FPCI Jolt Targeted Opportunities, Bpifrance Participations, and the Company, the latter undertook to ask the Supervisory Board to appoint Jean Schmitt, currently vice-chairman and independent member of the Supervisory Board, as member of the Nominating and Governance Committee as from the date of the completion of the Company's share capital increase with shareholders' preferential subscription rights, the principle of which was announced on February 25, 2016. In addition, under the terms of the same protocol, FPCI Jolt Targeted Opportunities made a two-year commitment starting on the date said share capital increase is completed, not to submit or vote in favor of a draft resolution, at one of the Company's shareholders' meetings, intended to appoint an additional member to the supervisory board who may not have been previously recommended by the Nominating and Governance Committee.

Lastly, to the Company's knowledge, as of the date of this Registration Document there is no restriction accepted by the persons described in section 14.1 "Members of the Management Board and members of the Supervisory Board" of this Registration Document concerning the sale of their equity interests in the share capital of the Company.

15. COMPENSATION AND BENEFITS

15.1 Compensation paid to corporate officers

The information included below has been prepared in reference to the AFEP-MEDEF corporate governance code of publicly traded companies, as updated in June 2013.

Table 1: Overview of the compensation, stock options, and free shares granted to each member of the Management Board (*dirigeant mandataire social*)(3)

	Fiscal Year 2014	Fiscal Year 2015
Amedeo D'Angelo – Chairman of the Management Board(3)		
Compensation owed for the fiscal year	None	€89,445
Valuation of the multi-year variable compensation paid during the fiscal year	None	None
Valuation of stock options granted in the fiscal year	None	None
Valuation of shares granted free of charge in the fiscal year	None	None
Total	None	€89,445

	Fiscal Year 2014	Fiscal Year 2015
Richard Vacher Detournière – member of the Management Board		
Compensation owed for the fiscal year	€247,762	€183,913
Valuation of the multi-year variable compensation paid during the fiscal year	None	None
Valuation of stock options granted in the fiscal year	€103,250	None
Valuation of shares granted free of charge in the fiscal year	None	€22,088
Total	€351,012	€206,001

	Fiscal Year 2014	Fiscal Year 2015
Pascal Didier – General Manager, member of the Management Board		
Compensation owed for the fiscal year	€215,009	€172,988
Valuation of the multi-year variable compensation paid during the fiscal year	None	None
Valuation of stock options granted in the fiscal year	None	None
Valuation of shares granted free of charge in the fiscal year	None	€7,363
Total	€215,009	€180,351

1. *Rémy de Tonnac left the Company on December 16, 2015. The compensation he received in connection with his duties for the 2015 fiscal year totals EUR 202,506. Additionally, he also received: (i) a severance payment in the amount of EUR 429,588 paid out on January 8, 2016, and (ii) a fee in connection with his non-compete clause in the amount of EUR 100,000 paid out on January 8, 2016.*
2. *Pierre Garnier left the Company on January 28, 2016. The compensation he received in connection with his duties for the 2015 and 2016 fiscal years total EUR 281,768 and EUR 17,500, respectively.*
3. *Amedeo d'Angelo was appointed Chairman of the Company's Management Board on September 29, 2015.*

The Supervisory Board decided that members of the Management Board would be required to hold, in registered form and until the termination of their duties on the Management Board, 10% of the number of shares issued as a result of the exercise of stock options or the effective vesting of free shares.

Table 2: Overview of the compensation of each member of the Management Board(6)

The table below shows the compensation due to members of the Management Board of the Company for the fiscal years ended December 31, 2014 and 2015 and the compensation paid to those members for the said fiscal years.

	Fiscal Year 2014		Fiscal Year 2015	
	Due (1)	Paid (2)	Due (1)	Paid (2)
Amedeo D'Angelo – Chairman of the Management Board(6)				
Fixed portion*	None	None	€89,445	€89,445
Variable portion* (3)	None	None	None	None
Multi-year variable compensation	None	None	None	None
Extraordinary compensation*	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	None	None	None	None
Total	None	None	€89,445	€89,445

	Fiscal Year 2014		Fiscal Year 2015	
	Due (1)	Paid (2)	Due (1)	Paid (2)
Richard Vacher Detournière – Member of the Management Board				
Fixed portion*	€166,657	€166,657	€171,164	€171,164
Variable portion* (3)	€80,895	€106,194	€12,749	€80,985
Multi-year variable compensation	None	None	None	None
Extraordinary compensation*	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	€120	€120	€120	€120
Total	€247,762	€272,971	€183,913	€252,269

	Fiscal Year 2014		Fiscal Year 2015	
	Due (1)	Paid (2)	Due (1)	Paid (2)
Pascal Didier, General Manager – Member of the Management Board				
Fixed portion*	€145,963	€145,963	€145,963	€145,963
Variable portion* (3)	€59,103	€85,884	€14,596	€59,103
Multi-year variable compensation	None	None	None	None
Extraordinary compensation*	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	€9,943	€9,943	€12,429	€12,429
Total	€215,009	€241,790	€172,988	€217,495

(1) *For the fiscal year*
(2) *Over the course of the fiscal year*
(3) *The variable portion includes annual profit-sharing (intéressement)*
(4) *Rémy de Tonnac left the Group on December 16, 2015.*
(5) *Pierre Garnier left the Group on January 28, 2016.*
(6) *Amedeo D'Angelo was appointed Chairman of the Company's Management Board on September 29, 2015. His gross annual fixed salary is EUR 350,000 and he is entitled to variable compensation of up to EUR 150,000, subject to meeting profitability targets in H2 2016.*

* based on a pre-tax gross amount

The variable portion of the compensation paid to executive corporate officers is subject to the completion of specific and predetermined objectives.

Indeed, for the fiscal year ended December 31, 2015, the variable items of compensation paid to the members of the Management Board, were determined by the Supervisory Board of the Company based on a proposal submitted by the Compensation and Nomination Committee, in accordance with the following criteria:

(i) 80% granted based on completing financial objectives of the Company (revenues, adjusted operating income, order book)
(ii) the remaining 20% granted based on completing qualitative objectives (key accomplishments for the Company).

Regarding the variable portion of their compensation, the expected level of completion of the quantitative objectives determined for executive corporate officers was established by the Company in a precise manner. However, it is not made public for confidentiality reasons.

Regarding benefits in kind, Pascal Didier benefits from unemployment insurance for senior corporate executives (*garantie sociale des chefs et dirigeants d'entreprise*).

At the General Shareholders' Meeting dated June 19, 2013, it was decided to set the amount attendance fees awarded to members of the Supervisory Board to EUR 265,000 for the fiscal year ended December 31, 2013, as well as for each subsequent fiscal year, until decided otherwise at the Ordinary Shareholders' Meeting. At its April 13, 2015 meeting, the Supervisory Board approved a 20% reduction to the board fees to be paid to members as from the second half of the 2015 fiscal year. Due, in particular, to the increase in the number of Supervisory Board members in the second half of the 2014 fiscal year, this decision resulted, in 2015, in an effective 9% reduction in the aggregate amount of board fees paid relative to 2014.

Attendance fees and other elements of compensation paid to non-executive corporate officers over the course of the 2014 and 2015 fiscal years are distributed as described in Table 3 below.

Table 3: Table summarizing the attendance fees and other elements of compensation paid to the members of the Supervisory Board

Members of the Supervisory Board	Amounts paid with respect to the 2013 fiscal year	Amounts paid with respect to the 2014 fiscal year
Patrick Schwager Jones		
Attendance fees	€47,500	€42,500
Other compensation	None	None
Jean Schmitt		
Attendance fees	€35,000	€25,500
Other compensation	None	None
Alex Brabers		
Attendance fees	€40,000	€29,750
Other compensation	None	None
Glenn Collinson		
Attendance fees	€32,500	€34,000
Other compensation	None	None
Joëlle Toledano		
Attendance fees	€27,500	€25,500

Other compensation	None	None
Olivier Sichel (2)		
Attendance fees	€25,000	€21,250
Other compensation	None	None
Bpifrance		
Attendance fees	€32,500	€29,750
Other compensation	None	None
Muriel Barnéoud (1)		
Attendance fees	€12,500	€21,250
Other compensation	None	None
Other compensation	None	None
Total	€252,500	€229,500

(1) Muriel Barnéoud is member of the Supervisory Board since June 26, 2014

(2) Olivier Sichel resigned from the Supervisory Board on February 2, 2016

Table 4: Stock options granted by the issuer and any company of the group to each executive corporate officer over the course of the fiscal year

No stock options were granted free of charge to corporate officers over the course of the fiscal year ended December 31, 2015.

Table 5: Stock options exercised by each executive corporate (*dirigeant mandataire social*) officer during the fiscal year

None of the executive corporate officers of the Company has exercised any of the stock options of the Company or of any other company of its Group over the course of the fiscal year ended December 31, 2015.

Table 6: Shares granted free of charge by the issuer or any company of the group to each corporate officer (*mandataire social*) during the fiscal year (1)(2)

Shares granted free of charge to each corporate officer during the fiscal year ended December 31, 2015						
Name	Grant Date	Number of shares granted during the fiscal year	Valuation of the shares according to the method used in the consolidated financial statements	Vesting Date	Lock-up Expiration Date	Performance Conditions
Richard Vacher Detournière	Management Board meeting dated March 23, 2015	30,000	€22,088	March 23, 2018	March 23, 2020	The final vesting of all or part of these shares at expiration of the vesting period is based on the value of the volume weighted average market price of the share during the 20 trading days preceding the expiration date of the vesting period
Pascal Didier		10,000	€7,363			
Total		40,000	€29,451			

(1) Rémy de Tonnac left the Group on December 16, 2015. 60,000 free shares had been granted to him on March 23, 2015.

(2) Pierre Garnier left the Group on January 28, 2016. 45,000 free shares had been granted to him on March 23, 2015.

On February 2, 2016, Amedeo D'Angelo was granted free shares subject to performance conditions (please refer to section 21.1.4.2 hereafter).

Table 7: Shares granted free of charge that became available for each corporate officer during the fiscal year

None of the various executive corporate officers' performance shares became available over the course of the fiscal year ended December 31, 2013.

Table 8: History of the stock options granted to corporate officers

Past grants of stock options (1) (2)					
Information on stock subscription options					
Date of the Shareholders' Meeting	October 20, 2005	June 2, 2006	June 2, 2006	June 19, 2007	June 26, 2014
Date of the Management Board meeting	February 17, 2006/ June 2, 2006	June 2, 2006	November 3, 2008	November 3, 2008	August 28, 2014
Name of the plan	Options 2005-2	Options 2006-1	Options 2006-1-B	Options 2007-1-F	Options juin 2014
Aggregate number of shares that can be subscribed by					
Richard Vacher Detournière			*21,600*	*60,800*	*35,000*
Pascal Didier	*5,040*	*20,000*			
Expiration date	October 20, 2015	June 2, 2016	June 2, 2016	June 19, 2017	August 28, 2024
Subscription price	€ 3.9425	€ 3.9425	€ 10.0525	€ 10.0525	€ 4.21
Terms and conditions of exercise	Exercisable in full(3)	Exercisable in full(3)	Exercisable in full(3)	Exercisable in full(3)	Exercisable in full(3)
Number of shares subscribed as of the filing date of this Registration Document	0	0	0	0	0
Aggregate number of canceled or voided stock options	0	0	0	0	0
Number of outstanding shares to be subscribed as of the filing date of this Registration Document	56,944	20,000	21,600	60,800	35,000

(1) Only those grants that still apply are described

(2) The table does not account for Rémy de Tonnac and Pierre Garnier who left the Group on December 16, 2015 and January 28, 2016, respectively.

(3) The exercise of options is subject, as applicable, to having the status of Company employee or corporate officer at the date of the exercise..

Past grants of share warrants				
Information on share warrants [1]				
Date of the Shareholders' Meeting	July 31, 2006	June 30, 2008	June 30, 2010	June 30, 2010
Date of the Management Board meeting	November 20, 2006	December 18, 2008	October 1, 2010	December 29, 2010
Name of the plan	BSA 2006-2	BSA 8	BSA 12	BSA 13
Aggregate number of shares that can be subscribed by				
Richard Vacher Detournière			*65,795*	
Pascal Didier			*40,838*	
Patrick Schwager Jones	*18,400*			*8,000*
Glenn Collinson		*12,800*		*20,000*
Expiration date	November 20, 2016	March 24, 2019	October 1, 2015	December 29, 2015
Subscription price	€ 3.9425	€ 10.0525	€ 4.1872	€ 4.75
Terms and conditions of exercise	Exercisable in full	Exercisable in full	Exercisable in full	Variable depending on holder
Number of shares subscribed as of December 31, 2013	0	0	0	0
Aggregate number of canceled or voided share warrants	0	0	0	0
Number of outstanding shares to be subscribed as of December 31, 2013	18,400	12,800	106,633	28,000

(1) Neither voided share warrants nor share warrants granted to corporate officers who have left the Group are included in this table

Table 9: Stock options granted to the first ten non-executive employee beneficiaries, and stock options exercised by such beneficiaries

Table 9 relative to the stock options granted to the first ten non-executive employee beneficiaries, and the stock options exercised by such beneficiaries is provided in section 17.4 "Financial instruments granting access to the share capital of the Company awarded to the first ten non-executive employee beneficiaries, and stock options exercised by such beneficiaries" of this Registration Document.

Table 10: History of free share grants

History of free share grants (1)							
Information on the shares granted free of charge							
Date of the Shareholders' Meeting	June 16, 2005	October 20, 2005	June 30, 2008	June 30, 2010	June 29, 2012	June 26, 2014	February 2, 2016
Date of the Management Board meeting	July 28, 2005	February 17, 2006	November 3, 2008	December 16, 2010	July 26, 2012	March 23, 2015	February 2, 2016
Aggregate number of shares granted to:							
Amadeo D'Angelo						*45,000*	*864,000*
Richard Vacher Detournière			*20,000*	*106,000*		*30,000*	
Pascal Didier	*9,392*	*6,960*		*64,000*	*2,950*	*10,000*	
Vesting date of the shares	March 6, 2012	February 17, 2008 February 17, 2009 February 17, 2010	November 3, 2010	December 16, 2012	July 26, 2014	March 23, 2018	No earlier than February 2, 2018 (4)
Expiration date of the holding period	March 6, 2014	February 17, 2010 February 17, 2011 February 17, 2012	November 3, 2012	December 16, 2014	July 26, 2016	March 23, 2020	No holding period applicable
Terms and conditions of exercise	Exercisable in full	Exercisable in full	Exercisable in full	Exercisable in full	Exercisable in full	Exercisable in full(2)	Exercisable in full (4)
Aggregate number of cancelled or voided shares	0	0	0	0	0	0	0
Number of outstanding free shares at fiscal year-end	9,362	6,960	20,000	170,000	2,950	40,000	864,000

(1) Only outstanding and valid grants are described

(2) These free shares are subject to performance conditions, as described in section 21.1.4.2

(3) The table does not account for Rémy de Tonnac and Pierre Garnier who left the Group on December 16, 2015 and January 28, 2016, respectively.

(4) These free shares are subject to performance conditions, as described in section 21.1.4.2

Table 11

The following table provides further details on the conditions surrounding the compensation and other benefits granted to executive corporate officers:

Members of the Management Board[(1)(2)]	Employment Contract		Additional Pension Plan		Compensation or benefits owed or likely to be owed as a result of termination of duties or a change in duties		Compensation associated with a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Amedeo D'Angelo, Chairman of the Management Board		X		X		X		X
Term of office began on: *Term of office will end on:*	September 29, 2015 Following the Annual Shareholders' Meeting approving the financial statements for the fiscal year ended December 31, 2018							
Richard Vacher Detournière Member of the Management Board	X			X	X		X	
Term of office began on:: *Term of office will end on:*	June 3, 2015 Following the Annual Shareholders' Meeting approving the financial statements for the fiscal year ended December 31, 2018							
Pascal Didier General Manager and Member of the Management Board	X			X	X		X	
Term of office began on: *Term of office will end on:*	June 3, 2015 Following the Annual Shareholders' Meeting approving the financial statements for the fiscal year ended December 31, 2018							

(1) Rémy de Tonnac left the Company on December 16, 2015.

(2) Pierre Garnier left the Company on January 28, 2016.

Pascal Didier benefits from unemployment insurance for senior corporate executives (*garantie sociale des chefs et dirigeants d'entreprise*) subscribed by the Company. For the 2015 fiscal year, the amount of the premium was equal to EUR 12,309.

Pascal Didier signed an employment contract with the Company on January 10, 2003. As of January 31, 2003, this contract was suspended for the duration of his term as corporate officer.

When Rémy de Tonnac left the Company on December 16, 2015, the Supervisory Board authorized the payment of the severance fee owed to him, once it was acknowledged that he had satisfied the performance conditions to which said severance fee was subject. Said severance payment amounts to EUR 429,588 and was paid on January 8, 2016. The terms governing said severance payment comply with the provisions set by the Supervisory Board at its meeting dated February 19, 2013, approved at the Company's Shareholder's Meeting dated June 26, 2014, and provided in the Company's 2014 Registration Document.

In addition, Rémy de Tonnac is subject to an 18-month non-compete clause in exchange for the payment of a EUR 100,000 fee, which was also discussed in the 2014 Registration Document. This amount was paid on January 8, 2016.

Lastly, in accordance with the terms set at the aforementioned 2013 Supervisory Board meeting, the Company's Management Board also waived the continued employment condition to which the vesting of the free shares granted to Rémy de Tonnac on March 23, 2015 and the exercise of his stock options granted on June 2, 2006, were subject. The other conditions and, in particular, any conditions relating to the stock market price of the free shares, will remain unchanged.

At its meeting dated February 19, 2013, the Supervisory Board decided to adjust the terms of the severance compensation that Pascal Didier benefits from. The latter has heretofore the right to claim such compensation in the event of:

(i) termination or non-renewal of his term of office as member of the Management Board (or dismissal) for a reason other than gross negligence (*faute lourde*) in the meaning of the jurisprudence of the labor division of the French Supreme Court (*chambre sociale de la cour de cassation*),

(ii) resignation for good cause (either due to a significant reduction in duties and responsibilities, a reduction in compensation (including fixed compensation, benefits in kind, target variable compensation, or severance compensation), or a change in his work location to another country, in every case without his consent) within six months of a change in control of the Company in the meaning of Article L. 233-3 of the French Commercial Code, or

(iii) termination or resignation of his term of office as member of the Management Board (or dismissal), following a significant disagreement between the Supervisory Board and the Management Board regarding the strategy carried out by the Management Board, irrespective of whether such strategy was carried out pursuant to a change in control of the Company.

The Supervisory Board will determine the amount of severance compensation paid to the member in question in the following way:

Maximum severance compensation will be equal to the sum of the gross fixed compensation received by the member in question over the course of the year preceding that during which his resignation, termination, or dismissal took place, plus the gross variable compensation received by the member in question over the course of the two years preceding that during which his resignation, termination, or dismissal took place (hereinafter referred to as the "Maximum Amount"), it being hereby understood that the effective date of his resignation, termination, or dismissal will be defined as, depending on the case, the date on which the member in question receives the termination letter (or letter of dismissal), or the date on which the Company receives the resignation letter.

The severance payment will be conditioned upon, and its amount will be adjusted based on the arithmetical average of the rate of achievement of the performance criteria used to determine the member in question's variable compensation for the two closed fiscal years preceding the day he is terminated or resigned. If the average is:

- strictly lower than 20%, no severance compensation will be paid out,
- between 20% and 50%, the member in question will receive severance compensation in an amount equal to the gross fixed compensation for the year in which his resignation, termination, or dismissal took place,
- higher than or equal to 50%, the member in question will receive severance compensation in an amount equal to 100% of the Maximum Amount.

The severance payment will include any dismissal indemnity provided by statutory regulations (including but not limited to the ones provided by applicable laws and any applicable collective bargaining agreement) which may be due to the member in question (for the avoidance of doubt, the severance payment shall not include any payment made pursuant to a non-competition clause, but shall be reduced if necessary so that the sum of the severance payment plus any amount paid pursuant to a non-competition clause does not exceed the two times the member in question's fixed and variable gross compensation for the year when the termination or resignation shall occur, assuming for the determination of the variable portion thereof that any milestones/objectives have been fully achieved. Notwithstanding the above, for the avoidance of doubt, the severance payment shall not be less than any mandatory dismissal indemnity provided by statutory regulations.

It should be noted, insofar as necessary, that no severance compensation will be owed in the event that the term of office of the member in question is terminated or non-renewed, or that the member in question is dismissed or resigns from his duties as corporate officer, while remaining an employee of the Group, assuming that he is neither subject to a significant reduction in his duties, responsibilities, or compensation (including his fixed compensation, benefits in kind, target variable compensation, or severance compensation) nor subject to a transfer of his work location to another country, and further assuming that such decisions were made without his consent.

Severance compensation will be paid within 30 days of the member's effective departure from the Group.

Additionally, the vesting of all options, free shares or other equity incentive instrument held by the member in question will be accelerated upon such termination or resignation, to the extent possible without any material adverse tax or social consequences for the Inside Secure group.

Richard Vacher Detournière has heretofore the right to claim such compensation in the event of:

(i) termination or non-renewal of his term of office as member of the Management Board (or dismissal) for a reason other than gross negligence (*faute lourde*) in the meaning of the jurisprudence of the labor division of the French Supreme Court (*chambre sociale de la cour de cassation*),

(ii) resignation for good cause (either due to a significant reduction in duties and responsibilities, a reduction in compensation (including fixed compensation, benefits in kind, target variable compensation, or severance compensation), or a change in his work location to another country, in every case without his consent) within six months of a change in control of the Company in the meaning of Article L. 233-3 of the French Commercial Code, or

(iii) termination or resignation of his term of office as member of the Management Board (or dismissal), following a significant disagreement between the Supervisory Board and the

Management Board regarding the strategy carried out by the Management Board, irrespective of whether such strategy was carried out pursuant to a change in control of the Company.

The Supervisory Board will determine the amount of severance compensation paid to the member in question in the following way:

Maximum severance compensation will be equal to the aggregate amount of the fixed and variable compensation received by the member in question over the course of the two years preceding that during which his resignation, termination, or dismissal took place (hereinafter referred to as the “Maximum Amount”), it being hereby understood that the effective date of his resignation, termination, or dismissal will be defined as, depending on the case, the date on which the member in question receives the termination letter (or letter of dismissal), or the date on which the Company receives the resignation letter.

The severance compensation will be subject to and the amount adjusted based on the arithmetic average of the rate of achievement of the objectives that determine the variable portion of the compensation of the member in question over the course of the last two fiscal years preceding his resignation, termination, or dismissal. As such, if this average is:

- strictly lower than 50%, no severance compensation will be paid out,
- equal to 50%, the member in question will receive severance compensation in an amount equal to 75% of the Maximum Amount,
- equal to 100%, the member in question will receive severance compensation in an amount equal to 100% of the Maximum Amount,

it being hereby specified that within the 50% to 100% range, the severance compensation will be calculated linearly (for example, the member in question will receive 87.5% of the Maximum Amount if the average is equal to 75%).

The severance payment will include any dismissal indemnity provided by statutory regulations (including but not limited to the ones provided by applicable laws and any applicable collective bargaining agreement) which may be due to the member in question (for the avoidance of doubt, the severance payment shall not include any payment made pursuant to a non-competition clause, but shall be reduced if necessary so that the sum of the severance payment plus any amount paid pursuant to a non-competition clause does not exceed the two times the member in question’s fixed and variable gross compensation for the year when the termination or resignation shall occur, assuming for the determination of the variable portion thereof that any milestones/objectives have been fully achieved. Notwithstanding the above, for the avoidance of doubt, the severance payment shall not be less than any mandatory dismissal indemnity provided by statutory regulations.

It should be noted, insofar as necessary, that no severance compensation will be owed in the event that the term of office of the member in question is terminated or non-renewed, or that the member in question is dismissed or resigns from his duties as corporate officer, while remaining an employee of the Group, assuming that he is neither subject to a significant reduction in his duties, responsibilities, or compensation (including his fixed compensation, benefits in kind, target variable compensation, or severance compensation) nor subject to a transfer of his work location to another country, and further assuming that such decisions were made without his consent.

Severance compensation will be paid within 30 days of the member’s effective departure from the Group.

Additionally, the vesting of all options, free shares or other equity incentive instrument held by the member in question will be accelerated upon such termination or resignation, to the extent possible without any material adverse tax or social consequences for the Inside Secure group.

15.2 Amounts provisioned by the Company for the purpose of covering pension plans, retirement schemes, and other benefits offered to corporate officers

With the exception of provisions for statutory retirement allowances described in note 24 of the Notes to the Consolidated Financial Statements provided in section 20.1 “Historical Financial Information” of this Registration Document, the Company has not provisioned any sums for the purposes of covering pension plans, retirement schemes, and other benefits offered to the members of the Management Board and Supervisory Board.

The Company did not pay out any signing or severance bonuses to the above-referenced corporate officers.

15.3 Free shares, share warrants and stock options granted to corporate officers

The table below summarizes, as of the filing date of this Registration Document, all of the securities or rights granting access to the share capital that are currently outstanding, regardless of their type, issued by the Company for the benefit of corporate officers.

Free shares, share warrants, and stock options granted to corporate officers (4)(5)								
	Free shares serving a vesting period (1)	Options 2006-1(2)	Options 2006-1-B(2)	Options 2007-1-F(2)	Options June 2014	BSA 2006-2	BSA 8	Total number of shares that could be issued following the exercise of these rights (2)
Amedeo D'Angelo	864,000							864,000
Richard Vacher Detournière	30,000		5,400	15,200	35,000			147,400
Pascal Didier(3)	10,000	5,000						30,000
Patrick Schwager Jones						4,600		18,400
Jean Schmitt								0
Alex Brabers								0
Glenn Collinson							3,200	12,800
Joëlle Toledano								0
Olivier Sichel								0
Muriel Barnéoud								0
BPIFrance Participations								0
Number of shares that could potentially be issued if all such rights were exercised	904,000	20,000	21,600	60,800	35,000	18,400	12,800	1,072,600

(1) For a detailed description of the terms and conditions of each of the above-mentioned plans, please refer to section 21.1.4 "Authorized Share Capital" of the Registration Document. The figures provided correspond to the number of shares that can be subscribed via the exercise of each right or in connection with the securities granting access to the share capital.
(2) The exercise of each of these options grants the right to the acquisition of 4 common shares.
(3) 2,950 free shares definitively vested for Pascal Didier over the course of the fiscal year.
(4) The table does not account for Rémy de Tonnac and Pierre Garnier who left the Group on December 16, 2015 and January 28, 2016, respectively.
(5) Only currently valid grants are included.

15.4 Summary statement of the year 2015 transactions in excess of EUR 5,000 and involving the securities of the Company, carried out by executives and persons referred to in Article L. 621-18-2 of the French Monetary and Financial Code

No transactions in excess of EUR 5,000 involving the security of the Company carried out by executives or persons referred to in Article L. 621-18-2 of the French Monetary and Financial Code has been disclosed on the AMF's website.

16. MANAGEMENT AND GOVERNANCE MATTERS

16.1 Management of the Company

16.1.1 The Management Board

The composition of the Management Board and information pertaining to its members are subject to developments presented in Chapter 14 “Governing, Management, and Supervisory Bodies and Senior Management” and Chapter 21.2 “Incorporation Documents and Bylaws” of this Registration Document.

At its meeting dated April 22, 2014, the Management Board approved its internal charter in order to enable the members of the Management Board to participate in the Management Board’s meetings via videoconferencing or teleconferencing.

16.1.2 The Supervisory Board

The composition of the Supervisory Board and information pertaining to its members are subject to developments presented in Chapter 14 “Governing, Management, and Supervisory Bodies and Senior Management” and Chapter 21.2 “Incorporation Documents and Bylaws” of this Registration Document and in the Chairman of the Supervisory Board’s Report on corporate governance, internal control, and risk management, which can be found in section 16.4 of this Registration Document.

16.2 Service contracts existing between the members of the Management Board and the members of the Supervisory Board of the Company

To the Company’s knowledge, as of the filing date of this Registration Document, there are no existing service contracts between the members of the Supervisory Board or Management Board and the Company or one of its subsidiaries and providing for the grant of benefits.

16.3 Committees

The Company’s Supervisory Board has three committees to assist it in carrying out its duties:

- Audit Committee
- Compensation Committee
- Nominating and Governance Committee

The composition of these committees, as well as their duties, are described in the Chairman of the Supervisory Board’s Report, which can be found in section 16.4 of this Registration Document. The internal rules applicable to these committees can be viewed on the Company’s website.

16.4 Chairman of the Supervisory Board's Report on corporate governance, internal control, and risk management

A French *société anonyme* with a Management Board and a Supervisory Board
A share capital of EUR 13,908,539.20
Registered offices: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Registered in the Trade and Companies Registry of Aix-en-Provence, France under number 399 275 395

CHAIRMAN OF THE SUPERVISORY BOARD'S REPORT
ON COROPORATE GOVERNANCE, INTERNAL CONTROL, AND RISK MANAGEMENT

Dear Shareholders,

In accordance with the provisions of Article L. 225-68 of the French Commercial Code, and as Chairman of the Supervisory Board, in this report I have the honor to share the composition of the Supervisory Board, the application of the equitable men and women representation principle within its membership, the conditions under which this Board's duties were prepared and organized over the course of the 2014 fiscal year, as well as the internal control and risk management procedures implemented by the Company.

This report, prepared by the secretary general's office and the financial management of the Company, was subject to the Audit Committee, then approved by the Supervisory Board at its meeting dated February 24, 2016.

1. Corporate Governance and the representation of men and women on the Supervisory Board

INSIDE Secure (hereinafter the "Company") is a French *société anonyme*, created on November 30, 1994 with a Management Board and a Supervisory Board.

At its meeting held on March 31, 2011, the Supervisory Board (or the "Board") approved its internal charter, which was amended on November 21, 2012. This charter details, in particular, the rules applicable to the operation of the Board, the rules of conduct, and the obligations of the members of the Supervisory Board of the Company, and the terms and conditions of operation of the Board and the committees. The main provisions of the Board's internal charter are reiterated hereafter.

At its meeting held on March 31, 2011, the Supervisory Board decided to use as its reference the corporate governance code of publicly-traded companies published by the AFEP and MEDEF in December 2008, as reviewed in April 2010 and in June 2013, then updated in November 2015, and approved by the *Autorité des Marchés Financiers* (French financial markets regulator, or "AMF") as a code of reference for corporate governance (the "AFEP-MEDEF Code"). This code is available on the MEDEF website (www.medef.com), among other places.

The goal of the Company is to comply with all of the recommendations contained in the AFEP-MEDEF Code.

To this end, the Company regularly reviews its governance principles based on the AFEP-MEDEF Code's recommendations. Therefore, the Company considers that it complies with the Code's main recommendations, with the exception of the recommendations pertaining to:

- The evaluation of the Supervisory Board's functioning. The Supervisory Board routinely assesses the quality of its functioning. However, there currently is no formal evaluation process in place. The Company plans to implement a formal evaluation process in the future;

- Shareholding by members of the Supervisory Board. It should be noted that some of the Company's Directors hold very few Company shares. The Company recommends that these Directors spend part of their attendance fees to acquire Company shares;

- The general policy for granting stock options and performance shares. There is currently no general policy for granting stock options or performance shares. In addition, the various grants of stock options and free shares that occurred in past fiscal years were not carried out on pre-determined calendar days as recommended under the terms of the AFEP-MEDEF Code. The purpose of these grants has always been to motivate employees and managers who are joining the Group, in particular following any of the Group's takeovers;

- The grant of performance shares to the Chairman of the Management Board. The final vesting of the free shares granted to Amedeo D'Angelo is subject to the satisfaction of a market condition (the Management Board may, after approval of the Supervisory Board, waive in all or in part this market condition). Based on the worldwide business restructuring plan launched by the Company in February 2016, the Supervisory Board, based on the Compensation Committee's recommendation, considered that this market condition alone allows for a fair balance between internal and external performances of the company. The efforts Amedeo D'Angelo has made internally, particularly with respect to the implementation of the Company's new strategic plan, need to be reflected in the Company's valuation;

- The fixed compensation of executive corporate officers. The compensation paid to executive corporate officers is reviewed every year, not following relatively long periods as recommended under the terms of the AFEP-MEDEF Code. The Company does not follow this recommendation because it believes that it is consistent neither with its current state of development, nor with the characteristic dynamism of target markets, requiring routine reassessments of key objectives and, as a result, of the compensation methods applicable to corporate officers.

In particular, the Company intends to comply with the following recommendations:

- ensuring that the Supervisory Board is composed of and maintains a female presence of at least 20% within a time frame of 3 years (as of the date of this report, the Supvervisory Board is made up of 29% women) and at least 40% within a time frame of 6 years as from the date on which the securities of the Company were admitted to trading on the Euronext regulated stock exchange in Paris, France,

- ensuring that, by the expiration of the aforementioned 6-year period, whenever the Board is composed of 9 members the difference between the number of members of each gender is not greater than 2.

Each Supervisory Board member undertakes to maintain his or her independence of analysis, judgment, and action and to actively participate in the Supervisory Board's work. He or she must inform the Supervisory Board regarding potential conflicts of interest he or she may face. In addition, he or she is aware of applicable regulations associated with the disclosure and use of privileged information and understands that members must refrain from completing transactions with their Company securities after being exposed to privileged information. Each Supervisory Board member must declare to the Company and the AMF all the transactions he or she has directly or indirectly completed with Company securities.

2. Composition of the Supervisory Board

Pursuant to applicable legal and statutory provisions, the Supervisory Board is composed of at least three members and at most nine, appointed by shareholders at the General Shareholders' Meeting for a term of three years. They are eligible for reelection at expiration of their term of office. In the event that a seat becomes vacant, the members of the Supervisory Board may co-opt other members under the conditions set by law and applicable regulations.

In accordance with the terms of its internal charter, the Supervisory Board undertakes to make all efforts to ensure that it is composed of at least a majority of independent members in the meaning of the AFEP-MEDEF Code. Those members of the Board who do not entertain any relationship with the Company, its Group, or its management that could potentially compromise their freedom of judgment are considered independent.

As of December 31, 2015, there were 8 members on the Supervisory Board. On February 2, 2016, one of the Supervisory Board members resigned for personal reasons. Therefore, as of the filing date of this Registration Document, there are 7 members on the Board. The profiles and experience of the members of the Supervisory Board are described in Chapter 14 "Governing, Management and Supervisory Bodies, and Senior Management" of this Registration Document.

The Supervisory Board considers that six of its current seven members are independent. Mr. Patrick Jones, Mr. Glenn Collinson, Mr. Jean Schmitt, Mrs. Joëlle Toledano, Mrs. Muriel Barnéoud, and Bpifrance Participations effectively meet the criteria defined in the AFEP-MEDEF Code, insofar as they:
- are not currently or were not over the course of the past five years, either employees or corporate officers of the Company, and either employees or corporate officers of one of its subsidiaries;
- are not corporate officers of a company in which the Company exercises, either directly or indirectly, a role as director or in which a Company employee appointed as such or a corporate officer of the Company (either currently in office or having been in office during the past five years at least) exercises a role as director,
- are not customers, suppliers, investment bankers, finance bankers (i) that are key for the Company or the Group, or (ii) for which the Company or its Group represent a significant portion of their business,
- do not have any close familial ties with a corporate officer,
- have not acted as auditors of the Company over the course of the past five years, and
- have not been members of the Board of the Company for more than twelve years.

The members of the Supervisory Board who represent significant shareholders of the Company can be considered independent provided they do not participate in the control of the Company. Beyond a 10% share capital and voting rights threshold, the Board must, based on the report delivered by the compensation and nomination committee, systematically review the status of independence of its members while taking into account the distribution of the share capital of the Company and the existence of potential conflicts of interest. With respect to the above, the Supervisory Board determined that although Bpifrance Participations holds approximately 7% of the share capital, it could still be qualified as an independent member. After the Company completes the share capital increases announced on February 25, 2016, the Supervisory Board, based on the Nominating and Governance Committee, will review Jean Schmitt's qualitifications as an independent director, while taking into account, in particular, the distribution of the Company's share capital after the aforentioned transactions. The need for a change in the Audit Committee's composition could also be discussed.

In addition, at least one of the independent members must have specific skills in finance or accounting in order to be appointed to the Audit Committee, which is the case for Patrick Jones (for further information please refer to the summary of his professional experience in Chapter 14 "Governing, Management, and Supervisory Bodies and Senior Management") of the Registration Document.

3. Duties of the Supervisory Board

The Supervisory Board is subject to the provisions of the French Commercial Code, to articles 15 to 17 of the Bylaws of the Company, and to the internal charter it adopted.

In particular, the Supervisory Board is responsible for:
- exercising permanent oversight of the management of the Company by the Management Board,
- appointing those members of the Management Board responsible for defining the strategy of the Group and for managing it,
- setting the compensation of the members of the Management Board,
- authorizing the agreements and commitments discussed in articles L. 225-86 and L. 225-90-1 of the French Commercial Code,
- suggesting statutory auditors for nomination at the General Shareholders' meeting,
- approving the Chairman of the Board's report on corporate governance and internal control.

It checks the quality of information disclosed to shareholders and to the markets.

There are no statutory limitations to the powers of the Management Board.

4. Conditions under which the work of the Supervisory Board was prepared and organized

In order to efficiently participate in the work and deliberations of the Board, each member of the Board requests the documents he or she deem useful. Such requests must be sent to the Management Board or, as the case may be, any other senior executive.

Each member of the Board is allowed to meet with the main executives of the company, provided prior notification is sent the Management Board. The members of the Management Board can attend these meetings unless the Board member in question refuses. The members of the Management Board can speak at any Board meeting.

The Management Board informs the Board on a regular basis regarding the financial position, cash position, financial commitments of the Company and the Group, as well as regarding any significant events that may have occurred.

Lastly, any new member of the Board can request to receive training on the specificities of the Company and its Group, their business activities and their business sectors.

The Board meets as often as necessary in the corporate interest of the Company and at least once per quarter. No later than on the last meeting of the fiscal year, the Board sets the dates of its quarterly meetings to be held in the following fiscal year. The members of the Board are notified by letter, facsimile, or email at least eight (8) days prior to each meeting. The Board can also be convened by any means available, even verbally, if all the active members of the Board are present or represented at the meeting.

All documents, in final or draft form, are sent, handed, or made available to the members of the Board within a reasonable time frame prior to the meeting, in order to inform them regarding the agenda of the meeting and any questions subject to the Board's review.

In addition, at each meeting the Board is updated regarding the financial position, the cash position, and the commitments of the Company.

The members of the Board can attend Board meetings via video-conferencing or any other means of telecommunication. This attendance method is not valid for deciding on the following matters: (i) appointing, terminating, or setting the compensation of members of the Management Board, and (ii) reviewing and auditing the annual financial statements, including the consolidated financial statements, and reviewing the management report including the management report of the Group.

The means put in place must enable the identification of those in attendance and guarantee their effective participation.

The minutes of the meeting lists those members using video-conferencing or any other means of telecommunication to attend the meeting.

Annually, the Board reviews its terms and conditions of operation and, at least once every three years, complete a formal evaluation with the assistance of an external consultant, as the case may be. The purpose of this evaluation is also to ensure that important questions are adequately prepared and debated, and to assess the contribution of each member to the work completed by the Board based on his or her abilities and implication, in particular.

5. Elements of compensation of the Supervisory Board

All of the compensation paid to members of the Supervisory Board is exclusively in the form of attendance fees. The aggregate amount of attendance fees to be allocated to the members of the Supervisory Board was set at the General Shareholders' Meeting dated June 19, 2013. The distribution of attendance fees amongst the various members of the Supervisory Board takes into account:
- the chairmanship of the Supervisory Board,
- the chairmanship of the Supervisory Board's specialized committees,
- the actual attendance rate of the members at meetings of the Supervisory Board, and
- the effective participation in the work of the various committees.

The distribution of attendance fees over the course of the 2014 and 2015 fiscal years is described in Table 3 of section 15.1 of the Registration Document.

At its meeting dated April 13, 2015, the Supervisory Board decided to apply a 20% reduction to the attendance fees to be paid to members as from Q2 2015. Due, in particular, to the increase in the number of Supervisory Board members in the second half of the 2014 fiscal year, this decision resulted, in 2015, in an effective 9% reduction in the aggregate amount of attendance fees paid relative to 2014.

6. Report on the activity of the Board and committees over the course of the 2015 fiscal year

Over the course of the past fiscal year, the Supervisory Board of the Company met 9 times. The Chairman of the Board chaired these meetings, it being specified that the average attendance rate of all members of the Board for the fiscal year was equal to 90%.

6.1 The Audit Committee

The audit committee (the "Audit Committee") was created in 2006. Its members adopted a new internal charter on March 31, 2011, which was approved by the Supervisory Board that same day.

The goal of the Audit Committee, acting under the exclusive and collective authority of the members of the Supervisory Board of the Company and in order to ensure the quality of internal control procedures and of the reliability of the information provided to shareholders and to the financial markets, is to monitor all issues associated with the establishment and auditing of accounting and financial information and, to this end, in particular:

- to monitor the process under which financial information is prepared,
- to monitor the effectiveness of internal control and risk management systems and, in particular:
  - to evaluate the internal control processes as well as any measures adopted for the purpose of solving any significant potential internal control dysfunctions,
  - to review the annual work plan of the auditors,
  - to assess the relevance of the risk monitoring procedure,
- to monitor the legal auditing of the annual financial statements and consolidated financial statements by the Statutory Auditors and, in particular:
  - to review the assumptions retained in the financial statements, to study the corporate financial statements of the Company and the annual, half-year and, as the case may be, quarterly consolidated financial statements before they are reviewed by the Supervisory Board, while having regularly kept abreast of the financial position, cash position, and commitments of the Company, in particular off-balance sheet data,
  - to assess the merits of the choice in accounting principles and methods, in consultation with the Statutory Auditors,
  - to discuss the merits of the accounting principles and methods retained, the effectiveness of accounting auditing procedures, and all other relevant matters with the members of the Management Board in charge of financial concerns as well as with the Chief Financial Officer, from the end of any given fiscal year to the date on which the Audit Committee will seek to approve the draft version of the annual financial statements,
- to review the significant transactions for which a conflict of interests may have occurred,
- to issue a recommendation on the Statutory Auditors suggested for appointment at the General Shareholders' meeting and to review the conditions applicable to their compensation,
- to monitor the status of independence of the Statutory Auditors and, in particular:
  - to suggest the setting of rules that the Statutory Auditors can resort to with respect to duties other than the auditing the financial statements in order to guarantee the independence of the auditing services of the financial statements provided by such Statutory Auditors in compliance with the law, regulations, and recommendations applicable to the Company, and to ensure that such rules are well applied,
  - to authorize any decision to resort to the Statutory Auditors for work other than the auditing of the financial statements,
- to review the conditions governing the use of financial derivatives,
- to monitor the status of significant disputes on a regular basis,
- to review the procedures implemented by the Company with respect to the receipt, filing, and processing of claims pertaining to accounting matters and accounting audits carried out internally, to issues surrounding the auditing of the financial statements, as well as to documents sent anonymously and confidentially by employees and that may call into question any practices used in accounting or in the auditing of the financial statements, and
- generally, to provide any advice and to formulate any appropriate recommendations regarding the matters set forth above.

If possible, the Audit Committee is composed of at least three members of the Supervisory Board appointed by the Supervisory Board, it being specified that at least two thirds of the members of the Audit Committee must be, insofar as possible, independent members in accordance with the criteria defined in the AFEP-MEDEF Code, which the Company uses as a reference.

In selecting the members of the Audit Committee, the Supervisory Board ensures that they are independent, that at least one independent member of the Audit Committee has specific skills in finance or accounting, and that all the members have basic skills in finance and accounting.

The members of the Audit Committee are:

- Patrick Jones (Chairman of the Audit Committee, financial expert, independent member of the Supervisory Board, and Chairman of the Supervisory Board),
- Alex Brabers (member of the Supervisory Board),
- Jean Schmitt (independent member of the Supervisory Board), and
- Thierry Sommelet (permanent representative of Bpifrance Participations, independent member of the Supervisory Board).

These four individuals were selected based on their accounting and financial skills, it being specified that Patrick Jones, Jean Schmitt, and Thierry Sommelet also meet the independence criteria retained by the Company and reiterated in the internal charter of the Board. With 3/4 independent members, the Audit Committee complies with the recommendations of the AFEP-MEDEF Code according to which an audit committee must be composed of at least 2/3 independent members.

The Audit Committee can speak with any member of the Management Board of the Company and visit with or interview the heads of operating or functional entities that may be of assistance to the Audit Committee in completing its assignment. Should the Audit Committee choose to do so, it gives prior notice to the Chairman of the Supervisory Board and the Chairman of the Management Board of the Company. In particular, the Audit Committee has the authority to interview persons who participate in the preparation of the financial statements or their auditing (Chief Financial Officer and senior executives in financial management).

The Audit Committee interviews the Statutory Auditors.

The Audit Committee met 7 times over the course of the 2015 fiscal year with an attendance rate of 96%.

6.2 Compensation Committee

At its meeting dated October 23, 2014, the Supervisory Board of the Company decided to create a Nominating and Governance Committee and, in particular, to assign part of the duties of the Nominations and Compensation Committee to it, the latter of which was renamed as the compensation committee (hereinafter the "Compensation Committee"). The internal rules of the Compensation Committee were modified to reflect this change and were adopted by the members of the Supervisory Board at its meeting dated October 24, 2014.

The main objectives of the Compensation Committee are:
- to make recommendations to the Supervisory Board regarding the persons or entities that should be appointed as members of the Management Board,
- to review the compensation policies implemented by the Group and applicable to senior executives, to make proposals regarding the compensation of members of the Management Board, and to prepare all reports that the Company must disclose on these matters.

The Compensation Committee is, in particular, responsible for the following:

- in regards to nomination matters:
    - Make recommendations to the Supervisory Board on the composition of the Management Board,
    - Establish a succession plan for the executive officers of the Company and assist the Supervisory Board in the selection and evaluation of members of the Management Board, and
    - Prepare a list of persons to recommend for nomination to the Management Board.

- in regards to compensation matters:
    - Study the main objectives proposed by senior management regarding compensation of executives who are not corporate officers of the Company, including free allocation of shares and stock options,
    - Review the compensation of executives who are not corporate officers of the Company, including free share plans and stock option plans, pension schemes, welfare plans and benefits in kind;
    - Formulate recommendations and proposals to the Supervisory Board regarding:
        - compensation, pension and welfare schemes, benefits in kind and other pecuniary rights, including in the event that the terms of office of Management Board members are terminated. The Compensation Committee proposes amounts and systems of compensation and, in particular, rules for calculation of any variable compensation taking into account the strategy, objectives and results of the Company and market standards;
        - free share plans, stock option plans, and any similar profit sharing mechanism and, in particular, the individual grants to the members of the Management Board,
    - Prepare and present reports required under the terms of the internal charter of the Supervisory Board; and
    - Prepare any other recommendation that could be requested by the Supervisory Board or the Management Board regarding compensation.

Generally speaking, the Compensation Committee provides any advice and formulates any appropriate recommendations regarding the matters set forth above.

If possible, the Compensation Committee is composed of at least three members of the Supervisory Board appointed by the Supervisory Board, it being specified that no less than the majority of the members of the Audit Committee must be, insofar as possible, independent members in accordance with the criteria defined in the AFEP-MEDEF Code, which the Company uses as a reference.

The members of the Compensation Committee are:
- Glenn Collinson (Chairman of the Compensation Committee, independent member of the Supervisory Board),
- Alex Brabers (member of the Supervisory Board),
- Joëlle Toledano (independent member of the Supervisory Board), and
- Thierry Sommelet (permanent representative of Bpifrance Participations, independent member of the Supervisory Board).

Within the context of its duties, the Compensation Committee can submit a request to the Chairman of the Management Board regarding the need for the assistance of any management executive (*cadre dirigeant*) of the Company, the specific skills of which could facilitate the completion of one of the tasks on the agenda.

The Compensation Committee met 5 times over the course of the 2015 fiscal year with an attendance rate of 100%.

6.3 Nominating and Governance Committee

At its meeting dated October 23, 2014, the Company's Supervisory Board decided to create a nominating and governance committee (hereinafter the "Nominating and Governance Committee").

The Nominating and Governance Committee's mission is to assist the Supervisory Board with respect to the following tasks:
- determine the composition of the Supervisory Board and its specialized committees;

- spearhead the procedure in place to assess the method of operation of the Supervisory Board; and
- develop and recommend the corporate governance principles applicable to the Company to the Supervisory Board.

In order to accomplish such mission, the Committee has the following powers and responsibilities:

- supervise the recruitment of new Supervisory Board members and make recommendations to the Board. The Committee must also supervise the integration and training of newly elected or nominated members;
- develop and submit to the approval of the Supervisory Board the principles of corporate governance applicable to the Company. Every year, or more frequently if necessary, the Committee must review these principles. While consulting with the Chairman of the Supervisory Board and the Chairman of the Management Board, it must periodically review, revise, and confirm the Company's compliance with governance policies as well as take into consideration other governance matters that can, from time to time, require a review by the entire Supervisory Board;
- develop and recommend to the Supervisory Board an annual self-assessment procedure to evaluate the method of operation of the Board and its committees. The Committee supervises this annual self-assessment;
- identifies the Supervisory Board's good practices with respect to its methods of operation, and makes any appropriate recommendations to the Board;
- analyzes matters of independence and potential conflicts of interests affecting the Supervisory Board's members and the Company's executives. This explicitly includes an analysis of sensitive issues regarding the disclosure of information on competition, strategic partners, current or potential investors, technological partners, or customers. The Nominating and Governance Committee develops and spearheads practices guaranteeing the confidentiality of information concerning their customers. For example, the Committee does not authorize discussing a particular customer in the presence of a Supervisory Board member or observer who faces a conflict of interests.
- ensures that the code of conduct and ethics, as well as the insider trading rules, are clear, published, and up to date. In the event of a problem, the Committee makes recommendations aimed at resolving such problem; and
- annually reviews the compensation paid to the Supervisory Board's members.

As of the date hereof, the Committee is composed of the Chairman of the Supervisory Board and the previous chairman of this Supervisory Board, in other words:

- Patrick Jones (Chairman of the Supervisory Board), and
- Alex Brabers (member of the Supervisory Board).

The Nominating and Governance Committee met 11 times since its creation over the course of the 2015 fiscal year. It had a 100% attendance rate.

7. Risk management and internal control procedures implemented by the Company

In drafting this section of its report, the Company used the reference framework implementation guide on internal control intended for publicly traded companies, prepared by AFEP and MEDEF and updated in April 2010.

7.1 General risk management principles

A) Definition

Risk management aims to identify all of the main risks and risk factors that could affect the business activities and processes of the company and to define the means of managing these risks and maintaining them, or to bring them down to an acceptable level for the Company, in particular by setting up preventative measures and controls linked to the internal control system. Internal control is not limited to procedures increasing the reliability of financial and accounting information. Together, its procedures are intended to cover all types of risks and to apply to all the business activities of the Company and the Group.

B) Risk management objectives

The Company adopted the definition of risk management published by the French *Autorité des marchés financiers*, according to which risk management is a leverage mechanism in the management of the Company that contributes to:

- creating and maintaining the value, assets, and reputation of the Company,
- providing added security to the decision-making and processes of the Company in order to promote the reaching of objectives,
- promote consistency between actions and the securities of the Company,
- mobilize employees around a shared understanding of the main risks to which the Company is exposed.

C) Components of the risk management system

The risk controlling method used by the Company is mainly based on a risk assessment it updates every year and on the elaboration of plans of action aimed at handling these risks.

The risk assessment is presented to the Audit Committee.

The main risks associated with the Group's business activities are described in Chapter 4 "Risk Factors" of this Registration Document.

D) Main financial and accounting plans of action

Specific plans of action are put in place in order to respond appropriately to the main risks identified. Financial and accounting risks and related controls in place are shared with the Statutory Auditors and the Audit Committee on a regular basis in order to adapt these plans of action.

Considering the uncertainties associated with the technological nature of the industry in which the Group operates, the financial and accounting plans of action are mainly the following:

- Financial plans of action:
  - Active monitoring of financial markets and establishment of a three-year business plan, an annual budget, a quarterly income and cash position forecast, and monthly reporting;
  - Prudent cash management and capped external indebtedness;
  - Protection of patented technologies;
  - Capping the risks associated with industrial investments in the context of the fabless model, and avoiding speculative investments,
  - Spearheading research and development projects throughout their term.

- Accounting plans of action:
  - Revenue accounting only when the amount of revenue can be assessed reliably, when there is a probability that future economic advantages will benefit the Group and that the criteria specific to each of the Group's business activities are fulfilled;

- Internal costs incurred on development projects are not capitalized insofar as the capitalization criteria are difficult to be met;
- Accounting of goods in inventory only when a sales order is confirmed or when a forthcoming sales order is highly likely;
- Systematic monitoring of impairment indicators for fixed assets and future cash flow retained for impairment tests were limited to a horizon of 7 years, taking into account a peak in business with discount rates incorporating a risk premium;
- No recognition of deferred tax assets insofar as profitability cannot be reliably proven;
- Grant's recognition in income statement only when a definitive confirmation of the grant is received.

7.2 Relationship between risk management and internal control

The internal control system aims to ensure that specific plans of action are effectively implemented.

7.3 General internal control principles

A) Definition

INSIDE Secure uses as a guideline the definition of internal control proposed by the French *Autorité des marchés financiers*, according to which internal control is a system implemented by the Company intended to ensure:

- compliance with laws and regulations of its activities,
- the enforcement of instructions and guidelines set by senior management,
- the proper functioning of the internal processes of the Company,
- the reliability of its financial information,

and, generally, contribute to the monitoring of its activities, the effectiveness of its operations and the efficient use of its resources. Over the course of the fiscal year, the Company continued to implement an internal control system intended to "internally guarantee that the information used and distributed throughout the businesses of the Company is relevant and reliable."

However, the use of internal controls does not constitute an absolute guarantee that the objectives of the Company will be reached, or even that the risk of error or fraud will be fully controlled or eliminated.

B) The components of internal control

Standards

The procedures described below are those of the Company and its subsidiaries, the financial statements of which are consolidated by the global integration method, it being hereby specified that in the context of its development and of the initial listing of its shares on the Euronext regulated market in Paris, France, the Company intends to improve and supplement its existing system by referring to the guidelines contained in the implementation guide for the framework of reference on risk management and internal control adapted to small- and mid- capitalizations published by the French *Autorité des marchés financiers* on November 18, 2013.

The different actors of the internal control system

The Group's internal control system relies on the Management Board of the Company, its Supervisory Board, its Audit Committee and its Compensation and Nomination Committee. Their composition, functions and operation are described above.

Accounting and financial organization and spearheading

The Group has implemented a number of procedures relative to accounting and financial information, which are mainly organized around a three-year business plan, an annual budget, a quarterly income and cash position forecast, and monthly reporting.

Identification of key controls and the monitoring of their implementation

In studying its risk map, the Group identified the major risks it is exposed to as a result of the nature of its business activities.

Relative to its risk map and to corresponding plans of action, the Group identified fifteen processes used in the preparation of its financial information:

- Governance
- Reporting and budgetary procedures
- Research and development activity
- Existence and valuation of stocks
- Recognition of income and customers
- Purchase and suppliers providers
- Payroll and Human Resources
- Procedures for investment and capital expenditures
- Cash and derivatives
- Contractual and legal framework
- Tax matters
- Research tax credits and grants
- Subsidiaries
- Information systems
- Procedures for closing interim and annual financial statements

These processes are listed in an internal control matrix that included 175 key controls during its most recent review in December 2015. Some key controls have revealed internal control weaknesses, which as far as the Company is concerned, did not significantly affect the reliability of its financial information as offsetting controls were implemented. These are areas of improvement for the Group. The Audit Committee reviews the matrix of internal control on an annual basis.

Accounting and financial information system

The Group has established three information systems in order to strengthen its internal control system:

- a management tool for ERP (SAP), the objective of which is to restore financial information in an automated and secure way. This tool has helped to establish a plan of accounts, to improve the traceability of information and create audit trails,
- a tool to monitor research and development projects that enables the monitoring, on a per project basis, of the time spent by researchers on each project and the costs incurred in connection with each project,
- a software package for modeling projected cash flows in order to manage cash projections in connection with accounting and budget control data.

Resources allocated to internal control

Given its size, the Group has not established an internal audit department. Internal control is primarily the responsibility of its financial department. During their visit to sites abroad, its teams review the analyses of the financial statements prepared by the accountants of its subsidiaries. In general, for foreign subsidiaries, the Group relies on outside auditors for the preparation of the financial statements and the annual tax returns in order to maintain an adequate segregation of duties and to ensure proper compliance with and implementation of local legal and tax provisions.

7.4 Scope of risk management and internal control

The internal control procedures described herein are applicable to the Company as well as to any of its subsidiaries for which the financial statements are consolidated according to the global integration method.

7.5 Corporate bodies responsible for risk management and internal control

The Management Board of the Company is responsible for the identification and processing of essential challenges and defines strategic and operational objectives. It ensures that the strategy is executed and reviews the options contributing to its effective implementation, in particular in the fields of technology, security, and human and financial resources.

The framework of reference used by the Company for its internal control is focused on ensuring that the accounting and financial information is reliable and on compliance with applicable laws and regulations, in particular in the area of preparation of accounting and financial information.

The Management Board is responsible for the supervision of the internal control system of the Company. Since its does not have an internal auditing department, the Management Board entrusts the financial department with the responsibility of identifying the risks and implementing, monitoring, and evaluating the internal control system.

Within the financial department, the chief financial officer, financial controllers, and the financial planning & analysis department are an integral part of the system and work in close collaboration with the various operational departments in order to guarantee an acceptable level of internal control.

Lastly, acting under the authority of the members of the Supervisory Board of the Company and in order to ensure the quality of internal control procedures and of the reliability of the information provided to shareholders and to the financial markets, The Audit Committee monitors all issues associated with the establishment and auditing of accounting and financial information.

7.6 Limitations of risk management and internal control and areas of improvement

Risk management and internal control represent a constantly improving process. In 2015, the Company continued to improve its internal control system. In 2016, the Company will aim to develop it based on the new areas of focus for its business.

16.5 Report of the statutory auditors on the report of the Chairman of the Supervisory Board's Report on corporate governance, internal control, and risk management

PricewaterhouseCoopers Audit
63 rue de Villiers
92200 Neuilly-sur-Seine

Antoine OLANDA
38 Parc du Golf
13856 Aix-en-Provence

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of INSIDE Secure
Year ended December 31, 2015

INSIDE Secure
Rue de la Carrière de Bachasson
13590 Meyreuil

To the Shareholders,

In our capacity as Statutory Auditors of Inside Secure, and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-68 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Supervisory Board's report, prepared in accordance with article L.225-68 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-68 of the French Commercial Code.

Signed at Neuilly-sur-Seine and Aix-en-Provence, March 25, 2016

The statutory auditors

PricewaterhouseCoopers Audit   Antoine OLANDA

Didier Cavanié
Partner

17. EMPLOYEE MATTERS

17.1 Corporate information

17.1.1 Employees

As of December 31, 2015, the Group had 291 employees (of which 6 employed under temporary closed-term employment contracts).

At closing of the periods in question, the Group's employee base changed as follows:

Per function	December 31, 2015	December 31, 2014
Senior management and administration	50	50
Research and development	167	168
Sales & Marketing	74	68
Operations	0	60
Total	291	346

On July 1, 2015, the Group transferred its France-based semiconductor engineering activities and its worldwide supply chain management activities, as well as a team of approximately 40 persons, to Presto Engineering, a specialist in engineering and production services for semiconductor manufacturers.

Employees in the Operations department who were not transferred to Presto Engineering were assigned to other departments of the Company.

Per country (*)	December 31, 2015	December 31, 2014
France	*141*	*186*
Scotland	*41*	*42*
Netherlands	*37*	*40*
Finland	*28*	*28*
Singapore	*5*	*6*
South Korea	*5*	*4*
Thailand	*0*	*4*
Taiwan	*7*	*8*
Japan	*4*	*5*
United States	*23*	*23*

(*) in this table, employees are assigned to the various countries based on their home company. It should be noted that an employee working for the Finnish subsidiary of the Company performs her duties mainly in Norway.

<u>Gender breakdown</u>

		December 31, 2015
Women	France	41
	Outside of France	25
Men	France	100
	Outside of France	125
Total		291

Based on an employee base of 291 employees as of December 31, 2015, the percentage of women is equal to 23%, or equal to the percentage recorded for the 2014 fiscal year. This gender distribution is mainly due to the types of professions represented within the Group, which historically have been dominated by the male population.

Age breakdown

	< 30 years	Between 30 and 40 years	Between 40 and 50 years	> 50 years
France	15	45	54	27
Outside of France	6	47	67	30
Total	21	92	121	57

The Group's employees have an average age of 42 years. It should be noted that there is a fairly large senior population for a high tech business, since the percentage of employees over 50 is 20%. In France, the rate is 19%.

In order to strengthen its teams on certain projects, the Company regularly employs through staffing agencies that assist in finding temporary employees.

These temporary employees totaled 11 persons as of December 31, 2013, 15 persons as of December 31, 2014, and 12 persons as of December 31, 2015.

Hirings, dismissals, transfers

The Company mainly employs candidates with "expert" profiles. Due to their experience, they are able to meet the technological challenges inherent in the markets in which the Company conducts its business. However, the hiring strategy of the Company is to hire a mix of profiles, with a higher preference for "junior-level" profiles concerning generally versatile or multi-purpose positions. Apprenticeships and mandatory long-term engineering post-graduate residencies are also a preferred source of recruitment for the Company.

The Group hired 19 persons in 2015, of which 10 in the France zone. Of all the employees who joined the Group in 2015, 84% of them were recruited with permanent "open term" employment contracts (*contrat à durée indéterminée*, or "CDI"). 3 employees were recruited with temporary "closed term" employment contracts (*contrat à durée déterminée*, or "CDD").

In addition, over the course of the 2015 fiscal year:

- 20 employees of the group resigned,
- 3 employees left the Company upon expiration of their CDD,
- 1 employee left the Company upon expiration of his/her trial period,
- 2 employees at the Company's US subsidiary were dismissed,
- 2 mutually agreed employment contract terminations (*rupture conventionnelle*) took place for 2 employees stationed in France,
- 1 amicable departure (*accord à l'amiable*) was signed with an employee at one of the Company's Dutch subsidiaries, and
- The Chairman of the Company's Management Board was replaced.

Lastly, on July 1, 2015, the Group transferred its France-based semiconductor engineering activities and its worldwide supply chain management activities, to Presto Engineering, which led 43 of the Group's employees to join Presto Engineering under the terms of tripartite agreements.

Wages and salaries

Wages and salaries (charges included) recorded by the Group in the 2015 fiscal year amounted to US$38,476 thousand.

Incentive-based compensation

In France, a discretionary profit-sharing agreement (*accord d'intéressement*) was signed with the representatives of the employees of each of the Group's French companies (INSIDE Secure and Vault-IC France).

The purpose of these agreements is to create a direct link between the employee and the Group's performance, while strengthening its belief in promoting common interests.

The agreements in force in the 2015 fiscal year were based on reaching a target operating margin in the 2015 fiscal year and on reaching set targets for Company penetration in new markets and for client satisfaction. Incentive-based compensation was paid to employees of the Group's French companies in 2015.

Health, pension, welfare, and other benefits

INSIDE Secure's employees in France also benefit from various employment benefits:

- Regarding health, the Company guarantees its employees an additional health plan to the general social security plan. In 2012, the additional health plan was redefined and, as a result, the Group's management will incur a larger portion of contributions to this plan;

- Regarding welfare, the protection plan available to employees aims to protect them against life's mishaps: work interruption, disability, or inability to perform. This plan guarantees employees that they will be paid significant bonuses in the event of disability or inability to perform. In the event of death, this plans allows for to be paid to the spouse and an education stipend for each child he or she claims as a dependent;

- In order to help its employees in securing a home, the Company became a member of the organization responsible for managing the *1% patronal* (employer loan offering employees a 1% interest rate for the acquisition or construction of one's principal residence). This new membership provides all employees with privileged access to real estate inventory. They also benefit from other advantages aimed at assisting them in leasing or acquiring their place of residence.

17.1.2 Work hours

Within INSIDE Secure, company executives and non-executives (*salariés cadres et non cadres*) work 39 hours per week. They accumulate 0.62 days of overtime per month, or a total of 6.82 days per year.

Employees of Vault-IC France have different scheduling schemes in place:

- Work hours for nearly all company executives is based on day count (218 days) enabling each of them to better organize their work hours and adapt to the duties and responsibilities entrusted to them;
- Non-executive personnel either works 35 hours per week while being allocated 12 RTT days (*réduction du temps de travail*, or extra paid vacation days to promote less work hours, or "RTT") or works 39 hours per week while accumulating 0.62 days of overtime per month, or a total of 6.82 days per year;
- Lastly, a certain number of employees responsible for testing the company's products work according to a schedule of shifts. These employees joined Presto Engineering on July 1, 2015.

As of December 31, 2015, 9.6% of the Group's employees work part-time.

Skills management

- As early as 2011, the Group wanted to change its internal structure in order to manage new hires and skills homogeneously across its entire staff and rally groups of varying origin around the same approach regarding professional contributions and their development.

- The new structure launched in December 2013 assigned a position to each job and each contribution level in the organization. It highlights career moves within the sector and across sectors, horizontal and vertical, and between expertise and management.

- The approach covers all of the Group's employees, excluding corporate officers. It is used for all job positions, in all countries, and applies to executive and non-executives. The new structure includes 11 groups. Job positions are split into four broad career sectors:
  - Technical
  - Sales
  - Support
  - Management

In addition, the new structure helped to harmonize and provide consistency with the Group's general remuneration policy (fixed salaries and individual variable portions), by assigning salary ranges to each group in the structure, which are determined based on the real salaries, pay equity management, and market competitiveness. Although it is constantly changing as the company further develops, it provides the general guidelines for its remuneration policy and employment benefits.

Absenteeism

Absenteeism within the company is fairly weak; it is lower than the national averages for the business sector of the Group (source: *7ème baromètre Alma Consulting Group sur l'absentéisme en France* published in September 2015 – Absenteeism rate of 4.59% in France in 2014).

In 2015, the aggregate absenteeism rate in Europe (including illness and work-related or traveling injuries) totaled 1.89%. In France it is equal to 2.00%. It corresponds to the total number of days absent for illness, or work-related or traveling injury or illness, divided by the theoretical number of business days in the year.

17.1.3 Labor relations

The Group assigns special importance to labor relations, in particular when negotiating with employee representatives.

The French companies of the Group, namely INSIDE Secure and Vault-IC France, each have a works council.

INSIDE Secure has a dedicated employee delegation comprised of 4 permanent members and 4 alternates. The most recent elections took place in September 2015. All of the elected members of the works council belong to the FO labor union.

Vault-IC France also has a dedicated employee delegation comprised of 3 permanent members and 3 alternates. The most recent elections took place in January 2015. Permanent members are affiliates of the CFE CGC labor union.

The Company transferred its France-based semiconductor engineering and worldwide supply chain management activities to Presto Engineering. In France, this transaction was subject to disclosure/consultation procedures with INSIDE Secure and Vault-IC France's works councils as well as disclosure/consultation procedures with INSIDE Secure and Vault-IC France's CHSCT union.

Mandatory annual negotiations (*négociations annuelles obligatoires*, or "NAO") took place in the French offices of the Group over the course of the 4th quarter of 2015 and early in the 2016 fiscal year. They resulted in the renewal of existing agreements.

Review of collective bargaining agreements

Over the course of the 2015 fiscal year, three collective bargaining agreements were signed with INSIDE Secure's employee representative bodies:

- *Accord d'intéressement du 22 juin 2015* (This amendment was put in place for three years and its purpose is to define the terms and conditions applicable to calculating incentive-based compensation (*intéressement*) and the terms and conditions applicable to its distribution among employees.
- *Accord résultant de la négociation annuelle obligatoire du 03 février 2015* (Agreement resulting from the mandatory annual negotiations dated February 3, 2015) – This agreement defines the wage and benefit measures INSIDE Secure should reapply or implement over the course of the 2015 fiscal year.
- *Accord collectif portant sur l'égalité professionnelle entre les hommes et les femmes du 08 décembre 2015* (collective agreement on male and female equality in the workplace dated December 8, 2015) – This agreement aims to reduce inequality in the workplace between women and men by focusing on 4 areas: work conditions, hiring process, effective compensation, relationship between professional life and parental responsibilities.

Three agreements were also signed with Vault-IC France's employee representative bodies:

- *Avenant à l'accord d'intéressement du 18 juin 2013* (Amendment to the Incentive Agreement dated June 18, 2013) – The purpose of this amendment is to define the terms and conditions for calculating the incentive-based compensation for the 2015 fiscal year, as they appear in the Incentive Agreement signed in 2013.
- *Accord résultant de la négociation annuelle obligatoire du 3 février 2015* (Agreement resulting from the mandatory annual negotiations dated February 3, 2015) – This agreement defines the wage and benefit measures Vault-IC France should reapply or implement over the course of the 2015 fiscal year.
- *Accord collectif portant sur l'égalité professionnelle entre les hommes et les femmes du 8 décembre 2015* (collective agreement on male and female equality in the workplace dated December 8, 2015) – This agreement aims to reduce inequality in the workplace between women and men by focusing on 4 areas: work conditions, hiring process, effective compensation, relationship between professional life and parental responsibilities.

Social activities

The Company contributes to social activities promoted by labor organizations in France pursuant to legal provisions put in place for that purpose. Budgets benefiting social activities promoted by foreign organizations are also in place. These contributions cover, either partly or fully, the participation of employees mainly in athletic, cultural, and musical activities and events.

17.1.4 Health and safety

Every day, the Company works with the members of CHSCT in order to comply with the requirement for and guarantee good work conditions to its employees. The Company complies with applicable legal provisions in this domain. There is no collective bargaining agreement relative to health and safety.

In Europe:

	Europe		Of which: France	
	2014	2015	2014	2015
Number of work-related injuries with leave	2	0	2	0
Number of work-related injuries without leave	0	0	0	0
Number of injuries while commuting	1	1	1	1
Number of cases of work-related illnesses	0	0	0	0
Frequency rate	3.74	2.04	5.76	3.40
Injury severity rate	0.08	0.24	0.12	0.58

The calculation of the theoretical number of hours worked that was used to determine the frequency and severity rates is based on theoretical format of 39 hours per week for all types of employment contracts.

17.1.5 Training

Professional training within the Group

The annual training program aims to ensure that employees are properly trained to carry out their work responsibilities and offers training focused on skills development.

Training initiatives set up by the Group are typically technical and concern job-related skills. These programs are essential for acquiring the skills to master necessary technical and technological advancements that meet the specificities of the markets in which the Company conducts its business activities. They also help in introducing new professional tools and new work methods. This explains why such programs must be completed as soon as possible and with the best experts / trainers in the field.

Other training initiatives aim to develop cross-disciplinary skills. Here are some examples: (i) learning to work in a cross-disciplinary way in an international multi-worksite environment in which setting challenging goals and ensuring customer satisfaction are top priorities, or (ii) continuing education in the development of linguistic abilities, in particular in English, which is necessary for operating in the international environment of the Company.

In 2015, the training plan had two key goals:

- help job functions adapt to the company's new strategic plan,
- guarantee that skills evolve with the technological advancements in the field.

Special attention was given to the following training initiatives in order to:

- Develop inhouse and outsourced training aimed at achieving in-depth knowledge of our range of products
- Acquire new technical abilities
- Achieve more consistency in project management methods
- Strengthen leadership of managers reporting to the management committee
- Achieve more consistency in managerial practices, and
- Develop and strengthen employees' personal efficiency (*savoir être*)

The goal set by the Group is to ensure that all of its employees can benefit from at least one training initiative per year.

Training partnerships

The Company often utilizes external training initiatives organized with public institutions and organizations (*organismes conventionnés*) and selected pursuant to calls for tenders. Once selected, they become true partners with which the Group works closely to meet its needs in knowledge acquisition and skills development. Specific onsite training that targets operating expectations is preferred.

The sharing of knowledge

Training within the Group also relies on the formal sharing of experience through the creation of internal training initiatives. Such internal training initiatives play an important role and the Company acknowledges this transfer of knowledge by ensuring that its internal trainers have the pedagogical skills necessary to complete this task. The professionalization of internal trainers is currently considered a priority.

Training review

Since the training of its staff represents a significant investment for the Group, measuring its effectiveness is necessary. The review process is still most often based on the impressions of participants on the training they received. Although this feedback is necessary, it is not sufficient; this is why the Company wishes to gradually implement a process to enable trainers to evaluate interns based on the knowledge they acquired.

Number of training hours

In Europe, over the course of the 2015 fiscal year, the Company offered 2,587 hours of training.

These hours can be broken down into 2,426 hours offered by external training firms and 161 hours offered by Company employees.

17.1.6 Fair treatment in the workplace

17.1.6.1 Gender equality

The Group aims to promote the equality of wages between men and women with similar levels of skill and experience. For that reason, the Company ensures that wages are equal when employees are hired and monitors aggregate wages paid by gender to ensure that wage increases benefit men and women proportionally.

In 2015, the Group went even further by initiating negotiations with its labor union representatives, ending in the execution, on December 8, 2015, of an *Accord collectif portant sur l'égalité professionnelle entre les hommes et les femmes du 8 décembre 2015* (collective agreement on male and female equality in the workplace dated December 8, 2015). This agreement aims to reduce inequality in the workplace between women and men by focusing on 4 areas: work conditions, hiring process, effective compensation, relationship between professional life and parental responsibilities.

Average annual base salary in France as of December 31, 2015 (does not include seniority bonuses):

Women		Men	
Executives	ETAM	Executives	ETAM
59,468	32,437	73,453	27,748

The difference in salary between men and women in the executives' category is, amongst other factors, due to the lack of women in executive management positions in its business sector.

17.1.6.2 Anti-discrimination Policy

The Company fights against all forms of personal discrimination.
In order to achieve this, it has implemented the following measures in France:

- Note on job posts mentioning that the job is available to employees with disabilities
- Monthly monitoring of the equality of access to training for both women and men
- Directing managers to ensure equal access to training for all at the time of creation of their team training program.

17.1.6.3 Hiring and integration of employees with disabilities

The Company offers all of its employment positions to all potential employees without discrimination. Despite this policy, the Company believes that it hires an insufficient number of employees with disabilities, which prompted it to establish a partnership with Agefiph in order to find solutions for meeting its requirement in this area. Commissioning external companies that hire workers with disabilities in the office supplies business is, in particular, another method the Company uses to meet its requirement.

17.1.7 Promotion of and compliance with stipulations in key collective bargaining agreements of the International Labor Organization

As specified in the ethics charter sent via email to all employees of the Group and handed to each new hire, the Group scrupulously complies with national and international laws and, in particular, commits to complying with the standards set by the International Labor Organization relative to preventing child or forced labor. The Group ensures that its commercial partners make the same such commitments.

In addition, INSIDE Secure respects employees' right to be personally involved in political activities, to support the causes of their choice, or to join the labor union of their choice.

17.2 Financial instruments granting access to the share capital of the Company awarded to the first ten non-executive employee beneficiaries, and stock options exercised by such beneficiaries

Over the course of the past three fiscal years and from January 1, 2016 to the filing date of this Registration Document, the Company granted 630,000 stock options of the Company ("Options") and 122,000 free shares ("FS") to the ten employees of the Group who hold the largest number of free shares and stock options of the Company granted during the fiscal years in question (collectively referred to as the "Entitlements").

	2013		2014		2015		From January 1, 2016 to the filing date of this Registration Document	
	Options	FS	Options	FS	Options	FS	Options	FS
Date of the Shareholders' Meeting	June 29, 2012 June 19, 2013		June 26, 2014			June 26, 2014		
Date of the Management Board Meeting	February 20, 2013 June 20, 2013		July 22, 2014 August 28, 2014			March 23, 2015		
Number of Entitlements granted to the ten Group employees who have the highest number of Entitlements granted in such way (on aggregate) (1)	265,000	0	365,000	0	0	122,000	0	0
Total number of Entitlements exercised/acquired/vested by the ten Group employees who have the highest number of Entitlements exercised/acquired/vested in this way.	0	0	0	0	0	12,500	0	0

(1) While accounting for the four-for-one par value split agreed to at the Extraordinary Shareholders' Meeting dated May 11, 2011.

17.3 Equity and stock options held by corporate officers (*mandataires sociaux*)

As of the filing date of this Registration Document, the direct and indirect equity held by members of the Management Board and Supervisory Board, as well as the number of rights or securities held granting access to the Company's share capital, can be broken down as follows:

	Number of shares	Number of shares that could result from securities or other rights granting access to the share capital (1)	Total
Pierre Garnier	0	864,000	864,000
Richard Vacher Detournière	112,582	147,400	259,982
Pascal Didier	97,969	30,000	127,969
Patrick Schwager Jones	4	18,400	18,404
Alex Brabers	4	0	4
Jean Schmitt	2,034	0	2,034
Glenn Collinson	12,111	12,800	24,911
Joëlle Toledano	1,192	0	1,192
Muriel Barnéoud	0	0	0
BPIFrance Participations	2,423,991	0	2,423,991
Total	2,649,887	1,072,600	3,722,487

(1) A detailed breakdown of these securities and rights can be found in section 15.3 above entitled "Free shares, share warrants, and stock options granted to corporate officers" and a detailed description of the terms of each of these plans is included in section 21.1.4 entitled "Potential share capital" of this Registration Document. The numbers provided correspond to the number of shares that could potentially be subscribed following the exercise of each of these securities or other rights granting access to the share capital of the Company.

17.4 Employee shareholding

As of the filing date of this Registration Document, there is no agreement in place providing for employee shareholding. However, it should be noted that, in the past, the Company completed several grants of free shares and stock options from which some of the Group's employees benefited (for further information, please refer to section 21.1.4 entitled "Potential share capital").

As of December 31, 2015, employee shareholding in the Company, calculated in accordance with the provisions of Article L. 225-102 of the French Commercial Code (in other words any shares held in the context of a company savings plan (*plan d'épargne d'entreprise*) provided for under the terms of articles L. 3332-1 *et seq.* of the French Labor Code) was equal to 0.

17.5 Statutory profit-sharing (*contrats de participation*) and discretionary profit-sharing (*contrats d'intéressement*)

On June 22, 2015, the Company signed a discretionary profit-sharing agreement (*accord d'intéressement*) with its works council for the fiscal years ended December 31, 2015, 2016, and 2017.

On February 20, 2006, the Company signed a collective agreement creating a company savings plan (*plan d'épargne d'entreprise*), tacitly renewable on an annual basis.

On June 28, 2013, Vault-IC France signed a discretionary profit-sharing agreement (*accord d'intéressement*) with its works council for the fiscal years ended December 31, 2013, 2014 and 2015.

On September 24, 2013, Vault-IC France signed a collective agreement creating a company savings plan (*plan d'épargne d'entreprise*), tacitly renewable on an annual basis.

18. MAJOR SHAREHOLDERS

18.1 Distribution of the share capital and voting rights

For further information please refer to the table in section 21.1.7 entitled "Change in the distribution of the Company's share capital since December 31, 2013" of this Registration Document.

18.2 Major shareholders not represented on the Supervisory Board

For further information, please refer to the table in section 21.1.7 entitled "Change in the distribution of the Company's share capital since December 31, 2013" of this Registration Document.

18.3 Voting rights of major shareholders

As of the filing date of this Registration Document, the number of voting rights granted to each shareholder is equal to the number of shares each of them holds.

Due to the fact that Article 7 of law # 2014-384 dated March 29, 2014, aimed at "regaining control over the real economy", resulted in attaching a double voting right *ipso jure*, unless otherwise specified in the Bylaws, to any fully paid-up shares for which custody in registered form and under the name of the same shareholder can be proven for at least two years, the Company's General Shareholders' Meeting was convened on June 26, 2014 in order to decide on whether to change the Bylaws in order to avoid introducing this double voting right.

The General Shareholders' Meeting adopted this resolution. Therefore, the Company's Bylaws now explicitly disallow any mechanism granting an *ipso jure* double voting right to shares for which custody in registered form and under the same name can be proven for at least two years.

18.4 Control of the Company

As of the filing date of this Registration Document, there Company does not have a controlling shareholder in the meaning of L. 233-3 of the French Commercial Code.

The Company has not implemented any measures in order to ensure that its control is not exercised in an abusive manner.

To the Company's knowledge, there is no planned joint action among its shareholders.

18.5 Agreement that may cause a change in control

To the Company's knowledge, there is no existing agreement that, if implemented, could lead to a change in control of the Company.

18.6 Status of the Company's share pledges

To its knowledge, the Company has not pledged any of its share capital.

18.7 Information required under Article L. 225-103 of the French Commercial Code

18.7.1 Capital structure of the Company

Please refer to the table included in section 21.1.4.2 entitled "Changes in the distribution of the share capital of the Company since December 31, 2013" of this Registration Document.

18.7.2 Statutory restrictions to the exercise of voting rights and to share transfers or clauses disclosed to the Company pursuant to the terms of Article L. 233-11 of the French Commercial Code

Not applicable.

18.7.3 Directly or indirectly held equity in the Company of which the latter has knowledge, pursuant to the terms of articles L. 233-7 and L. 233-12 of the French Commercial Code

Please refer to the table in section 21.1.4.2. entitled "Changes in the distribution of the share capital of the Company since December 31, 2013" of this Registration Document

18.7.4 List of holders of any securities carrying special control rights and description of such rights

The Company has no knowledge of the existence of any special control rights.

18.7.5 Audit procedures provided for in the event of a potential employee shareholding structure, when such auditing rights are not exercised by the latter

The Company has not implemented any employee shareholding structure that could potentially contain audit procedures in which employees do no exercise the auditing rights.

18.7.6 Agreement between shareholders of which the Company has knowledge and that could potentially trigger restrictions on transfers of shares and on the exercise of voting rights

The Company has no knowledge of the existence of any such agreements.

18.7.7 Rules applicable to the nomination and replacement of Management Board members as well as to the modification of the Bylaws

Please refer to section 21.2 entitled "Incorporation Documents and Bylaws" of this Registration Document.

18.7.8 Powers of the Management Board relative to the issuance or repurchase of shares

Please refer to section 21.1 entitled "Share Capital" of this Registration Document.

18.7.9 Agreements entered into by the Company that will be modified or terminated in the event of a change in control of the Company

The Company could potentially sign contracts containing clauses that trigger, under certain conditions, their early termination or their modification in the event of a change of control of the Company. According to the Company, some such agreements could have an impact in the event of a public offering. In particular, this could be the case for the following contracts:

- *Core license agreement* between Atmel Corp. and the Company dated September 30, 2010,
- *Patent License Agreement* between Atmel Corporation and Cryptography Research Inc. dated August 12, 2009, transferred to the Company in the context of the takeover of Atmel Corporation's SMS business,
- *Tamper Resistance License Agreement* between the Company and Cryptography Research, Inc. dated July 1, 2009.

The main terms and conditions of these significant contracts are described in Chapter 22 entitled "Key Contracts" of this Registration Document.

18.7.10 Severance payments to members of the Management Board

Please refer to section 15.1 entitled "Compensation paid to corporate officers" of this Registration Document.

19. RELATED PARTY TRANSACTIONS

19.1 Intercompany Agreements

The transfer pricing between the Company and its subsidiaries (or, as the case may be, among subsidiaries themselves) is subject to agreements governing the nature and conditions for billing costs and expenses. The Company is the Group's main operating company, its subsidiaries are mainly support companies that invoice back their services to the Parent Company (or, as the case may be, to sister companies) at prices respecting the principles of full competition.

19.2 Related Party Agreements

Related party transactions are described in note 35 of the Notes to the Consolidated Financial Statements included in section 20.1 entitled "Historical Financial Information" of this Registration Document.

19.3 Agreements between an officer or a significant shareholder of the Company and a subsidiary

Over the course of the 2015 fiscal year, no agreement was signed between an officer of the Company or a significant shareholder of the Company and a subsidiary.

20. FINANCIAL INFORMATION

20.1 Historical Financial Information

Consolidated income statement

In thousands of US$	Note	Year ended December 31, 2014	2015
Revenue	6, 7	**125,362**	**70,106**
Cost of sales		(62,938)	(46,822)
Gross profit		**62,424**	**23,284**
Research and development expenses	27	(35,095)	(24,780)
Selling and marketing expenses		(20,813)	(18,057)
General and administrative expenses		(12,527)	(10,730)
Other gains / (losses), net	28	3,921	(12,983)
Operating loss	**6**	**(2,089)**	**(43,265)**
Finance income / (loss), net	31	(1,703)	(983)
Loss before income tax		**(3,792)**	**(44,248)**
Income tax expense	32	(1,229)	(335)
Loss for the year		**(5,022)**	**(44,583)**
Attributable to:			
Equity holders of the Company		(5,022)	(44,583)
		-	-
Earnings per share attributable to the equity holders of the Company during the year			
Basic earnings per share	17, 33	(0.15)	(1.29)
Diluted earnings per share	17, 33	(0.15)	(1.29)

Consolidated statement of comprehensive income

In thousands of US$	**Year ended December 31, 2014**	**2015**
Loss for the year	(5,022)	(44,583)
Actuarial gain / (loss) on retirement benefit obligations	(191)	252
Non-reclassifiable components of other comprehensive income	**(191)**	**252**
Financial instrument fair value changes	(1,063)	695
Currency translation differences	245	345
Reclassifiable components of other comprehensive income	**(818)**	**1,039**
Other comprehensive income / (loss) for the year, net of tax	(1,009)	1,291
Total comprehensive loss for the year	**(6,031)**	**(43,292)**
Attributable to:		
Equity holders of the Company	(6,031)	(43,292)
Non-controlling interest	-	-
Total comprehensive loss for the year	**(6,031)**	**(43,292)**

Consolidated balance sheet- Assets

In thousands of US$	**Note**	**December 31, 2014**	**December 31, 2015**
Goodwill	8	24,623	20,873
Intangible assets	9	28,453	15,760
Property and equipment	10	6,001	1,744
Other receivables	15	23,437	19,022
Non-current assets		**82,514**	**57,399**
Inventories	13	9,919	7,943
Trade receivables	14	13,580	8,282
Other receivables	15	12,893	12,765
Derivative financial instruments	12	93	275
Cash and cash equivalents	16	36,315	16,434
Current assets		**72,801**	**45,699**
Total assets		**155,315**	**103,097**

Consolidated balance sheet- Equity and liabilities

In thousands of US$	Note	December 31, 2014	December 31, 2015
Ordinary shares	17	18,020	18,218
Share premium	17	225,820	226,518
Other reserves	19	13,494	15,250
Retained earnings	19	(161,613)	(166,635)
Income / (loss) for the year		(5,022)	(44,583)
Equity attributable to equity holders of the Company		**90,698**	**48,767**
Non-controlling interests		-	-
Total equity		**90,698**	**48,767**
Intangible liabilities - Non-current portion	5,21	3,460	1,907
Financial debt - Long term	22	6,472	11,806
Repayable advances	23	5,820	5,056
Retirement benefit obligations	24	1,503	993
Non-current liabilities		**17,255**	**19,762**
Intangible liabilities - Current portion	5,21	1,076	6,486
Financial instruments	12	1,055	324
Trade and other payables	20	29,756	17,232
Financial debt - Short term	22	12,572	6,558
Provisions for other liabilities and charges	25	273	689
Deferred income	26	2,630	3,278
Current liabilities		**47,362**	**34,568**
Total liabilities		**64,617**	**54,330**
Total equity and liabilities		**155,315**	**103,097**

Consolidated statement of changes in equity

In thousands of US$	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at January 1, 2014	**17,822**	**225,599**	**14,140**	**(161,613)**	**95,947**	**-**	**95,947**
Loss for the year	-	-	-	(5,022)	(5,022)	-	(5,022)
Actuarial loss on retirement benefit obligations	-	-	(191)	-	(191)	-	(191)
Financial instruments at fair value	-	-	(1,063)	-	(1,063)	-	(1,063)
Currency translation differences	-	-	(139)	-	245	-	245
Total other comprehensive income	**-**	**-**	**(1,009)**	**(5,022)**	**(6,031)**	**-**	**(6,031)**
Employees share option scheme :							
Value of employee services	-	-	557	-	557	-	557
Exercise of stock options and/or definitive allotment of shares	198	221	(131)	-	288	-	288
Treasury shares	-	-	(64)	-	(64)	-	(64)
Balance at December 31, 2014	**18,020**	**225,820**	**13,493**	**(166,635)**	**90,698**	**-**	**90,698**
Balance at January 1, 2015	**18,020**	**225,820**	**13,494**	**(166,635)**	**90,699**	**-**	**90,699**
Loss for the year	-	-	-	(44,583)	(44,583)	-	(44,583)
Actuarial loss on retirement benefit obligations	-	-	252	-	252	-	252
Financial instruments at fair value	-	-	695	-	695	-	695
Currency translation differences	-	-	345	-	345	-	345
Total other comprehensive income	**-**	**-**	**1,292**	**(44,583)**	**(43,292)**	**-**	**(43,292)**
Employees share option scheme :							
Value of employee services	-	-	478	-	478	-	478
Exercise of stock options and/or definitive allotment of shares	18	-	-	-	18	-	18
Equity financing (note 17)	180	698	(43)	-	835	-	835
Treasury shares	-	-	29	-	29	-	29
Balance at December 31, 2015	**18,218**	**226,518**	**15,250**	**(211,218)**	**48,767**	**-**	**48,767**

Consolidated cash flow statement

In thousands of US$	Notes	Year ended December 31, 2014	2015
Loss for the year		**(5,022)**	**(44,583)**
Adjustments for:			
Depreciation of tangible assets	10	3,442	2,366
Amortization of intangible assets	9	14,534	12,466
Impairment of assets	28	2,168	5,064
Reversal of unused provision on intangible asset - SMS	5	(6,404)	(2,403)
Impairment of receivables	14	(629)	(311)
Impairment of inventories	13	(410)	(76)
(Profit) / loss on disposal of assets		(20)	1,233
Share-based payments	18	557	478
Change in retirement benefit obligation	24	(33)	(450)
Finance income, net		(459)	983
Income tax	32	1,229	335
Variation in provisions for risks	25, 28	(2,010)	7,622
Cash generated by / (used in) operations before changes in working capital		**6,944**	**(17,276)**
Changes in working capital			
Inventories	13	5,321	2,053
Trade receivables	14	(1,186)	11,933
Trade receivables transferred	14	5,656	(6,278)
Other receivables		1,101	697
Research tax credit and grants	15	(7,552)	(5,460)
Trade and other payables		4,090	(7,541)
Non refundable advance on order backlog		(2,683)	-
Other payables		(4,583)	(3,177)
Cash generated by / (used in) changes in working capital		**164**	**(7,773)**
Cash generated by / (used in) operations		**7,108**	**(25,049)**
Interest received, net		(88)	(32)
Income tax paid		(1,013)	(18)
Net cash generated by / (used in) operating activities		**6,007**	**(25,099)**
Cash flows from investing activities			
Acquisition of ESS, net of cash acquired	5	(12,951)	(225)
Disposal /(acquisition) of equity investments accounted for under the equity method		(969)	165
Purchases of property and equipment	10	(1,157)	(1,029)
Purchases of intangible assets	9	(4,321)	(98)
Disposal of assets		129	-
Net cash used in investing activities		**(19,269)**	**(1,187)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	17	216	870
Repayable advance	23	2,228	(263)
Financing of the Research tax credit	22	7,624	5,946
Principal repayment under finance lease		(550)	(330)
Treasury shares		(64)	28
Bank overdraft		-	-
Net cash generated by financing activities		**9,454**	**6,252**
Net increase / (decrease) in cash and cash equivalents		**(3,808)**	**(20,035)**
Cash and cash equivalents at beginning of the year	16	40,213	36,315
Effect of exchange rate fluctuations		(89)	150
Cash, cash equivalents at end of the year	**16**	**36,315**	**16,430**
Elements with no cash impact:			
New finance leases		199	150

Notes to the consolidated financial statements

1. General information and significant events for the year

Inside SECURE ("the Company") and its subsidiaries (together "the Group") provides comprehensive embedded security solutions for mobile and connected devices. This offer is based on internally developed intellectual property that can be licensed or sold as well as software solutions and semiconductors produced through a fabless business model.

Shares in the Company are listed on the Euronext exchange in Paris (compartment B) under the Isin code FR0010291245.

The Company is a limited liability company ("société anonyme"). The address of its registered office is Arteparc Bachasson, rue de la carrière de Bachasson, Meyreuil (13590), France.

The consolidated financial statements were authorized for issue by the Management Board on February 24, 2016.

Post the December 31, 2015 closing, INSIDE Secure announced that it had entered into exclusive negotiations with a potential acquirer with a view to selling part of its semiconductor business. The scope of the transaction will include products, technology, customer agreements, certain patents and, more generally, the assets related to the development and sale of secure microcontroller-based integrated circuits, as well as the corresponding resources (R&D, sales, marketing, support). This scope largely comprises the semiconductor activities of INSIDE Secure centered around the Internet of Things, anti-fraud, brand protection, EMV payment card and access control. As at December 31, 2015, negotiations with potential buyers were not advanced enough to consider that the highly probable sale criterion of all or part of the assets of the semiconductor business had been met. In particular, neither the scope of the sale nor the assets and liabilities to be transferred had been precisely defined. It was therefore likely, at that date, that changes to the sales plan would still be possible; consequently the activity was not classified as an asset held for sale at the closing date.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. IFRS are available on the website of the European Commission:
http://ec.europa.eu/internal_market/accounting/ias_en.htm

The consolidated financial statements have been prepared under the historical cost convention, except for derivative instruments which include currency forward contracts and options which are shown at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Presentation currency

According to IAS 21 § 38, the Group has elected to present its consolidated financial statements in US Dollars. The US Dollar is the functional currency of the Company and the currency in which the majority of transactions within the Group are denominated. The functional currency for Inside Secure Corporation (USA) and Metaforic (USA) is the US Dollar, for Inside Secure (Asia) Pte Ltd the Singapore Dollar, for Vault-IC UK Ltd and Metaforic Ltd UK the Pound Sterling, for Vault-IC France SAS, Inside Secure B.V (Netherlands), Inside Secure Amsterdam B.V and Inside Secure Oy (Finland) the Euro, and for Inside Secure K.K the Japanese Yen.

The exchange rates of the US Dollar against the Euro, the main currency used by the Group after the US Dollar, are as follows for the years ended December 31, 2014 and 2015:

Dollar / Euro	**2014**	**2015**
Closing	1.2141	1.0887
Average	1.3288	1.1096

2.1.2 New and amended standards adopted by the Group

The accounting policies adopted by the Group in the consolidated financial statements for the year ended December 31, 2015 are consistent with those of the previous financial year, except for the following:

Standards, amendments and interpretations whose application is mandatory from January 1, 2015:

- IFRIC 21, Taxes
- Improvements to IFRS, cycle 2011-2013

Standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2015 are not material to the group.

Standards, amendments and interpretations whose application is not mandatory from January 1, 2015 but which could be early adopted are as follows:

- Amendment to IAS 16 / IAS 38 which provides clarification on acceptable methods of depreciation and amortization
- Amendment to IAS 28 / IFRS 10 sales or contributions of assets between an investor and its associate/joint venture
- Amendment to IAS 19 relating to defined benefit plans : employee contributions
- Amendment to IFRS 11 relating to acquisitions of interests in joint operations
- Improvements to IFRS, cycle 2010-2012
- Improvements to IFRS, cycle 2012-2014

The Group chose not to early adopt these standards, amendments and interpretations in the consolidated financial statements as at December 31, 2015, and considers that they would not have a significant impact on its results or financial position.

The IASB has published the following standards, amendments and interpretations which could be early adopted from January 1, 2015 but which have not yet been adopted by the European Union:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from contracts with customers
- Amendment IAS 1, Disclosure Initiative
- IFRS 16, Leases

The standards, amendments and interpretations which came into effect in 2015 did not have a significant impact on the Group's results or financial position. The development of future standards is still being evaluated by the Group.

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities, if any) over which the Group has the control. Group control is defined by the three following elements:

- Power over the other entity
- Exposure or rights to the variable yield of this other entity
- Capacity to use its power to impact return

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, including any potential purchase price adjustments. Purchase price adjustments made after the allocation period of 12 months following acquisition date are reevaluated at each closing date at fair value through the income statement Acquisition-related costs are expensed as incurred in the line item ''Other gains / (losses), net". Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group does not have minority interests or significant investments in any entity requiring treatment under the equity method.

2.3 Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Management Board that makes strategic decisions. The Management Board is composed of the corporate officers of the Group.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars ("$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses relating to exchange differences affecting revenue and operating expenses concluded during the year, as well as the impact of the revaluation at closing rates of operating assets and liabilities denominated in currencies other than the functional currency of the consolidated companies, are recognized in operating result.

Foreign exchange gains and losses relating to financial transactions settled during the year as well as the impact of the revaluation at closing rates of cash denominated from foreign currencies into US Dollars, are recognized in the financial result.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet line item presented are translated at the closing rate as at the date of that balance sheet;
- income and expenses for each income statement line item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity in the line item "Currency translation differences"

2.5 Impairment of non-financial assets and cash-generating units

Non-financial assets including intangible and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing the value in use, with the exception of certain intangible assets dedicated to specific products (see note 2.8), non-financial assets are generally grouped by operating segments identified by the Group which constitutes the lowest level for the definition of a cash-generating unit.

2.6 Goodwill and other intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Management has determined its cash-generating units to be the operating segments which constitute the lowest level for the definition of a cash-generating unit. As part of its reorganization around two operating divisions ("Mobile security" and "Secure transactions"), which took place in 2013, the Group has regrouped its activities around common technological and operating platforms and a global sales force. However, the operating divisions have different clients and marketing activities and as such they can be considered as two separate CGUs.

(b) Intellectual property licensing royalties

Capitalized intellectual property licensing royalties relate to licenses transferred to the Group as part of acquisitions, and represent royalties for technology developed and licensed before the transfer date. The portfolio of intellectual property licensing royalties is recognized as an intangible asset as the commercial and technological efforts were made before the business combination. This intangible asset is amortized through the income statement in the line item ''Cost of sales''.

(c) Acquired patented technologies

Acquired patented technology is shown at acquisition cost less accumulated amortization.

Each acquired technology dedicated to a specific product is individually tested for impairment based on the expected output of the related product whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When a technology is not dedicated to a specific product but is widely used, the cash generating unit used for impairment testing is the operating segment in which the technology is used.

When an acquired patented technology is no longer used, the corresponding gross value and accumulated amortization are written off.

Acquired patented technologies are subsequently amortized within the line item "Research and development expenses" when they are used for project engineering design and "Cost of sales" when they are used in production.

(d) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. This capitalized software includes software transferred as part of business combinations. These costs are amortized over the estimated useful lives of the software.

Costs associated with developing or maintaining computer software programs are expensed as incurred.

(e) Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved solutions) are recognized as intangible assets when the following criteria are fulfilled:

- The Group has the intention, the financial capacity and the technical capability to fully develop the project to completion.
- The Group has adequate resources necessary to complete the development and to use or sell
- There is a high probability that the future economic benefits generated from the developed products will flow to the Group.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Research and development expenses financed through repayable advances are capitalized to the extent that the Group has the resources necessary to successfully complete certain precisely defined development programs and will benefit from the future economic advantages, either through the abandonment of the repayable advance or through the cash flows generated by the future sales of products developed.

2.7 Property and equipment

The Group rents premises in France, Europe, Asia and the United States under operating leases. Its head office at Meyreuil, near Aix-en-Provence in France, hosts the corporate functions including Sales and marketing, and Research and Development (R&D) activities.

Furniture and other office equipment relate to office and computing equipment.

Equipment comprises technical equipment dedicated to R&D. R&D may result in the making of masks which are considered as the end product of this activity. The costs to design and produce these masks are expensed as incurred within the line item “Research and development expenses”. When the design is finalized, the manufacturing of the masks for the purpose of usage during production is assigned to sub-contractors. The associated cost is recognized in fixed assets. In addition, masks acquired as part of a business combination are recognized as equipment in the balance sheet. These masks are subsequently depreciated within the line item “Research and development expenses” when they are used for project engineering design and “Cost of sales” when they are used in production.

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to bring the cost of assets to their residual values over their estimated useful lives, as follows:

- Facilities and leasehold improvements 5 to 15 years
- Computer and R&D equipment 1 to 3 years
- Production equipment 1 to 5 years
- Masks acquired through business combination 2 to 5 years
- Furniture and other office equipment 3 to 8 years

The assets’ residual values deemed material and their useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “Other gains / (losses), net” in the income statement.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purposes of assessing the value in use, assets are grouped by operating segment which constitutes the lowest level for the definition of the cash generating unit.

2.8 Impairment of non-current assets

IAS 36 defines the procedures that a company must apply to ensure that the net carrying amount of its assets does not exceed their recoverable amount, i.e. the amount that would be recovered from their use or sale. Aside from goodwill and intangible assets with an indefinite life that systematically undergo annual impairment testing, the recoverable amount of an asset is estimated whenever there is an indication that the asset may be impaired.

Cash-Generating Unit (CGU)

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group is organized around two operating divisions (Mobile Security and Secure Transactions – see Note 6) and has determined that each of these divisions represents a CGU for the purposes of the impairment testing of non-current assets:

As indicated in note 1, the Group announced that it has entered into exclusive negotiations with a potential acquirer with a view to selling part of its semiconductor business. For the purposes of the impairment testing, the activity under consideration is considered as a CGU.

Impairment indicators

The Group regularly monitors its financial results against its forecasts for all of its businesses and monitors local and global economic indicators. These elements represent, where applicable, impairment indicators.

Determining the recoverable amount

The recoverable amount of an asset is the higher of the fair value less costs to sell and its value in use. To determine the recoverable amount, non-current assets are assigned to the CGUs defined above and a value in use calculation is performed. If the value in use is lower than the carrying amount, an impairment loss should be recorded.

The value in use of each activity is based on a projection of discounted estimated cash flows that takes into account the risks specific to the technological nature of the Group's activity.

Changes in market conditions or in the cash flows initially estimated may therefore lead to a review and a change in the impairment losses previously recorded.

Impairment loss

An impairment loss is recorded when the carrying amount of the asset or the CGU to which it belongs exceeds its recoverable amount. Impairment losses are expensed within ''Other gains / (losses), net".

Except in the case of goodwill, impairment losses recognized in previous years may be reversed if and only if there has been a change in the estimates used to calculate the recoverable amount of the asset since the previous recognition of an impairment loss. Even so, the carrying amount of an asset plus a reversal of an impairment loss cannot exceed the carrying amount that would have been calculated had no impairment been recognized for the asset in previous years.

2.9 Financial assets

2.9.1 Classifications

The Group classifies its financial assets in the following categories: at fair value through profit or loss, as loans and receivables, or as available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except when they have maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Group has no available-for-sale financial assets.

2.9.2 Measurement

Changes in the fair value of monetary securities which are denominated in a currency other than the functional currency (certain monetary securities of the Group are denominated in Euros) and which result from translation differences are recognized in the line item "Finance income / (loss), net", except for changes in the fair value of monetary securities relating to operating activities such as trade receivables, which are presented in operating result.

2.9.3 Impairment

Regarding loans, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement in a line item dependent upon the nature of the loan.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recorded in the income statement in the same line item.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within “Finance income / (loss), net”.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within “Finance income / (loss), net”.

Derivatives that do not qualify as hedge accounting

Certain derivative instruments do not qualify as hedge accounting. Such derivatives are classified as assets or liabilities at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify as hedge accounting are recognized immediately in the income statement. The income statement impact of such derivatives is presented in the line item “Finance income / (loss), net”.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group’s assets and liabilities measured at fair value as at December 31, 2015:

(In thousands of US$)	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	-	184	91	275
Total assets	**-**	**184**	**91**	**275**
Liabilities				
Trading derivatives	-	204	46	250
Derivatives used for hedging	-	-	74	74
Total liabilities	**-**	**204**	**120**	**324**

The following table presents the Group's assets and liabilities measured at fair value as at December 31, 2014:

(In thousands of US$)	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	-	42	52	94
Total assets	**-**	**42**	**52**	**94**
Liabilities				
Trading derivatives	-	-	158	158
Derivatives used for hedging	-	677	220	897
Total liabilities	**-**	**677**	**378**	**1,055**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. No derivative financial instruments fall into this category.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This category includes currency forward contracts.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This category includes currency options.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the First In First Out (FIFO) method. The cost of semi-finished goods and finished goods comprises wafer purchase costs, assembly sub-contracting expenses, other direct costs, tests and product engineering based on normal operating capacity. It excludes borrowing costs and the impact of unused capacity. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The Group also provides inventory allowances for excess and obsolete inventories

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within "Selling and marketing expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Selling and marketing expenses" in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid securities with original maturities of three months or less and with a negligible risk of change in value.

Short term securities that meet all criteria defined in 2012 by the AMF are classified as cash equivalents.

Bank overdrafts are shown within financial debts in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Financial debts

Financial debts comprise bank overdrafts that are classified as current liabilities. Financial debts also include finance leases.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Research tax credit and government grants

Research tax credits are provided by various governments to give incentives for companies to perform technical and scientific research. These research tax credits are presented as a reduction of “Research and development expenses” in the income statement when companies that have qualifying expenses can receive such grants in the form of a tax credit irrespective of taxes ever paid or ever to be paid, the corresponding Research and Development effort has been completed and the supporting documentation is available.

These tax credits are included in “Other receivables - current portion” or “non-current” in the balance sheet taking into account the timing of expected cash inflows.

In addition, grants may be available to companies that perform technical and scientific research. Such grants are typically subject to performance conditions over an extended period of time. The Group recognizes these grants in the income statement as a reduction of “Research and development expenses” over the cost of the corresponding research and development program and when confirmation of the grant has been received.

Aid for research and development activities can take the form of repayable advances. A loan which is non-repayable under certain conditions is treated like a government grant (accounted for in the income statement on a pro rata basis as a deduction of research and development expenses) when the organization granting the advance has confirmed that no repayment is required. Otherwise it is classified as a liability.

2.19 Employee benefits

Pension obligations

The Group has both defined benefit (mainly for French employees) and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to equity in the statement of recognized income and expense (SoRIE) in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group provides no other post-employment benefits to its employees.

2.20 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the instrument is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- including any market performance condition (for example increase in share price) and non-vesting conditions (for example, the requirement for employees to save);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Service and non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest.

The total expense is recognized over the period during which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of instruments that are expected to vest based on these vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the instruments are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the instruments are exercised.

2.21 Provisions

Provisions for claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Intangible liabilities

Intangible liabilities relate to management's estimate of fair value of above market royalty-based intellectual property license agreements for existing or future products, transferred to the Group as part of business combinations. The Group values these license agreements based on their fair value in normal market conditions at acquisition date. When the royalties to be paid exceed their fair value, the Group recognizes an intangible liability corresponding to the discounted value of the difference between the best estimate of the royalties to be paid based on the contract and forecasted sales and the fair value. Intangible liabilities are reversed in the line item "Cost of Sales" on the basis of the number of units using this intellectual property sold during the year compared to the number of units expected to be sold. The assumptions regarding the number of units expected to be sold is revised on a regular basis.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

The Group sells its customers a range of semiconductor platforms, intellectual property, software and services.

(a) Revenue recognition- Sale of products

The Group's products are generally sold based upon contracts or purchase orders with the customer that include fixed and determinable prices and that do not include right of return, other similar provisions or other significant post-delivery obligations except for customary warranty terms. Revenue is recognized for products upon delivery when title and risk pass, the price is fixed and determinable and collectability is reasonably assured.

(b) Revenue recognition- Service revenue

Revenue from services is recognized over the period when services are rendered and collectability is reasonably assured. Licenses for software that do not require specific development are recognized in revenue when the legal right to use the license has been granted or in accordance with specific contractual conditions.

Revenue corresponding to the development of specific software platforms is recognized using the percentage of completion method as the development process progresses (according to criteria applied on a consistent basis). Under the percentage of completion method, the extent of progress towards completion is measured based on actual costs incurred relative to total estimated costs. Losses on contracts are recognized during the period in which the loss first becomes probable and can be reasonably estimated.

(c) Revenue recognition- Intellectual property licensing royalties

Royalties relate to revenue from technology licensed to certain customers of the Group, and can be fixed and / or variable. Fixed royalties are recognized on a straight-line basis over the contractual periods during which they are generated. Variable royalties are generally based on sales made by customers and are by definition difficult to estimate. To ensure revenue is recorded in the proper accounting period, the Group principally relies on the notifications received from customers. In general notifications are received from customers during the quarter following delivery of goods.

(d) Revenue recognition- Maintenance

As a general rule, the sales of software licenses are accompanied by a maintenance contract that includes regular updates and the providing of technical assistance. Revenue related to maintenance activities is recognized on a straight-line basis over the contractual period.

(e) Revenue recognition- Sale of patents

The development of technologies may give rise to the sale or to the licensing of patents. The sale of a patent is recognized in revenue when title, risks and rewards fully pass to the buyer and specifically when there is no remaining obligation to further develop the underlying technology.

(f) Multiple element arrangements

Revenue from contracts with multiple elements, such as those including services, is recognized as each element is earned based on the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements.

(g) Collectability

As part of the revenue recognition process, the Group determines whether trade receivables and notes receivable are reasonably assured of collection based on various factors, and whether there has been deterioration in the credit quality of customers that could result in the inability to sell those receivables.

(h) Deferred and unbilled revenue

Deferred revenue includes amounts that have been billed as per contractual terms but have not been recognized as income.

2.24 Cost of sales

Cost of sales is primarily composed of the cost of products, solutions and services sold, including wafer purchase costs, assembly sub-contracting expenses, tests and product engineering, royalties and other direct attributable costs.

2.25 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are computed by dividing net income attributable to equity holders of the Group by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Dilutive instruments are taken into account when, and only when, their dilutive effect decreases earnings per share or increases loss per share from continuing operations.

A reconciliation of the weighted average number of ordinary shares outstanding during the period and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, is presented in note 33.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases for which the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

3. **Financial risk management**

3.1 Financial risk factors

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management Board provides principles for the overall management of risks such as foreign exchange risk, credit risk and liquidity risk.

a) Sensitivity to Dollar/Euro exchange rates

As stated in note 2.1.1., the Group's presentation currency is the US Dollar. The US Dollar is also the functional currency for INSIDE Secure, as well as the currency of the majority of Group transactions. However the Group operates internationally, and is therefore exposed to foreign exchange risks, particularly regarding the Dollar/Euro rate.

The table below displays the income statement presented in US Dollars as set out in the consolidated income statement in accordance with IFRS, and also this same income statement presented in US Dollars assuming an average Dollar/Euro exchange rate of 1.01 US Dollars / Euros instead of the 2015 effective average rate of 1.11 US Dollars / Euros (an assumption whereby the Dollar increased by 10% in relation to the Euro).

As at December 31, 2015 - in thousands of US$	At 2015 year end exchange rate	At 2015 year end exchange rate + 10% *	Variance due to exchange rate
Revenue	70,106	69,659	(447)
Adjusted gross profit	32,843	32,700	(143)
Research and development expenses	(23,060)	(21,581)	1,479
Selling and marketing expenses	(18,006)	(17,469)	537
General and administrative expenses	(10,444)	(9,946)	498
Other gains / (losses), net	(2,465)	(2,465)	-
Adjusted operating loss	**(21,132)**	**(18,762)**	**2,370**

** For the exchange rate EUR / USD only*

The impact of the strengthening of the US Dollar by 10% compared to the Euro would have led to an increase in the adjusted operating result of US$ 2,370 thousand. Indeed, even if more than 90% of revenue was generated in US Dollars, a significant portion of research and development costs, selling and marketing expenses and general and administrative expenses were denominated in Euros, these activities being largely carried out in France and other European countries.

Inversely, the weakening of the US Dollar by 10% compared to the Euro would have led to a reduction in the adjusted operating result of US$ 2,370 thousand.

The table below presents certain balance sheet line items in US Dollars as set out in the consolidated balance sheet in accordance with IFRS, and also this same balance sheet presented in US Dollars assuming a year-end Dollar/Euro exchange rate of 0.98 US Dollars / Euros (an assumption whereby the Dollar continues to increase by 10% in relation to the Euro).

As at December 31, 2015 - in thousands of US$	At 2015 year end exchange rate	At 2015 year end exchange rate + 10%	Variance due to exchange rate
Other receivables (research tax credit)	19,022	17,205	(1,817)
Inventories	7,943	7,943	-
Trade receivables	8,282	8,282	-
Other receivables	12,765	11,828	(937)
Derivative financial instruments	275	275	-
Cash and cash equivalents	16,434	16,289	(145)
Total assets excluding goodwill, intangible assets and property and equipment	**64,720**	**61,821**	**(2,898)**
Intangible liabilities - Non-current portion	530	530	-
Financial debt - Long term	11,806	10,626	(1,181)
Repayable advances	5,056	4,550	(506)
Retirement benefit obligations	993	893	(99)
Intangible liabilities - Current portion	1,014	1,014	-
Financial instruments	324	324	-
Trade and other payables	17,232	16,321	(911)
Financial debt - Short term	6,558	5,902	(656)
Provisions for other liabilities and charges	7,539	7,486	(52)
Deferred income	3,278	3,278	-
Total liabilities	**54,330**	**50,925**	**(3,405)**

The impact of the strengthening of the US Dollar by 10% compared to the Euro would have led to a reduction in the total assets excluding goodwill, property, plant and equipment and intangible assets of US$ 2,898 thousand, and a reduction in the total liabilities excluding equity of US$ 3,405 thousand. Within assets, the line items inventories and trade receivables are mainly denominated in US Dollars, however research tax credit and cash are denominated in Euros. Within liabilities, financial debt mainly comprising financing research tax credit receivables is denominated in Euros.

Inversely, the weakening of the US Dollar by 10% compared to the Euro would have led to an increase in the total assets excluding goodwill, property, plant and equipment and intangible assets of US$ 2,898 thousand, and a reduction in the total liabilities excluding equity of US$ 3,405 thousand.

The Group uses derivative financial instruments such as currency forward contracts and options to hedge against foreign currency fluctuations.

(a) Credit risk

Credit risk is managed on a Group wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

b) Liquidity risk

Cash flow forecasting is performed by the Finance department. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Such forecasting takes into consideration the Group's financing plans. The Group treasury invests surplus cash in interest bearing current accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The Group enters into factoring contract in Euros and Dollars with Natixis Factor, which includes a deposit and is backed by a credit insurance agreement. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern. Cash and cash equivalents are set to allow for financing activities in the short and medium term.

The Group does not plan to pay dividends to shareholders in the short term.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

The Group derives its revenue principally from sales of products and solutions as well as license-based royalties and sale of patents. The timing of revenue recognition and the amount of revenue actually recognized depends upon the specific terms of each arrangement with customers (transfer of risk) and the nature of the Company's deliverables and obligations. For royalties, the Group generally does not obtain formal confirmation of the level of sales made by customers until the quarter following product delivery. Determination of the appropriate amount of revenue recognized involves certain judgments and estimates that the management believes are reasonable, but actual results may differ from management's estimates.

(b) Intangible assets

Intangible assets include acquired or investments in patented technologies and the recognition of above market royalty-based intellectual property license agreements. Upon acquisition, these assets were recognized at fair value which required certain judgments and estimates that Management believed were reasonable. On a regular basis, the Group reassesses the fair value of these intangible assets, leading to a potential adjustment of the carrying amount through an impairment charge or write-down.

(c) Intangible liabilities

Intangible liabilities relate to license agreements transferred to the Group as part of business combinations under conditions that differ from the market conditions at the date of acquisition. These liabilities are initially recognized at fair value, which requires certain judgments and estimates that Management believes are reasonable. On a regular basis, the Group reassesses the fair value of these intangible liabilities, which could lead to a potential additional provision or provision reversal.

(d) Impairment of non-current assets and goodwill

As mentioned in note 2.8, non-current assets are grouped according to the CGUs defined above and are tested based on their value in use.

Given the Group's "fabless" production model, assets other than goodwill and intangible assets with an indefinite life represent relatively low amounts. However, in light of the technological nature of the Group's activity and the loss recorded during the year, they are subject to impairment testing performed at CGU level. These impairment tests take into account long-term assets, including goodwill and intangible assets and are based on cash flow projections per CGU.

The cash flow projections used for the "Mobile security" segment take into account a product life ranging between 5 and 7 years. For forecasting purposes, only clearly identified products with established commercial perspectives have been taken into account. Products that have not reached the technical feasibility stage have not been considered. Similarly, research and development expenses corresponding to future developments have not been taken into account in the cash flow projections. No terminal value has been used and the discount rate adopted is 12.5% (13.5% in 2014).

The cash flow projections used for the "Secure transactions" segment take into account the negotiations that have been entered into with a view to selling certain semiconductor activities (see note 1), this decision having a significant effect on the future cash flows that will be generated by the activity.

Based on the methods presented above, the Group has recognized a provision for impairment, less reversal of provisions, for an amount of US$ 2,661 thousand.

(e) Share-based payments

The Group grants options to purchase Company's common shares and other equity instruments to management, employees and third parties. The determination of the fair value of share-based compensation on the date they are granted uses an option-pricing model (Monte-Carlo or Black and Scholes) which is affected by assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the fair value of the Company's common shares, the expected common share price volatility over the term of the instrument and current and projected instrument holders' exercise behaviors.

There is a significant degree of subjectivity involved when using such option-pricing models to determine share-based compensation under IFRS 2.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(g) Accounting for income tax

The Group is subject to the income tax laws of France and those of the foreign jurisdictions in which it has business operations. These tax laws are often complex and subject to different interpretations by the tax payer and the relevant governmental taxing authorities. The Group must make judgments and interpretations about the application of these tax laws when determining the provision for income taxes.

The Group must also assess the likelihood that each of its deferred tax assets will be realized. Unless there is strong evidence that an entity currently generating losses will become profitable, the policy of the Group is to recognize deferred tax assets only when the tax jurisdiction where it conducts business has generated a taxable profit in two consecutive years.

The income tax expense comprises all local and foreign taxes payable on taxable revenue and therefore includes withholding tax incurred by the Group on royalty revenue generated abroad.

5. Business combinations and transfer of activities

5.1 Combination of activities

Metaforic

On April 5, 2014, the Group acquired 100% of the shares of Metaforic Ltd, specializing in the development of software obfuscation technologies and encryption-related security, its main focus being on mobile payment and mobile banking markets.

The final purchase price amounted to US$ 13,176 thousand taking into account the price adjustment related to different sales objectives for the year 2014, which resulted in the payment of an additional price of US$ 225 thousand in 2015.

Goodwill, which represents the excess of the purchase price (including additional payments and price adjustments) over the fair value of the identified assets and liabilities being transferred, amounts to US$ 9,303 thousand and is primarily attributable to the assembled workforce being transferred and the expected synergies resulting from the combination of activities. This goodwill has been fully allocated to the “Mobile security” division.

The value of identified assets and liabilities, and the initial allocation of the purchase price are presented as follows:

	In thousands of $
Cash paid at closing	11,557
Liabilities assumed	1,646
Final working capital adjustment	(252)
Price adjustment related to sales objectives	225
Purchase price consideration (i)	**13,176**

	Fair value
Intangible assets (1)	4,969
Property, plant and equipment	34
Other assets	67
Cash and cash equivalents	14
Other liabilities	(893)
Deferred income	(318)
Net assets acquired and liabilities assumed (ii)	**3,873**
Goodwill (i) - (ii)	**9,303**

(1) This amount corresponds to patented technology which has been valued using the discounted royalties cash flow method based on an estimated useful life of 5 years for technologies concerned. This intangible asset will be amortized on a straight line basis over its estimated useful life and amortization expenses for this intangible asset will be shown under the line items “Cost of sales” and “Research and development expenses”. The impact of the amortization of patented technology during the year ended December 31, 2015 amounts to US$ 1,318 thousand.

Metaforic is in a growth phase in an emerging market. In July 2015 the Group signed a significant licensing agreement with a major US bank for software developed using Metaforic’s know-how aimed at enhancing the security of mobile applications used by the bank’s clients.

The impact of these adjustments on the different line items in the income statements for the years ended December 31, 2014 and 2015 breaks down as follows:

Item (In thousands of US$)	Income statement line item	2014	2015
Amortization of licensed technologies	Cost of sales	(745)	(1,016)
Amortization of licensed technologies	Research and development expenses	-	(302)
Impact on operating loss		**(745)**	**(1,318)**
Impact on loss for the year		**(745)**	**(1,318)**

Embedded Security Solutions

On December 1, 2012, the Group acquired Embedded Security Solutions (‘‘ESS’’). ESS designs and develops encryption-related security hardware intellectual property (IP) and software for a variety of industries, including the mobile and networking markets. Revenue is generated through licenses, royalties, services and maintenance fees.

The purchase price amounted to US$ 47,940 thousand. The goodwill corresponding to the excess of the purchase price consideration compared to the combined total of the fair value of the assets acquired, the identifiable intangible assets and the liabilities assumed, amounts to US$ 11,906 thousand, and is mainly attributable to the expertise of the assembled workforce and the expected synergies that will result from the combination of activities. This goodwill is allocated to the ‘‘Mobile Security’’ operating segment.

The impact of these adjustments on the various line items in the income statements for the years ended December 31, 2014 and 2015 breaks down as follows:

Item (In thousands of US$)	Income statement line item	2014	2015
Amortization of intellectual property licensing royalties	Cost of sales	(10,030)	(7,616)
Amortization of internally developed software	Cost of sales	(518)	(518)
Amortization of internally developed software	Research and development expenses	(259)	(259)
Impact on operating loss		**(10,807)**	**(8,393)**
Impact on loss for the year		**(10,807)**	**(8,393)**

Secure Microcontroller Solutions

On September 30, 2010 the Company acquired Atmel Corporation’s (Nasdaq: ATML) Secure Microcontroller Solutions (“SMS”) business. This business designs and markets microcontroller products and solutions that protect data contained in embedded memories against a wide variety of attacks and offers firmware and turnkey solutions to customers with no security expertise.

The goodwill recognized upon acquisition amounting to US $2,993 thousand was allocated to the ‘‘Secure Transactions’’ operating segment.

As part of the allocation of the purchase price consideration, the Group recognized a certain number of identifiable intangible and tangible assets, notably related to patented technologies, backlog and masks. In addition, the Group recognized a liability corresponding to an unfavorable licensing agreement.

The impact of the related depreciation and amortization (not including impairment) of identifiable tangible and intangible assets, and reversals on intangible liabilities, on the 2014 and 2015 income statements is as follows:

Item (In thousands of US$)	Income statement line item	2014	2015
Depreciation of masks	Cost of sales	(638)	(407)
Depreciation of masks	Research and development expenses	(191)	(122)
Amortization of patented technologies	Research and development expenses	(1,076)	(1,077)
Reversal of intangible liabilities	Cost of sales	849	662
Reversal of unused provision for intangible liabilities	Other gains / (losses), net	5952	2403
Impact on operating loss		**4,896**	**1,460**
Financial income from license agreements	Finance income / (loss), net	(397)	(73)
Impact on loss for the year		**4,499**	**1,387**

As indicated in note 21, in 2014 and 2015 the Group recognized a reversal of the provision for intangible liabilities related to license agreements.

5.2 Transfer of activities

On June 30, 2015 the Company transferred the industrialization activity and the management of the supply chain of INSIDE Secure’s semiconductor components to Presto Engineering Inc. In accordance with this long term agreement, Presto Engineering provides INSIDE Secure with services relating to the industrialization of integrated circuits and management of the supply chain.

The impact of the transfer of activities on the result breaks down as follows:

In thousands of US$	December 31, 2015
Cash receivable	504
Loss from sale of property, plant and equipment	(1,107)
Other liabilities transferred	602
Provision for onerous contracts	(4,084)
Transaction costs	(105)
Net impact on the result	**(4,190)**

The provision of US$ 4,084 thousand for onerous contracts corresponds to the present value of the most probable estimation of the amount payable to Presto Engineering during the first three years of the agreement, compared to the fair value of the services expected during this period. The fair value of the services has been determined in relation to the market price for these types of services, and is based on the information available at the date of the transfer.

Taking into account the decision to sell certain semiconductor activities, the provision of onerous contracts was re-estimated as at December 31, 2015 (see note 28).

6. **Operating segment information**

Management has determined the operating segments based on the reports reviewed by the Management Board that are used to make strategic decisions.

The Group operates around two complementary operating segments, which target different markets, products, solutions and clients whilst maintaining a common platform for research and development, intellectual property, operations, and a global sales force:

- Mobile Security: this division gathers the Group's offer in all mobile communication matters, to provide a comprehensive suite of embedded security solutions for all mobile and connected devices. The offer includes IPs, software solutions and marginally semi-conductors capable of addressing the growing needs for a full range of security solutions on all mobile platforms, securing M-payments, content, data communications and data storage.

- Secure Transactions: this division unites the Group's offer dedicated to address high security issues for smart cards, ID, payments but also all transactions involved in the M2M and Internet of Things universe. This division builds tailored solutions based on secure microcontrollers, with, if necessary, embedded secure firmware and associated services.

The segment information provided to the Management Board for the reportable segments for the year ended December 31, 2015 is as follows:

(In thousands of US$) As at December 31, 2015	Mobile security	Secure transactions	Common unallocated (*)	Total per management reporting	Reconciliation to IFRS	Consolidated IFRS reporting (audited)
Revenue	27,035	42,422	650	70,106	-	70,106
Adjusted gross profit (**)	23,498	8,695	650	32,843		Non IFRS measure
Operating loss	(18,447)	(16,696)	(8,122)	(43,265)	-	(43,265)
Adjusted operating income / (loss)	(8,458)	(10,678)	(1,814)	(20,951)		Non IFRS measure
EBITDA	(7,682)	(8,886)	(1,017)	(17,584)		Non IFRS measure
Finance income / (loss), net			(983)	(983)	-	(983)
Income tax expense			(335)	(335)	-	(335)
Net loss			**(9,440)**	**(44,583)**	**-**	**(44,583)**

*Unallocated amount mainly corresponds to non recurring revenue (US$ 650 thousand)
** In 2015 underactivity has been atttributed to activity sectors for an amount of US$ 4,271 thousand

The segment information provided to the Management Board for the reportable segments for the year ended December 31, 2014 is as follows:

(In thousands of US$) As at December 31, 2015	Mobile security	Secure transactions	Common unallocated (*)	Total per management reporting	Reconciliation to IFRS	Consolidated IFRS reporting (audited)
Revenue	57,938	65,391	2,033	125,362	-	125,362
Adjusted gross profit (**)	51,672	20,695	2,033	74,399		Non IFRS measure
Operating loss	(47)	(4,107)	2,066	(2,089)	-	(2,089)
Adjusted operating income / (loss)	11,525	(5,309)	1,905	8,121		Non IFRS measure
EBITDA	12,427	(1,451)	1,905	12,880		Non IFRS measure
Finance income / (loss), net			(1,704)	(1,704)	-	(1,704)
Income tax expense			(1,229)	(1,229)	-	(1,229)
Net loss			**(867)**	**(5,022)**	**-**	**(5,022)**

*Unallocated amount mainly corresponds to non recurring revenue (US$ 2,033 thousand)
** In 2014 underactivity has been atttributed to activity sectors for an amount of US$ 2,839 thousand

Adjusted gross profit, adjusted operating result and EBITDA are not a measure of operating performance or liquidity under IFRS.

Adjusted gross profit is defined as gross profit before (i) amortization of intangible assets relating to business combinations and depreciation of masks acquired as part of a business combination, (ii) potential impairment of goodwill, (iii) expense linked to share-based payments and (iv) non-recurring costs relating to restructuring programs and acquisitions by the Group.

Adjusted operating result is defined as operating result before (i) amortization of intangible assets relating to business combinations and depreciation of masks acquired as part of a business combination, (ii) potential impairment of goodwill, (iii) expense linked to share-based payments and (iv) non-recurring costs relating to restructuring programs and acquisitions by the Group.

EBITDA is defined as operating result before amortization and depreciation expenses not relating to business combinations.

Adjusted gross profit, adjusted operating result and EBITDA as presented may not be strictly comparable to measures with similar names as presented by other companies.

The reconciliation from Company reporting to consolidated IFRS reporting (audited) is as follows:

As of December 31, (In thousands of US$)	2014	2015
Gross profit as per IFRS	**62,424**	**23,284**
Share based payments	43	1
Amortization and depreciation of acquired assets from SMS	638	407
Amortization and depreciation of acquired assets from ESS	10,548	8,134
Amortization and depreciation of acquired assets from Metaforic	745	1,016
Adjusted gross profit	**74,399**	**32,843**

As of December 31, (In thousands of US$)	2014	2015
Operating loss as per IFRS	**(2,089)**	**(43,265)**
Share based payments	557	478
Amortization and depreciation of acquired assets from SMS	1,905	1,605
Amortization and depreciation of acquired assets from ESS	10,807	8,393
Amortization and depreciation of acquired assets from Metaforic	990	1,318
Impairment loss on non-current assets	1,522	5,064
Expense for the year for Presto Engineering	-	7,198
Reversal of unused provision on intangible assets	(5,952)	(2,403)
Non-recurring income / (expenese) on acquisitions	450	(152)
Restructuring expense	(69)	813
Adjusted operating income / (loss)	**8,121**	**(20,951)**
Depreciation and amortization of tangible and intangible assets which are not related to the acquisition of business	4,759	3,367
EBITDA	**12,880**	**(17,584)**

The revenue by geographical region for the years ended December 31, 2014 and 2015 is as follows:

(In thousands of US$)	Asia	Europe, Middle East Africa, Latin America	North America	Total
2015	9,330	29,042	31,735	70,106
2014	13,176	52,028	60,158	125,362

Geographically, management has allocated revenue based on the location where the goods are delivered or the services are rendered, except for the sales with three major customers, which were allocated based on the location of their head offices

The top ten customers of the Group represented 51% of its consolidated revenue in 2015 and 66% of revenue in 2014.

Two customers each represented more than 10% of the total consolidated revenue in 2015 and 2014.

This breaks down as follows:

As of December 31, 2015 (In thousands of US$)	Invoiced amount	Segment
Client n°1	9,006	Secure transactions
Client n°2	8,785	Secure transactions

As of December 31, 2014 (In thousands of US$)	Invoiced amount	Segment
Client n°1	19,980	Mobile security
Client n°2	13,764	Secure transactions

7. Revenue

Revenue for the years 2014 and 2015 breaks down as follows:

	Year ended December 31,	
(In thousands of US$)	**2014**	**2015**
Revenue from sale of products	66,592	42,794
Revenue from licenses, royalties, development, maintenance and other services	58,770	27,313
Total	**125,362**	**70,106**

The Group commercializes integrated circuits. Additionally, it relies on the intellectual property developed by the Group to generate revenue from development, licensing and royalties, and proceeds from the sale of patents.

8. **Goodwill**

Goodwill breaks down as follows:

(In thousands of US$)	Secure transactions	Mobile security
As at December 31, 2014	3,573	21,050
Change in scope	-	-
Impairment of goodwill (note 28)	(2,993)	-
Foreign currency exchange and transfer	(580)	(177)
As at December 31, 2015	**-**	**20,873**

Annual impairment test on goodwill

Goodwill resulting from business combinations is allocated to those cash-generating units or groups of cash-generating units expected to benefit from the synergies created by the business combination. The goodwill relating to the acquisition of SMS in 2010 is allocated to the cash-generating unit that corresponds to the “Secure transactions” operating segment and the goodwill relating to the acquisitions of ESS in 2012 and Metaforic in 2014 is allocated to the cash-generating unit that corresponds to the “Mobile security” operating segment.

The recoverable amount of the cash-generating units to which the sets of goodwill have been allocated has been estimated based on their value in use, as described in note 4 "Critical accounting estimates and judgments".

As at December 31, 2015, given the decision to sell certain semi-conductor activities (see note 1), the recoverable amount became inferior to the carrying value. The Company therefore recognized an impairment charge amounting to US$ 2,993 thousand. Accordingly, the goodwill relating to the "Secure Transactions" segment was fully written down as at December 31, 2015.

9. Intangible assets

Intangible assets break down as follows:

(In thousands of US$)	Patented technologies	Software licenses	Royalties on intellectual property	Internally developed software	Technologies in development	Total
Year ended December 31, 2014						
Opening net book amount	2,153	2,358	21,177	1,488	5,543	**32,720**
Acquisitions	4,031	290	-	-	-	**4,321**
Acquisition of business	6,615					**6,616**
Exchange differences	-	(29)	-	-	(56)	**(85)**
Impairment	-	-	-	-	(484)	**(484)**
Disposals (net book amount)	-	(103)	-	-	-	**(103)**
Amortization charge	(2,255)	(1,469)	(10,031)	(777)	-	**(14,531)**
Closing net book amount	**10,545**	**1,047**	**11,146**	**712**	**5,002**	**28,453**
At December 31, 2014						
Cost or valuation	16,298	10,056	31,576	2,330	5,487	**65,748**
Accumulated amortization and impairment	(5,753)	(9,010)	(20,430)	(1,618)	(484)	**(37,295)**
Net book amount	**10,545**	**1,047**	**11,146**	**712**	**5,003**	**28,453**
Year ended December 31, 2015						
Opening net book amount	**10,545**	**1,047**	**11,146**	**712**	**5,003**	**28,453**
Acquisitions	-	98	-	-	-	**98**
Acquisition of business	-	-	-	-	-	**-**
Exchange differences	(80)	(163)	-	-		**(243)**
Impairment	-	-	-	-	(484)	**(484)**
Disposals (net book amount)	-		-	-	-	**-**
Impairment of secured transactions (note 28)	-	(82)	-	-	-	**(82)**
Amortization charge	(3,138)	(449)	(7,682)	(712)	-	**(11,982)**
Closing net book amount	**7,327**	**451**	**3,464**	**-**	**4,519**	**15,760**
At December 31, 2015						
Cost or valuation	16,218	9,977	31,576	2,330	5,487	**65,588**
Accumulated amortization and impairment	(8,891)	(9,526)	(28,113)	(2,330)	(969)	**(49,828)**
Net book amount	**7,327**	**451**	**3,464**	**-**	**4,519**	**15,760**

Amortization expenses of US$ 11,982 thousand were recorded in 2015 within research and development, selling and marketing, and general administration expenses according to the assets' allocation (US$ 14,531 thousand in 2014).

Finance leases included within intangible assets corresponding to software break down as follows:

(In thousands of US$)	December 31, 2014	December 31, 2015
Gross book value	925	917
Accumulated amortization	(889)	(917)
Net book value	**36**	**-**

10. Property and equipment

Property and equipment breaks down as follows:

(In thousands of US$)	Leasehold improvement	Equipment	Furniture and other office equipment	Masks	Total
Year ended December 31, 2014					
Opening net book amount	**2,218**	**2,684**	**927**	**4,584**	**10,412**
Additions	177	416	522	43	**1,157**
Acquisition of business	11	-	6	-	**17**
Exchange differences	(12)	(16)	(48)	(184)	**(261)**
Impairment	-	-	-	(1,684)	**(1,684)**
Disposals (net book amount)	9	115	-	15	**139**
Scrap (net book amount)	(34)	(174)	7	-	**(200)**
Reclassification	(193)	-	-	-	**(193)**
Work in progress	54	-	-	-	**54**
Depreciation charge	(248)	(999)	(895)	(1,299)	**(3,440)**
Closing net book amount	**1,984**	**2,025**	**520**	**1,475**	**6,003**
At December 31, 2014					
Cost or valuation	3,155	9,727	5,367	13,915	**32,164**
Accumulated depreciation	(1,171)	(7,703)	(4,848)	(12,440)	**(26,161)**
Net book amount	**1,984**	**2,025**	**520**	**1,475**	**6,003**
Year ended December 31, 2015					
Opening net book amount	**1,984**	**2,025**	**520**	**1,474**	**6,003**
Additions	89	645	450	0	**1,183**
Acquisition of business	-	-	-	-	**-**
Exchange differences	(1)	7	(10)	(150)	**(154)**
Impairment of transaction services (note 28)	(975)	(330)	(47)	(638)	**(1,989)**
Disposals (net book amount)	(307)	(1,170)	243	-	**(1,233)**
Work in progress	493	(194)	-	-	**299**
Depreciation charge	(242)	(901)	(536)	(688)	**(2,366)**
Closing net book amount	**1,041**	**83**	**620**	**-**	**1,744**
At December 31, 2015					
Cost or valuation	2,258	1,313	1,203	946	**5,721**
Accumulated depreciation	(1,217)	(1,231)	(583)	(947)	**(3,977)**
Net book amount	**1,041**	**83**	**620**	**-**	**1,744**

Depreciation expenses of US$ 2,366 thousand were recognized in 2015 within cost of sales, research and development expenses, selling and marketing expenses, and general and administrative expenses dependent on the corresponding asset (US$ 3,440 thousand in 2014).

As mentioned in note 5, following the termination of LFoundry's activities and the unfeasibility of operating the masks held by this supplier, a one-off impairment of US$ 1,684 thousand was recorded as at December 31, 2014.

In 2015, in line with the transfer of the industrialization activities and the management of the supply chain of semi-conductor components to Presto Engineering Inc (see note 5.2), the Group sold certain assets. The net loss resulting from the sale of these property, plant and equipment amounts to US$ 1,107 thousand.

The impairment test relating to the property, plant and equipment belonging to the Secure Transactions segment resulted in an additional impairment charge of US$ 1,989 thousand (see note 28).

Finance leases included in property and equipment above are as follows:

(In thousands of US$)	2014	2015
Gross book value	2,057	1,901
Accumulated depreciation	(1,603)	(1,356)
Net book value	**454**	**545**

11. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

December 31, 2015 Assets	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Derivative financial instruments	-	-	275	-	275
Trade and other receivables	40,069	-	-	-	40,069
Cash and marketable securities	16,274	160	-	-	16,434
Total	**56,343**	**160**	**275**	**-**	**56,778**

Liabilities	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Finance lease liabilities	-	-	897	897
Financing of the Research tax credit receivable	-	-	17,468	17,468
Derivative financial instruments	46	278	-	324
Trade and other payables	-	-	17,232	17,232
Total	**-**	**-**	**35,597**	**35,921**

December 31, 2014 Assets	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Derivative financial instruments	-	-	94	-	94
Trade and other receivables	48,929	-	-	-	48,929
Cash and marketable securities	36,155	160	-	-	36,315
Total	**85,084**	**160**	**94**	**-**	**85,338**

Liabilities	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Finance lease liabilities	-	-	510	510
Financing of the Research tax credit receivable	-	-	18,533	18,533
Derivative financial instruments	158	897	-	1,055
Trade and other payables	-	-	28,940	28,940
Total	**158**	**897**	**47,983**	**49,038**

12. **Derivative financial instruments**

Derivative financial instruments break down as follows:

(In thousands of US$)	2014		2015	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts - cash flow hedges	42	676	184	202
Currency forward contracts - held for trading	-	-	-	-
Currency options - cash flow hedges	52	220	91	74
Currency options - held for trading	-	158	-	46
Total	**94**	**1,054**	**275**	**322**
Of which current portion	**94**	**1054**	**275**	**322**

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to a loss of US$ 40 thousand (a gain of US$ 259 thousand in 2014).

(a) Currency forward contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2015 were US$ 5,500 thousand (US$ 10,750 thousand in 2014).

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity on forward foreign exchange contracts as at December 31, 2015 are recognized in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

(b) Currency options

The notional principal amounts of the outstanding currency options at December 31, 2015 were US$ 4,000 thousand (US$ 5,500 thousand in 2014).

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity on currency options as at December 31, 2015 are recognized in the income statement in the period during which the hedged forecast transaction affects the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

13. Inventories

Inventories break down as follows:

(In thousands of US$)	2014	2015
Semi-finished and finished goods	16,782	14,747
Less: provision for impairment of obsolete items	(6,863)	(6,805)
	9,919	**7,943**

Movements on the Group provision for impairment of obsolete inventories are as follows:

(In thousands of US$)	2014	2015
At January 1	(7,138)	(6,863)
Impairment of obsolete items	(1,842)	(4,744)
Inventory written off during the year	1,284	4,317
Unused amounts reversed	833	484
At December 31	**(6,863)**	**(6,805)**

Impairment of obsolete items relates to inventory levels judged in excess, particularly when assessed in relation to backlog as well as obsolete technology. The Group recognized the impairment of inventory in the line item "Cost of sales".

14. Trade receivables

Net trade receivables break down as follows:

(In thousands of US$)	2014	2015
Trade receivables	14,078	8,469
Less: provision for impairment of trade receivables	(498)	(188)
Trade receivables, net	**13,580**	**8,282**

Trade receivables break down as follows:

(In thousands of US$)	2014	2015
Trade receivables invoiced	11,091	8,190
Trade receivables accrued invoices	3,892	647
Credit notes to be issued	(906)	(368)
Trade receivables	**14,078**	**8,469**

Trade receivables that are less than three months past due are not considered for impairment. As at December 31, 2015, trade receivables of US$ 4,127 thousand were overdue but not impaired. These relate to a number of customers for whom there is no history of default.

The ageing analysis of these trade receivables is as follows:

(In thousands of US$)	Total	due	1 to 30	30 to 60	60 to 90	90 to 120	Above 120
2014	11,091	8,710	1,102	123	140	512	504
2015	8,191	4,064	1,939	1,120	575	119	374

The provision for impairment of receivables breaks down as follows:

(In thousands of US$)	2014	2015
At January 1	(1,127)	(498)
Provision for the impairment of receivables	(470)	(178)
Receivables written off during the year as uncollectible	834	109
Unused amounts reversed	265	380
At December 31	**(498)**	**(188)**

The recording and reversal of a provision for receivables impaired has been included in the line item "Selling and marketing expenses" in the income statement.

As at December 31, 2015, 73% of the carrying amounts of the Group's trade and other receivables are denominated in US Dollars (85% as at December 31, 2014).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

In 2011, the Group entered into factoring agreements whereby it transferred certain receivables in Euros and Dollars to Natixis Factor, including a deposit and backed by a credit insurance contract. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet.

The amount of receivables transferred with maturities later than December 31 for which substantially all of the risks and rewards have been transferred and which are therefore no longer recorded in the balance sheet within accounts receivable is as follows:

(In thousands of US$)	2014	2015
Trade receivables transferred	10,317	4,039
Factoring reserve	(434)	(230)
Cash received as at December 31,	**9,883**	**3,809**

As at December 31, 2015, the total amount of transferred receivables is US$ 4,039 thousand (US$ 10,317 thousand as at December 31, 2014).

15. **Other receivables**

Other receivables break down as follows:

(In thousands of US$)	2014	2015
Deposits	422	334
Research tax credit	28,686	24,736
VAT receivables	1,061	1,786
Pre-payments	682	330
Factoring reserve	434	230
Other receivables	1,525	1,701
Prepaid expenses	3,085	2,442
Credit notes to be received	434	228
Other receivables	**36,330**	**31,786**
Other receivables - Non-current portion	*23,437*	*19,022*
Other receivables - Current portion	*12,893*	*12,765*

Reimbursement of the Research Tax Credit (RTC) receivable is made three years after the date it is declared, unless offset against corporate tax. Consequently, the Group recognizes RTC receivables relating to 2013, 2014 and 2015 in "Other assets – Non-current portion".

In accordance with generally accepted accounting principles, the RTC receivable is not discounted.

Factoring contracts have been implemented with financial institutions. They have been recorded in financial debts in accordance with IAS 39 and relate to the RTC receivables for 2013, 2014 and 2015.

During 2015 the RTC receivable acquired in 2011 was reimbursed.

The variation in the RTC receivable over the year is as follows:

(In thousands of US$)	2014	2015
At January 1	**24,337**	**28,686**
Research tax credit for the year	7,177	5,460
Repayment of the research tax credit receivable	-	(6,295)
Exchange differences	(2,828)	(3,115)
As at December 31,	**28,686**	**24,736**

16. **Cash and cash equivalents**

Cash and cash equivalents break down as follows:

(In thousands of US$)	2014	2015
Cash at bank and on hand	31,155	16,274
Marketable securities	160	160
Short term securities	5,000	-
Cash and cash equivalents	**36,315**	**16,434**

Marketable securities correspond to joint investment schemes measured at fair value against profit and loss. These securities are considered as cash equivalents as they are highly liquid, have sensitivity to interest rates of less than 0.25, have a volatility of almost 0 and are part of an investment strategy which excludes shares.

Short term securities correspond to investments which meet the criteria of cash and cash equivalents as defined by the AMF in 2012.

17. Share capital

The variations of share capital break down as follows:

(In thousands of US$ except number of shares)	Number of shares	Ordinary shares	Share premium	Total
As at January 1, 2014	**33,993,562**	**17,822**	**225,598**	**243,420**
Share conversion	20,000	10	45	55
Exercise of stock options	315,286	188	177	365
As at December 31, 2014	**34,328,848**	**18,020**	**225,820**	**243,840**
Equity financing	400,000	180	698	878
Exercise of stock options	42,500	18	-	18
As at December 31, 2015	**34,771,348**	**18,218**	**226,518**	**244,736**

Year ended December 31, 2014

During the year, the Company increased capital through:

- The exercise of stock purchase warrants for an amount of US$ 10 thousand,
- The exercise of stock options and the definitive acquisition of free shares for an amount of US$ 188 thousand.

Year ended December, 31, 2015

During the year, the Company increased capital through:
- An equity line with Kepler Cheuvreux, pursuant to which Kepler Cheuvreux has undertaken to subscribe for new shares over a period of two years up to a maximum allocation of 3,400,000 shares, provided that the conditions laid down by the parties are met. In 2015, 400,000 new shares were issued under this agreement, corresponding to a capital increase of US$ 870 thousand, including the share premium.
- The definitive acquisition of free shares allocated to employees

18. Share-based payments

Share options, free shares and stock purchase warrants (BSA) are granted to management, employees and third parties (service providers).

As at December 31, 2015 the following share based payments were granted by the Company:

Plan	Date of allocation	Exercise price in $ per share	Vesting / Conditions	Number of instruments	Expiration date
Other free shares - Pool A	17/12/2010	-	2 years - graded vesting - IPO and market conditions : €25,5 ($35) if IPO within 12 months, €29 ($40) if IPO between 12 and 24 months, €34 ($47) if IPO after 24 months	1,116,000	NA
Other free shares - Pool B	17/12/2010	-	4 years - graded vesting - IPO and market conditions : €25,5 ($35) if IPO within 12 months, €29 ($40) if IPO between 12 and 24 months, €34 ($47) if IPO after 24 months	110,000	NA
Free shares	17/10/2012	-	Graded vesting - 50% after 2 years, 75% after 3 years and 100% after 4 years Average of the stock price for the 20 days preceeding October 17, 2014, must be above €2,30 ($3)	160,000	NA
Free shares	20/12/2012	-	Graded vesting - 50% after 2 years, 75% after 3 years and 100% after 4 years Average of the stock price for the 20 days preceeding October 17, 2014, must be above €3,22 ($4,27)	10,000	NA
Free shares	26/07/2012	-	2 years - Average of the stock price for the 20 days preceeding July 26, 2014, must be above €8,30 ($11,44)	2,200	NA
Free shares	26/07/2012	-	2 years - Average of the stock price for the 20 days preceeding July 26, 2014, must be above €8,30 ($11,44)	4,000	NA
Free shares	26/07/2012	-	2 years - Average of the stock price for the 20 days preceeding July 26, 2014, must be above €8,30 ($11,44)	63,510	NA
SO 2005 - 1 Pool 3	28/07/2005	0.48	4 years - graded vesting, minimum share price of €100 ($137) at exit date.	113,200	16/06/2015
SO 2005 - 1 Pool 4	28/07/2005	0.48	4 years - graded vesting, minimum share price of €120 ($164) at exit date.	102,240	16/06/2015
SO 2005 - 02 first grant	17/02/2006	4.68	4 years - graded vesting.	96,908	20/10/2015
SO 2005 - 02 second grant	02/06/2006	5.05	4 years - graded vesting.	51,904	12/09/2016
SO 2006 - 01	02/06/2006	5.05	4 years - graded vesting.	273,200	02/06/2016
Options 2007-1-F (15 200) et Options 2006-1-B (5 400)	03/11/2008	12.89	5 years - graded vesting and to be member of the board	82,400	19/06/2017
Options 2006-1	02/02/2007	9.19	4 years - graded vesting and to be member of the board	105,200	16/04/2017
SO	26/07/2012	3.76	10 years - graded vesting.	14,490	26/02/2022
Options ESS	20/12/2012	3.84	4 years vesting Part of the options will be granted based on internal performance criteria of the ESS business.	300,000	16/04/2017
SO	20/06/2013	3.75	10 years - graded vesting.	20,000	20/12/2022
SO	27/08/2013	3.28	10 years - graded vesting. Part of the options will be granted based on internal performance criteria of the ESS business.	140,000	23/02/2023
SO	17/01/2014	2.38	3 years - graded vesting.	100,000	17/01/2024
SO	23/04/2014	3.85	4 years - graded vesting.	15,000	23/04/2024
SO	22/07/2014	4.18	4 years - graded vesting.	300,000	22/07/2024
SO	28/08/2014	4.53	3 years - graded vesting.	80,000	28/08/2024
Actions gratuites	23/03/2015	0.90	3 years - graded vesting - French residents	287,700	NA
Actions gratuites	23/03/2015	1.10	5 years - graded vesting - foreign residents	62,359	NA

Share based payments are conditional on the holder completing a certain number of years of service (the vesting period). Certain share based payments are exercisable subject to the common share of the Group achieving a certain value. The Group has no legal or constructive obligation to repurchase or settle the share based payments in cash.

The number of stock purchase warrants outstanding and their related weighted average exercise prices are as follows:

	2014		2015	
	Average exercise price in $ per share	**Number of financial instruments (in thousands)**	**Average exercise price in $ per share**	**Number of financial instruments (in thousands)**
As at January 1	9	262	9	242
Granted	-	-	-	-
Void	-	-	-	(227)
Exercised	-	(20)	-	-
Expired	-	-	-	-
As at December 31	**9**	**242**	**9**	**16**

No stock purchase warrants were exercised in 2015, and 226,500 became void in 2014.

The number of options outstanding and their weighted average exercise price are as follows:

	2014		2015	
	Average exercise price in $ per share	Number of financial instruments (in thousands)	Average exercise price in $ per share	Number of financial instruments (in thousands)
As at January 1	5	874	5	1,182
Granted	4	495	-	-
Void	-	(130)	-	(291)
Exercised	4	(57)	-	-
Expired	-	-	-	-
As at December 31	**5**	**1,182**	**5**	**891**

No stock options were exercised in 2015 (56,776 in 2014). No stock options were granted in 2015 (495,000 in 2014). 290,868 stock options became void in 2015 (130,000 in 2014).

The number of free shares definitively acquired as at December 31, 2015 amounts to 1,678,760 (against 1,676,260 as at December 31, 2014).

In 2015, 2,500 free shares were definitively acquired and none became void.

The valuation of share options, free shares and stock purchase warrants can be summarized as follows:

Plan	Valuation model	Share price at grant date (US$)	Risk free rate	Volatility	Expected maturity (*)
BSA 2007-02	B&S	9.6	4.50%	51%	3
BSA 2007-4	B&S	10.275	4.50%	51%	3
BSA 2007-4 (2nd tranche)	B&S	9.325	1.60%	71%	2
BSA 2006-1	B&S	5.3	4.50%	51%	5
BSA 2005-5	B&S	5	3.30%	49%	3
BSA 2006-2	B&S	5.175	3.50%	49%	5
BSA 2007-3	B&S	11.1	4.50%	51%	5
BSA 2007-3 (2nd tranche)	B&S	10.825	3.00%	71%	4
BSA 8	B&S	13.375	1.20%	71%	4
BSA 2005-1	B&S	7.275	4.00%	49%	4
BSA 2005-3	B&S	7.275	4.00%	49%	4
BSA 12	B&S	6.525	1.50%	57%	4
SO 2005 - 1 Pool 3	B&S	4.53	1.20%	57%	10
		4.27	1.20%	55%	10
		0.475	3.30%	49%	10
SO 2005 - 1 Pool 4	B&S	0.475	3.30%	49%	10
SO 2005 - 02 first grant	B&S	4.675	3.50%	49%	6
SO 2005 - 02 second grant	B&S	5.05	4.00%	49%	7
SO 2006 – 01	B&S	5.05	4.50%	51%	7
Options 2007-1-F (15,200) and Options 2006-1-B (5,400)	B&S	12.9	3.20%	51%	4
Options 2006-1	B&S	9.175	4.50%	51%	7
Options ESS	B&S	3.84	4.50%	75%	4
Free shares pool 1	Share price at grant date	0.475	NA	NA	NA
Free shares pool 2	Share price at grant date	0.475	NA	NA	NA
Free shares - addition to pool 2	Share price at grant date	4.7	NA	NA	NA

Plan	Valuation model	Share price at grant date (US$)	Risk free rate	Volatility	Expected maturity (*)
Other free shares	Share price at grant date	4.7	NA	NA	NA
Other free shares	Share price at grant date	4.975	NA	NA	NA
Pool A	Share price at grant date	4.975	NA	NA	NA
Pool B	Share price at grant date	4.975	NA	NA	NA
Pool C	Share price at grant date	4.975	NA	NA	NA
Other free shares	Share price at grant date	12,.9	NA	NA	NA
Pool A	MC	6.3	NA	NA	NA
Pool B	MC	6.3	NA	NA	NA
Other free shares	MC	2.8	NA	NA	NA
Other free shares	MC	3.4	NA	NA	NA
Other free shares	MC	0.9	NA	NA	NA
Other free shares	MC	1.1	NA	NA	NA

MC: Monte-Carlo valuation model
B&S: Black & Sholes valuation model
(*) Determined based on a peer group analysis

19. **Retained earnings and other reserves**

Retained earnings and other reserves break down as follows:

(In thousands of US$)	**2014**	**2015**
As at January 1	**(147,473)**	**(153,141)**
Loss for the year	(5,022)	(44,583)
Share based payments	557	478
Total other comprehensive loss	(131)	(43)
Actuarial loss on retirement benefit obligations	(191)	252
Financial instruments at fair value	(1,063)	695
Contribution to restricted reserve	-	-
Currency translation differences	245	345
Treasury shares	(64)	29
As at December 31,	**(153,141)**	**(195,969)**
Of which:		
Retained earnings	(166,635)	(210,733)
Legal reserve	-	-
Restricted reserves	2,661	2,618
Other comprehensive income / (loss)	(678)	256
Share based payments	11,286	11,765
Currency translation differences	703	576
Treasury shares	(478)	(450)
As at December 31,	**(153,141)**	**(195,969)**

Companies registered in France must transfer 5% of their annual profit to a “legal reserve” until the reserve reaches 10% of the share capital. The Group having generated losses in the past, no contribution has been made to this reserve.

20. Trade payables

Trade and other payables break down as follows:

(In thousands of US$)	2014	2015
Trade payables	16,326	9,001
Accrued expenses	5,604	2,032
Social security and other taxes	6,238	4,712
Advances from customers	1,587	1,487
Total	**29,756**	**17,232**

In certain cases, when the revenue recognition criteria are not met, the Group may defer the related income and the related payments are recorded within the line item "Advances from customers".

21. Intangible liabilities

Intangible liabilities break down as follows:

(In thousands of US$)	December 31, 2014	Allowance	Used amounts	Unused amounts	December 31, 2015
License agreement liabilities	4,536	-	(589)	(2,403)	1,544
Provision for onerous contracts - Presto Engineering	-	7,198	(348)	-	6,850
Total	**4,536**	**7,198**	**(937)**	**(2,403)**	**8,394**

As indicated in note 5.1, the Group recognized an intangible liability relative to a license agreement signed in relation to the acquisition of the SMS activity in September 2010. This liability was re-estimated using the best estimation of the licenses payable taking into account the announced sale of part of the semi-conductor activity (see note 28).

As mentioned in note 5.2, the Group recognized a provision for onerous contracts in relation to the transfer of the industrialization activities and the management of the supply chain of INSIDE Secure's semi-conductor components to Presto Engineering on June 30, 2015. The provision which was recognized at the date of the transaction and was estimated at US$ 4,084 thousand has been increased by US$ 2,766 thousand in order to take into account the announced sale of part of the semi-conductor activity (see note 28).

22. **Financial debts**

Financial debts break down as follows:

(In thousands of US$)	2014	2015
Non-current		
Research tax credit financing	6,353	11,311
Obligations under finance lease	119	174
Other financial debt	-	321
	6,472	**11,806**
Current		
Research tax credit financing	12,181	6,157
Obligations under finance lease	391	148
Other financial debt	-	253
	12,572	**6,558**
Total	**19,044**	**18,365**

As previously indicated, factoring contracts for the research tax credit receivable (RTC) for the years ended December 31, 2012, 2013 and 2014, were implemented with a financial institution.

These financings amounting to US$ 17,468 thousand correspond to 90% of the receivable. The RTC balance will be paid to the Company at the maturity of the contract and, as a result, the financial debt will be extinguished. Interest and commissions have been recognized in prepaid expenses and are spread over the duration of the contract. Given that the financing of the RTC is denominated in Euros, the amount presented on the balance sheet can be affected by exchange rate fluctuations. The maturity of the contracts is as follows:

- Financing of the research tax credit related to 2012: € 5,253 thousand in October 2016
- Financing of the research tax credit related to 2013: €5,590 thousand in December 2017
- Financing of the research tax credit related to 2014: € 4,517 thousand in July 2018

Obligations under finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The line item “Other financial debt” includes the amount of the repayable advance with a detailed payment schedule (see note 23).

23. **Repayable advances**

Repayable advances break down as follows:

(In thousands of US$)	2014	2015
Repayable advances Bpifrance	5,820	5,056
Total	**5,820**	**5,056**
Other payables - Non-current portion	*5,820*	*5,056*
Other payables - Current portion	-	-

The Group benefits from repayable advances from Bpifrance (formerly OSEO) for research and innovation programs. These advances are repayable if and only if the contractually defined commercial and revenue objectives are achieved on the related projects. Repayable advances are accounted for at their nominal value and do not bear interest. As the repayable advances are denominated in Euros, the amount recorded on the balance sheet may be affected by exchange rate fluctuations.

Following the termination of a research and development project, in May 2015 the Company agreed with Bpifrance to reimburse US$ 779 thousand (€ 696 thousand) in equal parts in June 2015, July 2016 and 2017. An amount of € 232 thousand was repaid during the year. The residual amount of US$ 519 thousand has been reclassified in financial debts (see note 22).

24. Retirement benefit obligations

The Group operates a defined benefit pension plan in France and its obligations to employees in terms of retirement benefits are limited to a lump sum payment based on remuneration and length of service, determined for each employee. In the UK the Group operates under a defined contribution plan whereby the Company's liability is limited to its contributions.

The amounts recognized in the balance sheet are determined as follows:

(In thousands of US$)	2014	2015
Present value of unfunded obligations	1,503	993

The movement in the defined obligation over the year is as follows:

(In thousands of US$)	2014	2015
As at January 1	1,596	1,503
Current service cost	195	160
Interest cost	48	22
Actuarial (losses)/gains	160	(287)
Liabilities assumed as part of a business combination	(318)	(277)
Exchange differences	(178)	(128)
As at December 31	**1,503**	**993**

The amounts recognized in the income statement are as follows:

(In thousands of US$)	2014	2015
Current service cost	195	160
Interest cost	48	22
As at December 31	**243**	**182**

The principal actuarial assumptions used were as follows:

	2014	2015
Discount rate	1.61%	2.03%
Salary growth rate (including inflation)	3%	3%
Inflation rate	2%	2%

Assumptions regarding future mortality expectations are set based on data in accordance with published statistics and experience in France.

The liability recognized as at December 31, 2015 takes into account the latest regulations in terms of pension obligations.

The sensitivity of the overall pension liability to changes in the weighted principal assumption is as follows:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease of 0.25 points	Decrease/Increase of 4.05%

25. Provisions for other liabilities and charges

Provisions for other liabilities and charges break down as follows:

(In thousands of US$)	Employee related litigations	Customer claims	Restructuring	Others	Total
As at January 1, 2014	**53**	**472**	**1,571**	**217**	**2,312**
Charges / (credited) to the income statement:					
- Additional provisions	-	-	-	-	**-**
- Unused amounts reversed	-	(266)	-	-	**(266)**
- Used during the year	-	(189)	(1,546)	-	**(1,735)**
Exchange differences	(7)	(9)	-	(22)	**(38)**
As at December 31, 2014	**46**	**8**	**25**	**195**	**273**

(In thousands of US$)	Employee related litigations	Customer claims	Restructuring	Others	Total
As at January 1, 2015	**46**	**8**	**25**	**195**	**273**
Charges / (credited) to the income statement:					
- Additional provisions	40	503	-	-	**543**
- Unused amounts reversed	-	(8)	-	-	**(8)**
- Used during the year	(40)	-	(25)	(25)	**(90)**
Exchange differences	(6)	(28)	-	6	**(28)**
As at December 31, 2015	**40**	**475**	**-**	**175**	**689**

Employee related litigation

The Group is subject to legal proceedings arising in the ordinary course of business. Management does not expect that the ultimate costs necessary to resolve these matters will have a material adverse effect on the Group's consolidated financial position, result of operations or cash flows.

Provision for restructuring expenses

In 2013, INSIDE Secure launched a plan to reorganize its worldwide business activities. This plan aimed to reduce operating expenses (as part of the overall redefinition of the Group's strategic priorities in its markets) by lowering administrative and marketing costs, refocusing its research and development activity and improving operational efficiency. As at December 31, 2015 all expenses relating to this reorganization were incurred and paid.

26. **Deferred income**

Deferred income breaks down as follows:

(In thousands of US$)	2014	2015
Maintenance	1,653	2,000
Licenses	610	951
Royalties	367	327
As at December 31,	**2,630**	**3,278**

Deferred income mainly comprises maintenance invoices and licenses for which revenue is recorded as and when recognition criteria are met.

27. **Research and development expenses**

Research and development expenses break down as follows:

(In thousands of US$)	2014	2015
Research and development expense	42,685	30,324
Share base payment	123	209
Research tax credit	(6,747)	(5,754)
Grants	(967)	-
Total	**35,095**	**24,780**

The amount of the research tax credit varies according to the corresponding research effort, which can fluctuate significantly by period according to the nature and progress of ongoing projects and the grants received.

28. **Other gains / (losses), net**

Other gains / (losses), net break down as follows:

	Year ended	
(In thousands of US$)	December 31, 2014	December 31, 2015
Restructuration costs related to the acquisition of the SMS business	(1,683)	-
Net impact of the transfer of activity to Presto Engineering	-	(4,190)
Reversal of unused provision on intangible asset - SMS	5,952	-
Restructing expenses / costs linked to departures	69	(812)
Impairment of assets through impairment testing	-	(5,426)
Transaction costs related to acquisition of Metaforic	(380)	(23)
Foreign exchange losses on operating activities	(218)	(2,315)
Other	180	(218)
Total	**3,921**	**(12,984)**

As indicated in note 5.2 the Company recognized a one-off amount of US$ 4,190 thousand relating to the transfer of the industrialization activity and the management of the supply chain of INSIDE Secure's semiconductor components to Presto Engineering Inc on June 30, 2015.

Post December 31, 2015 closing, INSIDE Secure announced that it had entered into exclusive negotiations with a potential acquirer with a view to selling part of its semiconductor business. In this context, the Group recognized the following write-downs and provisions:

In thousands of US$	**December 31, 2015**
Impairment of goodwill	(2,993)
Amortization of intangible assets	(81)
Depreciation of property, plant and equipment	(1,989)
Additional provision for Presto Engineering	(2,766)
Reversal of the provision for license agreement liabilities	2,403
Net impact	**(5,426)**

Operating exchange gains and losses relate to exchange differences affecting revenue and operating expenses concluded during the year as well as the impact of the revaluation at closing rates of operating assets and liabilities denominated in currencies other than the functional currency of the consolidated companies.

29. Expenses by nature

Expenses by nature break down as follows:

(In thousands of US$)	**2014**	**2015**
Purchase of wafers including inventory variation	27,271	20,714
Semi finished goods and consumables used	8,561	2,394
Depreciation, amortization, impairment charges and write offs	3,541	5,460
Employees and compensation benefits	51,166	37,784
Amortization and depreciation of acquired assets	13,699	16,381
Restructuring costs	(69)	7,921
Subcontracting and temporary work force	5,831	2,793
External services	12,116	12,837
Travel expenses and entertainment	3,283	2,845
Buildings and office leases	3,083	2,310
Advertising, promotion and trade shows	2,247	1,425
Fees, commissions and royalties	9,748	7,860
Grants and research tax credit	(7,881)	(5,754)
External transaction costs related to acquisition	(5,952)	(2,403)
Reversal of unused provision on intangible asset	380	-
Others	426	804
Total	**127,451**	**113,371**

30. Employee benefit expense

Employee benefit expense breaks down as follows:

(In thousands of US$)	2014	2015
Wages and salaries including terminat	36,185	27,954
Social security costs	14,437	9,183
Shared based payments	426	478
Retirement benefit obligation	117	168
Total	**51,166**	**37,784**

31. Finance income and expense

Finance income and expense breaks down as follows:

(In thousands of US$)	2014	2015
Foreign exchange loss	(1,181)	(1,572)
Interest expense	(1,094)	(671)
Finance costs	**(2,275)**	**(2,243)**
Foreign exchange gain	542	1,149
Interest income	29	112
Finance income	**572**	**1,261**
Finance loss, net	**(1,703)**	**(983)**

Foreign exchange gains and losses relating to financial transactions settled during the year, as well as the impact of the revaluation at closing rates of cash denominated in Euros into US Dollars, are recognized in financial result.

32. Income tax expense

The income tax expense breaks down as follows:

(In thousands of US$)	2014	2015
Tax calculated at domestic tax rates applicable to profits in the respective countries		
- France	(1,011)	(186)
- Netherlands	(67)	(5)
- United Kingdom	(12)	(101)
- USA	36	17
- Singapore	(3)	(1)
- Japan	(41)	-
- Finland	(132)	(58)
	(1,229)	**(335)**

The effective income tax charge differs from the theoretical amount that would arise from applying the income tax rate calculated based on rates applicable in France as a result of the following elements:

In thousands of US$	2014	2015
Loss before income tax	(3,792)	(44,248)
Theoretical income tax (tax rate of 34.43%)	1,306	15,235
Effect of different tax rates	170	36
Unrecognized tax losses during the period	(4,585)	(17,939)
Research tax credit not liable to income tax	2,453	1,844
Share based payment	(147)	(165)
Other permanent differences	(427)	653
Effective income tax	**(1,229)**	**(335)**

The unrecognized deferred tax assets as at December 31, 2015 amount to US$ 72,529 thousand (US$ 67,907 thousand as at December 31, 2014) mainly corresponding to the tax effect on the net operating losses carried forward in the French companies which can be used against future taxable profits for an unlimited number of years.

33. Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year:

	2014	2015
Loss attributable to equity holders of the Company (in thousand dollars)	(5,022)	(44,583)
Weighted average number of ordinary shares in issue	34,328,848	34,685,931
Basic loss per share ($ per share)	**(0.15)**	**(1.29)**

The variation in earnings per share mainly results from the share capital increases realized over the year which have an impact on the weighted average number of shares.

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding with the shares which would be issued as a consequence of the exercising of dilutive financial instruments.

The Group has three categories of dilutive potential financial instruments: free shares, warrants, and stock options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercising of the dilutive instruments:

	2014	2015
Weighted average number of ordinary shares in issue	34,328,848	34,685,931
Adjustments for:		
- Free shares	85,000	394,359
Weighted average number of ordinary shares for diluted earnings per share	34,413,848	35,080,290
Diluted loss per share ($ per share)	**(0.15)**	**(1.27)**
Diluted loss per share presented in the income statement ($ per share)	**(0.15)**	**(1.29)**

The final vesting of certain free shares, warrants and stock options plans was conditional on the occurrence of an initial public offering or a change in control. As the IPO was realized on February 17, 2012, the free shares, warrants and options relating to the plans concerned have been included in the calculation of the diluted earnings per share.

Warrants and stock options related to on-going plans have an exercise price exceeding the share price as at December 31, 2015 and have therefore not been taken into account for the calculation of the diluted earnings per share.

For the purposes of the table above, warrants and stock options are included in the diluted earnings per share calculation through the treasury stock method. The treasury stock method assumes that the proceeds from the exercise of warrants and stock options are used to repurchase common stock.

For accounting purposes, when dilutive instruments have the result that the dilutive loss per share is less than the basic loss per share, the impact of dilutive instruments is not taken into account.

34. Commitments

Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rates.

The Group also leases certain equipment under cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(In thousands of US$)	2014	2015
Gross finance lease liabilities - minimum lease payment		
No later than 1 year	1,580	1,391
Later than 1 year and no later than 5 years	3,463	2,000
Later than 5 years	-	-
Total	**5,043**	**3,391**

The Group entered into an operating lease contract in August 2012 for a building which now serves as its head office. The initial duration of the lease is 6 years. The future lease payments over 6 years are included in the table above.

35. Related party transactions

(a) Transactions with related companies

The Group purchases audit and consulting services from the company Leyton & Associés who share a common shareholder with the Group in the investment firm GIMV. These services were negotiated on an arm's length basis, without the involvement of the common shareholder, and amounted to US$ 129 thousand and US$ 148 thousand for 2015 and 2014, respectively.

Mr Amedeo D'Angelo, who has been the Chairman of the Company's Board since October 2015 is also President of Linxens, one of INSIDE Secure's suppliers. In 2015 purchases and services with the Company amounted to US$ 951 thousand. These purchases and services were concluded under normal market conditions with no involvement from Mr Amedeo D'Angelo.

The Company obtained financing (see notes 22 and 23) from the Bpifrance group. One of the companies belonging to this group is a shareholder of the Company and a member of its Supervisory Board. This financing has been arranged under normal market conditions, without the shareholder being involved.

(b) Key management compensation

Key management is composed of Management Board members. The compensation paid to key management for employee services is as follows:

(In thousands of US$)	2014	2015
Salaries	1,308	1,695
Share based compensation expenses	104	127
Total	**1,412**	**1,822**

36. Events after the reporting period

Post the December 31, 2015 closing, INSIDE Secure announced that it had entered into exclusive negotiations with a potential acquirer with a view to selling part of its semiconductor business. The scope of the transaction will include products, technology, customer agreements, certain patents and, more generally, the assets related to the development and sale of secure microcontroller-based integrated circuits, as well as the corresponding resources (R&D, sales, marketing, support). This scope largely comprises the semiconductor activities of INSIDE Secure centered around the Internet of Things, anti-fraud, brand protection, EMV payment card and access control.

37. Consolidated entities

The consolidated financial statements as at December 31, 2015 include the accounts of the Company and the following entities:

Country	Entity	Holding percentage 2013	2014	First consolidation	Consolidation method	Acquisition/ creation
France	Inside Secure France	100%	100%	2012	Full	Creation
USA	INSIDE Secure Corporation	100%	100%	2002	Full	Creation
Singapore	INSIDE Secure (Asia) Pte Ltd	100%	100%	2007	Full	Creation
France	Vault-IC France SAS	100%	100%	2010	Full	Acquisition
United	Vault-IC UK Ltd	100%	100%	2010	Full	Acquisition
Netherlands	INSIDE Secure B.V	100%	100%	2012	Full	Acquisition
Netherlands	INSIDE Secure Amsterdam B.V	100%	100%	2012	Full	Acquisition
Finland	INSIDE Secure Oy	100%	100%	2012	Full	Acquisition
Japan	INSIDE Secure K.K	100%	100%	2013	Full	Creation
USA	Metaforic Corp	100%	100%	2014	Full	Acquisition
United	Metaforic Ltd	100%	100%	2014	Full	Acquisition
Belgium	Selinko SA	18%	0%	2014	Equity method	Acquisition

During 2015 INSIDE Secure sold its minority shareholding in Selinko which was acquired in 2014.

20.2 Proforma financial information

Not applicable.

20.3 Financial statements

Not applicable.

20.4 Verification of the annual historical financial information

PricewaterhouseCoopers Audit
63 rue de Villiers
92200 Neuilly-sur-Seine

Antoine OLANDA
38 parc du Golf
13856 Aix-en-Provence

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report on the consolidated financial statements
For the year ended December 31, 2015

To the Shareholders
INSIDE Secure
Rue de la Carrière de Bachasson
13590 Meyreuil

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Inside Secure as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the of the Group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

The accounting estimates used in the preparation the consolidated financial statements for the year ended December 31, 2015 take into account the specific features of the new technology sector in which the company operates.

As indicated in Note 4 "Critical accounting estimates and judgments" of the notes to the financial statements, the company is required to make estimates and assumptions that relate in particular to revenue recognition, impairment of non-current assets and goodwill, intangible liabilities related to license agreements and accounting for income tax.

The procedures to be followed in this respect are described in Note 2 "Summary of principal accounting methods" of the notes to the consolidated financial statements. For all of these estimates, we examined the documentation available, assessed the reasonableness of assessments made by company management and verified that the notes related thereto provide appropriate information on the assumptions used by the company.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Signed at Neuilly-sur-Seine and Aix-en-Provence, on March 30, 2016

The statutory auditors

PricewaterhouseCoopers Audit	Antoine OLANDA
Didier Cavanié Partner	

20.5 Date of most recent financial information

The most recent financial information available dates from December 31, 2015.

20.6 Interim financial information

Not applicable.

20.7 Dividend distribution

20.7.1 Dividends paid out in the past three fiscal years

None.

20.7.2 Dividend distribution policy

There is no short-term plan to introduce a dividend distribution policy.

20.8 Court and arbitration proceedings

At times, the Group is exposed to the filing of observations against a certain number of its patent applications or to opposition procedures against some of its patents, in particular its European patents before the European Patent Office. The Group is also exposed to nullity actions filed with the national courts with respect to some of its national patents. These procedures against the Company's patents or patent applications may in particular be initiated by industrial players that are sued for infringement or are likely to be sued for infringement in connection with the NFC patent licensing program, or by third parties supplying accused components to said industrial players. Notably, the national parts (in Germany and the United Kingdom) of one of the Group's European patents, as well as the Korean (KR) patent from the same patent family, were subject to nullity actions by an important industrial player against which an infringement action had been asserted in Germany. These actions were withdrawn as a result of a settlement in the Group's favor. Similarly, three other industrial players have initiated actions aimed at obtaining, for the first, on the one hand the nullity of the German part of a European patent containing claims reading on the NFC standard as defined by the NFC Forum and, on the other hand, the revocation of a European patent application by opposition (the Opposition Division of the European Patent Office rejected the revocation request). For the second, on the one hand, the nullity of the German parts of two European patents (one of two nullity actions has been rejected by a competent court of first instance, although this decision can be appealed) and, on the other hand, the revocation of a European patent application by opposition. For the third, on the one hand, the nullity of the German part of a European patent and, on the other hand, the revocation of a European patent application by opposition. In addition, the second industrial player submitted three inter partes review procedures before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office against two US patents that are no longer owned by the Company but belong to patent families owned by the Company. As of the date hereof, these procedures produced three decisions, one of which invalidated two claims of the first patent, and another decision invalidated all claims of the second patent. The current patent owner considers the possibility to file an appeal against the latter decision. Another industrial player initiated five other inter partes review procedures before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office against, on the one hand, the U.S. patent belonging to the same patent family as the European patent containing the claims reading on the NFC standard as defined by the NFC Forum and, on the other hand, the U.S. patent belonging to the patent family that includes the German part of the European patent for which the aforementioned favorable decision was rendered by a competent court of first instance. Although the Group considers it has solid defenses for its patents and patent applications enabling it to resist such actions, it can neither guarantee the outcome nor exclude that these actions could be onerous and time-consuming for its management.

In addition, in the normal course of business, the Group is exposed to various other claims and litigation, including claims by current and former employees.

As of the filing date of this Registration Document, the Group considers that the potential losses it could incur in connection with such ongoing claims and litigation could not alone have a significant adverse impact on its financial position or profitability, and considers that it provisioned, whenever it deemed it necessary, the sufficient amount of funds to cover its liability based on the information available on the day the financial statements were approved.

Therefore, there are no regulatory, legal, or arbitration proceedings, including any proceedings of which the Company is aware, that are pending or threatened, which could potentially have or have had over the past twelve months, a significant impact on the Company's or Group's financial position or profitability.

20.9 Significant change in the financial or commercial position

Please refer to Chapter 12 of this Registration Document.

20.10 Statutory Auditors' fees

	PwC				Antoine Olanda			
	in euros		in %		in euros		in %	
	2015	2014	2015	2014	2015	2014	2015	2014
Audit								
Statutory audit, certification, audit of individual and consolidated financial statements								
Issuer	162 430	187 650	81%	71%	33 037	38 422	100%	100%
Consolidated subsidiaries	13 160	16 200	7%	6%	-	-	-	-
Other work and services directly related to the audit assignment								
Issuer	24 220	62 140	12%	23%	-	-	-	-
Consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	**199 810**	**265 990**	**100%**	**100%**	**33 037**	**38 422**	**100%**	**100%**
Other work and services provided by the networks to consolidated subsidiaries								
Legal, tax, social	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**199 810**	**265 990**	**100%**	**100%**	**33 037**	**38 422**	**100%**	**100%**

21. ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 Amount of share capital

As of the filing date of this Registration Document, the share capital of the Company totals EUR 13,908,539.20, split up into 34,771,348 fully paid-up common shares of par value EUR 0.4 each.

21.1.2 Non-equity securities

Not applicable.

21.1.3 Share repurchase program

The Combined Ordinary and Extraordinary Shareholders' Meeting of the Company dated June 3, 2015 authorized the Management Board to implement, for a period of eighteen months from the date of such Meeting, a share repurchase program under provisions of articles L. 225-209 *et seq.* of the French Commercial Code and the market practices accepted by the AMF.

The principal terms of this authorization are as follows:

- Maximum number of shares to be purchased: 10% of the total number of shares, at any time, being specified that (i) when shares are acquired in order to improve the liquidity of the shares of the Company, the number of shares used to calculate this limit will be the number of shares purchased minus the number of shares sold during the authorized period and (ii) when the shares are acquired to be held and subsequently delivered as payment or in exchange during a merger, division or contribution, the number of shares purchased may not exceed 5% of the total number of shares;

- Objectives of the share repurchase:

  - ensure the liquidity of shares under a liquidity contract to be concluded, as the case may be, with an investment services provider, in compliance with the ethics charter recognized by the *Autorité des marchés financiers*;

  - meet obligations related to stock option plans, free share plans, employee savings plans, or other grants of shares to employees and corporate officers of the Company or of the companies related to it ;

  - deliver shares in connection with the exercise of rights attached to securities giving access to the share capital;

  - acquire shares to be held and subsequently exchanged or used as payment in connection with potential external growth transactions ; or

  - cancel all or part of the shares acquired in this way ;

- maximum purchase price (excluding fees and commission): EUR 10 with an overall cap of EUR 33,000,000.

Consequently to the above, on March 8, 2012, the Company entered into a liquidity agreement with Natixis and allocated EUR 500,000 to it.

Number of shares acquired and sold over the course of the 2015 fiscal year

In the context of the liquidity agreement, over the course of the 2015 fiscal year,

- 1,023,698 shares were purchased at the average price of EUR 1.9535, and
- 1,016,780 shares were sold at the average price of EUR 1.9906.

The Company did not repurchase any of its own shares for other reasons.

Number of and value of own shares held as of December 31, 2015

Based on the acquisitions and sales completed over the course of the 2015 fiscal year, the balance of the liquidity agreement was equal to 42,286 shares as of December 31, 2015. As of that date, the value of the portfolio of own shares was equal to EUR 151,586.37, based on the closing price on December 31, 2015, or EUR 1.04.

Notwithstanding the shares purchased in the context of a liquidity agreement, the Company does not hold any other own shares.

21.1.4 Potential share capital

As of the filing date of this Registration Document, the securities and other currently outstanding financial instruments granting the right to a percentage of the share capital are described in sections 21.1.4.1, 21.1.4.2, and 21.1.4.3. The exercise of all these securities and financial instruments and the vesting of all free shares would result in the issuance of 5,089,423 additional common shares of the Company. A shareholder who owns 1% of the share capital of INSIDE Secure would see his or her ownership go down to 0.87% in the event of exercise of all stock options, share warrants, and free shares.

21.1.4.1Share warrants (*Bons de souscription d'actions*)

The main characteristics of the currently outstanding share warrants (*bons de souscription d'actions*, or "BSA(s)") issued by the Company are provided in the following table.

Plan name[1]	Date of issue	Total number of warrants	Maximum number of shares resulting from the warrants	Unit subscription price of the shares resulting from the warrants	Timeframe for exercising the warrants	Expiration date of the warrants
BSA 2006-2	July 31, 2006	4,600	18,400	€3.9425	Fully exercisable	November 20, 2016
BSA 2007-2	August 30, 2007	2,205	8,820	€7.055	Fully exercisable	June 4, 2019
BSA 2007-3	September 21, 2007 September 21, 2007	1,000 1,000	4,000 4,000	€7.055 €7.055	Fully exercisable Fully exercisable	June 13, 2018 July 3, 2018
BSA 2007-4	August 30, 2007 December 18, 2008	750 750	3,000 3,000	€7.055 €7.055	Fully exercisable Fully exercisable	November 6, 2017 May 4, 2019
BSA 2007-5	December 21, 2007	2,000	8,000	€10.0525	Fully exercisable	August 22, 2018
BSA 8	December 18, 2008	3,200	12,800	€10.0525	Fully exercisable	March 24, 2019
		15,505	62,020			

(1) Only currently outstanding BSAs are listed above.

In addition, on April 15, 2015 the Company announced the arrangement of an equity line of financing with Kepler Cheuvreux. Kepler Cheuvreux has undertaken to subscribe new shares over a two-year period, up to a maximum allocation of 3,400,000 shares (or 9.9% of the existing share capital), subject to compliance with the conditions defined by both parties. As of the filing date of this Registration Document, Kepler Chevreux subscribed 400,000 new shares.

The main characteristics of the BSAs granted to the members of the Management Board and Supervisory Board of the Company are described in the following table [(1)].

Name	Position	Plan	Date of issue	Total number of warrants	Maximum number of shares resulting from the warrants[(1)]	Unit subscription price of the shares resulting from the warrants	Timeframe for exercising the warrants	Expiration of the warrants
Amedeo D'Angelo	Chairman of the Management Board	BSA 2007-5	December 21, 2007	2,000	8,000	€10.0525	Fully exercisable	August 22, 2018
Patrick Schwager Jones	Chairman of the Supervisory Board	BSA 2006-2	July 31, 2006	4,600	18,400	€3.9425	Fully exercisable	November 20, 2016
Glenn Collinson	Member of the Supervisory Board	BSA 8	December 18, 2008	3,200	12,800	€10.0525	Fully exercisable	March 24, 2019
				7,800	31,200			

(1) Null and void BSAs and BSAs granted to corporate officers who have left the Group are not included in the above table.

21.1.4.2Free share grants

As of the filing date of this Registration Document, the Management Board of the Company has granted a total of 3,394,887 free shares to the Group's employees and officers, pursuant to authorizations granted at the General Shareholders' Meetings dated June 16, 2005, October 20, 2005, June 30, 2008, June 30, 2010, January 20, 2012, June 29, 2012, June 26, 2014, and February 2, 2016.

Pursuant to their terms, as of the filing date of this Registration Document, 1,718,760 shares have definitively vested, 540,080 shares have become null and void, and 1,136,147 shares have not yet fully vested.

The main characteristics of these free share grants are provided in the table below.

Date of the Shareholders' Meeting authorizing the grant	Date granted by the Management Board	Number of shares granted	Number of voided shares	Number of vested shares	Number of shares in the process of vesting	Vesting Date	Length of the holding period[1]
June 16, 2005	July 28, 2005	92,184 21,016	23,046 0	69,138 21,016	0 0	March 6, 2012 July 28, 2007	2 years 2 years
June 16, 2005	July 28, 2005	112,600 25 664	112,600 0	0 25,664	0	N/A July 28, 2007	N/A 2 years
October 20, 2005	February 17, 2006	83,092	6,088	44,840 16,192 15,972	0	February 17, 2008 February 17, 2009 February 17, 2010	2 years 2 years 2 years
October 20, 2005	February 17, 2006	56,264 12,832	56,264 0	0 12,832	0 0	N/A February 17, 2008	N/A 2 years
October 20, 2005	June 2, 2006	76,096	0	38,048 19,024 19,024	0	June 2, 2008 June 2, 2009 June 2, 2010	2 years 2 years 2 years
June 30, 2008	November 3, 2008	20,000	0	20,000	0	November 3, 2010	2 years
June 30, 2010	December 16, 2010	1,116,000 110,000	0 0	1,116,000 110,000	0 0	December 16, 2012 December 16, 2014	2 years 2 years
January 20, 2012	April 6, 2012	151,370 64,100	151,370 64,100	0 0	0 0	N/A N/A	N/A N/A
June 29, 2012	July 26, 2012	2,200 4,000 63,510	2,200 4,000 0	0 0 63,510	0 0 0	N/A N/A July 26, 2014	N/A N/A 2 years
June 29, 2012	October 17, 2012	160,000	30,000	80,000 40,000	0 10,000	October 17, 2014 October 17, 2015 October 17, 2016	2 years 2 years 2 years
June 29, 2012	December 20, 2012	10,000	0	5,000 2,500	0 2,500	December 20, 2014 December 20, 2015 December 20, 2016	2 years 2 years 2 years
June 26, 2014	March 23, 2015	287,700	70,412	0	217,288	March 23, 2018 [2]	2 years
June 26, 2014	March 23, 2015	62,359	20,000	0	42,359	March 23, 2020 [3]	N/A
February 2, 2016	February 2, 2016	864,000	0	0	864,000	No earlier than February 2, 2018 [4]	N/A

	3,394,987	540,080	1,718,760	1,136,147

(1) The holding period begins on the vesting date of the free shares.

(2) Every grant beneficiary shall become a shareholder of INSIDE Secure at expiration of a three-year period, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next three years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the twenty trading days preceding March 23, 2018 are lower than EUR 3.125 or higher than EUR 6, respectively). Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.

(3) Every grant beneficiary shall become a shareholder of INSIDE Secure at expiration of a five-year period, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next five years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the twenty trading days preceding March 23, 2018 are lower than EUR 3.125 or higher than EUR 6, respectively). Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.

(4) Amedeo D'Angelo will become a shareholder of the Company when these shares vest on October 1, 2018, subject to the satisfaction of a market condition. The percentage of shares vested as a result of this condition will vary from zero to one hundred based on whether the volume-weighted average price of the Company's shares during the sixty trading days preceding that date is lower than 1 Euro or higher than 3 Euros, respectively, it being hereby specified that (i) the vesting of these shares could occur faster than expected under certain conditions such as a change in control of the Company or if the volume-weighted average price of the Company's shares during the sixty consecutive trading days preceding October 1, 2018 should be higher than 3 Euros, and that (ii) the Management Board, after having received the Supervisory Board's prior authorization, could potentially, if deemed in the interest of the company, waive said market condition for all or part of his shares.

The main characteristics of the free shares granted to the members of the Management Board of the Company are described in the following table.

First and Last Name (1)	Position	Date of issue	Number of allocated shares	Number of vested shares	Number of shares in the process of vesting	Vesting Date	Lock-up period	Number of shares to be kept during the term of office
Amedeo D'Angelo	Chairman of the Management Board	February 2, 2016	864,000	0	864,000	No earlier than February 2, 2018 (2)	N/A	10%
Pascal Didier	General Manager	July 28, 2005	9,392	7,044	0	March 6, 2012	2 years	-
		February 17, 2006	6,960	3,480	0	February 17, 2008	2 years	-
				1,740	0	February 17, 2009	2 years	-
				1,740	0	February 17, 2010	2 years	-
		December 16, 2010	64,000	64,000	0	December 16, 2012	2 years	10%
		July 26, 2012	2,950	2,950	0	July 26, 2014	2 years	10%
		March 23, 2015	10,000	0	10,000	March 23, 2018	2 years	10%
Richard Vacher Detournière	Member of the Management Board	November 3, 2008	20,000	20,000	0	November 3, 2010	2 years	10%
		December 16, 2010	106,000	106,000	0	December 16, 2012	2 years	10%
		March 23, 2015	30,000	0	30,000	March 23, 2018	2 years	10%
			1,113,302	206,954	894,000			

(1) *The free shares granted to corporate officers having left the Group are not documented above.*

(2) *Amedeo D'Angelo will become a shareholder of the Company when these shares vest on October 1, 2018, subject to the satisfaction of a market condition. The percentage of shares vested as a result of this condition will vary from zero to one hundred based on whether the volume-weighted average price of the Company's shares during the sixty trading days preceding that date is lower than 1 Euro or higher than 3 Euros, respectively, it being hereby specified that (i) the vesting of these shares could occur faster than expected under certain conditions such as a change in control of the Company or if the volume-weighted average price of the Company's shares during the sixty consecutive trading days preceding October 1, 2018 should be higher than 3 Euros, and that (ii) the Management Board, after having received the Supervisory Board's prior authorization, could potentially, if deemed in the interest of the company, waive said market condition for all or part of his shares.*

21.1.4.3 Stock Options

As of the filing date of this Registration Document, the Management Board of the Company has granted a total of 2,485,422 stock options, each giving right to subscribe to one common share of the Company, to the Group's employees and officers, pursuant to authorizations granted at the General Shareholders' Meetings dated of June 16, 2005, October 20, 2005, June 2, 2006, June 19, 2007, June 30, 2008, June 29, 2012, June 19, 2013, and June 26, 2014.

As of the filing date of this Registration Document, 132,336 stock options have been exercised by their holders, 1,461,830 stock options have become null and void, and 891,256 stock options are still outstanding.

The main characteristics of these stock option plans are provided in the table below.

Name of the plan	Date of grant	Number of granted stock options	Number of forfeited stock options	Number of exercised stock options	Maximum number of shares which can be subscribed	Subscription price per unit	Timeframe for exercising the stock options	Expiration date of the vesting period (1)	Expiration date of the stock options
Options 2005-1 (P 3)	July 28, 2005	113,200	113,200	0	0	€ 0.40		July 28, 2009	June 16, 2015
Options 2005-1 (P 4)	July 28, 2005	102,240	102,240	0	0	€ 0.40		July 28, 2009	June 16, 2015
Options 2005-2	February 17, 2006	96,908	75,138	21,770	0	€ 3.9425	exercisable in full	February 17, 2010	October 20, 2015
Options 2005-2	June 2, 2006	51,904	51,904	0	0	€ 3.9425	exercisable in full(2)	June 2, 2010	October 20, 2015
Options 2006-1	June 2, 2006	268,800	90,334	76,866	101,600	€ 3.9425	exercisable in full(2)	June 2, 2010	June 2, 2016
Options 2006-1	June 2, 2006	4,400	0	0	4,400	€ 3.9425	exercisable in full	June 2, 2010	June 2, 2016
Options 2006-1	February 2, 2007	93,500	92,300	1,200	0	€ 7.055		February 2,	June 2, 2016
Options 2006-1	February 2, 2007	11,700	0	0	11,700	€ 7.055	exercisable in full	February 2,	June 2, 2016
Options 2007-1-A	August 4, 2007	301,512	301,512	0	0	€ 7.055		August 4, 2011	June 19, 2017
Options 2007-1-A	August 4, 2007	12,336	12,336	0	0	€ 7.055		August 4, 2011	June 19, 2017
Options 2007-1-B	August 4, 2007	189,832	189,832	0	0	€ 7.055		August 4, 2011	June 19, 2017
Options 2007-1-A	September 21, 2007	4,400	4,400	0	0	€ 7.055		September 21, 2011	June 19, 2017
Options 2007-1-C	February 22, 2008	52,000	52,000	0	0	€ 10.0525		February 22, 2012	June 19, 2017
Options 2007-1-D	February 25, 2008	50,800	50,800	0	0	€ 10.0525		February 25, 2012	June 19, 2017
Options 2007-1-E	November 3, 2008	20,000	20,000	0	0	€ 10.0525		November 3, 2012	June 19, 2017
Options 2007-1-F	November 3, 2008	60,800	0	0	60,800	€ 10.0525	exercisable in full(2)	November 3, 2012	June 19, 2017
Options 2006-1-B	November 3, 2008	21,600	0	0	21,600	€ 10.0525	exercisable in full(2)	November 3, 2012	June 2, 2016
Options 2008-1	November 3, 2008	30,000	30,000	0	0	€ 10.0525		November 3, 2012	June 30, 2018
Options juillet 2012	July 26, 2012	2,160	0	0	2,160	€ 3.07	exercisable in full	July 26, 2016	July 26, 2022
Options juillet 2012	July 26, 2012	12,330	0	0	12,330	€ 3.07	exercisable in full	July 26, 2016	January 26, 2022
Options février 2013	February 20, 2013	190,000	80,000	0	110,000	€ 2.89	47 500 on February 20, 2014(2) 47 500 on February 20, 2015(2) 47 500 on February 20, 2016(2) 47 500 on February 20, 2017(2)	N/A	February 20, 2023
Options février 2013	February 20, 2013	40,000	5,000	0	35,000	€ 2.89	10 000 on February 20, 2014(2) 10 000 on February 20, 2015(2) 10 000 on February 20, 2016(2) 10 000 on February 20, 2017(2)	N/A	August 20, 2022

Name of the plan	Date of grant	Number of granted stock options	Number of forfeited stock options	Number of exercised stock options	Maximum number of shares which can be subscribed	Subscription price per unit	Timeframe for exercising the stock options	Expiration date of the vesting period (1)	Expiration date of the stock options
Options février 2013	May 3, 2013	100,000	75,000	25,000	0	€ 2.54	25,000 on February 20, 2014(2)	N/A	May 3, 2023
Options juin 2013	June 20, 2013	20,000	20,000	0	0	€ 2.85	5,000 on June 20, 2014(2)	N/A	December 22, 2022
Options juin 2013	August 27, 2013	105,000	32,500	7,500	65,000	€ 2.45	26,250 on August 27, 2014 18,750 on August 27, 2015 18,750 on August 27, 2016 18,750 on August 27, 2017	N/A	August 27, 2023
Options juin 2013	August 27, 2013	35,000	5,000	0	30,000	€ 2.45	8,750 on August 27, 2014(2) 8,750 on August 27, 2015(2) 8,750 on August 27, 2016(2) 8,750 on August 27, 2017(2)	N/A	February 27, 2023
Options janvier 2014	January 17, 2014	100,000	33,334	0	66,666	€ 2.11	33,333 on January 17, 2015(2) 33,333 on January 17, 2016(2) 33,334 on January 17, 2017(2)	N/A	January 17, 2024
Options janvier 2014	April 23, 2014	15,000	0	0	15,000	€ 3.66	3,750 on April 23, 2015(2) 3,750 on April 23, 2016(2) 3,750 on April 23, 2017(2) 3,750 on April 23, 2018(2)	N/A	April 23, 2024
Options juin 2014	July 22, 2014	230,000	0	0	230,000	€ 4.54	57,500 on July 22, 2015(2) 57,500 on July 22, 2016(2) 57,500 on July 22, 2017(2) 57,500 on July 22, 2018(2)	N/A	January 22, 2024
Options juin 2014	July 22, 2014	70,000	0	0	70,000	€ 4.54	17,500 on July 22, 2015(2) 17,500 on July 22, 2016(2) 17,500 on July 22, 2017(2) 17,500 on July 22, 2018(2)	N/A	July 22, 2024
Options juin 2014	August 28, 2014	80,000	25,000	0	55,000	€ 4.21	26,666 on August 28, 2015 26,666 on August 28, 2016 26,668 on August 28, 2017	N/A	August 28, 2024
		2,485,422	1,461,830	132,336	891,256				

(1) Concerns residents of France for tax purposes.
(2) The exercise of the stock options is subject to being either an employee or a corporate officer of the Company on the exercise date.

The main characteristics of the stock options plans offered to the members of the Management Board of the Company are described in the following table.

Corporate officers [2]	Name of the plan	Date of grant	Number of granted stock options	Maximum number of shares which can be subscribed	Subscription price per unit	Timeframe for exercising the stock options	Expiration date of the vesting period	Number of shares to be kept during the term of office	Expiration date of the stock options
Pascal Didier (General Manager))	Options 2005-1 (P 3)	July 28, 2005	9,392	0	€ 0.40		July 28, 2009	-	June 16, 2015
	Options 2005-1 (P 4)	July 28, 2005	8,484	0	€ 0.40		July 28, 2009	-	June 16, 2015
	Options 2005-2	February 17, 2006	5,040	0	€ 3.9425	exercisable in full	February 17, 2010	-	October 20, 2015
	Options 2006-1	June 2, 2006	20,000	20,000	€ 3.9425	exercisable in full [1]	June 2, 2010	-	June 2, 2016
	Options 2007-1-B	August 4, 2007	17,648	0	€ 7.055		August 4, 2011	50%	June 19, 2017
	Options 2007-1-C	February 22, 2008	20,000	0	€ 10.0525		February 22, 2012	-	June 19, 2017
Richard Vacher Detournière (member of the Management Board)	Options 2006-1-B	November 3, 2008	21,600	21,600	€ 10.0525	exercisable in full [1]	November 3, 2012	10%	June 2, 2016
	Options 2007-1-F	November 3, 2008	60,800	60,800	€ 10.0525	exercisable in full [1]	November 3, 2012	10%	June 19, 2017
	Options juin 2014	August 28, 2014	35,000	35,000	€ 4.21	11,666 on August 28, 2015 11,666 on August 28, 2016 11,667 on August 28, 2017	N/A	10%	August 28, 2024
			197,964	137,400					

(1) The exercise of the stock options is subject to being either an employee or a corporate officer of the Company on the exercise date.
(2) The stock options granted to corporate officers who have left the Group are not referenced in the above table.

21.1.5 Authorized share capital

The delegations and authorizations granted to the Management Board at the General Shareholders' Meetings dated June 26, 2014 and June 3, 2015, which are currently active as of the date of this Registration Document, are summarized below, it being hereby reminded that in order to use these authorizations, the Management Board must request prior approval to the Supervisory Board:

	Validity Period	Maximum nominal amount (in Euros)	Aggregate maximum nominal amount (in Euros)	Date and conditions of use by the Management Board
Delegations and authorizations granted at the General Shareholders' Meeting dated June 23, 2015				
Authorization to be granted to the Management Board to reduce the share capital via the cancellation of shares in the context of the authorization granted to the Company to buy back its own shares	18 months as from June 3, 2015			
Delegation of power granted to the Management Board to increase share capital via the issuance of ordinary shares or any securities granting access to the share capital, with shareholders' preferential subscription rights	26 months as from June 3, 2015			
Delegation of power granted to the Management Board to increase share capital by issuing common shares or any securities granting access to the share capital, without preferential subscription rights, and with a public offering as well as the ability to establish a priority right	26 months as from June 3, 2015	2,746,300	6,800,000	Not applicable.
Delegation of power granted to the Management Board to increase share capital by issuing common shares or any securities granting access to share capital without preferential subscription rights for the benefit of qualified investors or a restricted circle of investors	26 months as from June 3, 2015	2,746,300, not to exceed 20% of the share capital per 12-month period		Not applicable.
Delegation of power to be granted to the Management Board to increase share capital by issuing common shares or any securities granting access to share capital without shareholders' preferential subscription rights, for the benefit of a category of persons in the context of equity financing	18 months as from June 3, 2015	2,746,300		Not applicable.
Delegation of power granted to the Management Board to increase the number of securities to be issued in the event of a share capital increase, with or without preferential subscription rights, to be decided based on previous delegations	26 months as from June 3, 2015	not to exceed 15% of the initial amount issued		Not applicable.
Delegation of power granted to the Management Board to issue common shares or securities granting access to the share capital of the Company, in the event of a public offer including an exchange component initiated by the Company	26 months as from June 3, 2015	2,746,300		Not applicable.
Delegation of power granted to the Management Board to increase share capital in order to compensate contributions in kind of shares or securities granting access to the share capital of third-party companies, excluding a public exchange offer	26 months as from June 3, 2015	not to exceed 10% of the share capital as it stands on the date of the considered transaction		Not applicable.
Delegation of power granted to the Management Board to increase share capital by incorporating premiums, reserves, profits or other, by the issue and grant of free shares or by raising the par value of existing shares or by a combination of these two methods	26 months as from June 3, 2015	2,000,000	2,000,000	Not applicable.
Delegations and authorizations granted at the General Shareholders' Meeting dated February 2, 2016				
Authorization granted to the Management Board to grant stock options	38 months as from February 2, 2016	440,000	521,600	Refer to the Management Board's Special Report
Authorization granted to the Management Board to carry out free grants of existing shares or shares to be issued.	38 months as from February 2, 2016	1,304,000		Refer to the Management Board's Special Report
Delegation of power granted to the Management Board to increase the share capital via the issuance of shares and securities granting access to the share capital of the Company for the benefit of employees who are members of a group savings plan (*plan d'épargne de groupe*)	18 months as from June 3, 2015	410,000	164,000	Refer to the Management Board's Special Report

21.1.6 Information on the share capital of any member of the Group that is subject to an option or to a conditional or unconditional agreement to be put under option

As of the filing date of this Registration Document, to the Company's knowledge there are none in existence.

21.1.7 History of the share capital

21.1.7.1 Changes in share capital

The Company was registered with the Trade and Companies Registry on December 29, 1994, with an initial share capital of 1,620,500 francs.

The share capital was subsequently increased several times, reaching EUR 9,581,828.14 on June 16, 2005. A General Shareholders' Meeting held on the same day decided to reduce the share capital of the Company to zero and then to increase it to EUR 1,005,865.60 by the issuance, at par, of 628,666 shares at a price of EUR 1.60 each. Both the reduction and the increase were completed on July 8, 2005.

The table below provides a summary of the changes in share capital since that date.

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
July 8, 2005	Decrease in share capital to zero	(628,666)	(9,581,828.14)	None	0	0	
July 8, 2005	Capital increase by consideration in cash[1]	628,666	1,005,865.60	0	1,005,865.60	628,666	1.60
November 14, 2005	Capital increase by consideration in cash[2]	380,472	608,755.20	5,391,288.24	1,614,620.80	1,009,138	1.60
March 3, 2006	Capital increase by consideration in cash[2]	13,733	21,972.80	194,596.61	1,636,593.60	1,022,871	1.60
March 31, 2006	Capital increase by consideration in cash (exercise of warrants)[3]	190,234	304,374.40	2,695,615.78	1,940,968.00	1,213,105	1.60
June 2, 2006	Capital increase by consideration in kind[4]	35,798	57,276.80	507,257.66	1,998,244.80	1,248,903	1.60
July 19, 2006	Capital increase by consideration in cash (exercise of warrants)[3]	6,865	10,984.00	97,277.05	2,009,228.80	1,255,768	1.60
August 28, 2006	Capital increase by consideration in cash[5]	465,390	744,624.00	12,388,681.80	2,753,852.80	1,721,158	1.60
July 28, 2007	Capital increase by definitive allocation of free shares[4]	11,670	18,672.00	0	2,772,524.80	1,732,828	1.60
September 4, 2007	Capital increase by consideration in cash (exercise of warrants)[6]	232,695	372,312.00	6,194,340.90	3,144,836.80	1,965,523	1.60
December 28, 2007	Capital increase by consideration in cash[7]	411,638	658,620.80	15,893,343.18	3,803,457.60	2,377,161	1.60
December 28, 2007	Capital increase by consideration in cash[7]	164,220	262,752.00	6,340,534.20	4,066,209.60	2,541,381	1.60
February 5, 2008	Capital increase by consideration in cash[7]	45,878	73,404.80	1,771,349.58	4,139,614.40	2,587,259	1.60
February 17, 2008	Capital increase by definitive allocation of free shares[4]	14,418	23,068.80	0	4,162,683.20	2,601,677	1.60
June 2, 2008	Capital increase by definitive allocation of free shares[4]	9,512	15,219.20	0	4,177,902.40	2,611,189	1.60
August 20, 2008	Capital increase by consideration in cash[7]	66,595	106,552.00	2,571,232.95	4,284,454.40	2,677,784	1.60
December 17, 2008	Capital increase by consideration in cash[7]	99,478	159,164.80	3,840,845.58	4,443,619.20	2,777,262	1.60

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
February 17, 2009	Capital increase by definitive allocation of free shares[4]	4,048	6,476.80	0	4,450,096.00	2,781,310	1.60
June 2, 2009	Capital increase by definitive allocation of free shares[4]	4,756	7,609.60	0	4,457,705.60	2,786,066	1.60
July 29, 2009	Capital increase by consideration in cash (exercise of warrants)[4]	12,392	19,827.20	0	4,477,532.80	2,798,458	1.60
February 17, 2010	Capital increase by definitive allocation of free shares[4]	3,993	6,388.80	0	4,483,921.60	2,802,451	1.60
June 2, 2010	Capital increase by definitive allocation of free shares[4]	4,756	7,609.60	0	4,491,531.20	2,807,207	1.60
September 29, 2010	Capital increase by consideration in cash[8]	2,426,017	3,881,627.20	42,212,695.80	8,373,158.40	5,233,224	1.60
October 1, 2010	Capital increase by consideration in cash (exercise of stock options)[4]	210	336.00	2,975.70	8,373,494.40	5,233,434	1.60
November 3, 2010	Capital increase by definitive allocation of free shares[4]	5,000	8,000.00	0	8,381,494.40	5,238,434	1.60
November 8, 2010	Capital increase by consideration in cash[8]	73,077	116,923.20	1,271,539.80	8,498,417.60	5,311,511	1.60
November 30, 2010	Capital increase by consideration in cash[8]	107,894	172,630.40	1,877,355.60	8,671,048.00	5,419,405	1.60
May 11, 2011	Split of the par value of the Company's shares	0	0	0	8,671,048.00	21,677,620	0.40
June 13, 2011	Capital increase by consideration in cash (exercise of warrants)[4]	46,704	18,681.60	165,448.92	8,689,729.60	21,724,324	0.40
February 22, 2012	Conversion of Class D preferred shares to common shares	1,449,144	579,657.60	-	9,269,387.20	23,173,468	0.40
February 22, 2012	Capital increase by consideration in cash (public offering)	8,313,250	3,325,300.00	65,674,675.00	12,594,687.20	31,486,718	0.40
February 24, 2012	Capital increase by consideration in cash (exercise of the overallotment option)	1,246,986	498,794.40	9,851,189.40	13,093,481.60	32,733,704	0.40
April 6, 2012	Capital increase by consideration in cash (exercise of stock options)	40,481	16,192.40	360,535.81	13,109,674.00	32,774,185	0.40
April 6, 2012	Capital increase by definitive allocation of free shares	69,138	27,655.20	-	13,137,329.20	32,843,323	0.40
December 20, 2012	Capital increase by definitive allocation of free shares	1,116,000	446,400.00	-	13,583,729.20	33,959,323	0.40
December 20, 2012	Capital increase by consideration in cash (exercise of stock options)	34,239	13,695.60	125,026.6575	13,597,424.80	33,993,562	0.40

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
July 8, 2014	Capital increase by consideration in cash (exercise of stock options)	24,276	9,710.40	85,997.73	13,607,135.20	34,017,838	0.40
August 25, 2014	Capital increase by definitive allocation of free shares	63,510	25,404.00	-	13,632,539.20	34,081,348	0.40
August 25, 2014	Capital increase by consideration in cash (exercise of warrants)	20,000	8,000.00	35,800.00	13,640,539.20	34,101,348	0.40
October 20, 2014	Capital increase by consideration in cash (exercise of stock options)	32,500	13,000.00	68 875.00	13,653,539.20	34,133,848	0.40
October 20, 2014	Capital increase by definitive allocation of free shares	80,000	32,000.00	-	13,685,539.20	34,213,848	0.40
December 17, 2014	Capital increase by definitive allocation of free shares	110,000	44,000.00	-	13,729,539.20	34,323,848	0.40
December 20, 2014	Capital increase by definitive allocation of free shares	5,000	2,000.00	-	13,731,539.20	34,328,848	0.40
May 11, 2015	Capital increase by consideration in cash (exercise of stock options)	400,000	160,000	652,000	13,891,539.20	34,728,848	0.40
October 28, 2015	Capital increase by definitive allocation of free shares	40,000	16,000	-	13,907,539.20	34,768,848	0.40
December 21, 2015	Capital increase by definitive allocation of free shares	2,500	1,000	-	13,908,539.20	34,771,348	0.40

1 *Class P preferred shares converted into common shares on October 20, 2005.*
2 *Class A preferred shares carrying the right to subscribe to Class A preferred shares.*
3 *Class A preferred shares.*
4 *Common shares.*
5 *Class B preferred shares carrying the right to subscribe to Class B preferred shares.*
6 *Class B preferred shares.*
7 *Class C preferred shares.*
8 *Class D preferred shares.*

21.1.7.2Changes in the distribution of the share capital of the Company since December 31, 2013

To the Company’s knowledge, the Company’s share capital distribution has changed in the following way since December 31, 2013.

	Situation as of December 31, 2013		**Situation as of December 31, 2014**		**Situation as of December 31, 2015**		**Situation as of the filing date of the Registration Document**	
	Number of shares	**% of share capital and voting rights**	**Number of shares**	**% of share capital and voting rights**	**Number of shares**	**% of share capital and voting rights**	**Number of shares**	**% of share capital and voting rights**
Members of the Management Board	**229,601**	**0.68%**	**210,551**	**0.61%**	**210,551**	**0.61%**	**210,551**	**0.61%**
Amedeo D’Angelo *(Chairman)*	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Pascal Didier *(General Manager)*	97,019	0.29%	97,969	0.29%	97,969	0.28%	97,969	0.28%
Richard Vacher Detournière	132,582	0.39%	112,582	0.33%	112,582	0.32%	112,582	0.32%
Members of the Supervisory Board	**2,448,806**	**7.20%**	**2,438,056**	**7.10%**	**2,439,436**	**7.01%**	**2,439,436**	**7.01%**
Patrick Schwager Jones *(Chairman)*	4	0.00%	4	0.00%	4	0.00%	4	0.00%
Jean Schmitt *(Vice-Chairman)*	4	0.00%	654	0.00%	2,034	0.01%	2,034	0.01%
Alex Brabers	4	0.00%	4	0.00%	4	0.00%	4	0.00%
Bpifrance Participations	2,423,991	7.13%	2,423,991	7.06%	2,423,991	6.97%	2,423,991	6.97%
Glenn Collinson	23,611	0.07%	12,111	0.04%	12,111	0.03%	12,111	0.03%
Joëlle Toledano	1,192	0.00%	1,192	0.00%	1,192	0.00%	1,192	0.00%
Olivier Sichel	0	0.00%	100	0.00%	100	0.00%	100	0.00%
Muriel Barnéoud	0	0.00%	0	0.00%	0	0.00%	0	0.00%
GIMV	**4,254,171**	**12.51%**	**4,254,171**	**12.51%**	**4,254,171**	**12.23%**	**4,254,171**	**12.23%**
FCPR Sofinnova Capital V	**4,695,488**	**13.81%**	**4,695,488**	**13.68**	**2,974,771**	**8.56%**	**Not Disclosed**	**-**
Other shareholders	**22,365,496**	**65.79%**	**22,730,582**	**66.21%**	**24,892,419**	**71.59%**	**27,867,190**	**80.14%**
Total	**33,993,562**	**100.00%**	**34,328,848**	**100.00%**	**34,771,348**	**100.00%**	**34,771,348**	**100.00%**

Based on a letter received on February 9, 2016, Sofinnova Partners S.A.S (16-18 rue du 4 septembre, 75002 Paris, France), acting on behalf of FCPR Sofinnova Capital V as its manager, declared that on February 5, 2016, its equity ownership and voting rights in the Company fell below the 5% threshold. Indeed, it specified that it held 1,656,396 INSIDE Secure shares, representing the same amount of voting rights, or 4.76% of the share capital and voting rights of the Company. This occurred as a result of a sale of Company shares on the market.

21.1.7.3Change in value of the security – Risk of price fluctuation

The INSIDE Secure share is publicly traded in France, on the Euronext Paris stock market, in Compartment C (ISIN code # FR0010291245, ticker symbol : INSD) and is part of indexes CAC Small, CAC Mid & Small, CAC All Tradable, CAC All Share, CAC Technology, CAC Technology Hardware, CAC PME established by Euronext. The INSIDE Secure share is eligible for the long-only Deferred Settlement Service ("*SRD "long-seulement'*"") », the PEA (French equity savings plan) and the PEA-PME (French equity savings plan for small and medium-sized companies).

As of March 29, 2016, the price of the INSIDE Secure share at closing was equal to EUR 0.74 and market capitalization totaled EUR 26 million.

Stock market price of the INSIDE Secure share and transaction volumes

Change in the stock market price and transaction volume in the past twelve months:

Month	High *(in EUR)*	Low *(in EUR)*	Trade volume *(number of shares)*	Closing *(in EUR)*	Traded capital *(in EUR)*	Average price *(in EUR)*
March 2015	2.64	1.87	5 847 802	2.29	13 177 080	2.22
April 2015	2.41	2.10	2 778 477	2.18	6 236 943	2.17
May 2015	2.49	2.04	3 048 343	2.35	6 984 465	2.27
June 2015	2.34	1.87	1 621 415	1.91	3 342 075	1.93
July 2015	2.10	1.90	2 661 548	1.94	5 299 359	1.97
August 2015	1.86	1.22	3 751 499	1.55	6 197 356	1.55
September 2015	1.65	1.30	2 801 370	1.50	4 080 553	1.57
October 2015	1.54	1.32	2 172 409	1.35	3 023 602	1.36
November 2015	1.37	1.15	1 424 967	1.21	1 778 843	1.20
December 2015	1.29	0.91	3 470 881	1.04	3 664 018	1.05
January 2016	1.04	0.65	5 684 799	0.91	4 807 022	0.89
February 2016	1.06	0.68	12 705 282	0.74	11 116 550	0.73
March 2016	0.87	0.72	3 372 596	0.74	2 662 103	0.74

21.1.7.4Elements that could have an impact in the event of a public offering

Please refer to sections 18.3 and 18.7.9 of this Registration Document.

21.2 Incorporation documents and Bylaws

21.2.1 Corporate purpose

The purpose of the Company is to:

- design, manufacture and sell electronic and computer products, especially in the semiconductor industry, and
- generally, carry out all commercial, financial, securities or real property transactions, related, directly or indirectly, to the purpose of the Company or that may contribute to its development.

21.2.2 Management and supervisory bodies

21.2.2.1 Management Board

21.2.2.1.1 Composition

The Company is managed by a Management Board comprised of at most five members, which exercises its duties under the control of the Supervisory Board.

The members of the Management Board are natural persons. They are not required to be shareholders.

The Supervisory Board appoints them for a four-year term, and nominates one of them as Chairman of the Management Board.

The members of the Management Board cannot be older than sixty-five years of age.

Any member of the Management Board can be reelected.

The Shareholders' Meeting or, as the case may be, the Supervisory Board can remove members of the Management Board from office. If the removal from office is carried out without due cause, it may trigger the payment of damages. In the event that the concerned party had signed an employment contract with the Company, the removal from office as a member of the Management Board does not terminate such employment contract.

The members of the Management Board meet whenever it is in the corporate interest to do so, upon convocation of its Chairman or half of its members, at the meeting location specified by the person calling for the meeting. They can be contacted by any means available, including verbally.

The Management Board's decisions are taken based on a majority vote of the members present at any given meeting. No one within the Management Board can vote by proxy.

21.2.2.1.2 Powers of the Management Board

The Management Board is invested with the broadest powers to act in all circumstances on behalf of the Company. It exercises these powers within the limit of the Company's corporate purpose and subject to those powers expressly attributed by law to the Supervisory Board and the general shareholders' meetings. In relations with third parties, the Company is also bound by the Management Board's acts that fall outside its corporate purpose, unless it can prove that the third party knew that the act exceeded such purpose, or that such third party must have so known in light of the circumstances. The publication of the Company's Bylaws is not in itself deemed sufficient to establish proof of such knowledge.

The Chairman of the Management Board represents the Company in its relations with third parties. The Supervisory Board may also attribute this power of representation to one or more other members of the Management Board who then carry the title of "general manager". The Chairman of the Management Board and the general manager(s), as the case may be, are authorized to partially delegate their powers to any special agent(s), selected at their discretion.

21.2.2.2 Supervisory Board

21.2.2.2.1 Composition

The Supervisory Board is composed of no less than three and no more than nine members.

An employee of the Company can only be appointed member of the Supervisory Board if his or her employment contract effectively represents an active employment. The number of Supervisory Board members related to the Company through an employment contract cannot exceed one third of its active members.

The term of office for members of the Supervisory Board is three years, and said office expires following the Ordinary Shareholders' Meeting approving the financial statements for the most recent fiscal year and held in the year during which the term of office expires.

The number of Supervisory Board members who are older than 70 years of age cannot exceed one third of the members in office. Whenever this threshold is crossed while in office, the oldest member is automatically considered as resigning at the end of the next General Shareholders' Meeting held.

Under the terms of Article 3 of the Supervisory Board's internal rules, the Supervisory Board must be, insofar as possible, comprised of a majority of independent members. The independence criteria retained by the Company and the other provisions of the Supervisory Board's internal rules relative to its composition are described in section 16.1.2 entitled "The Supervisory Board" of this Registration Document.

21.2.2.2.2 Operation of the Supervisory Board

The Chairman or Vice-Chairman of the Supervisory Board, or two of its members acting jointly, can convoke its members to a meeting. The notification of meeting can be made by any mean available, in writing or verbally.

The Supervisory Board appoints a Secretary, who need not necessarily be a member of the Board.

The members of the Supervisory Board are convoked to the meeting of the Board by letter, facsimile, or email, providing a description of the meeting's agenda and sent to each member of the Board no later than eight days before the date set for the meeting. However, the Board can be convened by any means available, even verbally, if all members of the Board in office are present or represented at the meeting.

The Board can only deliberate validly if it was convened according to the stipulations provided for in the preceding paragraph and provided it only discusses those matters listed as on the agenda in the meeting notification, except if all of the Board's members in office are present or represented and provide their consent.

Decisions are taken based on the quorum and majority conditions set forth in the French Commercial Code.

The Supervisory Board's deliberations are recorded in minutes prepared and archived in accordance with the terms set forth in the French Commercial Code.

The other main provisions of the Supervisory Board's internal rules pertaining to its operation are described in section 16.1.2 entitled "Supervisory Board" of the Registration Document.

21.2.2.2.3 The Supervisory Board's mission

The Supervisory Board monitors the Management Boards' management of the Company. To this end, at any time of the year, the Supervisory Board may perform the verifications and controls it deems appropriate and obtain from the Management Board any documents that it deems useful in the completion of its assignment.

At least once every quarter, the Supervisory Board receives a report from the Management Board on the status of corporate affairs.

21.2.3 Rights, privileges and restrictions attached to the Company's shares

21.2.3.1 Voting Rights

At the Company's General Shareholders' Meetings, every shareholder has as many voting rights as the number of shares he or she holds or represents. The Company's Bylaws explicitly disallow any mechanism granting an *ipso jure* double voting right to shares for which custody in registered form and under the same name can be proven for at least two years.

21.2.3.2 Rights to dividends and profits

Proportionally to the amount of existing shares, each share grants the right to capital ownership and entitlements to the distribution of profits, subject to the par value of the shares and to the various rights assigned to shares of different class.

21.2.3.3 Time frame for claiming dividends

Dividends that have not been claimed within a period of 5 years as from the date they are paid out will be transferred for the benefit of the State (Article L. 1126-1 of the French General Code of Ownership for Public Persons, or *code général de la propriété des personnes publiques*).

21.2.3.4 Right to the liquidation surplus

Proportionally to the amount of existing shares, each share grants the right to a portion of the liquidation surplus.

21.2.3.5 Preferential subscription right

The Company's shares all carry a preferential subscription right for share capital increases.

21.2.3.6 Limitations on the right to vote

None applicable.

21.2.3.7 Identifiable bearer securities

The shares are held either in registered or bearer form, at the shareholder's discretion. When held in registered form, the shares are registered in a securities account under the conditions and in accordance with the terms set forth by the legal and regulatory provisions in force.

At any time, and in compliance with applicable legal and regulatory conditions, the Company can pay the central custodian in charge of the issuing account of its securities to receive information on the holders of securities granting immediate or future voting rights at its General Shareholders' Meetings, as well as the number of securities held by each of them and, as the case may be, any restrictions that may apply to said securities.

21.2.3.8 Share repurchase program

Please refer to section 21.1.3 entitled "Share Repurchase Program" of this Registration Document for further information.

21.2.4 Changes in the rights of shareholders

The rights of shareholders, as they appear in the Company's Bylaws, can only be amended at an Extraordinary Shareholders' Meeting of the Company.

21.2.5 General Shareholders' Meetings

The General Shareholders' Meeting is open to all shareholders, regardless of the number of shares they own.

Based on the subject matter of the proposed resolutions, ordinary or extraordinary shareholders' meetings can be convened at any time of the year.

General Shareholders' Meetings are convened according to the procedure and time frames set by law.

General Shareholders' Meetings are held at the Company's registered office or any other location indicated in the notice of meeting.

Each shareholder has the right to request receipt of the documents necessary to enable him or her to speak knowledgeably and make an informed opinion on the management and direction of the Company.

Any shareholder, regardless of the number of shares he or she owns, can participate in General Shareholders' Meetings, either in person or via proxy by granting the necessary powers to another shareholder, or to his or her spouse or partner with whom he or she has executed a *pacte civil de solidarité* (civil union agreement) or, if the company's shares are admitted to trading on a regulated market, to any other natural person or legal entity of his or her choice, or to the Company without specifying an agent, or by mailing in his or her vote, in accordance with the legal and regulatory terms and conditions in force.

Ordinary Shareholders' Meetings are convened regarding decisions that do not modify the Bylaws.

Only Extraordinary Shareholders' Meetings have the authority to modify stipulations in the Bylaws. However, barring a unanimous shareholder vote, it cannot increase the commitments of shareholders, subject to transactions resulting from an exchange or a consolidation of shares decided on and carried out under normal conditions.

Ordinary and Extraordinary Shareholders' Meeting deliberate under the quorum and majority conditions set forth in the legal provisions governing each of them, respectively.

21.2.6 Provisions that may delay, defer, or prevent a change in control

The Company's Bylaws do not provide for any mechanisms able to delay, defer, or prevent a change in control.

21.2.7 Provisions concerning crossing statutory thresholds

None applicable.

21.2.8 Specific provisions governing changes in the share capital

There is no specific provision in the Company's Bylaws that governs changes in its share capital.

21.3 Pledging of the Group's assets or shares

As of the filing date of this Registration Document, the Group has not pledged any shares or assets.

22. KEY CONTRACTS

Beside the contracts entered into in the normal course of the Group's business activities, the Company entered into or took over various significant contracts that would be subject to changes or termination in the event of a change in the control of the Company.

***Core license agreement* between Atmel Corp. and the Company dated September 30, 2010**

In connection with the acquisition of the Atmel SMS business, pursuant to a contract dated September 30, 2010, Atmel granted to the Company several worldwide, non-exclusive, non-transferable royalty bearing licenses under the intellectual property rights owned or licensable by Atmel, and relating to the design of the transferred technologies. The licenses allow for the development, manufacturing, and sale of licensed products ("Secure Microcontrollers" and "Smart Secure Chips" based on Atmel's secure semiconductor AVR core and "Smart Card Readers" based on Atmel's standard AVR core). The licensed products are some of the existing integrated circuits of the SMS business as well as new products with respect to Secure Microcontrollers and Smart Secure Chips. The right to develop new products is limited and subject to different certification and first commercialization deadlines based on the type of product. In addition, the products can only be manufactured by Atmel-approved foundries.

Atmel's liability pursuant to this license is strictly limited to the amount of royalties received by Atmel under the license agreement. The license grant may include third party intellectual property rights for which the Company must obtain proper authorizations.

The contract is in effect for the period during which the Company sells the products using the licensed technologies, it being understood that licenses relating to the development of future products are limited to 3 or 6 years based on the products in question. Since the initial three-year period applicable to Secure Microcontrollers expired on September 30, 2013, the Company cannot continue to develop new Secure Microcontrollers under this license. However, it can continue to sell the licensed products that obtained the necessary certifications as of that date and that were first commercialized before March 31, 2014. Also, until September 30, 2016, the Company can continue to develop and have certified Smart Secure Chips. Each party can terminate the contract in advance in the event that the other party commits a material breach of the contractual terms, voluntarily petitions in bankruptcy, otherwise seeks protection under any law for the protection of debtors, has a proceeding instituted against it under any provision of the United States Federal Bankruptcy Code or equivalent legislation of a foreign jurisdiction which is not dismissed within ninety (90) days, or is adjudged bankrupt, ceases or suspends business, or makes an assignment of the majority of its assets for the benefit of its creditors.

The Company may not transfer the license agreement without Atmel's prior approval. However, Atmel's approval is not necessary in case of transfer of the SMS business or in case of a change of control of the Company, although in such events the conditions of the license could be restricted, in particular with respect to the term of the agreement.

The agreement is governed by the laws of the State of New York and provides that any dispute between the parties shall be submitted to a sole arbitrator chosen by the parties pursuant to the JAMS arbitration rules. (*Comprehensive Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services*).

Patent License Agreement between Atmel Corp. and Cryptography Research Inc. dated August 12, 2009, transferred to the Company as part of the acquisition of Atmel Corporation's SMS business

Pursuant to this agreement, Cryptography Research Inc. ("CRI") granted a worldwide and non-exclusive license to Atmel (the initial beneficiary of this license) under Differential Power Analysis

("DPA") patents and patent applications covering countermeasures against power analysis attacks, excluding patents designated as the CryptoFirewall patents.

Under the terms of this license, Atmel Corp. agreed to pay, in addition to an initial lump sum amount, an annual fee based on the selling price of some of its products. An additional licensing fee could also be due in the event that Atmel acquires a new entity that requires such license and does not already have one.
The liability of the parties is limited as set forth in the agreement and does not cover consequential damages or lost profits. However Atmel is liable for the payment of all licensing fees.

The initial term of the agreement expired on January 1, 2014. Thereafter, the agreement automatically renews for successive one-year periods until the protection afforded by the licensed patents terminates, unless otherwise notified by Atmel 90 days prior to termination. Thus, the contract tacitly renewed for a one-year period as from January 1, 2014. Either party can terminate the agreement in the event the other party (i) commits a material breach of the agreement that has not been cured within 60 days following notice of such breach or (ii) becomes bankrupt, insolvent, subject to an order for liquidation, administration, winding-up or dissolution, or makes an assignment for the benefit of creditors.

CRI may terminate the agreement in the event Atmel provides false royalties reports or challenges a DPA patent.

No party may transfer the agreement without the prior consent of the other party, including in the event of a change of control. In order to transfer the agreement, a Replacement Agreement shall be entered into between CRI and the acquiring entity.

The Company succeeded to Atmel's rights and obligations under this license agreement in connection with the acquisition of Atmel's SMS business.

This agreement is governed by the laws of the State of California and is subject to the jurisdiction of the United States District Court for the Northern District of California.

In some cases, however, the parties may choose to submit a dispute to arbitration or any other alternative means of dispute resolution.

Tamper Resistance License Agreement between the Company and Cryptography Research, Inc. dated July 1, 2009

Pursuant to this agreement, CRI granted a worldwide and non-exclusive license to the Company and its subsidiaries controlled as of the date of the agreement, under Differential Power Analysis ("DPA") patents and patent applications excluding the CryptoFirewall patents, for those Company semiconductors covered by the licensed patents and listed in a schedule to the agreement.

Under the terms of the license, the Company agreed to pay, in addition to an initial lump sum amount, an annual fee based on the selling price of certain of its products. An additional licensing fee could also be due in the event the Company acquires a new entity that requires such a license and does not already have one.

The liability of the parties is limited as set forth in the agreement and does not cover consequential damage or lost profits. The Company is liable for the payment of all licensing fees and CRI is liable with respect to its representations and warranties.

The agreement expires on the later of the fifth anniversary of the agreement and the date on which the last licensed DPA patent expires. Either party can terminate the agreement in the event the other party (i) commits a material breach of the agreement that has not been cured within 60 days following notice of such breach or (ii) becomes bankrupt, insolvent, subject to an order for liquidation, administration, winding-up or dissolution, or makes an assignment for the benefit of creditors. CRI may also terminate the agreement in the event the Company provides false royalties reports or the Company or one of its affiliates challenges a DPA patent.

Finally, as of July 1, 2014, and at each anniversary date of the agreement, i.e. on July 1 of each year, the Company can terminate the agreement with 90 days prior notice, provided that none of the Company's products remain covered by the licensed patents on the termination date of the agreement.

The Company cannot assign the agreement to a third party without the prior consent of CRI, including in the event of a change of control. However, both parties can transfer the agreement to any person acquiring almost all of the assets related to this agreement, either by merger, sale of assets or otherwise, provided that the transferee provides a written commitment to accept and comply with the terms of the agreement. From the date of any assignment, the assignee is deemed as the initial signatory of the agreement.

This agreement is governed by the laws of the State of California and provides that any dispute between the parties shall be submitted to an arbitrator pursuant to the JAMS arbitration rules (*Comprehensive Arbitration Rules and Procedures of Judicial Arbitration and Mediation Services*). However, any dispute regarding the validity, applicability or scope of the DPA patent license shall be resolved by judicial proceedings.

***Patent License Agreement for Near Field Communication Technology* between the Company and France Brevets**

The Company and France Brevets entered into a patent license agreement on June 19, 2012. This agreement was subsequently amended by 9 successive amendments dated July 12, 2012, December 19, 2012, November 28, 2013, May 2, 2014, July 29, 2014, and December 19, 2014, respectively. The Company and France Brevets entered into a consolidated version of the license agreement on December 19, 2014 in order to, in particular, extend the license rights granted to France Brevets. The consolidated license agreement was amended by two amendments dated January 28, 2015 and February 21, 2015.

Under the terms of this consolidated license agreement, as amended, the Company grants France Brevets (excluding US patents) and its subsidiary NFC Technology LLC exclusively for US patents, a worldwide, exclusive, royalty or fee bearing license to grant non-exclusive licenses to third parties for the patent families owned by the Company in the field of NFC technology. The licensed patents now include the Company's patent families with respect to "Booster" technology. France Brevets also has the right to institute judicial proceedings to defend and assert its rights to the licensed patents.

The agreement provides that the Company and its affiliates retain the right to directly use the licensed patents, in particular, to manufacture and commercialize their products.

Except in relation to the sale of the Company's NFC assets to a third party, France Brevets has a right of first refusal if the Company decides to sell one of the licensed patents. The license will remain in force until the expiration of the last licensed patent. The Company may terminate the contract *ipso jure*, under certain conditions, including if France Brevets breaches its contractual obligations, and/or if, in the context of the potential transfer of the Company's NFC assets, the acquirer wishes to terminate the license subject to the payment of an indemnity to France Brevets.

The contract is governed by French law and is subject to the competent jurisdiction of the courts of Paris, France.

Amended and restated NFC technology license agreement **between the Company and Intel**

On May 19, 2014, the Company and Intel entered into a license agreement in effect as from June 16, 2014, relating to the NFC technology owned by the Company. This agreement replaces an initial agreement dated August 23, 2011. This agreement and the ancillary agreements were granted in consideration of the payment of US$ 19,200,000 to the Company.

This new agreement broadens the scope of the license rights initially granted to Intel and specifically extends the initial worldwide and perpetual license into to a broader license enabling Intel to freely use Inside's MRv5 technology without any recurring fees. In consideration of this license, Intel paid a one-time license fee to the Company upon the closing of this new agreement. The Company remains the owner of most of the intellectual property rights and titles underlying the aforementioned license. The Company transferred to Intel the semiconductor NFC modem and software technology for the next generation MicroRead-v5 product that was under development by the Company, as well as various tangible and intangible assets associated with it, including some intellectual property rights.

Pursuant to an exclusivity undertaking, the Company agreed not to directly or indirectly use or license the licensed technology and some intellectual property rights to a third party (with the exception however of patents) for the development of a standalone NFC microcontroller or a standalone NFC technology that would be substantially similar to the MRv5 product.

The license is transferable by both parties insofar as (i) the third party beneficiary accepts to be bound by the terms of the license agreement, (ii) the rights to the licensed technology and intellectual property rights are transferred to a third party to which the Company assigns the license agreement, and (iii) Intel does not transfer the license agreement to one of the Company's competitors without the prior approval of the Company.

All of the rights associated to any derivative works developed and improvements made by Intel to the transferred technology and licensed technology are the exclusive property of Intel, and the Company and its affiliates are not licensed under aforementioned derivative works and improvements.

In the event of a dispute that cannot be resolved amicably, the license is subject to the laws of the State of New York and to the jurisdiction of the federal courts located in New York City.

Asset Purchase Agreement, Service Level Agreement and other contracts between the Company and Presto Engineering

On June 30, 2015, the Company, Presto Engineering Inc., and Presto Engineering HVM executed agreements to transfer the Company-operated semiconductor product engineering and supply chain management activities to Presto Engineering HVM ("Presto") as from June 30, 2015.

Under the terms of these agreements, the Company transferred certain assets to Presto, and granted certain licences on software and tools, while Presto hired certain employees of the Company and one of its subsidiaries, in order to provide the Company with services, under the terms of a multi-year contract, linked to the engineering of semiconductors and the management of its supply chain. The services agreement is signed for three years as from its effective date, unless it is subject to early termination. Upon expiration of this first contractual period, this services agreement is renewable tacitly for successive one-year periods.

Under the terms of the services agreement, the Company undertook to source all services associated with engineering its new products and managing the supply chain for its products exclusively from Presto during said initial three-year period. The Company also undertook not to compete with Presto during a maximum 5-year period as from the effective date of the agreement, based on the products manufactured by the Company as of that date or any new products introduced during the initial period. The prices for both of these types of services have been set as fixed fee for the duration of the initial term. Contractual prices may be reduced, the calculation method for which is established in the agreement, in the event that Presto uses the transferred assets and resources to service other customers as from the second year of the agreement. The Company has the right to terminate the services agreement for convenience, subject to paying an early termination fee to Presto. This fee varies based on whether the agreement is terminated in full or just in part, and based on the remaining term on the agreement as of the termination date.

The agreements are governed by French law.

23. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS, AND DECLARATIONS OF INTEREST

None applicable.

24. DOCUMENTS AVAILABLE TO THE PUBLIC

The Bylaws, minutes of General Shareholders' Meetings, and other corporate documents of the Company, as well as historical financial information or any evaluation or statement prepared by an expert at the request of the Company and that must be made available to shareholders in accordance with applicable law, can be accessed free of charge at the registered offices of the Company.

The regulated information in the meaning of the provisions of the AMF's General Regulations is also available on the Company's website (www.insidesecure.com).

Tentative financial disclosures calendar for 2016:

- Q1 2016 Revenue — April 21, 2016
- HY1 2016 Results — July 28, 2016
- Q3 2016 Revenue — October 21, 2016

25. INFORMATION ON EQUITY HOLDINGS

Other than the Company's subsidiaries and equity holdings listed in the Group's scope of consolidation as described in the Notes to the Group's Consolidated Financial Statements (please refer to section 20.1 entitled "Historical Financial Information" of this Registration Document for further information), the Company and its subsidiaries do not have equity holdings in other companies that could have a significant impact on the valuation of its their assets, financial position, or income.

26. GLOSSARY

Android:	Google's open source operating system and middleware for smartphones, tablet and other mobile devices. For example, it is used in TV sets, alarm clocks, connected watches, car radios, and even cars.
API *(Application Programming Interface):*	set of routines, data structures, object classes, and variables available to computer programs via a software library, an operating system, or a service allowing for interoperability between software components.
BYOD *(Bring Your Own Device):*	the act of using personal equipment (mobile phones, tablets, laptop computers) in a professional context.
Chip:	electronic packaged component able to perform one or more electronic functions of varying complexity, often integrating several types of basic electronic components on few square millimeters. Synonymous with integrated circuit.
Cloud computing:	concept of deporting to distant servers the computer processing typically completed on local servers or the user's machine (e.g. computer or mobile phone). Users no longer manage their computer servers, but can still gain access to a growing number of online services without having to manage the underlying infrastructure.
Company:	INSIDE Secure.
Cryptology:	encryption method by which a message is made unintelligible in the absence of an appropriate decryption key. Keys are based on mathematical algorithms.
Design in:	confirmation by a customer, often following a selection process, that a product has been officially selected for development of a project. The customer then forms his project team and starts the design phase of its own product. This design phase lasts, in the case of a mobile phone, between 6 and 12 months ("design-in to design-win" phase).
Design win:	confirmation by a customer, at the end of the design in and testing phase of a product, that a product can be used as part of its solution and, therefore, purchase orders for the product are made in significant volumes.
Dollar, **US Dollar, US$** and **$:**	legal currency in the United States.
DRM (Digital Right Management):	secure technology that enables copyright holders of an object subject to intellectual property (such as an audio, video, or text file) to specify what a user has the right to do with it. Generally, it is used to propose downloads without worrying that the user will distribute the file freely throughout the web.

Dual Interface Technology: single-chip based technology that allows both contact and contactless payment.

EMV (*Europay Mastercard Visa*): international security and interoperability standard for payment cards, in force since 1995.

ESS: Embedded Security Solutions.

Fabless: business model, for semiconductor company, which consists of outsourcing its manufacturing function to one or more foundries in order to focus on the development and sale of semiconductors.

Fab-lite: business model, for semiconductor company, which consists of adopting a strategy that combines an in-house manufacturing and the subcontracting of part of the process to third-party foundries.

Finished product: product that has undergone a transformation in order to provide it with added value and is ready for use by the end customer.

Firmware: software program embedded in a chip.

Foundry: company specializing in the manufacturing of semiconductor wafers for third-party companies.

GPS (*Global Positioning System*): satellite geo-positioning standard created by the U.S. army that enables the location and identification of a compatible device supporting this standard.

Group: the Company and its subsidiaries.

HCE (Host Card Emulation): virtual representation of a smart card via software installed on the electronic equipment's main processor.

Inlay: chip connected to an antenna for contactless applications.

Integrated circuit (IC): electronic component performing one or more potentially complex electronic functions, often integrating several types of basic electronic components on few square millimeters. Synonymous with chip.

Interoperability: ability of a product or system based on a standard, to work with other products or systems without restriction of access or implementation.

IoT acronym for the "Internet of Things." The Internet of connected objects represents exchanges of information and data between devices present in the real world and the Internet.

ISO (*International Organization for Standardization*)**:** international standards organization composed of representatives from national standards organizations from 158 countries, the mission of which is to establish international standards, called ISO standards, in the industrial and commercial fields.

Machine-to-machine: combination of information and communication technologies with smart objects able to communicate in order to provide them with the means to interact with the information system without human intervention.

Microcontroller: integrated circuit incorporating the basic elements in a system such as: a microprocessor core, memory (ROM for program, volatile and non-volatile memories for data), peripherals and input-output interfaces.

Microelectronics: designing and manufacturing of electronic components initially at the micrometer, now at the nanometer scale. These components are made from semiconductor materials such as silicon.

Microprocessor: the part of a system that executes instructions and processes program data.

Middleware: software that creates an information exchange layer between the various applications and/or software layers.

Mobile devices: mobile handsets, tablets and laptops.

Mobile payment: payment method enabling transactions from a mobile terminal (e.g. smartphone), with payment being debited to the credit card, the invoice from the operator or an electronic purse. There are three categories of mobile payments: remote payments; proximity payments in front of a terminal (with the NFC technology); or mobile-to-mobile money transfers (peer-to-peer).

Module: one or several chips packaged together with a number of discrete components (resistors, capacitors, etc.).

NFC (*Near Field Communication*): Short-range, radio frequency, wireless connectivity standard that enables communication between devices within a short range of each other.

NFC Forum: organization established to accelerate and promote the use of NFC by developing specifications to guarantee interoperability between electronic devices and services and, in general, contributing to a better understanding of the NFC technology and applications. Created in 2004, the Forum now has nearly 140 members, hardware manufacturers, application developers and financial institutions, who are working together to promote the use of NFC in mobile devices, computers and consumer electronics.

Obfuscation:	the deliberate act of creating obfuscated code, i.e. source or machine code that is difficult for humans to understand and challenging to hack.
ODM (*Original Design Manufacturer*):	in the context of the Group's activities, a company providing development and manufacturing services based on its customers' specifications, and which does not market products to end consumers under its own brand.
OEM (*Original Equipment Manufacturer*):	in the context of the Group's activities, a company that sells products under its brand and may, as the case may be, subcontract the development and manufacturing to an ODM.
Open source:	software for which the license meets the criteria established by the Open Source Initiative, i.e. offering the possibility of free redistribution and access to source code and derivative works.
Operating system:	software that manages hardware and software resources from the device and provides common services for computer programs.
Operator:	companies operating in the mobile telecommunications sector running the telecommunication service and offering subscription to this service to the end customer.
OTT (*Over The Top*):	content distribution method via internet and without a multiple system operator being involved beyond the ISP's data routing services.
Packaging:	package used as the mechanical interface between the component (integrated circuit or IC) itself and the printed circuit or the electronic card, which usually consists of plastic, sometimes of ceramic and less frequently of metal materials.
Peer-to-Peer:	communication mode between two terminals using a common communication standard, which enables, among other things, file sharing and multimedia exchanges.
PKI *(Public Key Infrastructure):*	all of the hardware components, human procedures and software needed to manage the life cycle of digital or electronic certificates.
Protocol:	set of rules for establishing a communication between two entities or two systems.
Reference design:	elements and information relating to one system's engineering design, which is meant to be used and copied by others. It includes essential elements of the system, but third parties can modify or improve their designs if necessary.

RFID *(Radio Frequency Identification)*: technology that allows the remote storage and exchange of data within a short-range based on markers called electronics tags (RFID tags). Electronic tags are small items such as adhesive tags that can be attached to or incorporated in objects, products or even living organisms (animal and human bodies). They include an antenna associated with a chip that enables them to receive and respond to requests issued from a radio transceiver.

Semiconductor: material that has the same electrical properties as an insulator but can be used as a conductor by adding a small amount of impurities into it, and represents the basic element for microelectronics.

Service de message court (*SMS - Short Message Service*): mobile telephony standard that allows users to exchange text messages between their mobile handsets and other devices.

SIM card (*Subscriber Identity Module*): smart card used in mobile handsets to store information specific to the subscriber of a mobile network, particularly for networks such as GSM or UMTS. It can also store applications from the user, its operator or, in some cases, third parties.

Smart card: flexible card with an embedded integrated circuit designed to process and store data. It contains at least one integrated circuit capable of processing information. The smart card is generally used for authentication or payments.

Smart meter: meter powered with advanced technologies that identify with increased accuracy, potentially real-time, the energy consumption of a home, building or business, and sends the data directly to a management system using the telephone line or powerline communication. Smart meters allow for real-time preparation of bills and identification of the most costly items for the customer. They can inform the customer for brownouts or losses on the grid and also be remotely programmable and equipped with a remote switching device. Programmable meters are the basic element that allow for significant changes for the entire grid, generically red to as "smart grid".

SMS: Secure Microcontroller Solutions business acquired by the Company from Atmel on September 30, 2010

Software stack: a set of programs that work together to produce a result (e.g. an operating system and its applications).

System-on-chip: comprehensive system embedded on a chip that may include memory, one or more microprocessors, interface devices or any other components required to achieve the intended function.

Terminal: electronic device capable of reading data from a payment card, recording a transaction and communicating with a remote authentication secure server.

Token: used in addition to or instead of a password in order to prove that the customer is the one he or she alleges to be. The token acts like an electronic key to gain access to data.

Toolkit: all tools, libraries, and subprograms used to facilitate the creation of computer programs and use interfaces.

Transistor: basic active electronic component used mainly in electronics as a control switch to produce a "0" or a "1".

USB flash drive: storage device that uses flash memory and connects itself to the USB port of a computer.

VPN *(Virtual Private Network):* extensive private network created by establishing permanent custom connections between corporate networks via public networks in order to share resources among its users.

Wafer: relatively thin slice of semiconductor material such as silicon, from which integrated circuits are made. It is used to support the manufacture of transistor-based microstructures using processed such as doping, etching, deposit of other materials (epitaxy, sputtering, chemical deposit in vapor phase, for example) and photolithography.

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