



INSIDE Secure

First Half 2016 Results

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AGENDA



Key Highlights

Q2 Revenue and Half Year Financial Overview

Outlook

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Appendix



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INSIDE SECURE 1H16 RESULTS & HIGHLIGHTS

The company is going fast through the transformation plan announced in February 2016 to focus on software activities. The execution of the projects are in line with the objectives and the timetable:

1. Sale of the semiconductor business to be completed by the end of Q3 2016
2. Patent monetization
3. Restructuring plan and reduction in operating cost base finalized in Q2 2016
4. **Success of capital increase:** strengthened liquidity and reinforced financial position



H1 2016 - KEY FIGURES



- **Consolidated revenue¹: \$27.7 million**, including **\$20.3 million in Q2 2016**, a strong growth compared to 2015
- **Strong trends in mobile payment and banking markets driving revenue from core business** (excluding semiconductors and NFC patent licensing) :
 - **\$7.7 million in Q2 2016 (+25% vs. Q1 2016, +28% vs. Q2 2015)**
 - **\$13.8 million in H1 2016 (+28% vs. H1 2015)**
- Adjusted operating income² from continuing operations¹: \$4.7 million in H1 2016 (vs. \$6.4 million loss in H1 2015)
- EBITDA from continuing operations: \$5.3 million in H1 2016 (vs. \$6.2 million loss in H1 2015)
- Net loss from continuing operations (IFRS): \$1.0 million in H1 2016 (vs. \$11.2 million loss in H1 2015)
- **Execution of strategic transformation projects in line with the objectives and timetable**
- **Strengthened liquidity and solid financial position (\$20.4 million cash as at June 30, 2016) thanks to improved operating performance and completion of capital increase**



1) IFRS, continuing operations, excluding semiconductor business – see definition in Appendix
2) Definitions of adjusted measures in Appendix



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Q2 AND HALF YEAR 2016 CONSOLIDATED REVENUE



in thousands of US\$	Q2-2016 consolidated	Q2-2015 consolidated	Q1-2016 consolidated	Q2-2016 vs. Q2-2015	Q2-2016 vs. Q1-2016
Mobile Security	7,694	6,020	6,138	28%	25%
Unallocated	12,577	68	1,290	-	-
Total Revenue	20,271	6,088	7,428	233%	173%

in thousands of US\$	H1-2016 consolidated	H1-2015 consolidated	Y-o-Y %
Mobile Security	13,831	10,765	28%
Unallocated	13,868	337	4015%
Total Revenue	27,699	11,102	149%

- Strong growth in consolidated revenue both sequentially and year-on-year
- Q2 revenues boosted by strong performance of software business and by NFC patent licensing agreement by France Brevets with Samsung



ADJUSTED* INCOME STATEMENT (CONTINUING OPERATIONS)



in thousands of US\$	6 months 2016	6 months 2015
Revenue	27,699	11,102
Cost of sales (adjusted)	(4,648)	(1,139)
Adjusted Gross profit	23,051	9,963
<i>in % of revenue</i>	83.2%	89.7%
R&D expenses (adjusted)	(6,907)	(5,005)
<i>in % of revenue</i>	-25%	-45%
Selling & marketing expenses (adjusted)	(5,922)	(5,079)
<i>in % of revenue</i>	-21%	-46%
General & administrative expenses (adjusted)	(5,091)	(4,840)
<i>in % of revenue</i>	-18%	-44%
Other (losses)/gains, net (adjusted)	(434)	(1,445)
Total adjusted operating expenses	(18,353)	(16,370)
Adjusted operating income	4,698	(6,407)
<i>in % of revenue</i>	17.0%	-57.7%
EBITDA	5,320	(6,218)
<i>in % of revenue</i>	19.2%	-56.0%

Change essentially explained by revenue mix (NFC patent licences in 2016)

Reallocation of certain company's resources to the core software business

Results from continuing operations include Mobile Security, NFC patent licensing program and corporate costs not intended to be transferred or discontinued with sale of semiconductor business

* Definitions of adjusted measures and continuing operations in Appendix

H1 2016 - KEY IFRS RESULTS

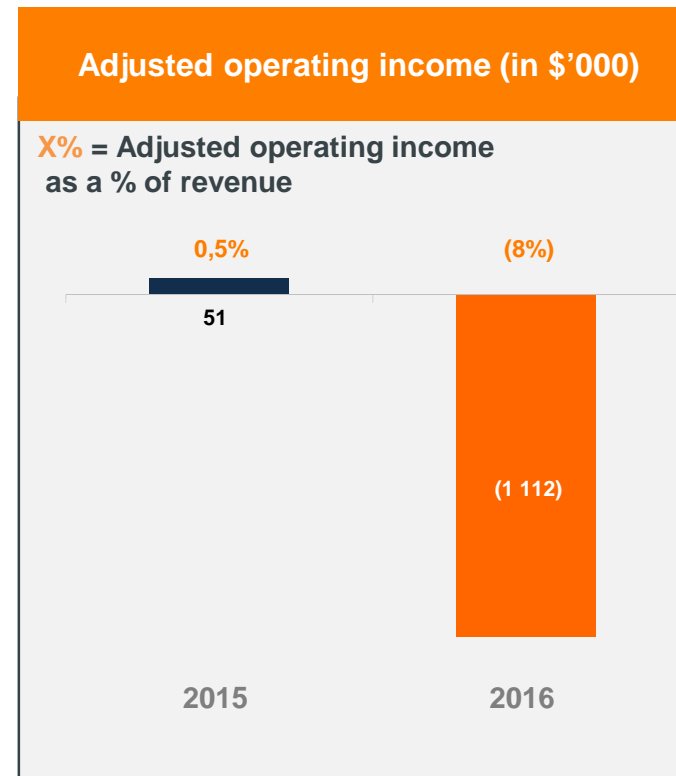
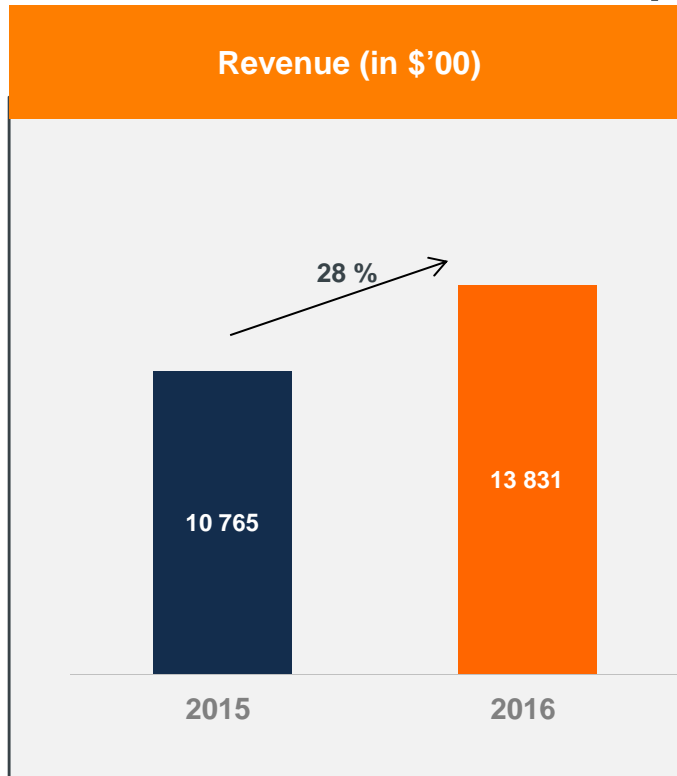


- Operating income from continuing¹ operations: \$20 thousands in H1 2016 (vs. \$12.5 million loss in H1 2015), including:
 - \$2.4 million non-recurring charge arising from the company's restructuring ;
 - \$1.9 million amortization expense related to assets arising upon the company's acquisitions in recent years (ESS in 2012 and Metaforic in 2014), significantly down compared to 2015
- Net income from continuing operations: loss of \$1.0 million in H1 2016 (vs. \$11.2 million loss in H1 2015)
- Net income from discontinued¹ operation: profit of \$0.3 million in H1 2016 (vs. \$8.6 million loss in H1 2015)
- Consolidated net income: loss of \$0.7 million in H1 2016 (vs. \$19.7 million loss in H1 2015)



1) see definition in Appendix

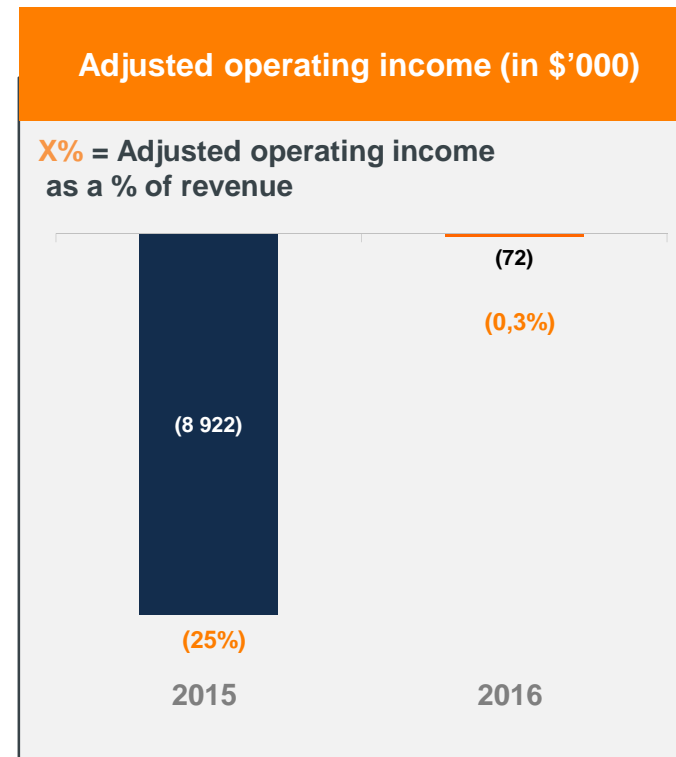
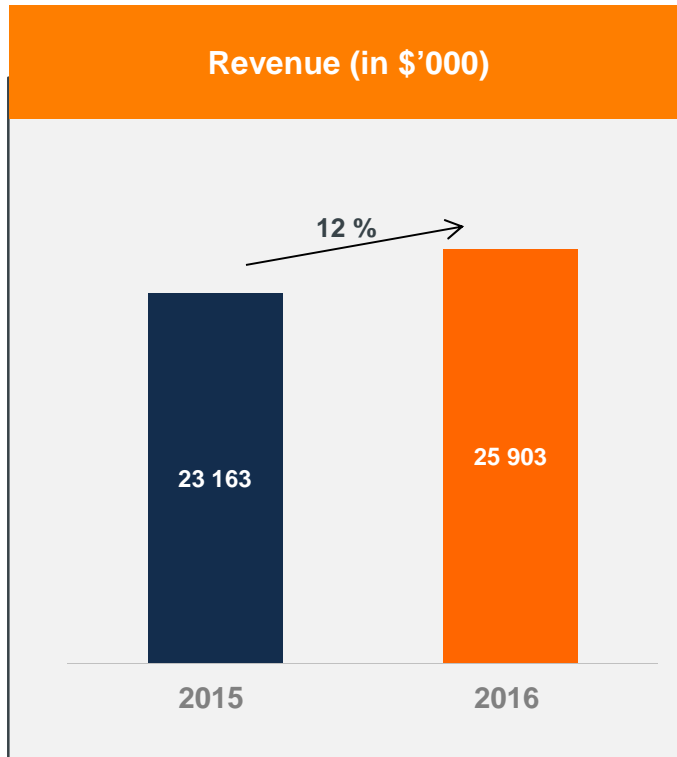
MOBILE SECURITY – HALF YEAR 2016 (SEGMENT REPORTING)



- Strong performance by secure intellectual property components product line marketed to semiconductor companies, including a high level of royalties
- Significant growth in sales to banks of software licenses for the protection of mobile applications and HCE mobile payment schemes (including contract signed in June with a large European bank).
- Loss owing to significant increase in OPEX (in particular in R&D, mainly resulting from reallocation of resources), not fully offset by revenue growth



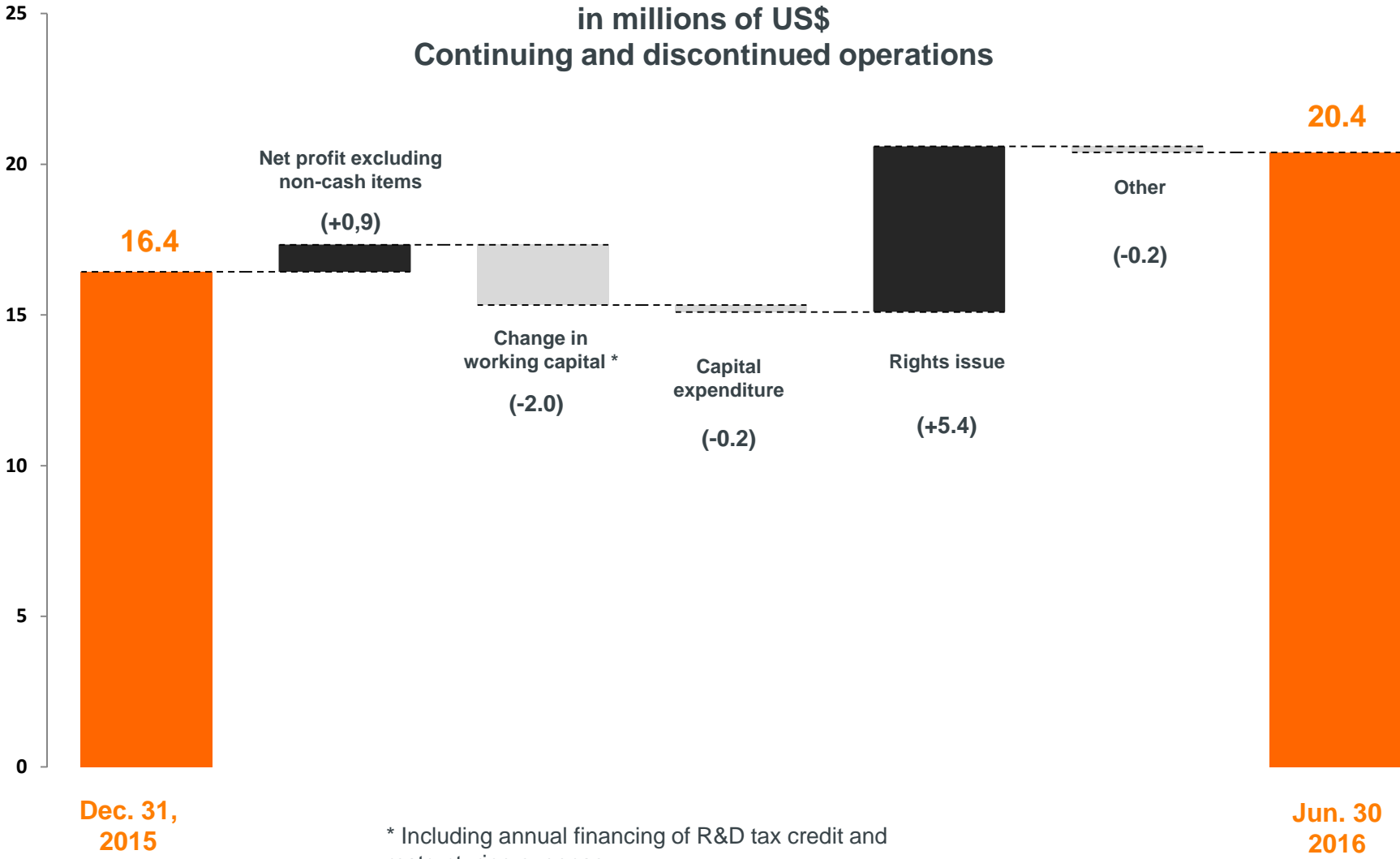
SECURE TRANSACTIONS – HALF YEAR 2016 (SEGMENT REPORTING)



- Growth in sales of EMV chips mostly in Asia and Middle East, and manufacturing license to a longstanding customer.
- Improved adjusted gross margin on the back of production license, positive product mix, and a favorable comparison basis (reserves on inventories in 2015)
- Significant reduction in adjusted operating loss mainly thanks to the improvement in gross margin and the reduction in operating expenses.



FIRST HALF 2016 CASH FLOW





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OUTLOOK



- **2016: a transition year in the context of implementation of major strategic and structuring initiatives**
- **Accordingly the company will soon be focused exclusively on its activities related to **software security and embedded security technology licensing****
- **Aims to generate profitable growth over time**





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DEFINITIONS



Continuing and Discontinued Operations

- Following INSIDE Secure’s announcement on May 19, 2016 of the sale of its semiconductor business to WISeKey and in accordance with IFRS 5, INSIDE Secure semiconductor activity qualifies as a discontinued operation. Consequently, income and expense items for this discontinued operation are recognized directly in “net income from discontinued operations” and thus are excluded from adjusted operating income, EBITDA, and operating and net incomes from continuing operations.
- Accordingly, results from **continuing operations** reflect the performance of the Mobile Security division, the NFC patent licensing program and corporate costs not intended to be transferred or discontinued with the sale of the semiconductor business (mostly general and administrative expenses and, to a lesser extent, selling & marketing expenses, and research & development expenses).
- Figures for the first half of 2015 have been restated in a similar manner to allow comparisons with the corresponding first-half 2016 figures.



DEFINITIONS



Adjusted measures

- Certain financial measures and performance indicators are presented on an adjusted basis. These indicators are not defined under IFRS; they should be considered to be supplementary information, not substitutable for any other indicators of operating and financial performance that are strictly accounting measures, such as those presented in the Group's consolidated financial statements
- Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets and masks related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with restructuring and business combinations carried out by the Group.
- Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets and masks related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with business combinations carried out by the Group.
- EBITDA is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.

Net cash

is defined as cash at hand, cash equivalents and short-term investments, the net amount of derivatives, less finance lease liabilities, bank overdrafts and bank loans, cash received in return of assignment of trade receivables under factoring agreements and deferred payments due in connection with business combinations. Debt related to the financing of research tax credit (CIR) claims are not taken into account since they are intended to be extinguished upon repayment by tax authorities of CIR claims.



RECONCILIATION FROM ADJUSTED TO IFRS 2016



in thousands of US\$	2016 Adjusted	Business combination	Sharebased payments	Other non- recurring costs	2016 IFRS
Revenue	27 699	-	-	-	27 699
Cost of sales	(4 648)	(1 764)	(1)	-	(6 413)
Gross margin	23 051	(1 764)	(1)	-	21 286
<i>in % of revenue</i>	83,2%				76,8%
R&D expenses	(6 907)	(151)	(74)	-	(7 132)
Selling & marketing expenses	(5 922)	-	(138)	-	(6 060)
General & administrative expenses	(5 091)	-	(150)	-	(5 241)
Other (losses)/gains, net	(434)	-	-	(2 400)	(2 834)
Operating income	4 698	(1 915)	(363)	(2 400)	20
<i>in % of revenue</i>	17,0%				0,1%



RECONCILIATION FROM ADJUSTED TO IFRS 2015



in thousands of US\$	2015 Adjusted	Business combination	Sharebased payments	Other non- recurring costs	2015 IFRS
Revenue	11 102	-	-	-	11 102
Cost of sales	(1 139)	(4 371)	(3)	-	(5 513)
Gross margin	9 963	(4 371)	(3)	-	5 589
<i>in % of revenue</i>	<i>59,3%</i>				<i>50,3%</i>
R&D expenses	(5 005)	(1 420)	(106)	-	(6 532)
Selling & marketing expenses	(5 079)	-	(119)	-	(5 199)
General & administrative expenses	(4 840)	-	(61)	-	(4 901)
Other (losses)/gains, net	(1 445)	-	-	-	(1 445)
Operating income	(6 407)	(5 791)	(290)	-	(12 488)
<i>in % of revenue</i>	<i>6,5%</i>				<i>-112,5%</i>



INVESTOR INFORMATION



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Financial Calendar

Q3 2016 Revenue **October 20, 2016**

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