



## Inside Secure – Third Quarter 2016 Revenue

- **Continuing core software business revenue (excluding semiconductors and NFC patent licensing): \$11.9 million in Q3 2016, up 55% sequentially and up 22% year-on-year, driven by exceptionally high royalties**
- **Continuing core software business revenue: \$25.7 million year-to-date, up 26% vs. 2015**
- **Consolidated revenue (IFRS, excluding semiconductors and including NFC patent licensing)<sup>1</sup>: \$39.6 million year-to-date 2016, up 84% vs. 2015, driven by royalties in the third quarter and NFC patent licensing in the second quarter**
- **New organization and corporate governance in place following the completion of the sale of the semiconductor business**

**Aix-en-Provence, France, October 20, 2016** – Inside Secure (Euronext: INSD), at the heart of security solutions for mobile and connected devices, announced today its consolidated revenue (IFRS) for the third quarter ended September 30, 2016.

| (in thousands of US\$)                            | Q3-2016       | Q3-2015      | Q2-2016       | Q3-2016<br>vs. Q3-2015 | Q3-2016<br>vs. Q2-2016 | 9-month<br>2016 | 9-month<br>2015 | 2016<br>vs. 2015 |
|---|---------------|--------------|---------------|------------------------|------------------------|-----------------|-----------------|------------------|
| Licences  | 686           | 5 504        | 1 708         | -88%                   | -60%                   | 3 720           | 7 683           | -52%             |
| Royalties   | 10 084        | 2 937        | 4 690         | 243%                   | 115%                   | 18 178          | 9 477           | 92%              |
| Maintenance, development agreements,<br>and other | 1 144         | 1 291        | 1 296         | -11%                   | -12%                   | 3 847           | 3 338           | 15%              |
| <b>Total revenue from software and silicon IP</b> | <b>11 913</b> | <b>9 732</b> | <b>7 694</b>  | <b>22%</b>             | <b>55%</b>             | <b>25 745</b>   | <b>20 497</b>   | <b>26%</b>       |
| Unallocated revenue (*)                           | 0             | 8            | 12 577        | -                      | -                      | 13 867          | 1 045           | -                |
| <b>Total revenue</b>                              | <b>11 913</b> | <b>9 740</b> | <b>20 271</b> | <b>22%</b>             | <b>-41%</b>            | <b>39 612</b>   | <b>21 542</b>   | <b>84%</b>       |

(\*) unallocated amounts correspond to non-recurring revenue, in particular patent licenses

Amedeo D'Angelo, president and CEO of Inside Secure, commented: *“Third quarter was a turning point for our company. We successfully closed the sale of our semiconductor business, marking the final step in our transformation to becoming a software and silicon IP company. We are now moving forward to improve our revenue growth and profitability by ramping up our sales machine and aggressively going after new business opportunities. We believe we are uniquely positioned with our products, technology and expertise to be at the heart of security solutions for mobile and connected devices. Our focus is to bring trusted solutions to our customers in order to protect their value.”*

<sup>1</sup> Following Inside Secure's announcement on May 19, 2016 of the sale of its semiconductor business to WISeKey and in accordance with IFRS 5, revenue from this discontinued operation is no longer recognized in Inside Secure's consolidated revenue. Figures for the previous quarters have been restated in a similar manner to allow for comparisons with the corresponding periods for 2016.

Following the divestiture of its semiconductor business in September 2016, Inside Secure's revenue is now entirely generated by its product lines of software and intellectual property<sup>2</sup>. This activity represented about 38 percent of Inside Secure's total revenue in 2015. Specifically, Inside Secure generates revenue through

- **Licenses**, which are recognized as revenue after signing contracts and delivery of software to customers. Licenses may differ significantly in term of amounts and terms and conditions;
- Variable **royalties**, which are based on sales made by the company's customers. They are recurring but difficult to forecast and can be uneven from quarter to quarter;
- Services, primarily **maintenance** and **development agreements**. Revenue from maintenance fees and other services historically represent around 15 percent of the company's revenue on average.

The company recorded in Q3 2016 a record and exceptionally high level of revenue from royalties, due largely to a historical American customer of silicon intellectual property products and a European customer of content protection products (digital rights management software).

Revenue from new licenses in Q3 2016 was \$0.7 million, with several contracts having shifted to October. In Q3 2015, license revenue had been exceptionally high since Inside Secure had executed a multi-million dollar software protection licensing agreement with one of the three largest banks in the U.S.

Revenue from maintenance and development agreements in Q3 2016 was \$1.1 million, in line with expectations, and \$3.8 million for the first nine months of 2016, up 15 percent from the previous year.

During Q3 2016, Inside Secure did not record any income from its NFC patent licensing program managed by France Brevets, while in Q2 2016, the company benefited from the license with Samsung. In the first nine months of 2016, NFC patent revenue totaled \$13.9 million.

## **The “new” Inside Secure**

Inside Secure completed on September 20, 2016, the sale of its semiconductor business to WISEKey International Holding Ltd, a Swiss cybersecurity company (SIX Swiss Exchange: WIHN). This transaction marked the final step in the company's transformation to becoming a software and silicon IP company.

### **Organization**

The company is now organized into two business units: (i) Content and Application Protection, and (ii) Silicon IP and Secure Protocols, each with their own research and development resources, product marketing and sales force; with support functions being shared between the two.

Inside Secure's **Content and Application Protection** business unit provides leading edge software, tools and know-how needed to protect its customers' transactions, content and applications on any mobile and connected devices. In particular, it provides vertical solutions to content providers to protect premium multimedia content, and vertical payment and application protection solutions to financial institutions for their mobile applications.

The **Silicon IP and Secure Protocols** business unit provides silicon IP (intellectual property blocks) and software toolkits to enable semiconductor manufacturers, device manufacturers and security software integrators to meet the critical needs for authentication, secure communication, information protection and user privacy for the Internet of things and network security markets.

### **Governance**

Inside Secure made several changes in its corporate governance following the completion of the company's transformation to a software and silicon IP licensing company.

The Management Board will now be comprised of Mr. Amedeo D'Angelo (President and CEO), and Mr. Richard Vacher Detournière (General Manager and CFO). Mr. Pascal Didier, member of the

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<sup>2</sup> Security functions in the form of intellectual property (IP) blocks or components that Inside Secure customers integrate into their semiconductor platforms.

Management Board and General Manager and Corporate Secretary, will leave the company on December 30, 2016.

Furthermore, given the new size and focus of the company, Mrs. Joëlle Toledano and Mr. Glenn Collinson have offered to leave the Supervisory Board. Effective October 19, 2016, the Supervisory Board is comprised of five members, four of whom are independent: Mr. Pat Jones (Chairman), Mrs. Muriel Barneoud, Mr. Alex Brabers, Mr. Jean Schmitt, and Mr. Thierry Sommelet, representing Bpifrance Participations.

## **Outlook**

2016 remains a transition year due to the implementation of strategic initiatives which are now completed. Accordingly, the company is focused exclusively on its activities related to software security and embedded security technology licensing and aims to generate profitable growth over time.

## **Financial calendar**

Publication of fiscal year 2016 earnings: February 20, 2017 (before market open).

## **Press and investor contacts**

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## **About INSIDE Secure**

Inside Secure (Euronext Paris – INSD) is at the heart of security solutions for mobile and connected devices, providing software, silicon IP, tools and know-how needed to protect customers' transactions, content, applications, and communications. With its deep security expertise and experience, the company delivers products having advanced and differentiated technical capabilities that span the entire range of security requirement levels to serve the demanding markets of network security, IoT security, content & application protection, mobile payment & banking. Inside Secure's technology protects solutions for a broad range of customers including service providers, content distributors, security system integrators, device makers and semiconductor manufacturers. For more information, visit [www.insideseure.com](http://www.insideseure.com)

## **Forward-Looking Statements**

This press release contains certain forward-looking statements concerning the Inside Secure group. Although Inside Secure believes its expectations to be based on reasonable assumptions, they do not constitute guarantees of future performance. Accordingly, the company's actual results may differ materially from those anticipated in these forward-looking statements owing to a number of risks and uncertainties. For a more detailed description of these risks and uncertainties, please refer to the "Risk Factors" section of the registration document approved by the French financial market authority (the Autorité des marchés financiers – the "AMF") on March 30, 2016 under number R. 16-014, available on [www.insideseure.com](http://www.insideseure.com)