



Inside Secure Announces First Quarter 2017 Revenue

- Q1 2017 consolidated revenue: \$7 million
- Security software & technology licensing up 13% in Q1 2017 vs. Q1 2016
- New licenses revenue up 62% in Q1 2017
- Execution of the strategy on security software with strong product pipeline and increased focus on sales & marketing
- 2017 objective confirmed: continued profitability while investing in sustainable long-term growth on software and silicon IP

Aix-en-Provence, France, April 20, 2017 – Inside Secure (Euronext Paris: INSD), at the heart of security solutions for mobile and connected devices, is today reporting its revenue for the first quarter ended March 31, 2017.

| (in thousands of US\$) | Q1-2017 | Q1-2016 | Q1 2017 vs. Q1 2016 |
|---|--------------|--------------|------------------------|
| Licences | 2 151 | 1 326 | 62% |
| Royalties | 3 415 | 3 404 | 0% |
| Maintenance, development agreements, and other | 1 379 | 1 408 | -2% |
| Total revenue from software and technology licencing | 6 944 | 6 138 | 13% |
| Unallocated revenue (*) | - | 1 290 | - |
| Total consolidated revenue | 6 944 | 7 428 | -7% |

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

Commenting on these results, Amedeo D'Angelo, president and chief executive officer of Inside Secure, stated: *"We are pleased with the double-digit growth in our core security software and technology licensing business this quarter compared with first-quarter 2016. We are also encouraged with the progress on our strategy to focus on new license revenue, which saw significant year-over-year growth in the first-quarter of 2017. We continue to invest in new products to extend our leadership position in high-potential markets such as secure mobile payment, where we have recently achieved full certification by both MasterCard and Visa on our HCE payment platform. I am confident that our strategy to expand our revenue base, generate cash and maintain an efficient operating structure, will move the company towards sustainable long-term growth and profitability."*

Security software and technology licensing

Core security software and technology licensing business revenue was \$6.9 million in Q1 2017, up 13% year-on-year.

New license revenue grew significantly in Q1 2017 to \$2.2 million, up 62% vs Q1 2016.

Inside Secure continued to invest and win business in the field of IoT, including a new engagement in the area of Connected Home with an existing customer. The company also continues to be a market leader in the fast-growing Cloud and data center markets thanks to its most advanced 400Gbps MACSec product. MACSec is a critical security standard for data confidentiality and integrity in the Cloud.

Also during the quarter, Inside Secure continued to develop its leading position in content protection, introducing a new solution to address Hollywood studios' higher security requirements for early-window and ultra-high definition (UHD) movies delivered over-the-top (OTT).

In the field of application protection, Inside Secure continues to focus on high potential segments¹, mobile banking and mobile payment. The company is gaining market traction in this area with additional payment scheme wins in the U.S. and in Europe. The company announced during first-quarter of 2017 that its URPay HCE software payment platform was the first to achieve both functional and security accreditation by MasterCard and Visa.

Revenue from royalties was \$3.4 million in Q1 2017, stable compared with Q1 2016. As announced in February 2017, Q1 2017 revenue from royalties is down vs. Q4 2016 when the company recorded exceptionally high level of revenue from royalties due largely to a historical customer of silicon intellectual property products in the U.S.

Maintenance and development agreements revenue in Q1 2017 was stable at \$1.4 million vs. Q1 2016, in line with expectations.

Consolidated revenue (IFRS)

Consolidated revenue in Q1 2017 was \$6.9 million, slightly down from Q1 2016, due to the absence in Q1 2017 of NFC patent license revenue, compared to \$1.3 million recorded in Q1 2016 related to the NFC patent license signed by France Brevets with Sony, and despite significant growth in new licenses from core software business.

Outlook for 2017

The Company achieved profitability² in 2016 through the refocusing of its activities and the rightsizing of its operating cost base. In 2017, the Company reiterates its intention to continue growing new license revenue, maintain a strong discipline on operating expenses and sustain the profitability² of its core security software and technology licensing business³ on a full-year basis. The Company aims at investing in sustainable long-term organic growth, potentially reinforced by acquisitions, with a view to further enrich its security solutions offering and enhance its position vis-à-vis its customer base.

¹ Juniper Research estimates (April 11, 2017 press release) that the number of mobile payment users will surpass 150 million by the end of this year and that at least 194 banks had introduced contactless payment services by the end of 2016, including Apple Pay, Samsung Pay and Android Pay.

² on an EBITDA and adjusted operating income basis

³ ie. even excluding any additional potential revenue from the company's NFC patent licensing program

Other information

In April 2017, Inside Secure appointed Dr. Simon Blake-Wilson, as its chief operating officer, reporting to Amedeo D'Angelo, responsible for R&D and sales and marketing. Dr. Blake-Wilson previously served as vice-president of products and marketing at Rambus. He brings more than 20 years of experience in software and security industries, including sales, marketing and general management positions at Certicom, SafeNet, AuthenTec, and Inside Secure. He holds a Ph.D. in information security and mathematics from the University of London.

Also in April, Mr. Alain Blancquart was appointed to Inside Secure's Supervisory Board, following the recommendation of its governance committee. Alain Blancquart brings to the board extensive experience with both emerging and publicly listed global software companies. He is currently chairman and CEO of Sierrabolics, a data analytics software company. He succeeds Mr. Alex Brabers, who has resigned from his mandate. This appointment will be submitted to shareholders for ratification at the next annual general meeting scheduled on June 14, 2017.

Financial calendar

- Annual shareholders meeting: June 14, 2017
- First-half 2017 earnings: July 26, 2017 (before market opening)

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.insidesecond.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 2016 registration document filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on March 28, 2017 under number D.17-0244, available on www.insidesecond-finance.com/en

Supplementary non-IFRS financial information

Inside Secure uses supplementary non-IFRS financial measures. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the Company's financial performance. They should be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of a strictly accounting nature, as presented in the Company's consolidated financial statements and the corresponding notes. The Company uses these indicators because it believes they are useful measures of its activity. Although they are widely used by companies operating in the same industry around the world, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently to the Company, even though they use similar terms.

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 restructuring and business combinations and divestiture carried out by the Company.

EBITDA is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.