



driving trust

**Mobile Near Field
Communication**

Digital Security

Secure Payments

INITIAL PUBLIC OFFERING

February 2012

www.insidecure.com

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SECURE



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Key offering terms

• Issuer / Listing place	INSIDE Secure / Eurolist by Euronext Paris – Compartment B
• Ticker	INSD
• Price range	€7.00-€8.54 per share
• Shares offered	Primary shares only (base deal, extension and over-allotment)
• Offering size*	<ul style="list-style-type: none"> - Base deal: 7.72m shares, i.e. €60m - Extension clause: 1.16m shares, i.e. up to 15% of base deal - Over-allotment option: 1.33m shares, i.e. up to 15% of base deal + extension clause - Total offering: 10.21m shares, up to €79m
• Market cap. post offering*	Up to €259m
• Offering	Public offering in France International private placement (including US 144A private placement)
• Lock-up	<ul style="list-style-type: none"> - 180 days for company & shareholders holding 95.95% of pre IPO capital - 365 days for management on 90% of their shares**
• Use of proceeds	<ul style="list-style-type: none"> - Primarily finance growth and R&D - Finance potential bolt-on acquisitions
• Syndicate	BNP Paribas & Natixis Joint Bookrunners

*Based on mid-range; **Before dilutive instruments



Summary timetable

• AMF visa	Monday 06 February
• Bookbuilding & roadshow	From Tuesday 07 February to Friday 17 February, 12.00 CET
• Pricing & allocations	Friday 17 February
• First trading date	Monday 20 February
• Settlement & delivery	Wednesday 22 February



INSIDE SECURE



Our Mission

- Be the world leader in smart platforms for secure transactions & digital security



Our Vision

- Enrich people's lives with smart, secure and easy transactions

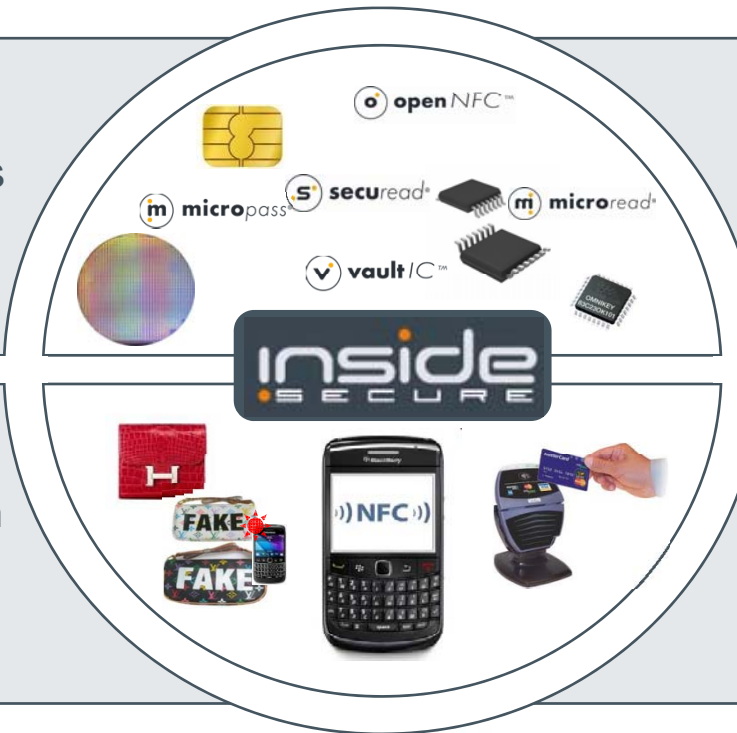
Introduction to *INSIDE Secure*

A **world leader** in secure semiconductors platforms

Fabless company with **essential IP** portfolio (>500 patents) and strong **R&D focus**

Unique competitive positions on high-growth complementary market segments

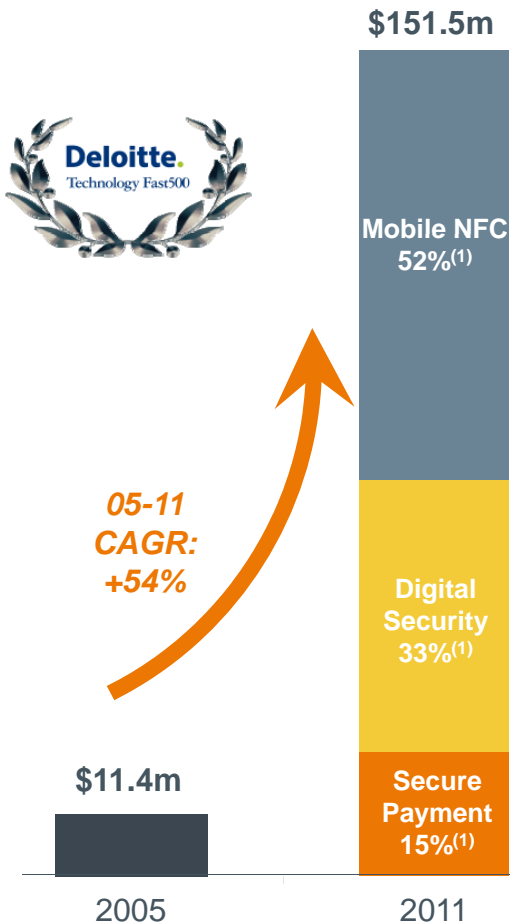
State-of-the-art contactless and security solutions



World leader in smart platforms for mobile NFC, digital security & secure transactions

A world leader poised for growth

A fast growth company...



Source: Inside Secure, ⁽¹⁾ Split of revenues based on Q4 11 revenues; ⁽²⁾ IMS Research: forecast in volume

ideally positioned on booming markets

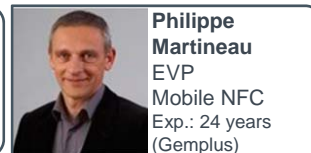
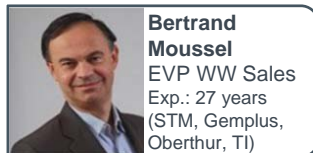
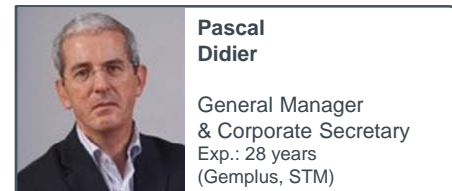
- Only one of two semiconductor vendors currently shipping NFC chips in volume
 - Complete NFC solution
 - Essential IP assets
-
- Leading provider of secure microcontroller solutions
 - Pay-TV, Anti-counterfeiting, M2M, Secure Data Storage & Access Control...
-
- #1 global provider of contactless chips for payments in US

• 2011-15^e: 119% CAGR⁽²⁾

• 2010-15^e: 14% CAGR⁽²⁾

• 2010-15^e: 26% CAGR⁽²⁾

Experienced and international management team



Long-standing, diversified and complementary experience with leading industry players



MOBILE NFC

Extend leadership



Disruptive technology enabling the 3rd wave of mobile usage

A secured connectivity Standard

- Low-power **short-range wireless**
- Enables **contactless communication** between devices when they are brought within **a few centimeters** of each other
- **Compatible** with large installed base of RF readers, smartcards and tags
- Enables a new breed of **proximity-based applications** for mobile handsets, tablets, PCs and other consumer electronic devices

Easy-to-use

Reader Mode



Card Emulation



Device to Device



Platforms for unlimited applications

- Smart posters
- ID check
- Download of mobile coupons
- Mobile advertising
- ...
- Transport and ticketing
- Mobile payments
- Access control
- ...
- Information exchange
- P2P payment
- Social networking
- ...

2011: the year of NFC take-off

Strong momentum for NFC adoption...



... HTC, LG, Motorola, RIM, Samsung and Sony Ericsson will introduce NFC-enabled mobile devices

Dec-2011



... 45 mobile operators committed to implement SIM-based NFC solutions and services

Nov-2011

Handset makers

Telecom operators

)))NFC)))

Other key players

Payment institutions



Google Wallet apps launched in the US with leading brands (GAP, Toys R Us, Coca-Cola...)

Sep-2011



75 ultrabooks powered by Intel in 2012, some of them will offer NFC payment feature

Jan-2012

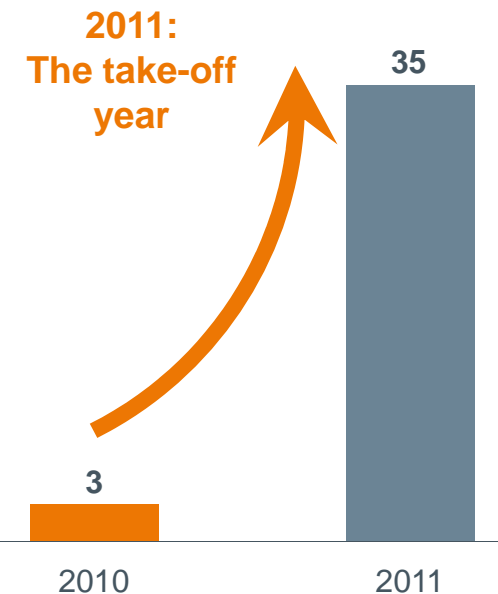


NFC-enabled BlackBerry are 1st smartphones certified by both Visa and Mastercard

Oct-2011

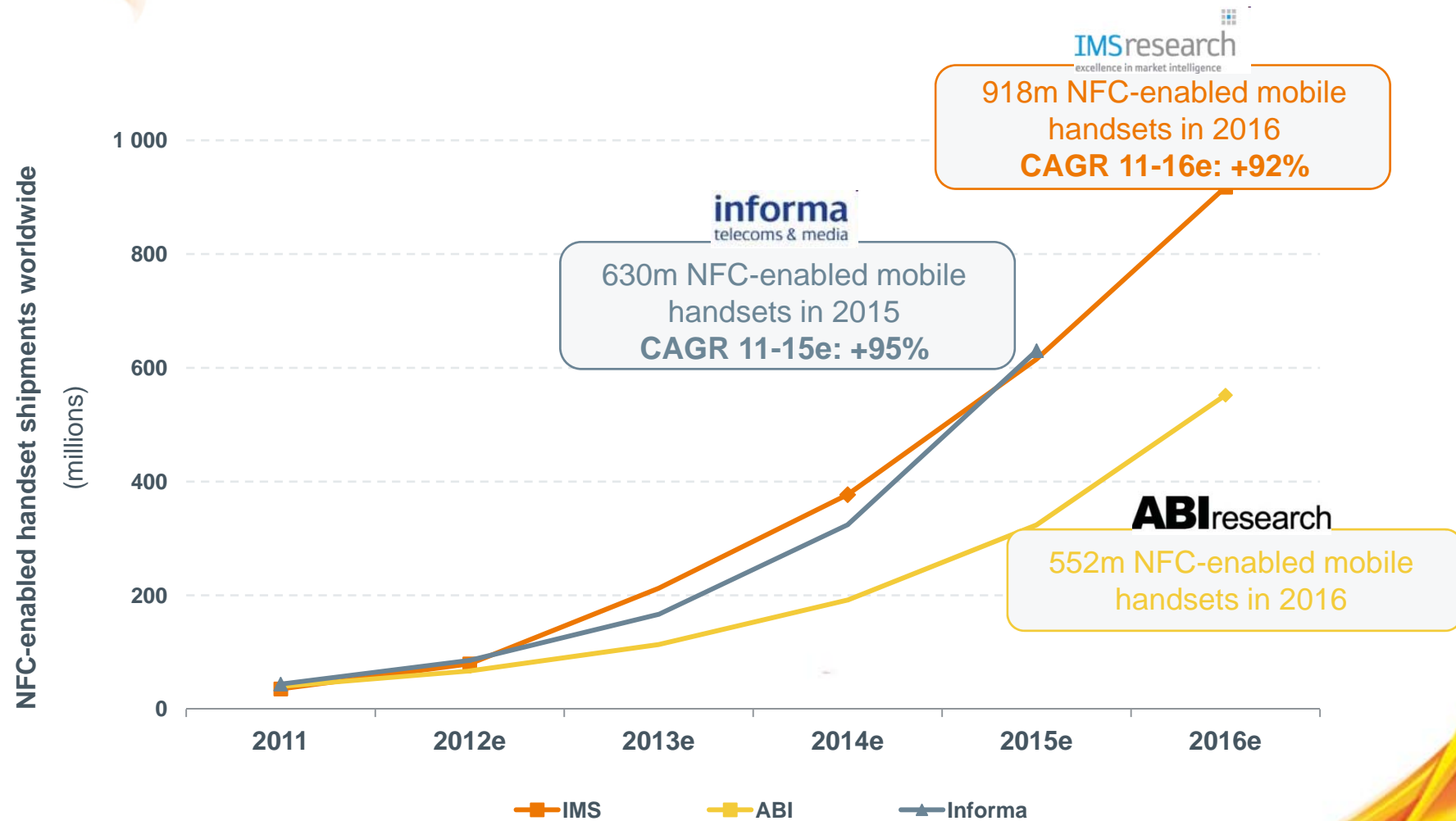
demonstrated by 2011 ramp-up

NFC-enabled handset shipments worldwide (millions)



Source: IMS Research

Booming NFC growth prospects

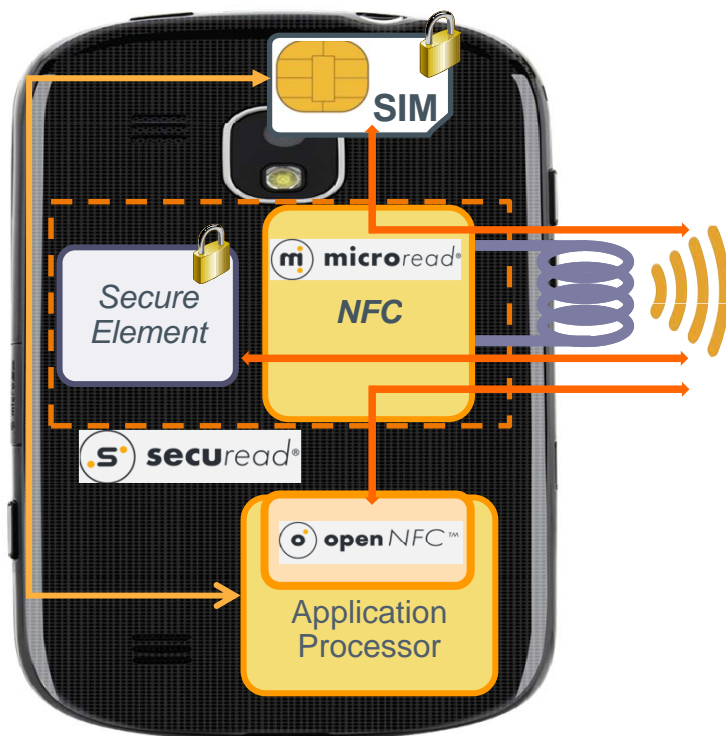


Sources: Informa, IMS Research, ABI Research

INSIDE Secure's mobile solutions

Our offer...

does address all markets opportunities



- Smartphones and feature phones
- NFC chips to be integrated in other devices and platforms (tablets, ultrabooks...)
- Software stack compatible with main NFC enabled-OS: RIM, Android and Windows
- Separate embedded Secure Element or SIM-based Secure Element

INSIDE Secure: a pioneer and a leader in NFC

A leading position in the NFC market...

- **One of only 2 vendors worldwide currently shipping NFC chips in volume:**
 - Over 17 million NFC chips sold in 2011
 - Design wins & strategic partnerships with leading mobile device and SIM providers



to be reinforced in the coming months

- **Multiple innovative solutions**
 - NFC Booster for legacy mobile phones
 - 4th generation NFC chips and roadmap to 65 nm technology node
 - Open NFC software ready for Android and to be certified for Windows Mobile
- **Proprietary Secure Element well on track:**
 - 1st tests with customers to start in Q2 2012
- **Strong pipeline**
 - Engagement with various parties on other platforms including Windows and Android OS
 - Ongoing discussions expected to lead to new significant design wins

NFC booster: a major opportunity

A unique solution...

enlarging addressable NFC market



- Patented breakthrough technology to put NFC key function - card emulation – on a very small footprint, i.e. a SIM card
- Increased market reach: legacy phones in both developed and emerging markets
- New business model opportunities
 - Provide solutions directly with banks and carriers
- Available as well in microSD format



Strategic partnership with Intel

Long-term opportunity for INSIDE Secure

A new mobile ambition

- Mobile ambition in smartphones, tablets, PCs & ultrabooks
- Target NFC technology and products



5-year strategic agreement signed in August 2011 with a rising contribution going forward

Key reference for the recognition of INSIDE's expertise



Key terms

- **For Intel:**
 - Access to INSIDE's software and core hardware technology for development of future Intel products
- **For INSIDE:**
 - Access to Intel ecosystem
 - Revenues sources: NRE*, licensing, royalty payments for IP, sale of NFC chips

Major Benefits

- Brand recognition
- Address multiple devices and OS
- NFC software platform based on Open NFC
- Route to market for own Secure Element
- Accelerating roadmap to design of NFC in very advanced technology node

*Engineering fee



DIGITAL SECURITY

Seize high growth opportunities

Focus on key segments in a large & diversified market

INSIDE's recognized product range...

designed to address several high-growth segments

Established positions

High growth potential

Authentication of people or devices



Secure communication



Large and growing markets

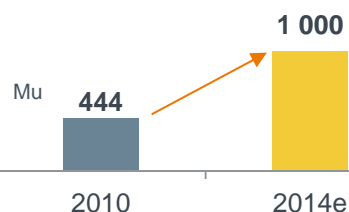
Total market of c.600 Mu in 2010 and over 1,240 Mu in 2015e – 14% 10-15e CAGR(1)

High growth potential

Secure data storage⁽²⁾



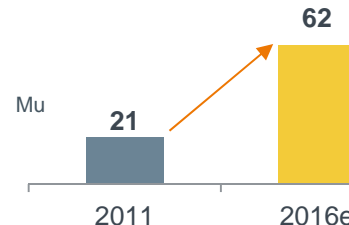
CAGR +23%



ID of machines⁽³⁾



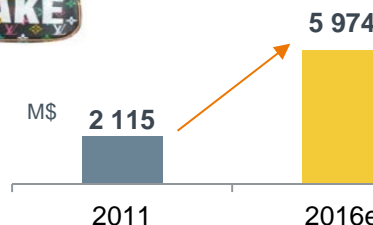
CAGR +25%



Anti-counterfeiting⁽²⁾



CAGR +25%

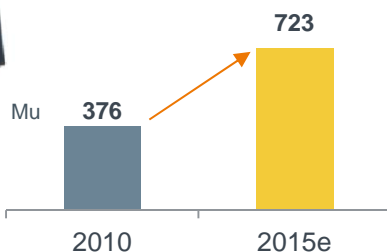


Established positions

People Identification⁽¹⁾



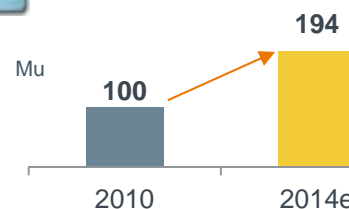
CAGR +13%



Access control⁽¹⁾



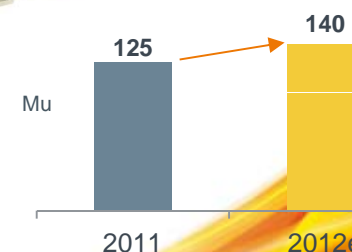
CAGR +17%



Conditional access⁽⁴⁾



CAGR +12%



(1) Source: IMS Research (2011)

(2) Source: ABI Research (2011)

(3) Source: HIS (December 2011)

(4) Source: Eurosmart (November 2011)

INSIDE Secure: a recognized player of Digital Security

Strong base of clients and partners

- Long design cycles and product lifecycle
- Longstanding relationships with blue chip clients



ASSA ABLOY



- Focus on segments with the highest growth potential (Smart metering, Anti-counterfeiting, ID of machines)
- New products already well positioned (Vault IC™150 launched end 2011)
- Partnerships to increase market reach



inside SECURE & WIS@key
January 2012



inside SECURE & freescale™ semiconductor
January 2012





SECURE PAYMENT

Prepare for the new EMV wave

Large market with strong growth opportunities

Market Drivers

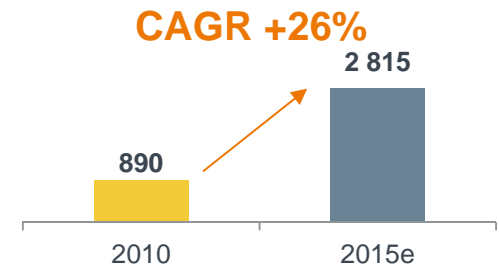
- Continued migration to EMV smart card standard all around the world
- US payment market preparing migration to EMV with contactless from 2013 onwards



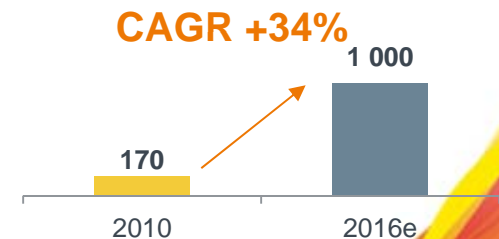
Large addressable market

- Despite a slow-down in 2011, all forecasts confirm new opportunities in the coming years

- Global shipments of Smart / EMV / Payment Cards (Mu) IMSresearch



- Global shipments of Contactless Payment Cards (Mu) ABIresearch



INSIDE Secure: a longstanding player in Secure Payment

Strong market share and client base

- #1 in US contactless market, with c.75% market share in 2010
- C.285 Mu chips delivered since 2006

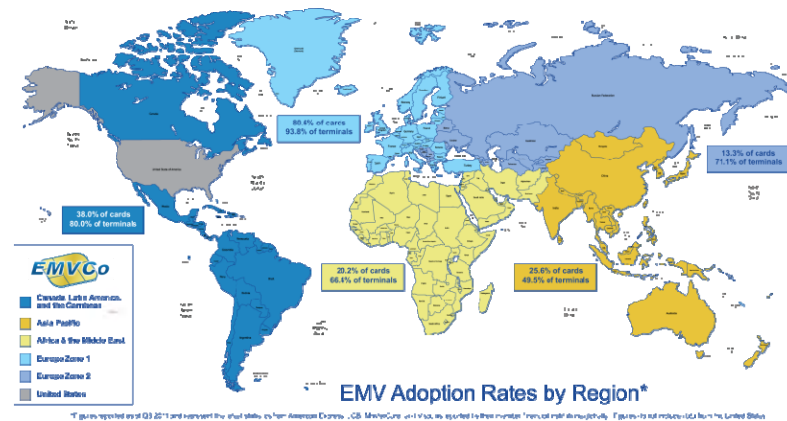


- Longstanding relationship with leading smartcards manufacturers



Strategic approach to capture 2013 opportunities

- Laying new ground in view of 2013 revival
- Longstanding relationship with US banks
- Visa & Mastercard have announced a clear roadmap to complete US EMV migration by end of H1 2013

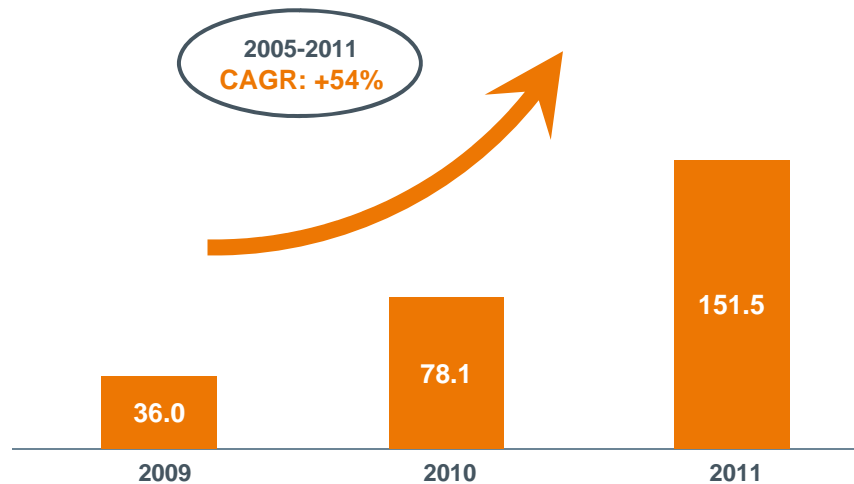




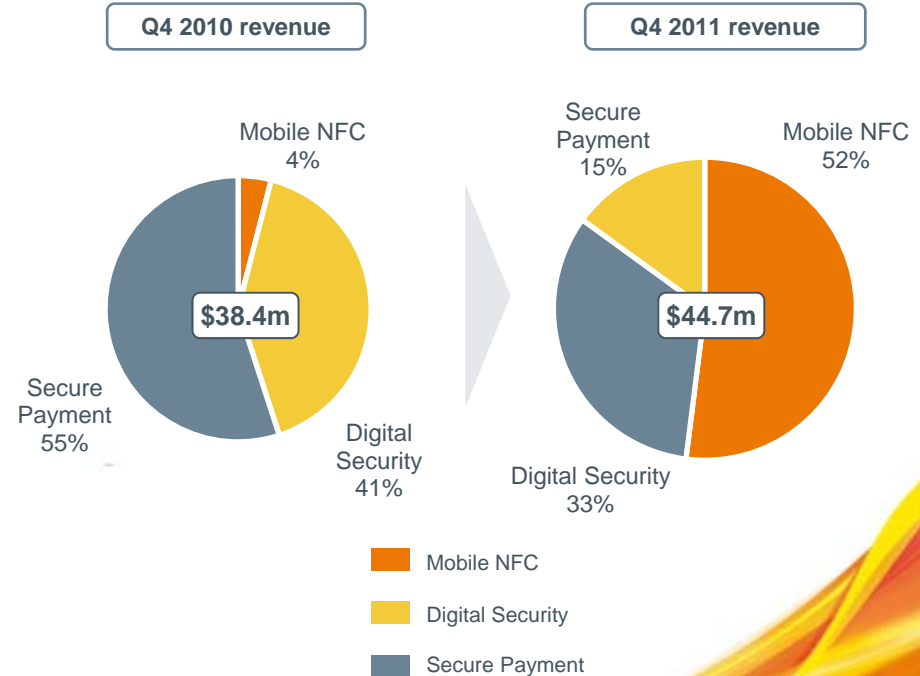
FINANCIALS

2011: take-off year for Mobile NFC

INSIDE Secure revenues (in \$m)



Segmental Split



Improved adjusted EBIT margin

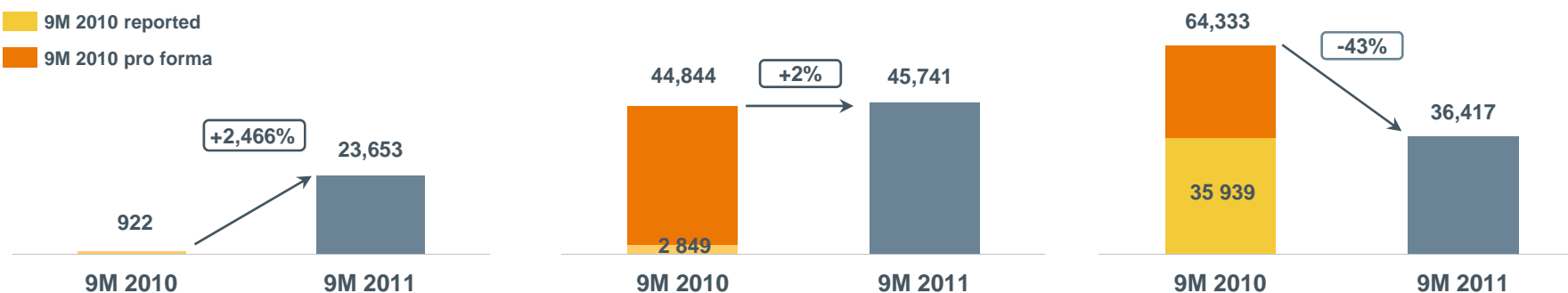
Mobile NFC

Digital Security

Secure Payment

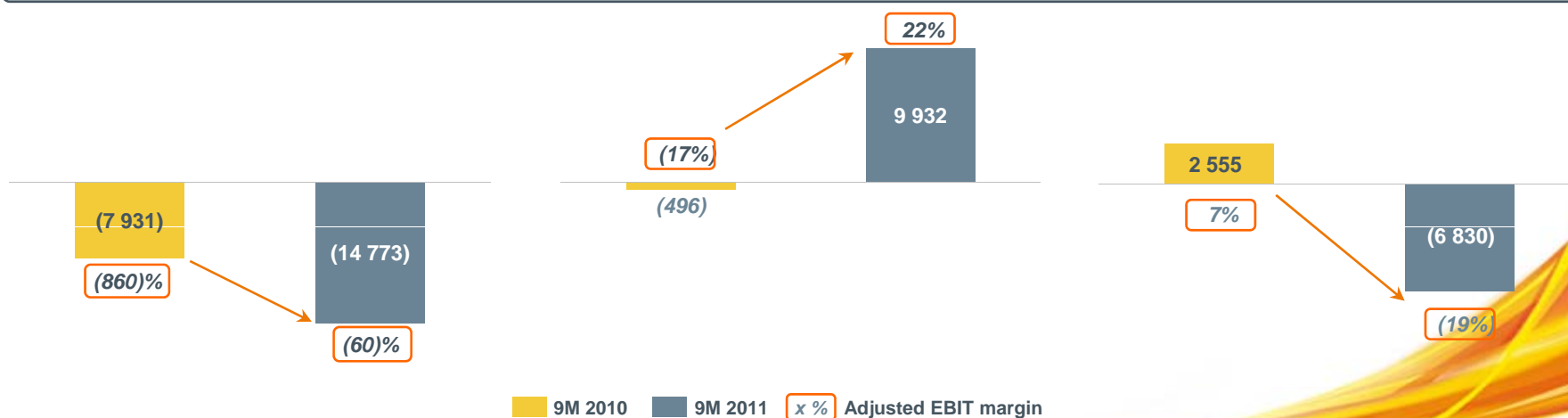
9M pro forma revenue* in \$ '000

9M 2010 reported
9M 2010 pro forma



* revenue excluding legacy business (chips for SIM cards)

9M adjusted EBIT in \$ '000



Operating profitability poised to accelerate

\$ '000	9M 2010	9M 2011
Revenues	39,710	106,814
Adjusted cost of sales	(24,640)	(76,193)
Adjusted gross profit	15,070	30,622
Adjusted gross margin	38%	29%
R&D expenses	(8,202)	(24,806)
% of revenue	(21%)	(23%)
SG&A	(12,808)	(19,226)
% of revenue	(32%)	(18%)
Other operating income/loss	(126)	1
% of revenue	(0%)	0%
Total operating costs	(21,136)	(44,031)
% of revenue	(53%)	(41%)
Adjusted operating profit	(6,065)	(13,409)
Adjusted operating margin	(15%)	(13%)

Transitional items impacting gross margin

- Outsourcing of Secure Element
- Evolving business mix
- Absence of design wins during Atmel's division sale process (Secure Payment and ID)

Continued R&D efforts, accompanying Mobile NFC expansion

Tight control of selling and marketing expenses as well as G&A

- Synergies of scale linked to the Atmel's division acquisition

Progressive improvement of operating margin in 9m 2011

- Accelerated ramp up of Mobile NFC

Note: Adjusted metrics (see Appendix)

Cash conversion significantly impacted by specific working capital variations

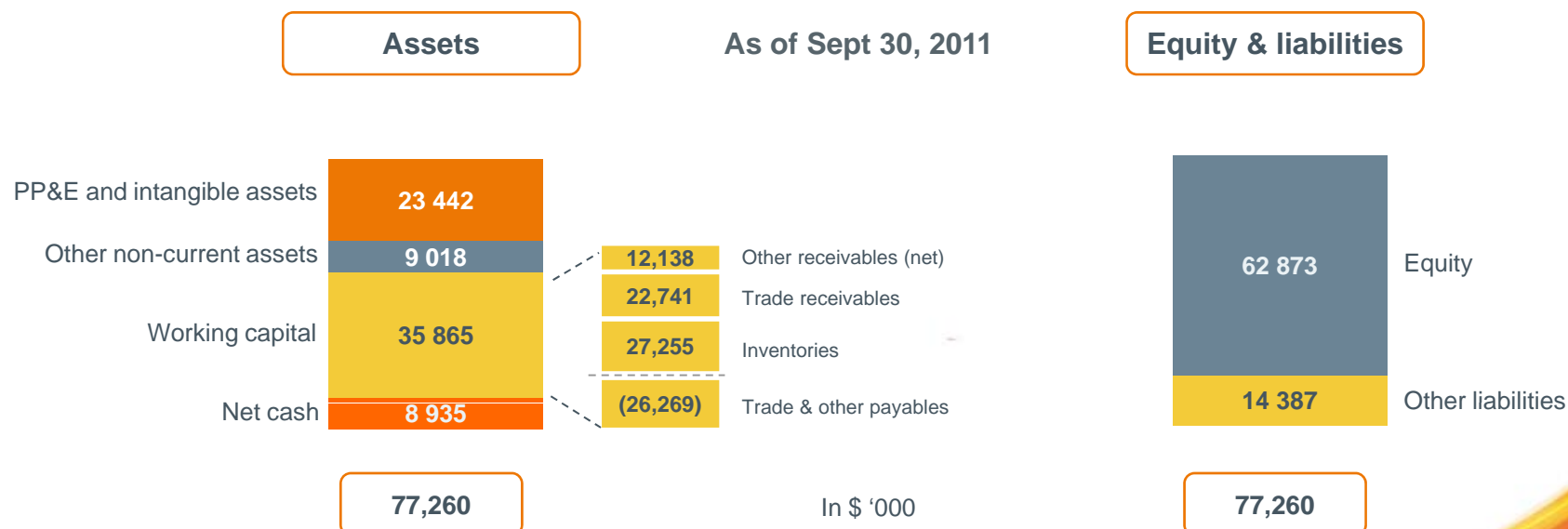
- Improved operating cash flow before change in working capital
- Strong increase in inventories to support NFC ramp up
- Delays in R&D tax credit/VAT redemption

\$ '000 IFRS	9M 2010	9M 2011
Net cash provided from / (used in) operating activities before change in WC, tax an interest paid	(6,351)	(6,107)
Change in working capital	(1,636)	(17,165)
<i>Change in operating working capital</i>	(1,684)	(8,470)
<i>Change in other working capital items</i>	47	(8,696)
Acquisition of tangible & intangible assets (capex)	(633)	(4,670)
Free cash flow before tax	(8,621)	(27,943)
Tax paid	(191)	(194)
Free cash flow	(8,812)	(28,137)

Note: operating working capital defined as Inventories + trade receivables - trade & other payables

Sound balance sheet to support growth

- \$32m of unrecognized tax loss carry forward as of December 31, 2010
- Cash balance of \$20.9m as at December 31, 2011
 - Factoring agreement implemented during Q4 2011 (cash balance remains stable vs. September 30, 2011 excluding factoring)






STRATEGY & OBJECTIVES



Growth strategy




Mobile NFC Extend leadership

- Leverage on NFC growth development
- Roll-out NFC booster solution designed for legacy mobile phones
- Introduce proprietary secure element by end-2012
- Capitalize on Intel partnership
- Further expand customer base




Digital Security Seize high growth opportunities

- Increase focus on development of innovative solutions for high-growth segments:
 - Anti-counterfeiting
 - M2M
 - Secure data storage



Secure Payment Prepare for the new EMV wave

- Focus on US deployment from 2013
 - Pursue development of dual-interface EMV markets
- 

INSIDE Secure's objectives

Revenues

- c. \$400m in 2014⁽¹⁾
 - Mobile NFC market x2 annually in volume from 2011 to 2014
 - Growth accelerating in 2013 and 2014
 - Growth of Digital Security consistent with global market trends
 - New opportunities seized in US Secure Payment market

Gross margin

- Long-term gross margin target: c.40%⁽²⁾
 - Capitalizing on topline growth
 - Proprietary secure element starting end of 2012 and evolution of product-mix

Break-even

- Operating break-even* reached by the end of 2012⁽³⁾

*Adjusted operating profit

Note: all objectives at constant exchange rates

(1) Vs. revenues of \$151m in 2011 (cf. chapter 9.3 of the last update of the *Document de Base*)

(2) Vs. gross margin of 26.5% in 9M 2011 (cf. chapter 9.2.3.2 of the last update of the *Document de Base*)

(3) Vs. adjusted operating profit of \$(13.4)m in 9M 2011 (cf. chapter 9.1.2.3 of the last update of the *Document de Base*)



Why invest in INSIDE Secure

- ✓ **Pioneer and leader in disruptive NFC technology, the 3rd wave of mobile usage**
 - Huge growth potential, nearly doubling every year until 2016⁽¹⁾
 - One of only 2 global players shipping NFC chips in volume
 - World's single NFC pure player investment opportunity
- ✓ **Leading positions on high-growth secure applications markets**
 - Notably on digital security, M2M , anti counterfeiting , ...
- ✓ **Ideally positioned for the new EMV wave in the US starting 2013**
- ✓ **Technology-driven innovative company with fundamental NFC IP portfolio, led by seasoned management team**

(1) IMS Research: 918m NFC-enabled mobile handsets in 2016



APPENDIX

Financial summary

\$ '000	9M 2010	9M 2011
Revenues	39,710	106,814
Growth		169%
Adjusted gross profit	15,070	30,622
Adjusted gross margin	38%	29%
Adjusted EBITDA	(4,781)	(10,647)
Adjusted EBITDA margin	(12%)	(10%)
Adjusted operating profit	(6,065)	(13,409)
Adjusted operating margin	(15%)	(13%)
Adjusted net income	(6,033)	(11,312)
% of revenue	(15%)	(11%)

Note: financials are adjusted for share-based payment expense, amortization and depreciation of intangible assets and marks related to a business combination, goodwill impairment, transaction and restructuring costs

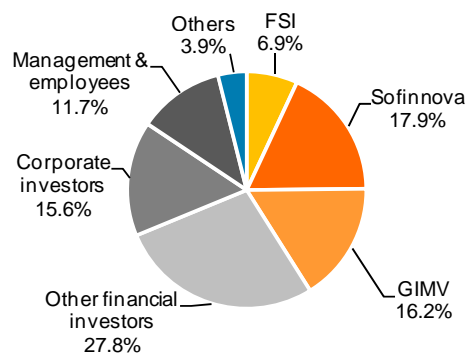
Adjusted metrics calculation – 9M 2011

\$ '000	9M 2011 Reported	Amortisation of acquired assets	Transaction costs	Share-based payments	Other non-recurring costs	9M 2011 Adjusted
Revenues	106,814					106,814
Gross Profit	28,339	2,197	-	86		30,622
Gross margin	26.5%					28.7%
Operating profit	(20,230)	4,321	-	1,519	980	(13,409)
Operating margin	(18.9)					(12.6%)
Net Income	(18,132)	4,321	-	1,519	980	(11,312)
% of revenues	(17.0%)					(10.6%)

Other non-recurring costs: external costs related to business combination

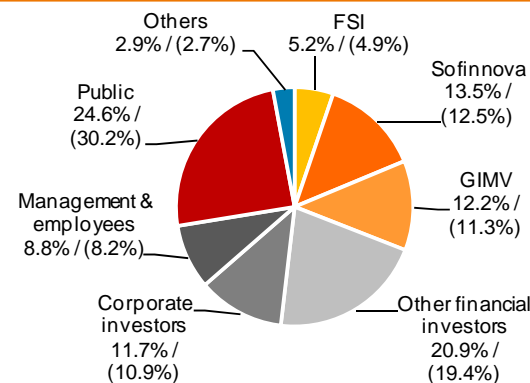
Shareholder base of leading international venture capital and corporate investors

Pre-IPO shareholding – fully diluted



26.2 m shares⁽¹⁾

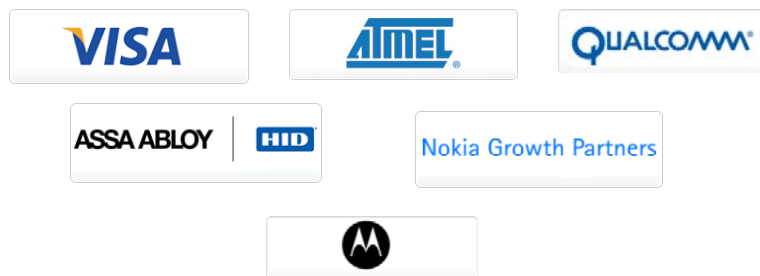
Post-IPO⁽²⁾ shareholding – fully diluted



34.8 m / (37.6m) shares

Main shareholders

Corporate investors



Financial investors



⁽¹⁾ 23.2m shares non diluted - dilutive instruments represent 12.4% of existing capital

⁽²⁾ Before extension clause and over-allotment option / (after full exercise of extension clause and over-allotment option)

Corporate governance

SUPERVISORY BOARD

Chairman



Alex Brabers
(GIMV)

Vice-Chairman



Jean Schmitt

**Non
independent
member**



Lee Kheng Nam
(Vertex)



**Thierry
Sommelet**
(FSI)



Olivier Sichel
(Sofinnova)

**Independent
members**



Patrick Jones
Exp.: Intel, Lattice,
Gemplus



Ronald Black
Exp.: Wavecom,
Motorola



Glenn Collinson
Exp.: CSR

NOMINATION & COMPENSATION COMMITTEE

- 4 members among which 2 independents
- Chairman: Jean Schmitt

AUDIT COMMITTEE

- 2 members among which 1 independent
- Chairman: Patrick Jones

Committees were created in 2006

An R&D focus company with an extensive IP portfolio

An in-depth expertise recognized throughout the industry

- Over 55% of our workforce engaged in R&D
- Intellectual portfolio consisting of 122 patent families, including 57 patent families in security
 - 200+ patents in NFC and contactless payment
 - 2 fundamental patents of NFC technology
 - 200+ patents in security – hardware & software
 - 500+ patents overall
- Key IPs
 - ETSI NFC Standard Software
 - NFC communications Standard
 - Small NFC antenna to introduce NFC into a SIM card
 - Microcontroller architecture for contactless payment

Numerous industry awards



**Sesame Trophy for Best
Transportation application
(VHBR) – 2011**



**Sesame Trophy for Best
Software (Open NFC) – 2010**



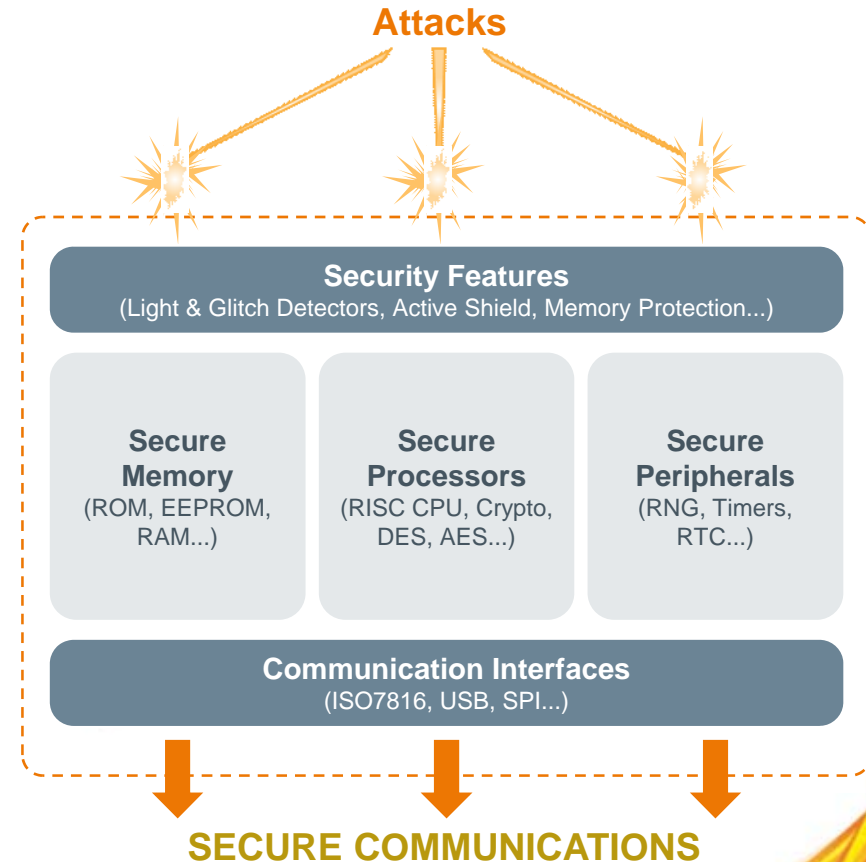
**GSMA Mobile Innovation
Award – WMC 2008**



**Sesame Trophy for Best
Hardware (MicroPass) – 2007**

Our core know-how: Secure Microcontrollers

- **Computer on a chip designed to:**
 - Prevent unauthorized monitoring, interception of data or tampering with data
 - Prevent users from identifying its method of operation
 - Resist attacks or hacking
- **Requiring a comprehensive security expertise:**
 - Security evaluators (attackers lab)
 - Evaluation & security schemes experts
 - Cryptography experts
 - Embedded software security experts
 - Risk management experts
 - Integrated circuit security experts in different fields: memory, bus, CPU, sensors, etc
 - System security experts



The EMV standard reduces fraud

Lost and stolen fraud losses on UK-issued cards

- **Why does the EMV standard improve security?**
 - Card authentication standard providing greater protection against counterfeit cards
 - Cardholder verification and authentication giving greater protection against lost and stolen cards
 - Transaction authorization using issuer-defined rules
- **Lost and stolen fraud losses on UK-issued cards declined by 58% between 2004 and 2009**

"Thanks to the introduction of chip and PIN lost and stolen card fraud is now at its lowest level since the industry collation of fraud losses began in 1991"

(Financial Fraud Action UK, 2010)

