



Inside Secure

First Half 2017 Results

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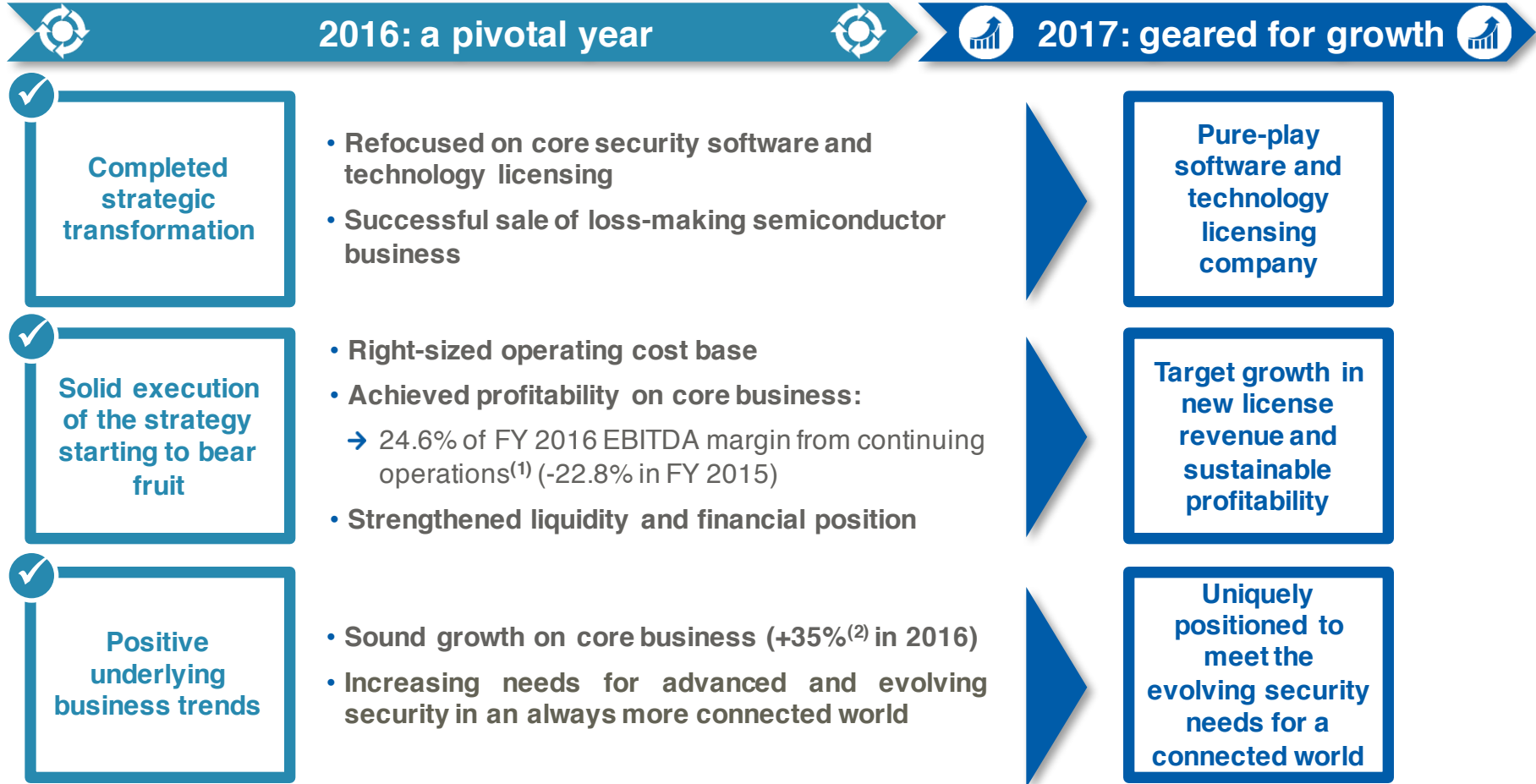
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Introduction to Inside Secure: A successful transformation



(1) Definitions of continuing operations in Appendix

(2) Excluding semiconductor business and NFC patent licensing

H1 2017 Key Highlights

- **\$14.7 million**: revenue in first-half 2017 vs. \$13.9 million in first-half 2016 excluding NFC patent license revenue
- **+39%**: new license revenue from security software and silicon IP in first-half 2017 vs. first-half 2016
- **\$0.8 million** in EBITDA for core software and silicon IP business profitable in first-half 2017 vs. loss of \$4.6 million¹ in first-half 2016
- Strong liquidity and solid financial position position: **\$43.9 million** cash as at June 30, 2017 due to improved operating performance and issue of convertible bond in June 2017
- 2017 objective confirmed: second half of the year to show strong sequential growth on core business

1) Excluding contribution of NFC patent licensing program

2) Definitions of adjusted measures in Appendix

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Half Year 2017 Revenue

in thousands of US\$	H1 2017	H1 2016	Y-o-Y %
Licenses	4,215	3,034	39%
Royalties	7,578	8,094	-6%
Maintenance, development agreements and other	2,905	2,704	7%
Total Revenue from software and IP	14,699	13,830	6%
Unallocated (*)	-	13,868	
Total Revenue	14,699	27,698	-47%

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

- + 6%: increase in revenue from core secure software and technology licensing business in H1 2017 compared with H1 2016
- +39%: new license revenue from security software and silicon IP in H1 2017 vs. H1 2016
- Continued traction in mobile payments, including a design win at a major card association
- On-going pioneer position in the networking chip market with the release of the first MACsec engine offering more than 400Gbps and seeing its first customer wins for this new engine
- Revenue in Q2 2017: 7.8 million, up 12% vs. Q1 2017 thanks to higher royalty collection (*table of Q1 2017 revenue in Appendix*)
- As expected, Q2 2017 revenue down compared with Q2 2016 which included \$12.6 million related to the NFC patent license agreement signed by France Brevets

Income Statement – confirmed profitability

(Adjusted* measures – 2016: continuing* operations)

in thousands of US\$	6 months 2017 consolidated	6 months 2016 consolidated
Revenue	14,699	27,699
Cost of sales (adjusted)	(726)	(4,648)
Adjusted Gross profit	13,973	23,051
<i>in % of revenue</i>	95.1%	83.2%
R&D expenses (adjusted)	(5,594)	(6,907)
<i>in % of revenue</i>	-38%	-25%
Selling & marketing expenses (adjusted)	(6,091)	(5,922)
<i>in % of revenue</i>	-41%	-21%
General & administrative expenses (adjusted)	(2,927)	(5,091)
<i>in % of revenue</i>	-20%	-18%
Other (losses)/gains, net (adjusted)	940	(434)
Total adjusted operating expenses	(13,672)	(18,353)
Adjusted operating income	301	4,698
<i>in % of revenue</i>	2.0%	17.0%
EBITDA	824	5,320
<i>in % of revenue</i>	5.6%	19.2%

High growth due to product mix

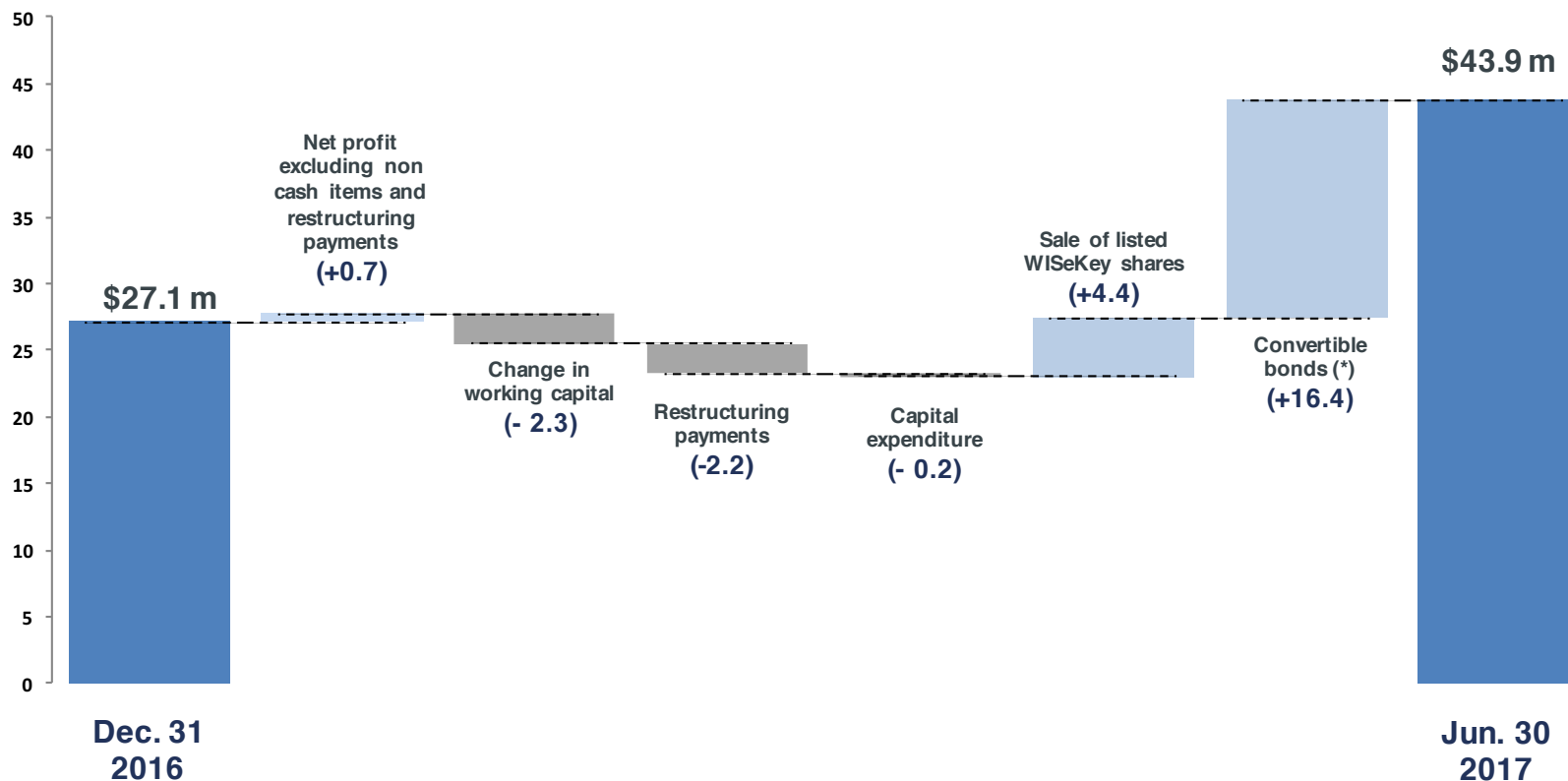
Rightsizing of the organization conducted in 2016 while preserving the product development capability

Reduction of G&A to align with new size of the business

* Definitions of adjusted measures and continuing operations in Appendix

H1-2017: Strong increase in cash position

In US\$ million



(*) Net of private placement fees and expenses

Strong Balance-Sheet

(as at June 30, 2017, in \$'000)

in thousands of US\$	December 31 2016	June 30 2017
Goodwill and intangible assets	25,307	23,993
Property, plant & equipment	1,523	1,480
Other receivables	5,361	1,218
Total non current assets	32,191	26,691
Trade receivables	8,630	7,620
Bonds redeemable in shares	11,648	7,374
Other current receivables	5,000	6,182
Cash and cash equivalents	27,081	43,878
Total current assets	52,359	65,054
Total assets	84,549	91,745
Equity and retained earnings	63,671	60,343
Derivatives financial instruments	-	4,589
Convertible bonds at fair value	-	11,970
Other non current liabilities	464	974
Non current liabilities	464	17,533
Trade and other payables	11,524	7,365
Provisions for other liabilities and charges	4,308	3,387
Unearned revenues	3,719	2,460
Other current liabilities	862	658
Current liabilities	20,414	13,869
Total equity and liabilities	84,549	91,745

Conversion of 40% of the WISeKey bonds and sale of the shares on the Swiss stock market in H1 2017. Balance (60%) converted into shares on July 20th at the maturity of the contract

Split accounting: option value of the bonds accounted for as derivatives

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H1 2017: Inside Secure achieved profitability¹...



- ✓ Thanks to growth in the core security software and technology licensing business,
- ✓ As a consequence of refocusing the activity, and
- ✓ Rightsizing of operating cost base



H2 2017: objectives confirmed



- Company expects to benefit from strong royalty stream
- Intends to keep on growing the new license revenue
- Sustain profitability¹ of core secure software and technology licensing business² on a full year basis
- While investing in sustainable long-term profitable growth

(1) on an EBITDA and adjusted operating income basis

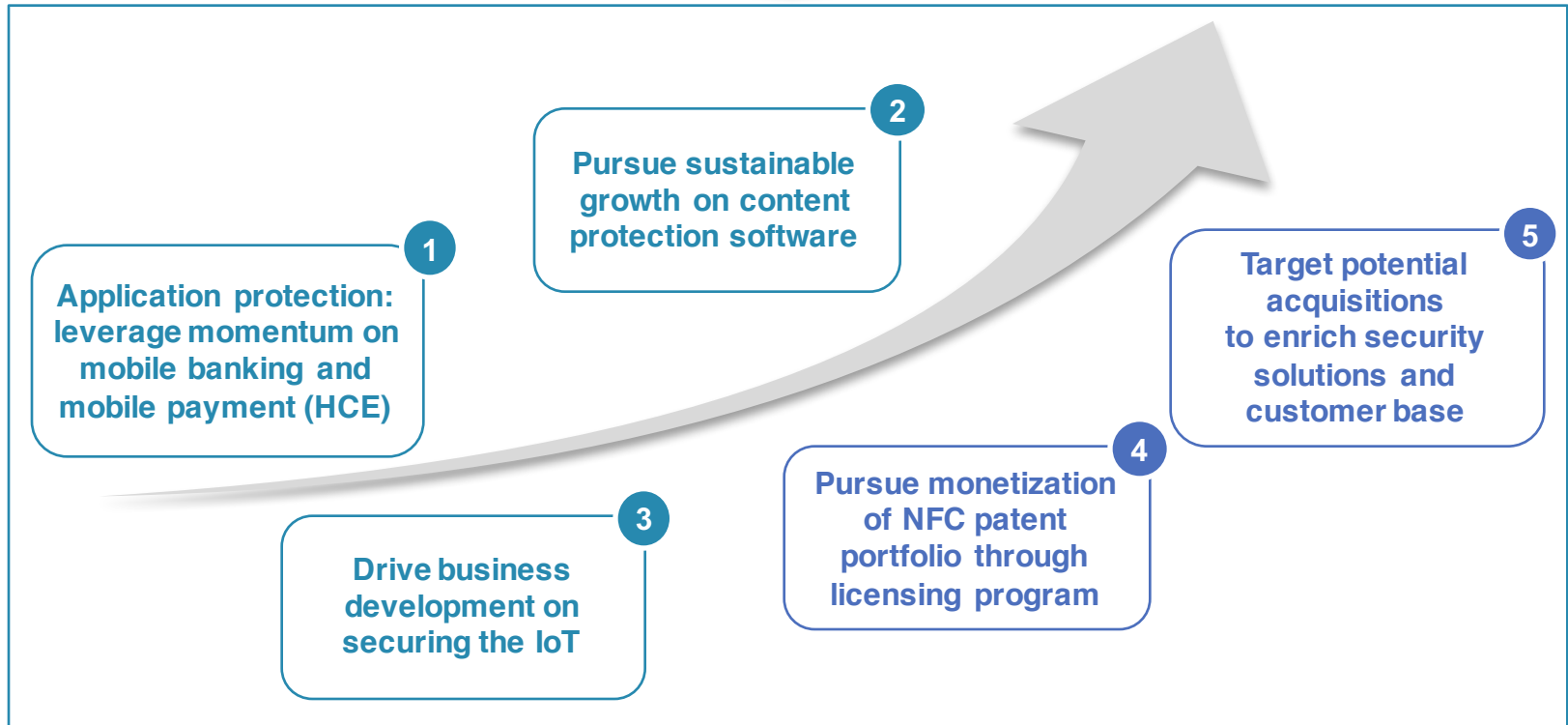
(2) i.e even excluding any additional potential revenue from the Company's NFC patent licensing program

Inside Secure strategy: geared for growth and sustainable profitability

Consolidate Inside Secure existing positions

Enlarge security solutions offer

Increasing share of wallet of existing customers



Sustainable long-term growth and operating leverage

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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 qualified since then as a discontinued operation. Consequently, for the period ending June 30, 2016 income and expense items for this discontinued operation are recognized directly in "net income from discontinued operations" and thus are excluded from consolidated revenue, adjusted operating income, EBITDA, and operating and net incomes from continuing operations. Accordingly, results from continuing operations reflect the performance of the software and silicon IP business, 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).

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, (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 Company.
- Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with business combinations carried out by the Company.
- EBITDA is defined as adjusted operating income before depreciation, amortization and impairment losses not related to business combinations.

Net cash

Net cash consists of cash on hand, cash equivalents and short-term investments, the net current amount of derivatives, less bank overdrafts and the current portion of the financial debt including notably obligations under finance leases, bank loans, the debt component of the convertible bonds and any deferred payments due in connection with business combinations. Debt related to the financing of research tax credit claims in relation with non-deconsolidating agreements is not taken into account because it will be extinguished when the research tax credit claims are repaid by the French government.

Reconciliation from Adjusted to IFRS

in thousands of US\$	2017 Adjusted	Business combination	Sharebased payments	Other non-recurring costs	2017 IFRS
Revenue	14,699	-	-	-	14,699
Cost of sales	(726)	(781)	-	-	(1,507)
Gross margin	13,973	(781)	-	-	13,192
<i>in % of revenue</i>	95.1%				89.7%
R&D expenses	(5,594)	(318)	(76)	(169)	(6,157)
Selling & marketing expenses	(6,091)	-	(268)	-	(6,359)
General & administrative expenses	(2,927)	-	(272)	-	(3,199)
Other (losses)/gains, net	940	-	-	(1,529)	(589)
Operating income	301	(1,099)	(616)	(1,698)	(3,112)
<i>in % of revenue</i>	2.0%				-21.2%
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%

Q2 2017 Revenue

in thousands of US\$	Q2-2017	Q2-2016	Q1-2017	Q2-2017 vs. Q2-2016	Q2-2017 vs. Q1-2017
Licenses	2,040	1,708	2,175	19%	-6%
Royalties	4,164	4,690	3,415	-11%	22%
Maintenance, development agreements and other	1,551	1,296	1,354	20%	15%
Total Revenue from software and IP	7,754	7,694	6,944	1%	12%
Unallocated (*)	-	12,577	-	-	-
Total Revenue	7,754	20,271	6,944	-62%	12%

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

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Financial calendar

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Q3 2017 revenue October 20, 2017

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