A French *société anonyme* with a Management Board and a Supervisory Board
A share capital of EUR 17,250,799.60
Registered offices: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Registered in the Trade and Companies Registry of Aix-en-Provence, France
under number 399 275 395

REGISTRATION DOCUMENT

The English version of this Registration Document is a free translation of the official "Document de Référence" prepared in French and filed with the *Autorité des marchés financiers* (the "AMF") on March 28, 2017 under number D.17-0244 in accordance with Article 212-13 of its General Regulation. The original French version can be used in support of a financial transaction if it is combined with a Securities Notice approved by the AMF. This document was prepared by the issuer and its signatories assume responsibility for the information contained therein.

Hard copies of this document are available free of charge at the headquarters of the Company, and digital copies can be downloaded from both the AMF's website (www.amf-france.org) and the Company's website (www.insidesecure.com).

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original version of the document in French shall prevail.

TABLE OF CONTENTS

Notice

In this registration document (the "Registration Document"), the terms "Inside Secure" or the "Company" refer to Inside Secure, a French *société anonyme* (joint stock company) governed by a Management Board and a Supervisory Board, whose registered office is located at rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France. The Company is registered with the Trade and Companies Register of Aix-en-Provence, France under number 399 275 395. The term "Group" refers to the group of companies made up of the Company and all of its consolidated subsidiaries and equity interests. A glossary defining certain terms used in this Registration Document is included in Chapter 26.

Disclaimer

Information pertaining to the market and competition

This Registration Document and, in particular, Chapter 6 "Business Overview" contains information relating to the markets in which the Group does business and its competitive market position. This information notably stems from studies carried out by external bodies. Publicly available information that the Company considers reliable has not been verified by an independent expert and the Company cannot guarantee that a third party using different methods to collect, analyze, or calculate such market data would obtain the same results.

Forward-looking statements

This Registration Document contains statements relating to the outlook and development of the Group. These statements are sometimes identified by the use of the future or conditional tense or terms of a forward-looking nature such as "consider", "envisage", "think", "have as an objective", "expect", "intend", "should", "aim to", "estimate", "believe", "desire", "could", or, where applicable, the negative form of these terms or any other variant or similar terminology. Such information is not historical data and must not be interpreted as a guarantee that the facts and data given will occur. Such information is based on data, assumptions and estimates that the Group deems reasonable. It is subject to change due to uncertainties, in particular with respect to the economic, financial, competitive and regulatory environment. Such information is mentioned in various sections of this Registration Document and contains data related to the intentions, estimates and objectives of the Group, particularly concerning the market in which it operates, its strategy, its growth income, its results, its financial position, its cash flows and its forecasts. The forward-looking information mentioned in this Registration Document is provided solely as of the filing date of this Registration Document. The Group operates in a constantly evolving competitive environment. It is therefore impossible for the Group to anticipate all the risks, uncertainties or other factors that could affect its activities, their potential impact on its business or the extent to which the materialization of a risk or combination thereof could affect the results mentionned in any forward-looking information, as none of this forward-looking information constitutes a guarantee of actual results.

Risk factors

Investors are invited to carefully read the risk factors described in Chapter 4 "Risk factors" of this Registration Document before making any investment decision. The materialization of all or part of these risks could potentially have a material adverse effect on the Group's activities, financial position, results, or outlooks. In addition, other risks – either not yet identified, or deemed non-significant by the Group as of the filing date of this Registration Document – could also have a material adverse effect.

Incorporation by Reference

This Registration Document incorporates the following information by reference:

- the consolidated financial information of the Group for the fiscal year ended December 31, 2015 and the Statutory Auditors' report related thereto, which can be found, respectively, in section 20.1 "*Historical Financial Information*" and in section 20.4 "*Verification of the annual historical financial information*" of the 2015 Registration Document, registered with the AMF on March 30, 2016 under number R. 16-014, and

- the consolidated financial information of the Group for the fiscal year ended December 31, 2014 and the Statutory Auditors' report related thereto, which can be found, respectively, in section 20.1 "*Historical Financial Information*" and in section 20.4 "*Verification of the annual historical financial information*" of the 2014 Registration Document, registered with the AMF on April 30, 2015 under number R. 15-030.

1. PERSONS RESPONSIBLE

1.1 Person responsible for the Registration Document

Mr. Amedeo D'Angelo, Chairman of the Management Board.

1.2 Statement from the person responsible for the Registration Document

In Meyreuil, France, on March 27, 2017

After having taken all reasonable measures thereto, I hereby certify that the information contained in this Registration Document is, to my knowledge, accurate and contains no omission likely to affect its scope or significance.

I have received a completion-of-work letter (*lettre de fin de travaux*) from the statutory auditors in which they state that they have verified the information relating to the financial condition and financial statements contained in this Registration Document and that they have read this Registration Document in its entirety.

Amedeo D'Angelo
Chairman of the Management Board

1.3 Person responsible for the financial information

Richard Vacher Detournière
General Manager & Chief Financial Officer
Address: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Email: contactinvestisseurs@insidesecure.com

2. STATUTORY AUDITORS

2.1 Permanent statutory auditors

PricewaterhouseCoopers Audit SA
Represented by Didier Cavanié, Partner
PricewaterhouseCoopers Audit is a member of the *Compagnie régionale des commissaires aux comptes* (French regional association of auditors) of Versailles, France
63, rue de Villiers, 92200 Neuilly-sur-Seine, France
Date of initial appointment: June 19, 2007
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2018.

Antoine Olanda
38, parc du Golf, 13856 Aix-en-Provence Cedex 3, France
Date of initial appointment: May 11, 2011
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2016.

2.2 Alternate statutory auditors

Anik Chaumartin
63, rue de Villiers, 92200 Neuilly-sur-Seine
Date of initial appointment: June 19, 2013
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2018.
Member of the PricewaterhouseCoopers professional network

Christian Davoult
Le Ponant Littoral, bâtiment A, 7, avenue André Roussin, 13016 Marseille, France
Date of initial appointment: May 11, 2011
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements of the fiscal year ended December 31, 2016.

3. SELECTED FINANCIAL INFORMATION

The selected financial information provided in this Chapter 3 originates from the consolidated financial statements of the Group for the fiscal years ended December 31, 2015 and 2016, presented in section 20.1 "*Historical Financial Information*" of this Registration Document, as well as the consolidated financial information of the Group for the fiscal year ended December 31, 2014, presented in section 20.1 "*Historical Financial Information*" of the 2015 Registration Document, included for reference purposes..

This financial information must be read in parallel with (i) the analysis of the Group's income and financial condition, presented in Chapter 9 of the Registration Document and (ii) the analysis of the Group's cash and equity, presented in Chapter 10 of the Registration Document.

The Group has elected the US Dollar (or "$," or "US$") as presentation currency of its consolidated financial statements. The US Dollar is the functional currency of the Company, and the currency in which the majority of its transactions are denominated. It is the main currency the Group uses in the industry in which it operates to conduct its business and transact with customers and suppliers.

The exchange rates of the US Dollar against the Euro (or "€", or "EUR"), the main currency used by the Group after the US Dollar, are as follows for the fiscal years ended December 31, 2014, 2015 and 2016:

Dollar / Euro	**December 31, 2014**	**December 31, 2015**	**December 31, 2016**
Closing rate	1.2141	1.0887	1.0541
Average rate	1.3288	1.1096	1.1066

(Please also refer to note 2.1 of the Notes to the Group's consolidated financial statements presented in section 20.1 "*Historical Financial Information*" of this Registration Document for further information.)

The scope of consolidation of the Group is detailed in note 39 of the Notes to the consolidated financial statements presented in section 20.1 "*Historical Financial Information*" of the Registration Document.

Excerpts from the consolidated financial information for the fiscal years ended December 31, 2014, 2015 and 2016

Selected financial information from the consolidated income statement:

	Year ended December 31		
(in thousands of US$)	**2014**	**2015 (*)**	**2016 (*)**
Revenue	125,362	26,920	49,944
Adjusted gross profit (1)	74,399	24,137	44,523
Adjusted gross profit as a % of revenue	*59%*	*90%*	*89%*
Adjusted operating income (2)	8,121	(7414,)	10,895
Operating income	(2,089)	(18,507)	2,114
Net income/(loss) from continuing operations (i)	NC	(19,650)	(265)
Net income/(loss) from discontinued operations (ii)	NC	(24,933)	12,609
Net income/(loss) (i) + (ii)	(5,022)	(44,583)	12,344
EBITDA from continuing operations (3)	12,88	(6,126)	12,264
As a % of revenue	*10%*	*-23%*	25%

(1) The adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payments expense, and (iv) non-recurring proceeds and costs associated with business combinations and acquisitions and disposals completed by the Group.

(2) The 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 payments expense and (iv) non-recurring proceeds and costs associated with business combinations and acquisitions and disposals completed by the Group.

(3) EBITDA is defined as the adjusted operating income/(loss) before any amortization and impairment unrelated to business combinations.

(*) Pursuant to Inside Secure's decision in May 2016 to disengage from its semiconductor business and in accordance with IFRS 5, income and expense items for this discontinued operations are recognized directly in "net income from discontinued operations" and thus excluded from revenue, adjusted gross profit, adjusted operating income, operating income, and EBITDA. Accordingly, results from continuing operations reflect the performance of the software and silicon IP business, the NFC patent licensing program, and corporate costs not 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 year 2015 have been restated in a similar manner to allow comparisons with the corresponding 2016 figures.

Tables presenting reconciliations between the consolidated income statement figures in this document and the adjusted financial aggregates as defined above, for the 2015 and 2016 fiscal years, are provided in note 6 of the Notes to the Group's Consolidated Financial Statements in section 20.1 "*Historical Financial Information*" of this Registration Document.

Selected financial information from the consolidated balance sheet:

	Year ended December 31		
(in thousands of US$)	**2014**	**2015**	**2016**
Non-current assets	82,514	57,399	32,191
Cash and cash equivalents	36,315	16,434	27,081
Other current assets	36,486	29,265	25,278
Current assets	72,801	45,699	52,358
Total assets	**155,315**	**103,097**	**84,549**
Equity	90,698	48,767	63,670
Non-current liabilities	17,255	19,762	465
Current liabilities	47,362	34,568	20,414
Total equity and liabilities	**155,315**	**103,097**	**84,549**

Selected financial information from the consolidated statement of cash flows:

	Year ended December 31		
(in thousands of US$)	**2014**	**2015**	**2016**
Cash and cash equivalents at beginning of the year	**40,213**	**36,315**	**16,434**
Net cash generated/ (used) in operating activities	6,007	(25,099)	(1,604)
Net cash used in investing activities	(19,269)	(1,187)	1,886
Net cash generated by / (used) in financing activities	9,454	6,252	10,654
Exchange rate impact (1)	(89)	154	(289)
Cash, cash equivalents at end of the year	**36,315**	**16,434**	**27,081**

(1) Element with no impact on the cash position, and resulting from the conversion into US Dollars of cash denominated in other currencies

4. RISK FACTORS

Investors should consider all of the information contained in this Registration Document, including the risk factors described in the following chapter, before they decide to acquire or subscribe Company shares. While preparing the Registration Document, the Company conducted a review of the risks that could have a significant adverse impact on the Group, its business activities, its financial condition, income, future outlook, or its ability to achieve its objectives, and considers that the most significant risks are those described herein. However, it is possible that other risks – either currently unknown or of which the materialization is not considered likely at the filing date of this Registration Document – could nonetheless exist and have a material adverse effect on the Group, its business activities, financial condition, income, or future outlook were they to materialize.

4.1. Risks associated with the business

The Group operates in a very competitive environment. If the Group were no longer competitive vis-à-vis other market players, it could fail to increase and/or maintain its market share or the amount of revenues it generates.

Some of the Group's competitors have longer operating histories in the sector, with access to significantly greater resources, have more established reputations and a larger base of existing customers than those of the Group. Their long-established positions in these markets have enabled them to forge strong relationships with their customers, which could be an advantage for them notably due to their access to information about market trends and future demand. The significant resources available to more sizeable competitors enable them to be more reactive in competing for technology, benefit from economies of scale, expand their portfolio of products and benefit from higher credibility in front of existing and potential customers of the Group. Lastly, some competitors may offer customers bundled solutions with complementary products or have the ability to adopt a more aggressive pricing policy. This could affect the Group's ability to gain or maintain its market share.

In the markets to which it targets its software and intellectual property products, the Group competes with companies such as, in particular, ARM, Synopsys, and Arxan. In the markets to which it targets its embedded security software, the Group competes with companies that are, as of now, smaller and lesser known. Other companies could enter into direct competition with the Group if they were to develop their own technology or enter into licensing agreements with third parties for technology, software and intellectual property.

The Group's competitiveness depends on several factors, including:

- its ability to predict market needs (particularly by identifying new ones) and to develop products to successfully meet them;
- its ability to accurately understand the price points and performance metrics of competing products in the market;
- its products' performance and cost-effectiveness relative to those of its competitors;
- its ability to maintain and develop relations with its key customers; and
- its ability to conform to industry standards while developing new, proprietary technologies to offer new products and features.

If the Group were unable to remain competitive against its current or future competitors, or if it contends with market rivals that are more successful as a result of, in particular, their larger size, this will adversely impact its market shares, revenues, financial condition and development.

The Group could be unsuccessful in developing and selling new products on a timely and cost-effective basis or in penetrating new markets.

The markets in which the Group conducts its business activities, as well as those markets it targets, are characterized by rapidly changing technologies and industry standards, technological obsolescence and frequent product introductions. They are also characterized by intense price competition, the introduction of new products being a distinguishing factor enabling companies to demand higher prices. Therefore, in order to protect its market position, the Group must be able to predict technological changes and design, develop, market and support new products and enhancements on a timely and cost-effective basis.

The development of technologies and new marketable products is complex and usually requires significant long-term investments. The Group could experience delays in completing these developments and, as a result, find itself attempting to penetrate the market with an obsolete technology or one in which a competitor is already very well established. The Group could even develop products based on a standard that is ultimately not retained by the industry. Furthermore, the Group's development costs could be excessive compared to the price at which the Group would be able to market its products. These types of risks, if they were to materialize, would have an adverse impact on the Group's business activities, revenues, financial condition and future development.

The development of the security solutions of the Group depends on the overall development of the market for mobile and network security systems, on it being accepted by users, as well as on customer demand.

The market for the Group's mobile and network security solutions depends on, in particular:
- the perceived ability of its products and services to address real customer problems,
- the perceived quality, price, user friendliness and interoperability of its products and services as compared to those of its competitors,
- the market's perception of how easy or difficult it is for the Group to deploy its products, especially in complex network environments,
- the continued evolution of electronic commerce as a viable means of conducting business,
- market acceptance and use of new technologies and standards,
- the public's perception of the need for secure electronic commerce and communications over both wired and mobile networks,
- the ability of the Group to effectively adapt to the pace of technological change, and
- general economic conditions, which among other things, influence how much money the customers and potential customers of the Group are willing to spend on such technology.

If the Group were unable to face such circumstances, its revenues, income, financial condition and development would be negatively affected.

The success of the Group is dependent, in particular, on an increase in demand for the supply of embedded security solutions.

The customers of the Group can postpone the purchase, stop using, or decide not to renew the use license for the Group's embedded security solutions, and some customers of the Group could also decide to terminate licensing contracts at any time. The contracts signed with the customers of the Group generally provide for basic licensing rights, access fees for technologies and/or fees established on a per unit basis, usage fees or a percentage of revenues for solutions that integrate the Group's technology, as well as service and maintenance fees. A certain number of key contracts also provide for capped fees whenever the volume of sales announced by certain customers exceeds set thresholds. Consequently, a portion of the revenues of the Group is not recurrent, which makes them harder to predict. Since the levels of expenditures rely in part on the projections of future revenues, and since expenditures are, for the most part, fixed in the short run, the Group could be unable to adjust its spending fast enough in order to offset an unexpected drop in revenues, which could have an adverse impact on its income, its financial condition and its development.

The success of the Group will also depend, in particular, on the timely market introduction of new security solutions with new or improved functionalities.

The future financial performance of the Group will depend, in particular, on its ability to meet the needs and specifications of its customers by improving its mobile and network security solutions and by developing solutions with new and improved functionalities. The Group allocates significant resources to the identification of new market trends and to the development of solutions in order to anticipate the demand for security solutions. However, customers could lose interest in the solutions of the Group, which makes the Group unable to guarantee that the demand for its solutions will continue to develop as projected. The Group must develop new solutions and improve existing solutions in order to meet the rapidly evolving needs of customers. The success of new functionalities is dependent on several factors, including their timely introduction to the market and their market acceptance. The Group could be unable to improve its existing solutions or to develop new solutions, or be unable to introduce these solutions to the market in a timely fashion. The Group could face delays in the development and market introduction of its solutions, which could render them obsolete or unsellable once introduced. Customers could also postpone their purchases in order to wait for the introduction of new solutions. If the Group's solutions are not considered competitive, in particular if it is unable to improve on existing solutions or to introduce new ones in a timely fashion, the Group could no longer be perceived as a leader in its field, its reputation might be negatively impacted, the value of its brand could be diminished, and its financial performance could be adversely affected. In addition, uncertainties regarding the time frame of availability and the nature of the functionalities of new solutions could result in an increase in research and development expenses with no assurance of future revenues.

Such circumstances would have an adverse impact on the revenues of the Group and, in so doing, on its income, its financial condition and its development.

Most markets in which the Group operates are characterized by large customers with significant market share and buying power that may use a number of companies to develop and provide solutions that perform similar functions as the Group's products, or that may decide to develop similar solutions themselves.

Several of the Group's current and/or targeted markets are characterized by the presence of sizeable customers with significant market share and buying power. In some cases, such as intellectual property solutions, clients may seek to develop security components themselves, for use in their own products.

In some markets where the number of customers is limited or where customers use several suppliers, the Group's competitors could increase their volumes to the Group's detriment, which could lead the Group's customers to seek to renegotiate the financial conditions of their contracts to their advantage.

These types of events, if they were to materialize, would have an adverse impact on the Group, its business activities, financial condition, income and development.

The Group's customers could decide not to integrate the Group's solutions into their products or applications, or said customers' products or applications could fail to be commercially successful.

The Group licenses security solutions in the form of software and intellectual property components that customers integrate into their products or applications. A significant portion of the Group's revenues is generated from fees received from these customers when they market products integrating the Group's security solutions.

First, the Group must invest a significant amount of capital in the development of new products, with no guarantee that customers will select them and integrate them into their products (which, if selected and integrated by customers, results in a "design win"). Achieving design wins is all the more important given that it is typically very difficult for a customer to switch suppliers of semiconductor solutions. An absence of design wins therefore would have an adverse impact on the Group's revenues, results and financial condition.

Once they are selected, the Group's products are usually integrated into the customers' products at the design stage, before such products are introduced to the market. The Group has no guarantee that the products marketed by its customers will attain commercial success. In addition, if the Group's products contain defects affecting their performance or their compliance with certification standards after they have been selected and integrated in the products of the Group's customers, not only would the sales of these products be directly and adversely affected, but such customers could refuse to consider the Group's semiconductor solutions when they design new products. If the Group's products do not meet the expectations of its customers, or if the products marketed by the Group's customers fail to meet the expectations of their own customers or are not accepted by users, the revenues, results and financial condition of the Group would be harmed.

The Group provides solutions that offer its customers security features that third parties may attempt to circumvent.

The Group's core business is to provide semiconductors, software, and IP components designed, in particular, to protect the integrity of the information stored within the products or applications developed by the Group's customers. These solutions are central to protecting the revenues, business models, assets and, generally, the interests of the Group's customers. For example, such solutions include preventing fraudulent bank transactions, ensuring that only customers who pay for digital content are allowed to receive it and maintaining the security of confidential information.

Considerable efforts can be deployed by those attempting to breach the security of systems within which the Group's solutions are integrated. Any successful breach of the security of the Group's products or of the systems within which they are integrated (due to a security breach of the products or applications developed by the Group's customers, or otherwise) could cause financial or other damage to the Group's customers, which would damage the reputation and the business activities of the Group.

The Group generates a significant portion of its revenues through a limited number of customers. The Group could fail to retain its key customers or to expand its business relationships.

A significant portion of the Group's total revenue is attributable to a limited number of customers and the Group anticipates that this could continue to be the case. These customers may decide not to purchase the Group's semiconductor solutions at all, to purchase fewer semiconductor solutions than they did in the past or to alter the terms on which they purchase its products. Insofar as a customer represents a significant percentage of the Group's accounts receivable, the Group is exposed to the risk of insolvency or late payment from any one of them. As of the date of this report, the amount of bad debt is not significant (also see note 14 of the Notes to the Consolidated Financial Statements of the Group for the fiscal year ended December 31, 2016, which can be found in section 20.1 "*Historical Financial Information*" of the Registration Document).

The top customer of the Group, its top five customers, and its top ten customers represented, respectively, 28%, 61%, and 71% of its consolidated revenues for the fiscal year ended December 31, 2016, and 12%, 32% and 46% of its revenues for fiscal year 2015.

The loss of any key customer, a significant decrease in revenues, or any issue with collection of receivables from customers could impact the Group's financial condition and the operating income.

The strategy rolled out by the Group on the NFC applications market relies on the monetization of its portfolio of NFC patents via licensing programs.

Currently, even though NFC technology is a standard function in smartphones, NFC services have not yet been massively deployed and have not yet been adopted on a large scale, on the one hand, by either mobile operators or mobile handset and consumer electronics manufacturers and, on the other hand, by end-users themselves.

Furthermore, there are some existing and emerging alternative technologies that are also available and could be preferred to the NFC solutions offered by the Group. Solutions including short message service (SMS) and online payment websites already exist to enable payments to be made from mobile devices (telephones, tablets and laptop computers, for example). In peer-to-peer communications, existing wireless technologies such as wireless-LAN and Bluetooth can enable direct communication and data transfer between mobile devices.

Additionally, in many countries the use of contactless technology for applications such as payments or public transportation is not yet widespread.

NFC technology or the NFC applications market could fail to develop or develop more slowly than expected. Products developed by the Group and integrating NFC technology could potentially fail to meet market demands (particularly if consumers are reluctant to adopt the technology), or simply not be adopted by the Group's customers on a sufficiently large scale. Under these circumstances, significant investments in time and resources committed by the Group to this technology could be lost, in full or in part, and the development of the Group, its business activities and financial condition could be affected.

The Group could fail to monetize its patents portfolio.

In the context of its patent portfolio and other IP rights monetization strategy, Inside Secure may enter into licensing agreements, particularly when it holds intellectual property rights it deems significant, such as some of its patents in the NFC field.

Mainly, in 2012 the Group launched an NFC patents licensing program with France Brevets (additional information can be found in Chapter 22 of this Registration Document).

However, the Group could face challenges in implementing this strategy. In particular, the Group cannot guarantee with any certainty that its strategy aimed at growing the value of its intellectual property rights will result in the execution of licensing agreements or that, if they were executed, such agreements will meet revenue forecasts, that the Group's contractual partners will not violate such agreements or that the Group will find the right solutions to such violations were they to occur. In addition, it is possible that third parties against which legal action has been taken in connection with alleged violations of these patents or intellectual property rights will dispute the legitimacy of such action, its enforceability or the validity of the rights in question. This could have an adverse impact on the Group, its business activities, financial condition, income and its development.

4.2. Risks associated with intellectual property

The Group relies, to a large extent, on the exclusive exploitation rights it holds in connection with its intellectual property. However, for each of these rights, the Group could be unable to secure the necessary scope of protection to guarantee a competitive advantage.

The Group relies, to a large extent, on its intellectual property rights in order to protect its products and technologies from misappropriation by others.

The Group, like other filers or requesters of intellectual property rights, could experience setbacks in obtaining patents, registering trademarks, or securing other intellectual property rights. The issuance of a patent or the registering of a trademark, even after a Patent or Trademark Office reviews the request, does not absolutely guarantee either its validity or enforceability. Indeed, the Group's competitors could, at any time, successfully dispute the issuance, validity or enforceability of the Group's patents, patents requests, registered trademarks or registered trademark requests in court or in the context of other proceedings that could, based on the ruling relative to said disputes, prevent their issuance, lead to their revocation or invalidation or reduce their scope, or make it possible for competitors to circumvent them.

In addition, to date the Group has not filed patent applications or applications for other intellectual property rights in all countries in which it conducts its business. The Group's ability to protect its intellectual property rights represents a significant expense associated with, in particular, patent application filing and patent renewal fees, compensation paid to inventors and the management of its other intellectual property rights, thereby leading the Group to study and select, on a case-by-case basis, the States in which protection is requested based on its plans for each patent.

Consequently, the rights obtained could prove insufficient to either ensure adequate protection or secure a competitive advantage. In particular, the Group cannot guarantee that:

- the Group will be able to develop patentable know-how;
- the know-how developed by the Group will be patentable;
- requesting patents, trademark registrations, or obtaining other intellectual property rights of the Group that are under review will effectively result in the issuance of certificates or that such certificates, should they be issued, will cover the same scope as that initially requested;
- the patents issued and trademarks registered in the Group's name, as well as the other intellectual property rights it has been granted, will not be disputed, invalidated, revoked or circumvented, or will not be subject to a reduction in scope;
- the protection granted under the terms of the Group's patents, trademarks and other intellectual property rights is and will remain broad enough to protect it from its competitors and from the patents or other intellectual property rights held by third parties and covering similar technologies;
- employees of the Group will not claim rights, extra compensation or a fair price for inventions or other creations in which they participated.

Situations the Group might face, which may prevent it from securing intellectual property rights for its know-how, its distinguishing features and/or its creations, or which may prevent it from peacefully taking full advantage of them, could have an adverse impact on the Group, its business activities, financial condition, income and its development. In addition, the Group could be asked to grant licenses on its patents in connection with its participation in various standard-setting organizations.

The Group may decide to take legal action.

Third parties could use or attempt to use elements of the Group's know-how for which it holds an intellectual property right, which would be detrimental to the Group and, as a result, could lead the Group to taking legal action to enforce compliance with its rights. However, the detection of counterfeits is a difficult task and the Group cannot be absolutely certain that it will successfully avoid breaches and unauthorized uses of its know-how, in particular in foreign countries where its rights are potentially not as extensive as they are elsewhere, or even non-existent, or where a violation is not as easy to detect.

In the context of its strategy aimed at increasing the value of its patents and other intellectual property rights, the Group or its exclusive licensees (please also refer to section 20.8 of this Registration Document for further information) can take legal action against third parties to enforce compliance with the Group's patents. Therefore, the Group cannot guarantee that either itself or its exclusive licensees will not attempt to take new legal or administrative action in order to enforce the monopoly granted under the terms of its intellectual property rights (particularly its patents) and that, following such actions, its intellectual property rights will not be revoked, invalidated or reduced in scope.

Any dispute could result in significant expenditures and ultimately fail to secure the desired protection or sanction, which could have an adverse impact on the Group, its business activities, financial condition, income and its development.

Legal action may be taken against the Group.

To this day, and insofar as possible, the Group continues to conduct the preliminary research it deems necessary for identifying potential pre-existing rights and, as a result, limit the risk for any disputes prior to investing in introducing its various products to the market.

However, it is possible that pre-existing third party patents or other intellectual property rights may exist that could enable their holders to file a legal claim for patent infringement against the Group, its industrial partners or its customers.

As such, the persons or legal entities to which the Group has granted licenses or provided products or services could be involved in litigation concerning the violation of patents or rights held by third parties, in connection with such licenses, products or services. Some of the Group's customers have already received notifications in writing from third parties seeking to enforce their alleged proprietary rights over certain technologies and recommending that the Group's customers obtain a license from such third parties. In accordance with the terms of the contracts it has signed with its customers and industrial partners, the Group could be required to defend and compensate its customers or industrial partners in the event that any legal action is taken against them based on an alleged violation of intellectual property rights held by third parties, in connection with the Group's patents, products or services.

Therefore, the Group cannot guarantee with any certainty that its products do not infringe upon or violate third party patents or other third party intellectual property rights, or that the industry standards implemented by the Group do not violate third party rights.

Any legal claim filed against the Group, irrespective of its ultimate resolution, could result in significant expenditures as well as tarnish the Group's reputation and negatively affect its financial condition. Indeed, if such legal actions were to be pursued to the full extent of the law, the Group could be forced to:

- stop selling or using the product(s) that depend(s) on the disputed intellectual property in a given geographic area, which could in turn reduce its revenue,
- secure a license from the holder of such intellectual property rights, which may not be granted or granted under unfavorable conditions,
- amend the design of its products or services or, for trademark infringement claims, rename its products in order to avoid violating any third party intellectual property rights.

Such disputes could also hinder the Group's business activities or those of its customers or industrial partners and, as a result, trigger a decrease in the sales of its technologies and products. This could have an adverse impact on the Group, its business activities, financial condition, income and its development.

Limitations on the protection of the Group's trade secrets and know-how.

It is also important for the Group to safeguard against the unauthorized use and disclosure of its confidential information and trade secrets.

While conducting its business activities, the Group must often grant third party access to sensitive information, which may or may not be patent protected. In such cases, the Group enters into non-disclosure agreements with these third parties in order to ensure that the latter undertake not to misappropriate this information, engage in its unauthorized use, or share this information with third parties. Indeed, these non-patented and/or non-patentable proprietary technologies, processes, know-how and data are viewed as trade secrets that the Group aims to protect via such non-disclosure agreements.

However, these non-disclosure agreements only offer limited protection and could fail to prevent a third party's unauthorized use of the Group's technologies. Therefore, the Group cannot guarantee that such third parties will comply with said agreements, that it will be informed in the event of a violation of said agreements or even that the compensation it may potentially receive will be sufficient enough to offset the loss incurred, if only due to the amount of time needed to secure such compensation.

Therefore, such access to its sensitive information puts the Group at risk of seeing third parties (i) reap the benefits from the intellectual property rights covering elements of the Group's know-how, (ii) fail to maintain the confidentiality of the Group's patentable and non-patentable know-how, (iii) disclose the Group's trade secrets to its competitors or use said trade secrets to develop rival technologies and/or (iv) violate said agreements, while leaving the Group without any adequate response to counter such violations.

Consequently, the Group's rights over its trade secrets and know-how may not provide the desired protection against its competitors and the Group cannot guarantee with any certainty:

- that its know-how and trade secrets will not be usurped, circumvented, shared without its consent or used;
- that the Group's competitors have not already developed know-how that is analogous or similar in nature or purpose to those developed by the Group; and
- that no contractual partner or third party will reap the benefits from intellectual property rights associated with the Group's inventions, knowledge or income.

The materialization of all or part of these risks could have an adverse impact on the Group, its business activities, financial condition, income and its development.

4.3. Risks associated with the Group's organizational structure

4.3.1. Risks of dependence on key employees

The Group could lose key personnel and be unable to attract new qualified employees.

The Group's future success will depend, in part, on its ability to attract, retain and motivate highly qualified management, research and development, engineering and sales and marketing personnel. The Group's employees in research and development represent a particularly significant asset as they are the source of its innovations. The Group also plans to recruit additional design and applications engineers. The Group could fail to retain or attract enough technical and engineering personnel to achieve its growth plans. Additionally, in order to expand its customer base and increase its sales to existing customers, the Group will need to hire additional qualified sales personnel. Competition in the recruitment of qualified employees is intense, given the lack of qualified people in the Group's sector and the Group could be unable to retain or attract them.

If the Group were unable to recruit and train qualified employees quickly, its growth would be affected. In addition, if the Group were unable to retain its existing employees, ensuring its future development would be difficult. This would have an adverse impact on the Group's business activities, revenues, financial condition and future outlook.

4.3.2. Risks associated with growth management

The Group could be unable to face organizational and operational challenges associated with its growth.

The Group has continued to develop, both organically and through key acquisitions, resulting in the significant growth of its business in recent years (including in 2016, when it decided to divest its electronic chip design and marketing business).

In order to meet the demands of a complex, multisite structure and successfully deploy its strategy, the Group must ensure that its organization, management policies, and internal systems are in constant adaptation as it grows. It must continue to reorganize itself in order to maintain its efficiency, while retaining its employees and new customers and successfully integrating newly acquired companies. Therefore, in January 2017, the Group decided to build itself around two operating divisions or “business units” (please refer to Chapter 6 “Business” of this Registration Document for further information). In addition, the Group must continue to focus on the quality of its execution while maintaining its innovative edge. Insofar as its organization continues to grow, the Group must also make sure that its employees’ profiles and skill sets are constantly reevaluated and adapted.

If the Group were unable to resolve these issues efficiently or quickly enough, the development of its products, internal systems, cost management, and sales efforts could be negatively impacted, or be unable to respond appropriately to market or customer expectations, which could in turn adversely affect its operating or financial performance.

The Group could be unable to successfully integrate acquired companies and businesses.

The development of the Group relies on, in particular, the acquisition of additional companies and/or businesses. The Group is unable to guarantee the successful integration of recently acquired companies and businesses, the integration of services and staff and, lastly, the projected impact of such synergies. Although the Group conducts due diligence work and takes integration steps prior to completion of the acquisition, it could be confronted, in particular, with integration problems and difficulties establishing synergies, on both the operational and staff levels, with events challenging the liability of the Company, as a result of, in particular, a higher number of labor or intellectual property disputes, with the loss of long-term customers, with the failure to achieve the objectives set within the context of its acquisitions, and with difficulties ensuring there is no interruption in the provision of services to customers of acquired businesses.

These types of events, if they were to materialize, would have an adverse impact on the Group’s business activities, results, financial condition and development.

In particular, the Group completed two acquisitions since 2012:

- *Embedded Security Solutions*

  On December 1, 2012, the Group acquired the business known as Embedded Security Solutions (“ESS”). There is a risk of impairment of identified assets acquired in the context of the acquisition of the ESS business, which were accounted for at their fair value in the consolidated financial statements (particularly the patented technologies stated therein for a total net amount of $1.0 million as of December 31, 2016).

- *Metaforic*

  On April 5, 2014, the Group acquired all of Metaforic Ltd’s shares. The latter company is a leader in the development of software obfuscation technologies and encryption-related security software for a variety of industries, yet mainly intended for the mobile payment and mobile banking markets. The final acquisition price amounts to $13.2 million after taking into account price adjustments based on actual working capital requirements as of the transaction date and the various business objectives set for 2014. Furthermore, the identified assets acquired in the context of Metaforic’s takeover, as well as its U.S. subsidiary, are also exposed to an impairment risk. They were recorded at fair value in the Consolidated Financial Statements (in particular, the patented technologies stated therein for a total net amount of $2.0 million as of December 31, 2016).

In addition, there is a risk of goodwill impairment resulting from these two acquitions. These goodwill amounts are subject to an annual impairment test. They are stated in the consolidated balance sheet in the amount of $18.8 million as of December 31, 2016 (please also refer to note 8 "*Goodwill*" of the Notes to the Consolidated Financial Statements for the fiscal year ended on December 31, 2016).

Future acquisitions of companies, businesses, assets or technologies could lead to difficulties in integrating new entities, occupy the time and attention of the management team and distract it from the Group's core business, dilute the equity holdings of existing shareholders or adversely impact the Group's financial results.

Within the framework of its external growth strategy, the Group could seek to acquire additional companies, businesses, or technologies in order to continue developing its own business activities, improve its competitiveness in its market or penetrate new markets. The Group cannot guarantee that opportunities for acquisitions will be available or that the acquisitions the Company may undertake will be profitable and/or reach their expected objectives. Furthermore, the completion of such acquisitions may generate difficulties integrating new entities, mobilize the management team and distract it from the Group's core business, dilute the equity holdings of existing shareholders or adversely impact the Group's financial results and, as such, have a significant adverse impact on the Group.

If the Group fails to successfully manage its development, it could be unable to execute its business plan and its income could be affected accordingly.

The Group's future income mainly depends on its ability to successfully manage its development and its return to growth.

In order to remain competitive and manage its development, the Group must constantly improve its equipment and technologies and deploy significant efforts in terms of research and development, requiring not only significant investments in this area, but also investments in sales and marketing. The Group could also be forced to make such investments before some of the benefits expected from them can be attained. The return on investment could either be lower, or achieved more slowly than expected, or not materialize at all, which could negatively affect the Group's operating income.

In addition, the Group must constantly seek to adapt its management policies, its administrative, financial, and operating tools and systems, as well as its control processes. It must also adapt its structure to the changes in technologies and targeted markets and, more generally, to changes in its strategy, and recruit and train qualified staff.

If the Group is unable to efficiently manage its development, it could be unable to take advantage of market opportunities or to develop the products the market is expecting, it could fail to maintain the quality of its products, be unable to execute its business plan, and be unable to adapt itself quickly enough to its technological, competitive, and market environments. Any of these events, if they were to materialize, would have an adverse impact on the Group, its business activities, financial condition, results and development.

The Security of installations and internal systems could be compromised.

The Group's R&D installations are computerized and, as a result, are entirely dependent on the proper functioning of complex software and IT equipment which, for the most part, are internally integrated. However, it is impossible to guarantee their continuous, uninterrupted operation or the full security of these systems. For example, the unwanted intrusion of computer or industrial hackers could interfere with the proper functioning of the Group's systems and cause significant damage, data loss, or even delays in the development of its R&D activities. Computer viruses, transmitted voluntarily or inadvertently, can also cause similar damage, loss, or delays. The growing use of mobile devices (smartphones, tablets, and laptop computers) connected to some of the Group's IT systems inherently increases the risk of unauthorized access due to the potential loss or theft of these devices.

If any one of the aforementioned risks were to materialize, the resulting damage, loss, or delays could have a significant adverse impact on the Group's business, operating income, financial position, and reputation.

In an effort to reduce this risk, the Group increased its security by implementing, in particular, anti-instrusion protection measures and off-site data storage capabilities, and by limiting access to critical or sensitive information. In addition, the Group also purchased insurance policies intended to reduce the impact these risks could have (please refer to section 4.8 "*Insurance and Risk Coverage*" below for further information).

4.3.3. Risks associated with the restructuring of the Group

In 2016, Inside Secure led a plan to reorganize its worldwide business activities in the context of its new strategic plan. This plan sought to lower its operating expenses (in the context of the shift in the Group's strategic priorities for each of its markets) by divesting its semiconductor business, reducing its structural and sales costs, and improving its sales efficiency and, generally, its operating efficiency.

If the expected future savings from this restructuring were lower than anticipated, and if the Group were unable to implement, within the defined deadlines and budgets, and maintain an efficient structure that is well-adapted to the strategic and business challenges it faces, or if the courts were to question any layoffs (collective or individual), it could have a significant adverse impact on its business, income, financial condition, and development.

4.3.4. Regulatory Risks

Because the Group provides cryptology solutions and services, its takeover, the acquisition of all or part of one of its business lines, or the crossing of a threshold of one third of its share capital could, among other things, require the prior authorization of governmental authorities.

The Group provides cryptology solutions and services. As a result, pursuant to the provisions of the French Monetary and Financial Code, a takeover of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) or the direct or indirect acquisition of all or part of a business line of the Group by (i) a natural person that is not a citizen of a Member State of the European Community ("EC"), or of a State party to the agreement on the European Economic Area that has signed a *convention d'assistance administrative* (convention on mutual administrative assistance) with France, or an employee of a company with registered headquarters located in one of these States, or a natural person with French citizenship that is not a resident of such States, in accordance with Article R. 153-2 of the French Monetary and Financial Code (a "Non EC Investor") or (ii) a natural person that is a citizen of a Member State of the European Community ("EC"), or of another State party to the agreement on the European Economic Area that has signed a *convention d'assistance administrative* (convention on mutual administrative assistance) with France, or an employee of a company with registered headquarters located in one of these States, or a natural person with French citizenship that is a resident of such States, in accordance with Article R. 153-4 of the French Monetary and Financial Code (an "EC investor"), could be subject to the prior authorization of the French minister responsible for the French economy (pursuant to the terms of Article L.151-3 of the French Monetary and Financial Code). Similarly, the acquisition of more than 33.33% of the Company's share capital by a Non EC Investor could also be subject to prior authorization of the French minister responsible for the French economy. Prior authorization from the governments of other countries could also be required for similar reasons. There is no guarantee that these authorizations would be granted or that, if granted, the terms of such authorizations would not discourage any potential acquirers. The existence of such conditions precedent to an acquisition of the Company could have an adverse impact on its share price.

4.4. Legal Risks

As of the filing date of this Registration Document, there are no other government, legal or arbitration proceedings, including any proceedings that are either pending or threatened, that are expected to have or have had, in the past twelve months, a significant adverse effect on the Company or Group's financial condition or profitability (please also refer to section 20.8 of this Registration Document for further information).

4.5. Financial Risks

4.5.1. Risks associated with currency exchange rates

A significant portion of the Group's revenues and its payments made to suppliers are expressed in US Dollars, while a large portion of its operating expenses and a number of its assets and liabilities are expressed in other currencies, mainly in euros.

The Company's functional currency is the US Dollar, which is also the currency used to present its Consolidated Financial Statements. The Group's sales and, likewise, the payments made to its major suppliers are, for the most part, expressed in US Dollars while a large portion of its operating expenses and a portion of its assets and liabilities are expressed in other currencies, mainly in euros and to a smaller extent in British sterling. Consequently, the Group's operating income and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, primarily the U.S. Dollar to Euro exchange rate.

For example, the impact of the strengthening of the US Dollar by 10% compared to the Euro would have led to an increase in the 2016 adjusted operating result of $2.5 million. Indeed, although 93% of revenues are generated in US Dollars, a significant portion of research and development expenses, sales and marketing fees, and general and administrative fees is expressed in Euros, since these activities are mainly carried out in France and other European countries. Following the sale of the semiconductor business, the Group's balance sheet exposure greatly diminished and is now considered insignificant. Concerning balance sheet assets, intangible assets and trade receivables line items are mainly expressed in US Dollars, whereas the research tax credit and, in particular, the cash line item are expressed in Euros. Within balance sheet liabilities, borrowings mainly corresponding to the financing of research tax credit receivables are expressed in Euros. Please also refer to note 3.1(a) "*Currency Exchange Risk*" of the Notes to the Consolidated Financial Statements of the Group for the fiscal year ended on December 31, 2016, which can be found in section 20.1 "*Historical Financial Information*" of this Registration Document.

In order to mitigate this exchange rate risk, since 2009 the Group conducts a foreign exchange rate risk hedging policy for these currencies for the purpose of maintaining its profitability and its cash condition. However, the Group cannot guarantee that this risk coverage policy will protect it efficiently from any fluctuations in exchange rates (please also refer to note 3.1(a) "*Currency Exchange Risk*" of the Notes to the Consolidated Financial Statements for the fiscal year ended December 31, 2016).

4.5.2. Credit risks, interest rate risks, and risks associated with cash management

As of the date of this report, the Group has not contracted any significant financial debt and, therefore, believes that it is not exposed to a significant risk associated with interest rate fluctuations. However, the Group plans to diversify its sources of financing in the future by gradually relying on bank loans, which could result in exposure to this risk in the future.

The Group uses a conservative approach in its management of available cash. Cash and cash equivalents include available cash and current financial instruments held by the Group (which, for the most part, are French monetary SICAVs (Société d'Investissement à Capital Variable, or open-ended collective investment schemes), and time deposits). As of December 31, 2016, available cash and investment securities held by the Group were invested in financial instruments with maturities of less than twelve months.

4.5.3. Risks associated with off-balance sheet commitments

The total amount of off-balance sheet commitments of the Group as of December 31, 2016 was US$4.2 million (against US$3.4 million as of December 31, 2015). These off-balance sheet commitments are described in note 36 of the Notes to the Consolidated Financial Statements for the fiscal year ended on December 31, 2015 and mainly correspond to commitments associated with operating leases.

4.5.4. History of operating losses – Risks associated with projected losses

Despite its return to operating profitability in 2016, the Group has a history of losses and could be unable to ensure or sustain the profitability of its business in the future.

The Group has accumulated losses despite its return to profitability in 2016. It may be unable to sustain profitability in the future.

The Group was established in 1995 and has been incurring losses since that time. Net losses totaled $44.6 million in 2015 and in 2016 the Group recorded a profit of US$12.3 million. As of December 31, 2016, accumulated losses since June 2005, the date on which the Group carried out its share capital reduction followed by a share capital increase in the amount of €1 million, were US$198.9 million.

In order to develop its products and ensure that its business expands, the Group believes significant investment will be necessary, including research and development expenses and business, marketing and administrative expenses. As a publicly traded company, the Group also incurs additional legal and accounting fees, as well as other expenses in connection with its listing on the stock exchange. Furthermore, the Group could face unforeseen setbacks, complications that may generate additional expenses. As a result of these additional expenses, the Group would have to achieve and maintain higher revenues in order to achieve the same profitability. The positive growth trend experienced this past year may not be sustainable. Accordingly, the Group could be unable to ensure or maintain the profitability of its business and, as such, could continue to incur significant losses in the future.

4.5.5. Risks associated with fluctuations in the Group's revenues and operating income

Fluctuations in quarterly or annual revenues and operating income, as well as difficulties in forecasting them could cause the market price of the Group's shares to fall.

Historically, the Group's revenues and operating income have fluctuated significantly and are expected to continue to do so in the future. Due to its size and the nature of its business, it may be challenging for the Group to make reliable projections and real data could prove significantly different from set objectives and expectations.

Convincing the Group's customers to use its products can be a lengthy process. Moreover, successfully convincing its customers does not guarantee that the Group's technologies will be used in the products ultimately marketed by the Group's customers, sell successfully, or generate significant royalties for the Group. Furthermore, although some the Group's licensing contracts provide for fixed quarterly royalty payments, a fair amount of these licensing contracts calls for royalty payments based on sales volume and can also be subject to royalty caps over a given period. Therefore, the sales volume and the prices of the products marketed by the Group's customers over a given period could be difficult to forecast.

As a result, the comparison of revenue and operating income over successive periods, especially quarterly, is not a reliable method for predicting future performance. In the future, the Group's revenues and operating income could be insufficient to meet the projections of market analysts and investors, which could cause the price of the Company's shares to drop.

4.5.6. Risks associated with the absence of dividend distributions in the near future

The Company has never paid dividends and does not plan to do so in the near future.

To date, the Company has not paid out any dividends to its shareholders and does not intend to do so in the near future. Unless the general shareholders' meeting decides otherwise, it is expected that any potential dividends will be reinvested in the Company.

4.5.7. Liquidity risks – Future equity capital requirements and additional financing

The Group could be required to increase its share capital or to seek additional financing in order to ensure its continued development.

Since its creation, the Company has financed its development through equity, by carrying out share capital increases targeted at venture capital funds and industrial partners. Next, in February 2012, additional financing was secured via a public offering carried out in conjunction with the admission of its shares on the Euronext regulated stock exchange in Paris, France. Lastly, in April 2016, it raised funds by carrying out a share capital increase with preferential subscription rights. The Group has never relied on any significant bank loans. Therefore, the Group does not believe that it is exposed to a liquidity risk associated with accelerated repayment obligations that some bank loans may require.

The Group conducted a specific review of its liquidity risk and believes that it will be able to meet all of its upcoming payment obligations for the next twelve months.

The Group will continue to require financing in order to develop its technologies, market its products and carry out potential external growth transactions. Under these conditions, it is possible that the Group will not generate enough operating cash flow to enable it to self-finance its growth, which would require the Group to seek other sources of financing, in particular through share capital increases or, more generally, calls for tenders.

The level of financing required and its allocation over time depends on factors that the Group generally cannot control, such as:

- higher costs and slower progress than those projected for its research and development programs;
- expenses incurred in connection with preparing, filing, protecting and preserving its patents and other intellectual property rights;
- spending required to meet the technological developments in the market and to ensure the manufacturing and marketing of the Group's products; and
- new opportunities for developing new products or acquiring technologies, products or companies.

The Group may be unable to secure additional capital when it is needed and this capital may not be available under terms acceptable to the Group. If the required funds were not available, the Group could be required to:

- postpone, reduce, or cancel research programs;
- secure funds through industrial partnership agreements that may force the Group to waive the rights it holds over some of its technologies or products; or
- grant licenses or execute agreements under terms that could be less favorable to the Group than those it could have obtained in a different context.

In addition, insofar as the Group raises capital through the issuance of new shares, the equity interest of its shareholders could be subject to dilution. Debt financing, assuming it is available, could also be costly and require the Group to comply with restrictive covenants. If one or more of these risks were to materialize, it could have a significant adverse impact on the Group, its business activities, financial condition, results, development, future outlook, or on the market price of the Company's shares.

4.5.8. Risk associated with dilution

The Group could, in the future, issue new shares or other equity-linked financial instruments in order to finance its development, or as part of its employee and management incentives policies.

As indicated above in the paragraph entitled "Liquidity risks – Future equity capital requirements and additional financing", the Company may issue new shares or new equity-linked financial instruments in order to finance its development.

In addition, within the context of its employee and management incentive policies, the Company has, throughout its history, issued or granted warrants (*bons de souscription d'actions*, or "BSA(s)"), stock options and free shares several times. As such, in the event that all the equity-linked financial instruments are exercised in full (including 3,000,000 warrants issued in connection with the equity line program maturing in April 2017 – please refer to section 10.1.3 "*Sources of financing*") of the Registration Document and that all free shares that remain subject to a vesting period effectively vest, 6,513,911 new shares would be issued, resulting in the dilution of approximately 15.1% of the current share capital as of the date of the Registration Document (which represents a "fully diluted" share capital of EUR 19,856,364, split up into 49,640,910 shares). The Company intends to continue to issue or grant new equity-linked financial instruments.

The equity interest of shareholders will be diluted as a result of such transactions.

4.5.9. Risks associated with the volatility of the Company's share price

Volatility greatly affects financial markets. This is the case for the Company's share price, which has experienced significant fluctuations since its initial public offering in February 2012. In the future, its share price could continue to be subject to significant fluctuations as a result of, in particular, the market's perception of the Company as it achieves, experiences delays in achieving, or fails to achieve certain stages in its development.

Such fluctuations could have a significant effect on the assets held by the Company's shareholders and on the Company's ability to secure new funding and, in so doing, on the Group's business activities, its financial condition, its results, and its development.

4.5.10. Tax Risks

4.5.10.1 Risks associated with the French research tax credit

In order to finance its business activities, the Company has opted for the French tax regime of the Research Tax Credit (crédit d'impôt recherche or "CIR"), which consists of offering a tax credit to companies making significant investment in research and development. Research expenses eligible for the tax credit scheme include, in particular, wages and salaries, consumables, services outsourced to certified research institutions (public or private) and expenses related to intellectual property. The CIR for the 2016 and 2015 fiscal years was equal to US$ 2.1 million and US$ 5.8 million, respectively.

Even though the Group complies with the requirements regarding record-keeping and eligibility of research expenses, the tax authorities may nevertheless decide to challenge the methods of calculation used to determine the research and development expenses declared by the Company or to suspend the CIR due to a change in regulations. If this were to occur, it could have a significant adverse impact on the Group's financial condition and development.

4.5.10.2 Tax loss carryforwards

Tax loss carryforwards of French entities that have not given rise to the recognition of deferred tax assets are chargeable without limitation of duration to future taxable profits and amounted to $ 202 million as at December 31, 2016 (compared with 211 Million as at December 31, 2015). In principle, these tax loss carryforwards can be carried over indefinitely under the conditions of Article 209-I paragraph 3 of the French General Tax Code. However, this carryover right can be questioned in the event that the interested company were restructured or forced to change its business to such an extent that it would qualify as a "profound change" in business activities within the meaning of Article 221-5 of the French General Tax Code, as construed by the tax authorities. No deferred tax asset has been recognized as a tax loss carryforward. As of the date of this report, the Group cannot guarantee that the tax authorities will not attempt to use this provision as a basis to challenge its right to tax loss carryforwards. If such a challenge were to occur, it could have an adverse impact on the Group, its results, financial condition and development.

4.5.10.3 Risks associated with the Group's international businesses

The Group is inherently global and conducts its business activities in a large number of countries, and mainly in Europe, the Asia Pacific region and in North America. As such, 99.3% and 98.8% of the Group's revenues were generated in foreign countries in fiscal years 2016 and 2015, respectively.

Due to this international presence, the Group is subject to taxation in many jurisdictions. The overall tax liability borne by the Group in such jurisdictions depends, in particular, on the legal interpretation of local tax regulations, on international tax treaties, on the fiscal policy enforced in each of these jurisdictions and on the applicable transfer pricing policy. Changes in these tax regulations could have an adverse impact on the Company's overall tax liability and its subsidiaries and, as such, on its results, financial condition and development.

The Group relies on the guidelines established by the OECD, particularly in terms of transfer pricing. In so doing, the Group routinely reviews its price determination process in an effort to ensure the security of completed transactions. However, the Group cannot guarantee that some tax authorities in relevant jurisdictions will not seek to challenge its transfer pricing policy. Such a challenge could have a significant adverse impact on the Company's overall tax liability and that of its subsidiaries and, consequently, on its results, its financial condition and its development.

4.6. Changes in legislation and tax and regulatory policies

The Group's business activities are subject to the risk of a change in legislation, tax policies or regulations. These changes could have a significant adverse impact on the Group, its business, financial condition, results, development and future outlook.

4.7. Insurance and risk coverage

The Group has secured insurance policies with various insurance companies in order to cover all of the significant risks it is exposed to. Most of these risks are covered by insurance policies subscribed in France. The Group also has specific and/or local coverage in order to comply with regulations applicable in certain locations.

These insurance policies are reviewed on a regular basis and adjusted, as the case may be, in order to account for a change in revenues, in business activities exercised, and in the risks the various companies of the Group are exposed to.

In addition, the Group has implemented internal preventative mechanisms aimed at maintaining operations and limiting the impact of a significant loss in the event of a major disaster. As such, several secure data backup systems have been put in place to protect source codes and all of the electronic data stored on servers located onsite at the Group's various entities.

In 2016, the Group disbursed an aggregate amount of US$ 462 thousand to cover the premiums on all of its insurance policies.

In the 2016 fiscal year, the amount of insurance policies applicable to the entire Group can be broken down in the following way per major risk category:

- All of the companies of the Group benefit from an insurance policy covering their professional civil liability and products, representing EUR 10 million in aggregate guaranteed coverage.
- An insurance policy also covers the civil liability associated with the operation of the Company and its subsidiaries in the amount of EUR 8.5 million in aggregate guaranteed coverage.
- The Company purchased a professional multi-risk insurance policy (which covers operating losses and damages to goods) representing EUR 5.9 million in aggregate guaranteed coverage (sum of all ceilings set per claim).
- The Group also took out an insurance policy covering the risks associated with the liability of the directors and corporate officers of the Company and its subsidiaries, representing EUR 20 million in aggregate guaranteed coverage for 2016.
- The Group also benefits from insurance policies covering the transportation of its staff and IT-related risks based on the overall value of its IT equipment. The amounts borne by the Company and its subsidiaries with respect to local insurance plans that comply with legal and regulatory requirements applicable in each country must also be added to these insurance totals.
- Following the sale of its semiconductor business to WISeKey in September 2016, the Group terminated the insurance policy that covered the transportation of merchandise.

5. INFORMATION ABOUT THE COMPANY

5.1 History and Development of the Company

5.1.1 Legal and business name of the Company

The Company's legal name is "Inside Secure". The decision to change its name from "Inside Contactless" to "Inside Secure" was made at the Extraordinary Shareholders' Meeting dated November 15, 2010.

5.1.2 Place of registration and number

The Company is registered with the Trade and Companies Registry (*registre du commerce et des sociétés*) of Aix-en-Provence, France, under the registration number 399 275 395.

5.1.3 Date of incorporation and term

The Company was incorporated on November 30, 1994 for a period of 99 years beginning on the day of its registration in the Trade and Companies Registry, or December 29, 1994 and, barring early liquidation or extension, ending on December 28, 2093.

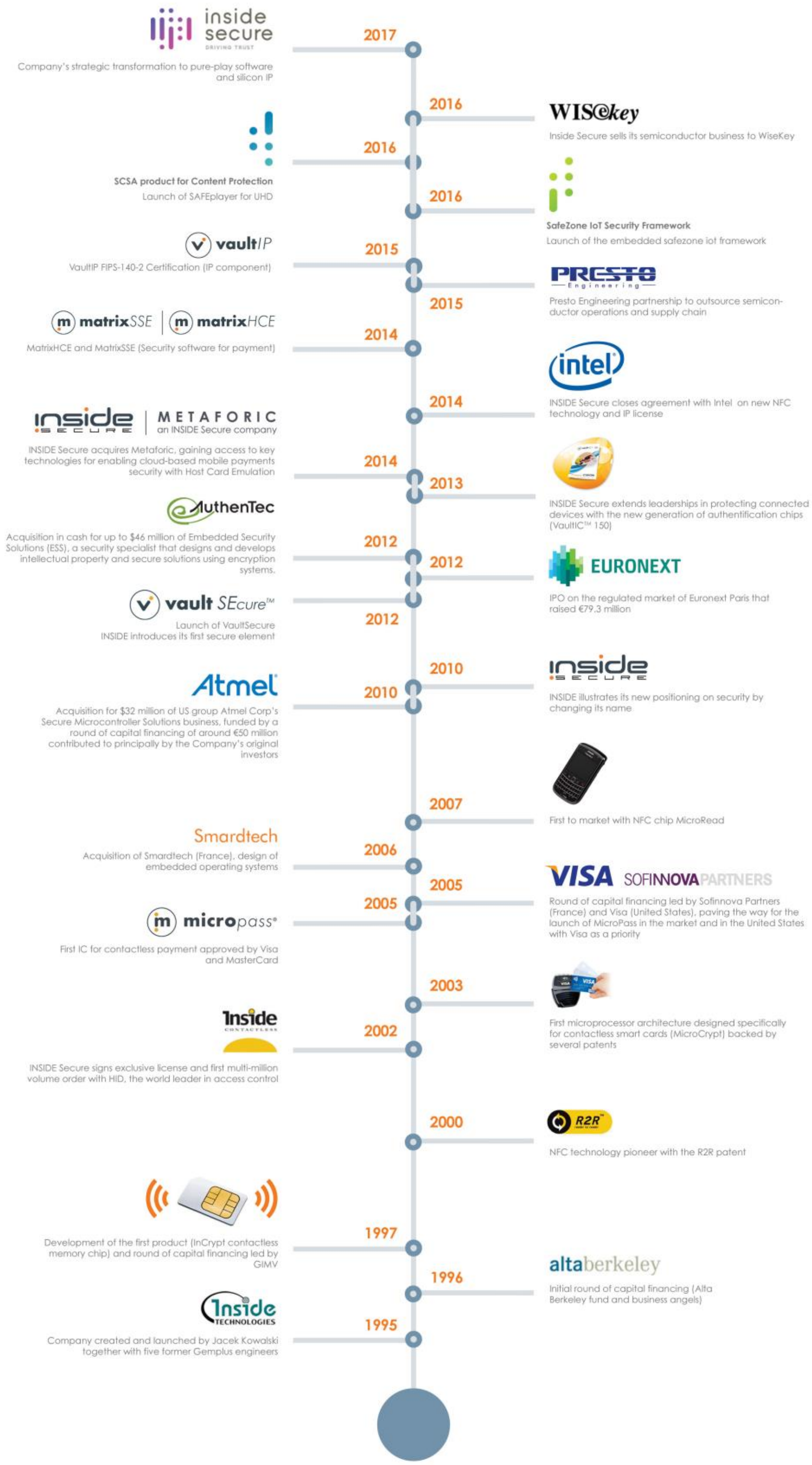
5.1.4 Registered office of the Company, legal form, and governing law

The Company is incorporated under the form of a French *société anonyme à directoire et à conseil de surveillance* (joint stock company with a Management Board and a Supervisory Board) governed by French law and operating pursuant to articles L. 225-1 *et seq.* of the French Commercial Code.

The registered office of the Company is located at Rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France.

The contact information for the Company is the following:
Email: info@insidesecure.com
Website: www.insidesecure.com

5.1.5 Key events in the development of the Company's business activities



5.2 Investments

5.2.1 Main investments carried out in the last three fiscal years

In addition to the capital expenditures associated with research and development and the acquisition of companies or businesses, the Group's investments were mainly aimed at acquiring various tangible property, licenses, and software as well as, in accordance with IFRS, at capitalizing some R&D expenditures.

The Group's capital expenditures (excluding acquisitions of companies and businesses) over the course of the past three fiscal years can be broken down as follows:

(in thousands of US$)	**2014**	**2015**	**2016**
Purchase of property and equipment	1,157	1,029	374
Purchase of intangible assets	4,321	98	166
Capitalized development costs	-	-	-
Total	**5,478**	**1,127**	**540**

Industrial investments

Since the Group does not have a manufacturing business, it does not need to invest in manufacturing and assembly. Until it sold its semiconductor business in September 2016, the Group also subcontracted the testing of wafers and chips to third party partners, located mainly in Asia, while subcontractors generally retained ownership of the product testing equipment. In addition, in June 2015, third-party company Presto Engineering acquired the Group's Meyreuil (France) testing center for industrial prototypes and preproduction models. In return, Presto Engineering provided these testing services to the Group (and other customers).

Concerning the semiconductor business sold in September 2016, part of the research and development efforts consisted in the development of integrated circuits. The tangible result of these efforts is a set of masks used by the third party foundries that supply the Company. During the research and development phase, expenses committed are itemized as expenses for the fiscal year, which is the same as deducting the cost of the sets of masks developed before the mass production phase is launched. The portfolio of masks was sold to the entity taking over the semiconductor business and, therefore, no longer appears in the Company's balance sheet as of December 31, 2016.

Technology licenses

Throughout its development, in addition to its intellectual property, Inside Secure relies on technology and intellectual property rights licensed by third parties. This is the case, in particular, for some technologies integrated into its semiconductors and software as well as for the systems and the design of its software. Typically, licensing agreements are non-exclusive and granted in exchange for the payment of fees calculated based on the Group's sales volumes and/or in exchange for licenses for a fixed amount paid for upon execution. In this latter case, the licenses are stated in the balance sheet (as intangible assets) and amortized over the term of the license or, should it be shorter, its economic life term as estimated by the Company.

Acquisitions of companies and businesses

In the context of its development, the Group also acquires companies and businesses. In the past three years, and in the context of the development of its security technologies and software licenses business, the Group acquired the following company:

Metaforic

On April 5, 2014, the Group acquired all of Metaforic Ltd's shares. The latter company is a leader in the development of software obfuscation technologies and encryption-related security software for a variety of industries, yet mainly intended for the mobile payment and mobile banking markets. The final acquisition price amounted to $13.2 million.

5.2.2 Main current investments

As of the filing date of this Registration Document, the Group has not undertaken any investment it deems either significant or outside the normal course of its business.

5.2.3 Main future investments

As of the filing date of this Registration Document, the Group's management body have made no firm commitment pertaining to significant investments or investments outside the normal course of its business.

6. BUSINESS

6.1 General overview

6.1.1 Presentation and history

Inside Secure designs, develops and sells software, silicon IP, tools and know-how to be integrated into mobile and connected devices to protect its customers' transactions, content, applications, and communications.

Inside Secure is serving markets such as: network security; IoT security; content & application protection; and mobile payment & banking. The company's technology protects solutions for a broad range of customers including: service providers; digital content distributors; security system integrators; device vendors; and semiconductor manufacturers.

Inside Secure offering comprise:

- software, particularly embedded security software for content and application protection as well as solutions for secure management & communication of data and cryptography algorithms
- Silicon IP intellectual property (IP components) that its customers integrate directly into the design of their semiconductor platforms, providing them with security functions of which they do not have the necessary know-how or understanding, and to reduce product development cycles. For example, an IP component can be integrated into an application processors or SoC (system-on-chip) to provide an optimal level of security at the heart of smartphones and connected objects.

Historically focused on microcontrollers design, Inside Secure has gradually expanded its offer to include intellectual property and software In September 2016, the company completed the final step in its repositioning as a software security and technology licensing company with the sale of its semiconductor division.

Since January 2017, the Group is organized in two business units.

- Content and Application Protection (CAP) business unit delivers software security to protect mobile applications (e.g. banking or payment application) and high-value content (e.g. movies)

- Silicon IP and Secure Protocols (SIP) business unit delivers IP blocks and components for semiconductor solutions or integrated circuits in mobile and connected machines for network and the Internet of things (IoT), in particular.

The two business units have their own dedicated R&D, product marketing and sales force.

Inside Secure continues to believe profound changes are happening in the approach to security in the current context of mobile telephony, mobile applications, and the Internet of Things, which introduce new security challenges for billions of connected devices and objects. Inside Secure believes that the world of security is undergoing a period of change and that the time has come to reinforce existing security models based on smart card technology (in other words "connected security"), to an "embedded security" architecture, which should guarantee an optimal security level at the heart of the device or application.

6.1.2 Key business strengths

Inside Secure has a security solution on the market that combines software and silicon IP components (intellectural property "IP" components). This enables the Company to be a key partner, able to meet all of its customers' security needs for any type of mobile or connected device, and to offer state-of-the-art solutions adapted to all applications.

Mainly intended for the mobile and connected device market, its solutions and technologies are designed to meet current and future security requirements while adapting to architectural and certification challenges.

Inside Secure is neutral in its approach to security, due to the fact that it offers a range of secure software and hardware solutions that "revolutionizes" consumer access to audio and video content, the management of issues associated with the security of companies, mobile banking, mobile payments, or the currently booming Internet of Things and, mainly, in the following market segments:

– Digital Content Protection and Entertainment,
– The Internet of Things ("IoT"),
– Mobile App Security
– Mobile Banking and Financial Services
– Mobile Payment,
– Network Security,
– Semiconductor Intellectual Property (IP)

The Group's policy has been instrumental in securing its large patents portfolio, which currently includes over 600 patents and patent requests.

6.1.3 Development strategy

Inside Secure's strategy is currently built on two focus areas:

- to become a key player in the mobile security and mobile applications industries
- to establish a significant presence in the emerging IoT.

In addition, and for tactical purposes, Inside Secure continues to monetize its portfolio of NFC patents.

For each of these areas, Inside Secure intends to systematically explore the best approach allowing it to optimize how it meets customer needs and the return on investments and on capital. As such, and as has been done in the past, the Company maintains a process of analysis aimed at selecting, for each major investment, the best approach between internal developments, partnerships and, as the case may be, targeted acquistions, or a combination of these means, while taking into consideration the fast changing ecosystem in which the Group operates.

a) To become a key player in the mobile security and mobile appplications industries

All types of mobile devices and mobile applications have a need for security. Inside Secure offers a comprehensive range of products (software and silicon IP component) that meet the needs of its customers and are designed to overcome upcoming architectural and certification discontinuities.

As such, the Group aims to develop its product offering in order to support the development of the three main uses its technologies have established in the mobile security market, namely:

- Financial service and mobile payment (via Host Card Emulation or "HCE"),
- Digital Entertainment Content Protection (via Digital Rights Management or "DRM").

Relying on its expertise and technology, the Group plans to contribute to the definition of future standards in mobile security, of new mobile security architectures and certification schemes. In particular, Inside Secure is convinced that the application processor (or host processor i.e. main processor of the device) will become the "heart" of mobile security and is developing a product strategy based on that assumption.

b) To establish a significant presence in the emerging IoT market

IoT is booming. The ability to connect, communicate with, identify, and remotely manage an innumerable number of networked, automated devices and equipment via the Internet is becoming pervasive, from the factory floor to the hospital operating room to the residential basement, and regardless of whether the connected thing is a fridge or a smoke detector. The two main challenges are security and privacy.

Inside Secure develops and sells a range of elements of intellectual property (Silicon IP components) and software solutions aimed at securing and protecting the privacy of[1]:

- Communication, in order to enable information exchange between devices,
- Sensors, in order to capture and represent the physical world in the digital world
- Actuators, to perform actions in the physical world triggered in the digital world (thermostats or garage door remote controls, for example),
- Identification, to bring unique physical object identification to the digital world,
- Storage for data collected from sensors, identification and tracking systems,
- Devices for interaction with humans in the physical world (access control, for example),
- Processing systems used in data mining and services, and
- Localization and tracking for physical world location determination and movement.

c) Leverage and monetize the NFC-based patent portforlio

As a pioneer of the NFC connectivity technology, Inside Secure considers that it owns several key NFC technology patents. In June 2012, the Group launched of a plan to license part of its NFC patents in partnership with France Brevets (a European investment fund specialized in patent promotion and monetization).

According to the terms of this agreement, France Brevets is in charge of all operations associated with the NFC licensing program, and liaise with manufacturers of NFC devices and, in particular, mobile devices.

Since the beginning of this program, France Brevets have signed fee-bearing licenses with LGE, Sony, Samsung and HTC, respectively in August 2014, April 2016, May 2016 and November 2016.

In June 2014, the extension of the license Inside Secure had initially granted Intel, and its development into a broader and fully paid-up license upon execution, as well as the transfer of Inside Secure's next generation NFC modem technology to Intel, are further examples of this strategy aimed at monetizing and growing the value of the Group's NFC technology and intellectual property rights.

6.1.4 Acquisitions

In addition to its organic development strategy, Inside Secure has long been committed to a targeted acquisition strategy. Since 2010, Inside Secure has completed three acquisitions consistent with growing its range of embedded security solutions.

- The acquisition of Atmel's SMS (Secure Microcontroller Solutions) business in September 2010 was the first to bring complementary technologies to the Company's secure microcontrollers operations, including in certified environments, reinforcing the Company's knowledge and expertise in security. In September 2016, the semiconductor activities of Atmel's SMS were sold to WISeKey cybersecurity specialist as part of Company's strategic transformation.

[1] Source: Security and Privacy Challenges in the Internet of Things, Christoph P. Mayer, 2009.

- The acquisition of Authentec’s Embedded Security Solutions (ESS) division in December 2012 enabled Inside Secure to acquire further expertise while broadening its intellectual property, software and services portfolio by relying not only on a secure element, but also by enhancing the security of the application processor (or “host processor”).

- In April 2014, the acquisition of Metaforic, a company specialized in the development of software obfuscation technologies and encryption-related security software for a variety of industries, expands the portfolio of solutions of Inside Secure’s Mobile Security division.

As a result, Inside Secure believes it owns a comprehensive range of embedded security products in these markets. Please also refer to section 5.2 “*Investments*”, and note 5 of the Group’s Notes to the Consolidated Financial Statements included in section 20.1 “*Historical Financial Information*” of this Registration Document.

6.2 Main markets

6.2.1 Overview

The substantial growth in the global market for mobile devices, including smartphones, tablets, and handheld computing devices and their uses, and increased popularity in mobile applications create a tremendous opportunity for Inside Secure. Analysts have predicted there will be 200 billion connected devices in the world by 2020, each needing to be secure. This is the revolution of the Internet of Things. All of these devices and applications will require security to protect the mobile transactions they complete and the content they host. This relates to the development of streaming technologies, which revolutionizes the way consumers can access audio and video content, use mobile financial services, make mobile payments, or connect their everyday appliances.

Inside Secure is developing products and technologies to address all those markets

6.2.2 Digital Content Protection and Entertainment

In today's complex environment, millions of devices are accessing digital content from the Internet or the Cloud, which brings new threats. This makes content makers (e.g. Hollywood studios) and distributors more susceptible than ever to content theft, jeopardizing precious revenue streams. Inside Secure solutions help protect its customers against pirates by securing the distribution of premium content on any device.

Piracy continues to affect companies from movie studios to book publishers to video game makers. Online piracy accounts for billions of dollars in lost revenue to the movie industry alone in the United States. Content producers are fighting back with anti-piracy measures and fighting for new laws to protect copyright material.

Content protection is being enhanced via solutions that emphasize multi-device usage, the protection of both linear and on-demand content, and the use of content identification for both forensics and new monetization models. This need for robust security implementation on connected devices is strongly increasing. Content providers, content distributors, and video & platform solution providers need best-in-class security solutions to protect the streaming of premium high-value content (e.g. 1080p, 4K/UHD and beyond (High Dynamic Range)) combining software and hardware technology, cost effectiveness with one solution addressing technology fragmentation (OS, DRM, Streaming protocols, devices…).

6.2.3 The Internet of Things

IoT players are looking for security solutions that are easy to use and implement because of limited budgets for IoT security. Certainly, the demand for IoT security products is dependent on IoT market adoption, but significant needs are already here for many vertical applications and government requirements.

Today, multiple security technologies can efficiently reinforce devices or applications, mitigating security concerns.

Howevever integrated software security is the most critical consideration for the future of IoT. Being proactive about building security into a solution at an early stage of the design process is critical for the success of IoT.

6.2.4 Mobile Payment

The proliferation of mobile devices is an enormous opportunity for financial services to connect more closely to their customers. Banks have recognized this opportunity and are partnering with their customers to give them greater access and control over their transactions.

Major credit card providers have developed certification programs to ensure their services can be fully trusted and that a standardized ecosystem is the norm. Now it’s necessary that mobile payment partners are fully compliant with global security standards.

The challenge today for credit card providers is to decide which channel (or channels) should be used to reach customers: either third-party wallets such as ApplePay and Samsung Pay or their own Issuer Wallet.

The channel(s) will depend on what the issuer wants to achieve. For many banks this will result in a multi-channel strategy, mixing third-party wallets (OEM “Pays”: ApplePay, SamsungPay, AndroidPay etc) with their own HCE (Host Card Emulation)-based payment solution, each channel providing a different value proposition.

Today , the future for mobile payment services is clear - before most of the sector had been focusing on contactless payments; now, Visa and MasterCard are now developing new standards for mobile payments.

These new standards allow the same token services (VTS & MDES) to be used for payments made within mobile merchant apps, online services and even non-mobile online payments. The principle is simple: a seamless method for online payments on a mobile device and at physical point of sale (POS).

Inside Secure technology and product can be integrated and are playing a critical role at the heart of those mobile payments solutions.

6.2.5 Mobile Banking & Financial Services

On top of mobile payment solutions, mobile banking and financial services allow users to store money in mobile wallets and transfer funds. In addition there are new sophisticated services including micro-credit, insurance, and savings initiatives.

Security remains the top concern for consumers who are thinking about banking or making financial transactions on their mobile devices.

Risk teams in any financial institution need to understand and manage the real risks of tampering with mobile devices and then do a good job of reassuring consumers that their devices are secure. Unless the software managing processes and authentication on mobile devices are able to operate regardless of the device state, Jailbreaking or Rooting and other Operating System and App vulnerabilities will allow illicit access to apparently secure Apps and Data. This must be solved.

Traditional IT protection tools have been promoted for mobile platforms but have real risks: Anti-malware, anti-virus are notoriously difficult to manage, even when an enterprise owns the device. Users themselves own all access to their own devices and so have to cooperate to make it work

The only constant on which financial services can rely is the software application it creates and maintains. Inside Secure's solution makes mobile applications self-defending.

6.2.6 Mobile Application Security

Mobile applications are fast becoming the preferred method for people and enterprises to gain access to critical services. It is also a key personal management tool for the Internet of Things (IoT). This means that sensitive personal and business information can be improperly accessed, stored and managed on a growing range of devices. Inside Secure provides advanced development tools so mobile app developers can effectively protect their applications.

Research suggests that as many as half of mobile app users do not take any steps to protect their devices, even when aware of the risks, and so-called operating system defenses are easily broken down.

Application markets linked to the future adoption and growth of the management Internet of Things that are at risk include:
- Mobile Health
- Mobile Enterprise & BYOD (bring your own device)
- Automotive Management and Security
- Mobile ID and Government systems
- Home Automation and Security
- IoT devices and networks

Application developers should assume that their applications will be running on devices that have been - or will be - compromised and make sure applications can protect themselves.

Contrary to popular understanding, afterthought solutions to protect Apps, such as wrappers, malware detection and root detection do not work in these highly-varied mobile platforms and are impossible to apply to embedded IoT devices. There are several reasons for this:

1. Such detections work on a blacklist model - they search for known problems. This makes it an arms race and one the hackers are winning simply by using unknown and unanticipated techniques.
2. Users react badly to applications forcing restrictions on how they can use their phone - some users legitimately want to "root" their phone, others do not want to be made to install anti-virus software.
3. Technology developed for server or desktop networks and applications is rarely transferable to highly open devices like smartphones or to restricted instances such as IoT devices.

Inside Secure delivers integrity check system, obfuscation, whiteBox combining these techniques into a comprehensive package of a Software Secure Element (SSE) that has been deployed in more than 400 million mobile applications to secure Mobile Financial, Entertainment and Mobile Payments services.

6.2.7 Network Security

Protecting against increasingly sophisticated attacks, government, enterprise and carriers need a full range of advanced security tools that are complex to manage and deploy. Due to limited budget and shortage of cyber-security experts, they are more and more looking at centralized cloud deployment for example using Security as a Service (SECaaS).

Protecting laptops, smartphones, tablets and connected devices from malwares and cyberattacks, all traffic should be forced through a security cloud using a secure connection such as VPN technology (e.g. IPsec).

Network security vendors need to find the right solutions to better secure and protect private data between connected devices, servers, datacenters and virtual machines on cloud servers. They expect robust technologies to avoid regularly patching security vulnerability. They also need high scalability to cope with growing traffic needs.

6.2.8 Semiconductor IP

Security challenges and threats continue to make headlines in our connected world. Everything connected - cars, lighting systems, smartwatches, white goods, home security devices, medical equipment, airplanes, industrial automation systems… - are vulnerable to cyber security attacks.

With frequent headlines on cyber security attacks, semiconductor makers, ASIC providers are serious about security, making smart decisions that lead to an optimal balance between security, cost and performance.

Solutions need to specifically crafted for SoCs or ASICs, for the types of threats that the connected devices will be exposed to. To secure these devices, designers need a comprehensive security IP framework that provides the right level of security with the right functions in these devices.

6.3 Technologies and products

Inside Secure differentiates itself from its competitors through its ability to address security challenges by developing comprehensive software and intellectual property ("IP") components.

Products and Technologies are grouped into 4 categories:
- Application Protection
- Content Protection
- Silicon IP
- Secure Data and Communication

6.3.1 Application Protection Technologies and Products

6.3.1.1 Software Protection

Inside Secure's products enable software developers to automatically protect their Applications & Data so that deployed instances are self-defending from the moment they are released; protected from subversion, theft, tampering, or other corruption.

Core

Core provides powerful automated software application protection tools applicable across Mobile, IoT, Desktop and Server platforms. Core enables all software developers to automatically protect their programs ensuring that deployed Apps can defend themselves from hackers, pirates, targeted malware, Insider betrayal and even hardware errors.

Whitebox

With legacy software crypto methods, it is difficult to keep cryptographic keys private because the hacker can easily analyse the software to find the secrets. This is compounded with the trend to running secure software on open platforms - these environments should always be considered as compromised - from the moment they are first switched on.

WhiteBox cryptography dissolves keys into the code and obscures algorithms, including at runtime. This keeps keys safe even when an attacker has complete access to the device on which the cryptographic functions are executing.

6.3.1.2 Mobile Payment

Inside Secure's Payment Scheme certified and approved mobile payment products use the same Security Tools to ensure that Banks and other Card Issuers can rapidly deploy secure, innovative and attractive solutions to their customers.

URPay

URPay is a multi-scheme Software Development Kit (SDK) supporting both Visa and MasterCard simultaneously in a single code-base (with options to support other schemes). It has been proven globally in the field, including at the first ever-commercial HCE Payment App deployment in the United States.

URPay provides Mobile Payment functionality based on Host Card Emulation (HCE) and implements the leading payment brand standards in a highly secure environment. The SDK includes payment scheme logic and transaction data flows in compliance with the payment schemes' standards reducing development time and minimising ongoing testing costs. URPay is pre-integrated with the Visa Token Service (VTS) and the MasterCard Digital Enablement Service (MDES).

WalletServer & URWallet

WalletServer provides the link between an Issuer Bank's mobile applications and the services it enables. Pre-integrated with Visa's VTS and MasterCard's MDES, the Wallet Server allows Issuers to connect their mobile payment applications to the payment scheme tokenisation services in a straightforward and secure way.

URWallet supports Visa and MasterCard (VTS & MDES) as standard and integrated directly with WalletServer to deliver rapid time to market and minimal development requirements.

6.3.2 Content Protection

6.3.2.1 Downloadable solutions for Secure Playback

Inside Secure provides SAFE downloadable solutions as the necessary tools from server to mobile, allowing content owners and providers to safely distribute (Over-The-Top) OTT premium content.

Multi-DRM (Digital Right Management) and multiple protocols are supported, with a wide range of player features: the SAFE downloadable series cover server encryption only or DRM integration, and mobile DRM decryption to full player protected features.

SAFEplayer

SAFEplayer is a robust client-side multimedia player solution that enables multi-DRM protected content playback and monetization on Apple iOS and tvOS, Google Android devices and Amazon FireOS. This client's security robustness has been approved by all major Hollywood studios and is used by more than 100 million people daily. A simple and common API across platforms allows the fast development of premium video applications.

By implementing the most popular DRM schemes (Microsoft PlayReady, Google Widevine and Verimatrix ViewRight) and by wrapping the entire code and data with the most robust software protection solution on the market, DRM Fusion downloadable agent guarantees security for content owners granting rights to their content for up to 1080p resolution.

SAFEserver

As an end-to-end DRM solution, DRM Fusion Server can create live and on-demand services for any platform, including TV, PC, tablet and mobile. With DRM Fusion Server, the entire DRM process is enabled: from content protection, rights creation, rights and condition management to license generation and delivery. Licensed content can then be delivered over any IP network, fixed and mobile devices, with client-side DRM capabilities.

Inside Secure DRM Fusion Server has built-in support for the more advanced capabilities provided by Windows Media DRM 10, such as direct license delivery to portable devices and license chaining for subscription services. Additionally, it supports all of the DRM features provided by Microsoft PlayReady and Google Widevine DRM specifications and therefore interoperates with the most widely adopted and currently available base of DRM clients.

DRM Fusion Server is equipped with components that extend server-side DRM agnostic functionality (so no proprietary DRM clients are required). It enables intelligent rights management through an advanced rights template manager that dynamically applies rights and conditions to digital media content.

6.3.2.2 Embedded solutions for Secure Playback

Inside Secure provides the components required by MovieLabs (MovieLabs is a non-profit research and development joint venture started by the six major motion picture studios Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLLP, Walt Disney Pictures and Television, and Warner Bros. Entertainment, Inc.) for the delivery of up to 4K content on Set-Top-Boxes (STB), SmartTVs or mobile devices to manufacturers who are looking for an embedded DRM solution.

SAFEwrapper DTCP-IP

Digital transmission content protection–Internet protocol (DTCP-IP) is a standard which provides a framework for the protection of Internet-based premium content - HD movies, pay-per-view television or music - on home and personal networks including devices such PCs, tables, smartphones and gaming devices.

SAFEwrapper HDCP

High-bandwidth Digital Content Protection (HDCP) is a method of protecting digital entertainment content such as high-definition movies, pay-per-view television or music on home and personal networks including devices such as PCs, tablets, smartphones and gaming devices.

6.3.3 Silicon IP

Inside Secure is providing a very large and-proven security IP blocks portfolio for next-generation system-on-a-chip (SoC) and application specific integrated circuit (ASIC) designs for High Speed Networking, Internet of Things, Datacenters and Content Protection, evolving later to fully-featured embedded secure element, delivering quick time-to-market while reducing design cost.

6.3.3.1 Packet Engines for IPSec, TLS & SSL

Unlike simple crypto-only accelerators, intelligent packet engines contain complete protocol knowledge, delivering the benefits of throughput acceleration and CPU offload. Vault Intelligent Packet Engine IP offers acceleration of IPsec, MACsec, SSL/TLS/DTLS, sRTP and basic hash-crypto operations at target speeds ranging from 100Mbps to 50Gbps and beyond, in architectures ranging from the traditional look-aside engines to the more sophisticated, powerful inline packet engines.

6.3.3.2 Packet Engines for MACsec

A complete solution comprising of a family of Vault MACsec Security IP and a MACsec software toolkit targeting IP phones, switches, bridges, and routers for Layer 2 LAN and Metro Ethernet communications. Build Ethernet switch fabrics and PHY devices using Vault MACsec IP engines to reach speeds from 1 Gbps, 10Gbps, 100Gbps, 400 Gbps and beyond. The IP provides a complete and standard compliant MACsec solution, which ensures auditable compliance while reducing development cost and time to market.

6.3.3.3 Vault-IP Platform Security Solutions

Vault-IP is an IP ecosystem protecting the SoC platform, its identity and operation, so it can securely boot and protect sensitive key material and assets. It provides secure, energy efficient accelerated security functions. Vault-IP has cryptographic and security functions on board to build trusted solutions; it includes a rich set of cryptographic services that are executed independently from the general-purpose computing resources, evolving later to fully-featured embedded secure element.

6.3.3.4 Complex Cryptographic Accelerators

Inside Secure’s cryptographic algorithm accelerator IP cores are standalone hardware IP cores for accelerating various symmetric, asymmetric ciphers, HASH and HMAC-based integrity algorithms, as well as true random number generators (TRNG). Vault IP cryptographic engines can be used for accelerating applications for storage, LTE, PKI/PKA infrastructure, HDCP.

6.3.3.5 Hash and HMAC Accelerators

Inside Secure’s Hash and HMAC accelerator IP cores are standalone hardware IP cores for accelerating various HASH and HMAC-based integrity algorithms. These cores are also embedded in packet engines as well as Vault-IP products.

6.3.3.6 Cipher Accelerators

Inside Secure’s cipher accelerator IP cores are standalone hardware IP cores for accelerating various symmetric and asymmetric cryptographic primitive algorithms. These cores are also embedded in packet engines as well as Vault-IP products.

6.3.4 Secure Communication Toolkits

Secure communication is a critical component of overall security. It protects privacy and confidential data by ensuring confidentiality and integrity of the communication. It also provides sender authentication that ensures that traffic is coming from a trusted peer, automatically discarding malicious data.

Inside Secure product offering includes:

6.3.4.1 Secure Communication Toolkits

MACsec Toolkit enables developers to quickly add complete MACsec support in new and existing products such as switches, routers or hosts.

TLS (previously MatrixSSL) is a modular implementation of TLS and DTLS ideally suited for IoT usage due to its minimum memory footprint

IPsec Toolkit (previously QuickSec) is a complete software stack to build scalable IPsec VPN gateway or robust IPsec Client.

6.3.4.2 Embedded IOT Security Framework

Inside Secure's embedded IoT security framework is a modular solution allowing IoT device and platform makers to deploy the security they need. Applications may choose FIPS140-2-certified, cryptography, hardware-based security or standard cryptography, depending on their needs. A rich set of security protocols (TLS, DTLS, SSH, IPsec) are available for IoT devices and the IoT Cloud.

FIPS Security Toolkit provides the professional tools needed to secure devices and applications. It allows deployment of high security consistently across platforms without re-designing the security architecture or modifying every application.

6.3.4.3 Mobile Device Security

Helped by a growing set of hacking tools, criminals are targeting mobile devices more than ever to access valuable data, threatening user privacy and confidential information. Common vectors of attack are on another computer using the same Wi-Fi, a compromised wireless router, or a rogue access point.

To protect against malware injection or data theft, mobile devices should systematically use a VPN when on untrusted Wi-Fi. Our solutions rely on FIPS140-2-validated cryptography to protect the data through device encryption and IPsec VPN.

VPN Client (previously QuickSec® VPN Client) provides Android devices with a highly secure IPsec connection. Developed and maintained by security experts, it is widely used by customers to meet the demanding requirements of enterprises and operators.

DAR (previously MatrixDAR) is a high performance, FIPS 140-2-certified encryption solution that protects data-at-rest (DAR) in today's Android smartphones and tablets.

6.4 Customers

Inside Secure is serving markets such as: network security; IoT security; content & application protection; and mobile payment & banking. Inside Secure's technology protects solutions for a broad range of customers including service providers, content distributors, security system integrators, device vendors and semiconductor manufacturers.

As such, the Group offers:

- Embedded software to developers of operating systems or applications and service providers, content distributors, security system integrators or device vendors
- Silicon IP components to semiconductor platform manufacturers or to Original Equipment Manufacturers (OEMs) developing their own application-specific integrated circuits (ASICs), and

Broadcom, Capital One, Chase, Disney, DirectTV, HBO, Intel, LG, MasterCard , Mediatek, Samsung, Orange, Sky, Texas Instruments, Toshiba, Visa are among the Group's customers and partners.

It should be noted that the above list is not exhaustive, as some of Inside Secure's customers require a high level of confidentiality regarding the nature of their contractual relationships with the Group, which plays a necessary role in their strategy to develop security solutions.

6.5 Competition

The Group operates in a fragmented competitive environment:

- In the embedded software market, the Group competes with a greater number of companies because the barrier to entry for software security is seemingly less stringent and the market is more recent. Nonetheless, due to the fact that mobile security is a systems issue based on understanding the complex combination of hardware, software, and IP blocks, the Group believes is benefits from a competitive advantage in this market,

- In the IP blocks market, very few companies offer IP security products with high certification levels. Relying on its expertise and technology, the Group plans to contribute to the definition of future standards in mobile security, of new mobile security architectures and of new security certification schemes, and

On the markets to which it targets its software and intellectual property, the Group competes with companies such as ARM, Rambus, Irdeto, or Arxan.

6.6 Organizational structure

6.6.1 Research and development

Innovation has always been at the heart of Inside Secure's strategy, and the Group has for long implemented a policy and currently own a portfolio of over 600 patents and patent requests split up into over 150 patent families (please also refer to Chapter 11 of the Registration Document for further information).

Inside Secure is developing its own products and technologies. The group doesn't not rely on any third party for critical security technologies except for its content protection (Digital Right Management) product, some software components Verimatrix ViewRight, Microsoft PlayReady Porting Kit and Google WideVine CDM SDK.

6.6.2 Manufacturing

In two phases, Inside Secure exited from semiconductor and do no longer owns manufacturing operations.

In June 2015, Inside Secure transfered its French-based semiconductor operations activities and its worldwide supply-chain management to Presto Engineering, which specializes in delivering such services.

In September 2016, Inside Secure transfered its semiconductor products, technology, customer agreements, certain patents, as well as a complete team (R&D, sales, marketing, and support) to Swiss cybersecurity expert WISeKey.

Inside Secure now operates as a pure play software and technology licensing company which designs its own products

6.6.3 Sales and marketing

The Group focuses its sales efforts on winning an increasing number of projects of service providers, content distributors, security system integrators, device vendors and semiconductor manufacturers requiring integrated security features integrating one of Inside Secure's software and/or Silicon IP blocks.

Furthermore, the Group relies on marketing initiatives in order to directly convince its customers' customers, of the relevance of its products. These companies are addressing network security, IoT security, content & application protection, mobile payment & banking and the Group promote the benefits of its security solutions and technology.

The Group's marketing strategy is defined per business segment. The marketing team defines product strategy and manages the product portfolio, new product introduction processes, product development roadmap, market demand studies and competition analysis. It is also responsible for new product launches and marketing programs are coordinated with sales and development activities.

The Group supplies its key customers through direct distribution channels and also works with partners (such as agents and distributors) in order to supply the entire value chain of its target markets.

Inside Secure's customer base includes a broad range of companies from start-ups to larger international groups, as well as small and medium-sized companies. In order to provide its customers with the best possible support, Inside Secure has developed a worldwide presence with sales forces organized regionally throughout the globe, in three main areas: Europe/South America, North America, and Asia. This sales structure also includes local technical support teams for its customers. Located near its customers, these teams are responsible for advising customers during the development, manufacturing, and launch phases of their products.

As of December 31, 2016, the Group had a direct sales team comprised of 12 people (excluding the technical support functions and marketing teams assigned to each segment).

The communications division of the Group is centralized and is responsible for all company-related communications. Financial communications are managed independently.

6.7 Geographic distribution

The registered offices of the Company and the main executive offices of the Group are located in Meyreuil near Aix-en-Provence in France. This location accommodates a portion of the management, marketing and communication, financial, and administrative activities.

The Group is global and has also established a presence in other European countries (Scotland, the Netherlands, Finland), in Asia, and in North America.

6.8 Regulations applicable to the Group's cryptology business

The Group offers cryptology solutions and services, which is a regulated business activity insofar as it is linked to national security.

Cryptology is a science comprised of two fields of expertise:

- cryptography, which allows us to protect messages, and
- cryptoanalysis, which aims to implement mechanisms that allow to circumvent the protection of these messages without knowing the protection key in order to study its weaknesses.

In France, the legal framework for cryptology is defined in articles 29 *et seq.* of French Law No. 2004-575 dated June 21, 2004 concerning confidence in digital economics. This article draws a distinction between (i) using and disseminating means of cryptology and (ii) providing cryptology services.

The use and dissemination of means of cryptology

Any piece of equipment or software designed or modified to manipulate data, including both information and signals, irrespective of whether any secret agreements apply or of whether it is used to achieve the opposite result, with or without an applicable secret agreement, is considered a means of cryptology. The main purpose of these means of cryptology is to guarantee the security of data storage and transmission, by ensuring their confidentiality, authentication, or by controlling their integrity.

In principle, the use or dissemination of means of cryptology is not restricted, but it can be subject to making a prior declaration to the Prime Minister or to obtaining his prior authorization.

The supply, the transfer from or to a Member State of the European Union or the importing and exporting of means of cryptology used exclusively for authentication or integrity control purposes are not restricted.

The supply, the transfer from a Member State of the European Union, or the importing of a means of cryptology that is not used exclusively for authentication or integrity control purposes are subject to a prior declaration to the Prime Minister. Certain categories of means of cryptology can be exempted from this prior declaration requirement.

The transfer to a Member State of the European Union and the exporting of a means of cryptology that is not used exclusively for authentication or integrity control purposes are subject to the prior authorization of the Prime Minister. Certain categories of means of cryptology can also be subject to the prior declaration requirement or exempted from any formality to give prior notice.

In accordance with French Decree No. 2007-663 dated May 2, 2007, any formalities imposing prior notice requirements are hereby waived for "personalized microprocessor cards intended for general public applications, whenever the cryptographic means are (a) designed for and limited to exclusive use in mobile radio reception equipment intended for the general public or wireless handset equipment intended for the general public or equipment used in banking or financial transactions intended for the general public and (b) cannot be accessed by the user and was specifically designed for and limited to enabling the protection of data stored within".

The use and dissemination, by the Company, of the cryptology necessary for its business are either unrestricted, or exempted from an obligation to make a prior declaration to the Prime Minister, or exempted from the requirement to obtain his prior authorization.

However, certain means of cryptology used or disseminated by the Company do not enter into the scope of application of the exception discussed above, and their use or dissemination is therefore subject to the obligation to make a prior declaration to the Prime Minister, or to the requirement to obtain his prior authorization.

In addition, given the possible differences in construing applicable regulations among European jurisdictions, the prior authorization of the Prime Minister is at times requested by the Company, as a precautionary measure, in order to export some of its cryptology means.

Lastly, the use, dissemination, or exportation of the cryptology means of the Group in accordance with the regulations applicable in countries other than France, but in which the Group conducts its business activities or sells its products, could be subject to a prior authorization.

The provision of cryptology services

According to the aforementioned law for confidence in digital economics, and barring any potential exceptions, the provision of cryptology services is also subject to the obligation of making a prior declaration to the Prime Minister or to the requirement to obtain his prior authorization. The persons exercising these duties are subject to professional secrecy. In addition, they will be considered liable in the event of a breach of the integrity, the confidentiality, or the availability of data, notwithstanding any opposing contractual clause.

Insofar as French Decree No. 2007-663 dated May 2, 2007 exempts from the prior declaration or prior authorization requirement the provision of microprocessor card type cryptology services, as defined above, the provision by the Company of cryptology services necessary for the operation of its business is therefore also not, in principle, subject to the obligation to make a prior declaration to the Prime Minister, or to the requirement to obtain his prior authorization.

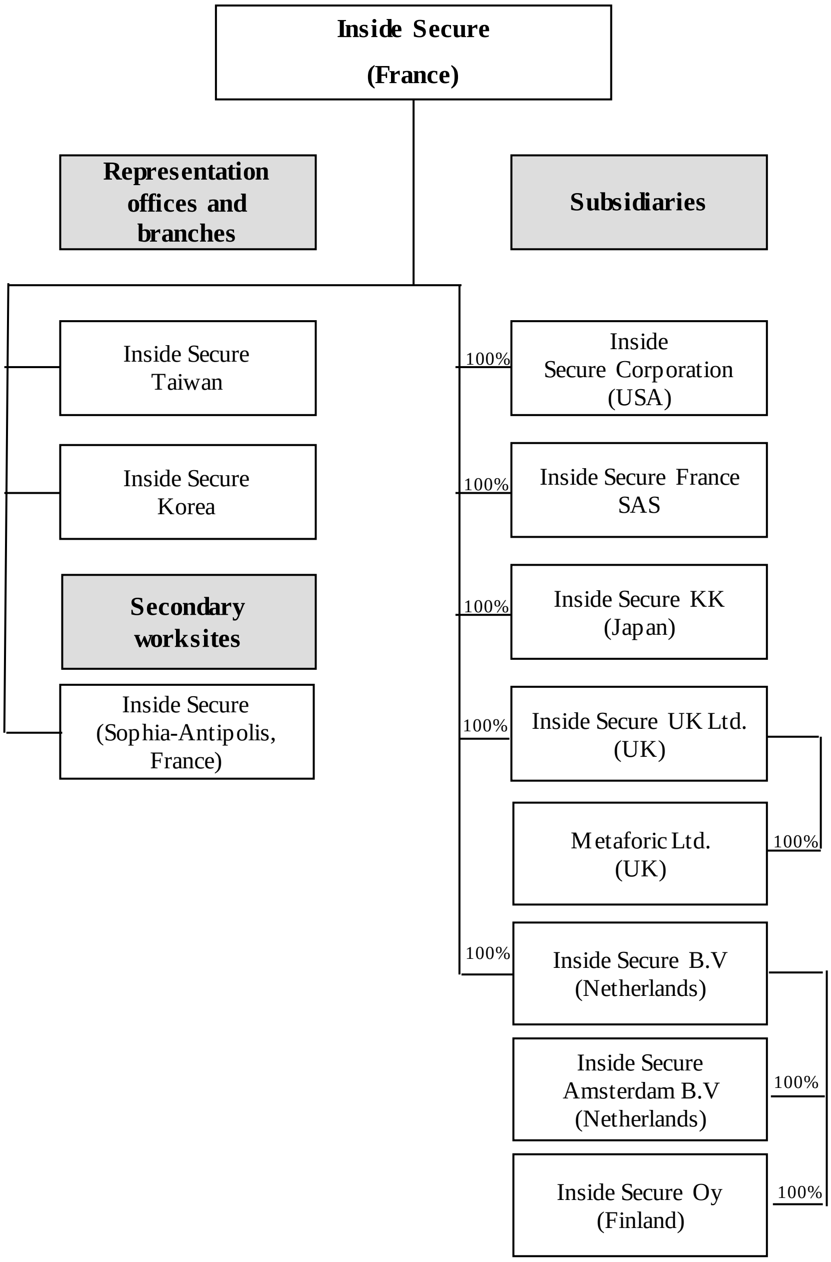
6.9 Degree of the issuer’s dependence on patents or licenses, industrial, sales, or financial contracts or new manufacturing methods

In accordance with the terms of Article 6.4 of Appendix I of the European Regulations, the Group states that, consistent with its technological choices, it signed some licenses for, in particular, patents or other intellectual property rights, the most significant of which are described in section 11.2 of this Registration Document.

7. ORGANIZATIONAL CHART

7.1 Overview of the Group

As of the date of this Registration Document, the legal structure of the Company and its subsidiaries (jointly referred to as the "Group") can be broken down as follows:



Inside Secure is the parent company of the Group and its main operating company. It holds a majority of the Group's assets (and, in particular, patents and technologies, customer contracts, and most of its cash) and manages most of the operating cash flows derived from its business activities (including billing its customers, which the Group handles almost exclusively). Essentially, its subsidiaries are support companies that invoice their services back to the parent Company (or, as the case may be, sister companies).

The Group companies' main equity interests can be summarized as follows (in thousands of US Dollars and in accordance with IFRS):

As at December 31, 2016	Inside Secure UK Ltd.	Subsidiaries "ESS" (*)	Metaforic UK Ltd.	Other subsidiaries	Inside Secure	Total
(in thousands of US$)						
Fixed assets	147	65	2,538	38	5,270	**8,058**
Cash and cash equivalents	386	575	1,226	522	24,372	**27,081**
Inventories	-	-	-	-	65	**65**
Intangible liabilities	-	-	-	-	-	-
Trade and other payables	574	1,189	950	1,203	7,609	**11,524**

(*) Inside Secure B.V., Inside Secure Amsterdam B.V. and Inside Secure Oy

The Group's business activities are described in Chapter 6 "*Business*" of this Registration Document and the Group companies' business activities are described below in section 7.2 below.

7.2 Business of subsidiaries and of branches and represention offices

7.2.1 Subsidiaries

As of December 31, 2016, the Company held an equity interest in the following subsidiaries:

- Inside Secure Corporation (San Jose, California, United States) is a subsidiary in which the Company holds a 100% equity stake. Its main business activity is sales development and technical support. The subsidiary had 13 employees on staff.
- Inside Secure UK Ltd. (London, United Kingdom, previously Vault-IC UK Ltd.) is a subsidiary in which the Company holds a 100% equity stake. Its main business activities, which are carried out at its only worksite in Glasgow (Scotland), are research and product development. The subsidiary had 19 employees on staff.
- Inside Secure B.V. (Vught, The Netherlands) is a subsidiary in which the Company holds a 100% equity stake. Its main business activities are research and development and the marketing of intellectual property blocks intended for the design of security processors. The Company acquired this subsidiary in the context of the acquisition of the ESS business on December 1, 2012. The subsidiary had 27 employees on staff.
- Inside Secure Amsterdam B.V. (Amsterdam, The Netherlands) is a subsidiary in which Inside Secure B.V. holds a 100% equity stake. Its main business activities are research and development and software marketing. The subsidiary has 10 employees on staff.
- Inside Secure Oy (Helsinki, Finland) is a subsidiary in which Inside Secure B.V. holds a 100% equity stake. Its main business activities are research and development and software marketing. The subsidiary had 28 employees on staff.
- Inside Secure K.K (Tokyo, Japan) is a subsidiary in which the Company holds a 100% equity stake. The Company created it following its acquisition of the ESS business. Its main business activities are sales development and technical support. The subsidiary had 4 employees on staff.
- Inside Secure France SAS (Aix-en-Provence, France) is a subsidiary in which the Company holds a 100% equity stake. The Company created this subsidiary in December 2012. It is not yet commercially active and did not have any employees on staff.
- Metaforic Ltd (Glasgow, United Kingdom) is a subsidiary in which Inside Secure UK Ltd. holds a 100% equity stake. This subsidiary was acquired on April 5, 2014. Its main business activities are research and development, marketing, and software sales. The subsidiary had 12 employees on staff.

7.2.2 Secondary worksite

- Inside Secure S.A. (Vallauris, France) is one of the Company's secondary worksites. Its main business activity is research and development. As of December 31, 2016, this secondary worksite had 8 employees on staff.

7.2.3 Branches and representation offices

The Group also operates via branches and representation offices whenever the size of the teams and the business conducted locally do not justify the creation of a dedicated legal entity.

- Inside Secure Taiwan (Taipei, Taiwan) is a branch of the Company. Its main business activities are sales development and technical support.
- Inside Secure Korea (Seoul, South Korea) is a branch of the Company. Its main business activities are sales development and technical support.

7.2.4 Changes in scope of consolidation from 2016 to the date of this Registration Document

On September 20, 2016, the Company sold all of its equity in its subsidiaries Vault-IC France SAS and Inside Secure Asia Pte. Ltd (Singapore) in the context of the sale of its semiconductor business to WISeKey.

As part of its effort to simplify the Group's organization and structure:

- Metaforic Inc. (United States), which was dormant, was dissolved in December 2016, and
- the assets and staff of Metaforic Ltd. (Scotland) were transfered to Inside Secure UK Ltd. as of March 1, 2017 and its technology and patents were sold to Inside Secure S.A. Metaforic Ltd. (Scotland), which is now a dormant business, will be dissolved in 2017.

8. PROPERTY, PLANTS AND EQUIPMENT

8.1 Real estate property

The Group does not own any buildings.

Generally, the Group leases office space it uses (including the Company's registered offices).

8.2 Corporate social responsibility

The purpose of the Inside Secure group's report on labor and environmental responsibility (*responsabilité sociale et environnementale*, or "RSE") is to ensure that it fulfills its legal and regulatory obligations in connection with the French "Grenelle II" Law and its application decree. The information presented in this report, which, in addition to this chapter, can also be found in Chapter 17 of the Registration Document, was prepared consistently with the nature of the Group's business activities and with the labor, environmental, and local community impacts related thereto. As such, they may not cover all of the points covered under the Grenelle II Law's application decree, and instead limit itself to information deemed relevant. A table comparing these regulatory points with the Group's corporate communication can be found in section 8.2.4 hereafter. The quantitative indicators mentioned therein pertain to either the entire global scope of consolidation or the European entities (84% of employees). Any exclusion from the scope is systematically indicated.

Inside Secure appointed an independent third party service for the verification of this information. The independent third party's report will be presented in the management report after the Company's Management Board and Supervisory Board have approved the latter report.

8.2.1 Labor-related Information

Labor-related information can be found in section 17.1 of this Registration Document.

8.2.2 Environmental Information

8.2.2.1 General policy with respect to the environment

Conscious of current environmental challenges and of its social responsibilities, Inside Secure seeks to ensure that its business activities follow the principles of sustainable development, whether directly or via its commercial partners. As such, Inside Secure aims to find common ground between its economic and social growth objectives on the one hand and its efforts to respect the environment by limiting, in particular, the harmful impact it may have on the environment and by managing its natural resources in a rational way.

Since the Group does not carry out any manufacturing activities in its offices (it is a software development business and, until it sold its semiconductor business in September 2016, was built around a fabless model), it is not exposed to any significant direct risks of environmental harm. The Group's quality control department is responsible for the management system that handles environmental matters. An awareness program on environmental protection was organized in fiscal year 2012 for employees based in France. It was since never renewed, because the Company's business activities did not quite justify it.

There are no provisions or guarantees made to cover risks associated with the environment.

During the fiscal year, the Group did not award any compensation as a result of a court decision on an environmental matter.

Prior to selling its semiconductor business to WISekey in September 2016, the Group was required to comply with the RoHS and WEEE directives, as well as with the European Regulation known as "REACH." Due to the disposal of this business, the Group is now only required to comply with the WEEE directive.

The Group's business activity is subject to the RoHS directive (*Restriction of the use of certain hazardous substances in electrical and electronic equipment*) (2002/95/EC), the purpose of which is to restrict the use of six substances harmful to human health and the environment that may be present in the chemical composition of electric or electronic equipment, namely four heavy metals (Hg, Pb, Cd and CrVI) and two flame retardants (PBB and PBDE). Although the Group did not manufacture its own products, the Group ensured, to the extent possible, that its suppliers and subcontractors complied with this directive. In this context, all of the Group's subcontractors provided their RoHS reports on the products they delivered.

REACH (*Registration, Evaluation, Authorization and restriction of Chemicals*) is a French regulation (CE No. 1907/2006) allowing for the identification through registration and gradual elimination of the most hazardous chemical substances (the substance itself, or in mixtures and products). Its mission is to develop a better understanding of the uses of chemical substances produced or imported into the European Union and to control the risks associated with their use. Under REACH, the Group imported and introduced "articles" to the market that contain certain substances not intended to be discarded under normal or reasonably predictable conditions and, conversely, does not market any "substance", or "mixture", within the meaning of the REACH regulations. The Group was therefore exempt from the applicable filing requirements. REACH regulations also require the disclosure of information to customers in the event that SVHCs (*Substances of Very High Concern*) are found in an article in concentrations higher than 0.1% of their mass. To fulfill its obligations, the Group regularly checked the SVHC candidate list updated by the European Chemicals Agency (ECHA) and took all necessary measures to confirm the compliance of its suppliers in order to ensure that the products it introduced to the market did not contain such substances in concentrations higher than the set level. The Group also verified the SVHC list as included in Appendix XIV of REACH in order to ensure that the Group's products were not exposed to the risk of being banned from the market.

8.2.2.2 Pollution and waste management

Since its business activities are mainly conducted within the tertiary sector, the Group has not taken specific measures to prevent, reduce or remedy any waste released in the air, water or on land that could significantly harm the environment.

The Waste Electrical and Electronic Equipment Directive ("WEEE") (2002/96/CE) allows for manufacturers to organize and finance the collection, processing, and valuation of their products at end-of-life. In order to avoid any related risk of pollution, all of this waste is removed and processed by a specialized third party company.

A procedure was put in place within the Company aimed at the disposal and processing of the following waste: wafers, electrical and electronic equipment, power cells and batteries, toner and ink cartridges and paper. The processing can take the form of materials recycling, energy recovery, or other methods of waste management.

In 2016, the Group produced and ordered the processing of the following quantities of waste:

a) French worksites

- Electric and electronic equipment [(1)]	0 kg*
- Lead-based and other batteries	0 kg*
- Toner and ink cartridges	0 kg*
- Paper	930 kg

(* Since the amount of waste generated in 2016 was negligible, these items were stored and will be processed in 2017).

b) Scottish worksites

- Electric and electronic equipment (including batteries, wafers…)	1,421 kg
- Paper	1,321 kg

c) Dutch worksites

- Paper	1,466 kg
- Other municipal solid waste (MSW)	3,509 kg

d) Finnish worksite

- Electric and electronic equipment	580 kg

In addition, the Vught and Amsterdam worksites also manufacture and dispose of electric and electronic equipment, as well as lead-based and other batteries. However, they do not keep precise records of the quantities processed/recycled.

Similarly, the Helsinki worksite (Finland) manufactures and orders the processing of its waste without keeping precise weight records of the quantities of lead-based batteries and paper it recycles.

Information concerning the processing of its Scottish, Dutch, and Finnish worksites' toner and ink cartridges is not available.

Due to the nature of its business activities, the Group does not generate any significant amount of noise pollution.

In addition, recent efforts to fight food wasting do not significantly concern the Group based on its size and its business.

8.2.2.3 Sustainable use of resources

In 2016, the Group's electric power consumption in France, Scotland, the Netherlands, and Finland was the following:

- France: 596,404 kWh
- Scotland (East Kilbride and Glasgow worksites): 121,067 kWh
- Netherlands (Vught worksite – data for the Amsterdam worksite not available): 143,600 kWh
- Finland: 63,115 kWh

It should be noted that the sale of the semiconductor business to WiseKey in the 2016 fiscal year allowed for a sizable reduction in the Meyreuil (France) worksite's electric power consumption.

Since 2013, the Group regrouped all of the staff it initially employed in Aix-en-Provence and Rousset under one roof in a building compliant with thermal regulation RT2012 while boasting high-performance energy features.

The upper section of the building favors access to solar energy via photovoltaic sensors. The building's outer protective layer is highly efficient in controlling heat as it ventilates naturally while supported by reinforced air circulation, which enables the building to maintain a comfortable internal temperature even on very hot days.

In particular, the building stands out relative to its primary energy consumption. Indeed, it offers performance gains of 70% relative to the requirements of RT 2012 in terms of the building's maximum conventional primary energy consumption levels (Pec_{max}).

In addition, in an effort to protect the environment, the building is equipped with efficient energy systems:

- counter-flow ventilation system with a rotary heat exchanger in order to optimize energy consumption in the building,
- walls and roof equipped with reinforced thermal isolation,
- heating/cooling via a direct expansion system,
- 57/27 argon-filled double glazed windows (lets in 57% light and only 27% heat),
- the roof allows for photovoltaic solar power production via an installed solar panel power capacity of 99.75 kilowatt-peak.

The impact of the bioclimatic design on the energy performance of the building can be seen through "Bbio" coefficient (*Besoin Bioclimatique*, or Bioclimatic Requirement). The building's needs (heating/cooling, ventilation, lighting) depend on this Bbio figure. The building boasts a 45% gain on the $Bbio_{max}$ threshold required under the terms of RT2012.

Furthermore, in 2016, all of the Scottish staff was transferred to the Glasgow worksite, thereby also limiting energy consumption caused by the operation of two buildings.

Due to the nature of its business, the Group does not cause any signification impact on land use or water consumption and has not taken any specific measures to improve its efficiency in the use of raw materials.

8.2.2.4 Climate change

CO_2 emissions generated from electrical power consumption in 2016 was the following:

- France: 8,946 tons of CO_2
- Ecosse: 49,841 tons of CO_2.
- Pays Bas (Vught): 68,784 tons of CO_2
- Finlande: 14,516 tons of CO_2

Regrouping all the teams in the Aix-en-Provence region under one roof in 2013 and doing the same in Scotland in 2016 has, amongst other things, eliminated employees' frequent automobile commutes.

The Company's travelling policy recommends that employees favor travel by train than by plane for commutes between Marseille and Paris. In addition, and insofar as possible, the Group encourages its employees to use the telephone conferencing solutions available to them in order to limit travel.

However, the Group has not yet conducted any specific analysis to identify the measures it should implement to adapt to the consequences of climate change, as well as other potentially significant areas indirectly causing greenhouse gas emissions, on its business activities.

8.2.2.5 Biodiversity

The Group's various worksites do not carry out the types of activities that could cause direct harm to the biological balance of natural habitats or protected animal and plant species.

8.2.3 Local Community Relations

8.2.3.1 Territorial, economic, and social impact of the Group’s business activities

In France, the Group’s business activities require it to call upon a certain number of subcontractors that can supply it with various products and services (such as consulting services (in particular in relation with product development), front desk personnel, security personnel, cleaning personnel and, until the sale of the semiconductor business in September 2016, design tools and equipment for its laboratory). These subcontractors are mainly located in the vicinity of the Group’s registered office in Meyreuil, France. As such, the Group contributes to the development of indirect local employment that supports its business activities.

8.2.3.2 Relations with persons or entities with an interest in the company’s business activities, in particular social integration associations, education institutions, environmental protection association, consumer associations and local groups

In the Provence-Alpes-Côte-d’Azur region of France, the Group fosters a relationship with several higher education institutions from which it recruits interns and employees. It is also in contact with some regional research laboratories, the work of which is related to its own business activities. In the context of a business model shift toward software development since 2016, the Group does not have a decisive territorial, economic, or social impact on local groups or communities.

8.2.3.3 Subcontracting and suppliers

In an effort to perform at the highest level and to remain competitive, the Company must remain very reactive and flexible. In addition, to grow beyond the limits of its own corporate structure and reinforce these two criteria, the Company can seek external technical assistance. Therefore, as of December 31, 2016, the Group was working with two external service providers retained through calls for tenders. This technical assistance is exercised in France by companies located, for the most part, in the vicinity of the Company’s registered office. For the length of the assignment, the corresponding engineers are integrated into the development teams and work under the supervision of the people responsible for these teams.

8.2.3.4 Loyalty practices

The Company carries out its business activities in compliance with rules of integrity. In November 2012, it implemented a code of ethics and business conduct that defines the principles and values that comprise the fundamental standards of conduct expected of its employees mainly in the following areas:

- Fighting against all forms of discrimination,
- Prohibiting anti-competition practices,
- Prohibiting child labor and forced labor,
- Allowing employees to associate freely and to engage in collective bargaining,
- Preserving the confidentiality of information,
- Protecting the intellectual property of the Group and of others,
- Preventing conflicts of interest,
- Fraud and corruption prevention,
- Money laundering prevention,
- Prohibiting acts of corruption and influence peddling,
- Relationship with shareholders and financial markets.

The Vode of ethics and business conduct was distributed to all employees of the Group in French and English. It is also handed to each new employee of Inside Secure.

In April 2012, at the time of its initial public offering, the Group also distributed an Insider trading policy (*code de déontologie boursière*) to all of its employees. It is also handed to any new employees. The purpose of the insider-trading policy handbook is to provide information to the Group's employees and the people around them regarding their obligations relative to transacting on the stock exchange and preventing the unlawful use or dissemination of privileged information.

Both the Charter of ethics and business conduct and the Insider trading policy were updated in March 2017.

<u>Measures taken to promote the health and safety of consumers</u>

As such, the Group believes that its software development business does not negatively impact the health and safety of consumers. Nonetheless, if necessary, the Group would make sure its suppliers and subcontractors across the globe complied with applicable environmental regulations, as it did when it operated its fabless model-based semiconductor design and commercialization business.

8.2.3.5 Other projects in support of human rights

In agreement with the collective initiative launched by the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), the Company checks that its subcontractors source their supplies in minerals (gold, tungsten, tantalus, and tin) away from the conflict zones of the Democratic Republic of Congo or its associated countries, in which the revenue from these minerals is, in particular, used to finance such local conflicts. To achieve this, the Group asks the various subcontractors in question to produce a written document certifying that the minerals they use in manufacturing their products are not sourced in such conflict zones.

9. REVIEW OF THE COMPANY'S INCOME AND FINANCIAL POSITION

The following presentation and analysis must be read along with the Registration Document as a whole and, in particular, the Group's Consolidated Financial Statements for the fiscal years ended December 31, 2015 and 2016 included in section 20.1 "Historical Financial Information" of the Registration Document.

The Group's Consolidated Financial Statements were prepared in accordance with IFRS (International Financial Reporting Standards) and IFRIC interpretations (International Financial Reporting Interpretations Committee), as adopted by the European Union and mandatory as of December 31, 2016. The Company's Statutory Auditors performed an audit of the Consolidated Financial Statements for the fiscal years ended December 31, 2015 and 2016.

9.1 General presentation of the Group's results

9.1.1 Overview of the Group's business activities

Inside Secure (the "Company") and its subsidiaries (together forming the "Group") design, develop, and sell embedded software and intellectual property components that provide security to transactions, content, and digital identification.

On December 1, 2012, the Group acquired Embedded Security Solutions ("ESS"). ESS designs and develops encryption-related security hardware intellectual property (IP) and software for a variety of industries, including the mobile and networking markets. Its revenues are generated through licenses, royalties, services and maintenance fees. In addition, subsequent to the acquisition of Metaforic on April 5, 2014, the software product line grew larger (see below in this section).

In 2016, Inside Secure disengaged from its historical business of designing and marketing semiconductor products, including through a sale to WISeKey on September 20, 2016, to focus on its software and intellectual property component business.

9.1.2 Preliminary comments on the Group's financial information and results

The Consolidated Financial Statements for the fiscal year ended December 31, 2016 were prepared in accordance with IFRS (International Financial Reporting Standards) and the IFRIC interpretations, as adopted by the European Union. The main accounting methods are described in note 2 of the Notes to the Financial Statements established as of December 31, 2016 and the significant accounting estimates and rulings are presented in note 4 of said Notes.

Presentation currency of the Consolidated Financial Statements

The Group selected the US Dollar as the currency in which to present its Consolidated Financial Statements. The US Dollar is the Company's functional currency, and the currency in which the majority of its transactions are denominated. It is the main currency used for the Group's transactions and within the industry in which the Group operates.

The exchange rates of the US Dollar against the Euro (or "€", or "EUR"), the main currency used by the Group after the US Dollar, are as follows for the 2015 and 2016 fiscal years:

Dollar / Euro	2015	2016
Closing	1.0887	1.0541
Average	1.1096	1.1066

Scope of consolidation

The Group's scope of consolidation is described in note 39 of the Notes to the Group's Consolidated Financial Statements, which can be found in section 20.1 "*Historical Financial Information*" of this Registration Document.

Performance indicators not defined under IFRS

In its business analysis, the Group includes the performance indicators defined below, which are not strictly of accounting nature. These indicators are not aggregates defined under IFRS and do not constitute accounting figures used to measure the Group's financial performance. They must be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of strict accounting nature, such as those presented in the Group's Consolidated Financial Statements and their corresponding notes. The Group currently monitors and intends to keep monitoring these indicators as it considers them relevant in the analysis of its current operating profitability and operating cash flow generation. However, these indicators are not necessarily directly comparable to those of other companies, which may have assigned a different definition or calculation method to indicators with similar names.

Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets 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.

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.

Tables presenting reconciliations between the consolidated income statement figures in this document and the adjusted financial aggregates as defined above are included in note 6 of the Notes to the Group's Consolidated Financial Statements for the 2015 and 2016 fiscal years, presented in section 20.1 "*Historical financial information*" of this Registration Document.

Continuing and discontinued operations

Pursuant to Inside Secure's decision in May 2016 to disengage from its semiconductor business and in accordance with IFRS 5, income and expense items for this discontinued operations are recognized directly in "net income from discontinued operations" and thus excluded from revenue, adjusted gross profit, adjusted operating income, operating income, and EBITDA. Accordingly, results from continuing operations reflect the performance of the software and silicon IP business, the NFC patent licensing program, and corporate costs not 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 year 2015 have been restated in a similar manner to allow comparisons with the corresponding 2016 figures.

9.2 Financial information and consolidated income of the Group

	Adjusted		IFRS	
(in thousands of US$)	**2016**	**2015**	2016	2015
Revenue	**49 944**	**26 920**	49 944	26 920
Gross profit	**44 523**	**24 137**	40 993	14 985
As a % of revenue	***89,1%***	***89,7%***	*82,1%*	*55,7%*
Operating expense	**(33 628)**	**(31 551)**	(38 879)	(33 492)
Operating income from continuing operations	**10 895**	**(7 414)**	2 114	(18 507)
As a % of revenue	***21,8%***	***-27,5%***	*4,2%*	*-68,7%*
Net loss from continuing operations (i)	-	-	(265)	(19 650)
As a % of revenue	-	-	*-0,5%*	*-73,0%*
Net income/(loss) from discontinued operations (ii)	-	-	12 609	(24 933)
Net income/(loss) (i) + (ii)	-	-	12 344	(44 583)
EBITDA from continuing operations	**12 264**	**(6 126)**	-	-
As a % of revenue	***24,6%***	***-22,8%***	-	-

9.2.1 Revenue

(in thousands of US$)	**2016**	**2015**	**2016 vs. 2015**
Licences	6 573	9 906	-34%
Royalties	24 160	12 304	96%
Maintenance, development agreements, and other	5 021	4 364	15%
Total revenue from software and silicon IP	**35 754**	**26 575**	**35%**
Unallocated revenue (*)	14 190	345	-
Total consolidated revenue	**49 944**	**26 920**	**86%**

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

Consolidated revenue for FY2016 was $49,944 thousand, up 86% vs. 2015, explained by the combination of strong software revenue, in particular, royalties and strong, however non-recurring, revenue from the NFC patent portfolio monetization program managed by France Brevets (Sony, Samsung, and HTC).

Revenue from core business (excluding semiconductors and NFC patent licensing) was $35,754 thousand for FY2016, up 35% vs. 2015, driven in particular by strong royalty revenue which almost doubled compared to last year (see above), and robust performance of the content protection business line. Around 70% of these revenues relate to contracts signed prior to 2016 demonstrating the Company’s ability to generate strong recurring revenue.

For the Silicon IP business, on top of its traditional networking for data-centers market, the Company sees traction in the Internet of Things market and scored 8 design wins globally on its VaultIP product and in particular signed in Q4 2016 a comprehensive license with a large semiconductor company for its home automation division.

In the content protection market, traction remains strong with high quality digital contents requiring always more protection, together with an increasing number of devices and file formats to support. In 2016, on top of direct sales, the Company added new reseller agreements and extended existing ones, enabling to generate additional revenue in 2016 and beyond through recurring revenue.

In the application protection market, the Company focuses on providing vertical solutions to secure and enable applications for mobile banking and mobile payments. The Company sees strong traction on these markets in North America, Europe and more recently in Latin America, but sales cycle remain long.

In 2016, Inside Secure's NFC patent revenue totaled $14,190 thousand, driven largely by the license with Samsung in Q2 2016 under the NFC patent licensing program managed by France Brevets.

9.2.2 Adjusted operating income/(loss) and EBITDA

(in thousands of US$)	2016	2015
Revenue	49 944	26 920
Adjusted gross profit	**44 523**	**24 137**
As a % of revenue	*89,1%*	*89,7%*
Research and development expenses	(14 352)	(9 874)
Selling and marketing expenses	(11 152)	(10 516)
General and administrative expenses	(7 757)	(9 655)
Other gains/(losses), net	(367)	(1 505)
Total adjusted operating expense	**(33 628)**	**(31 551)**
Adjusted operating income/(loss) from continuing operations	**10 895**	**(7 414)**
As a % of revenue	*21,8%*	*-27,5%*
EBITDA from continuing operations	**12 264**	**(6 126)**
As a % of revenue	*24,6%*	*-22,8%*

Note: Sums may not equal totals due to rounding.

<u>Adjusted gross profit</u>

In 2016, adjusted gross profit increased by $20,386 thousand to $ 44,523 thousand, as a result of strong growth in core software and silicon IP business and high non-recurring NFC patent licensing revenue.

In particular, the core software and silicon IP business generated a gross profit of $34,701 thosand in 2016, i.e. a gross margin of 97.1% of the revenue, compared with a gross profit of $24,558 in 2015 (92.4% gross margin).

NFC patent licensing business agreements entered into by France Brevets and three handset makers, contributed to the adjusted gross profit for $9,822 thousand in 2016 compared to nil in 2015.

<u>Operating expense</u>

The 6.6% increase in operating expenses from continuing operations in 2016 was primarily driven by:

- The reallocation of certain company's resources from the semiconductor business to the continuing core software and technology license business, mainly research and development personnel (in particular for the silicon IP product line), and
- An increase in sales and marketing expense, including sales commissions, while the company managed to reduce general and administrative expenses.

Inside Secure's second-half 2016 showed the expected benefits of the cost reduction under its restructuring plan, with operating expense going from 18,353 in first-half 2016 down to $15,275 thousand in the second-half.

Adjusted operating income

In 2016, the Company saw a substantial improvement in it its operating profitability, due to the combination of increased revenue and tight management of operating expenses.

Adjusted operating income from continuing operations was $10,895 in 2016: about $1.600 thousand coming from the core software and silicon IP business and the balance coming from the contribution of the non-recurring NFC patent license business, compared with a loss of $7,414 million in 2015, due to lower software revenue and no NFC patent license revenue.

EBITDA

In 2016, EBITDA showed a profit of $12,264 thousand, compared with a loss of $6,126 thousand in 2015, as a result of the adjusted operating profitability, while the depreciation expense remained flat overall.

(in thousands of US$)	2016	2015	2016 vs. 2015
EBITDA from continuing operations	**12 264**	**(6 126)**	**18 390**
Amortization and depreciation of assets (*)	1 369	1 288	81
Adjusted operating income/(loss) from continuing operations	**10 895**	**(7 414)**	**18 309**
Business combinations (**)	(3 818)	(9 714)	5 896
Other non recurring costs (***)	(4 331)	(902)	(3 429)
Share based payments	(632)	(477)	(155)
Operating income/(loss) from continuing operations	**2 114**	**(18 507)**	**20 621**
Finance income/(losses), net	(684)	(808)	124
Income tax expense	(1 695)	(335)	(1 360)
Net income/(loss) from continuing operations (i)	**(265)**	**(19 650)**	**19 385**
Net income/(loss) from discontinued operations (ii)	**12 609**	**(24 933)**	**37 542**
Net income/(loss) (i) + (ii)	**12 344**	**(44 583)**	**56 927**

(*) excluding amortization and depreciation of assets acquired through business combinations. Items without cash impact.

(**) amortization and depreciation of assets acquired through business combinations and acquisition related external expenses. Items without cash impact.

(***) Restructuring expenses

Sums may not equal totals due to rounding.

9.2.3 Operating income from continuing operations (IFRS)

Operating income from continuing operations was $2,114 thousand in 2016, compared with a loss of $18,507 thousand in 2015.

Operating income for 2016 was impacted mainly by:

- The recognition of a $4,3331 thousand net non-recurring charge arising from the company's restructuring;
- Amortization expense (non-cash item) related to assets arising upon the company's acquisitions in recent years (ESS in 2012 and Metaforic in 2014) for $3,818 thousand, showing a strong drop compared to $9,714 thousand in 2015 though the ESS acquired intangible assets which are now almost completely amortized. The Company did not recognize any impairment expense of the goodwill in relation with these two acquired businesses.

9.2.4 Net Financial Income / Expense

Net financial loss was $684 thousand in 2016 vs. a loss of $808 thousand in 2015, primarily due to the impact of the evolution of the EUR / USD exchange rates.

9.2.5 Income Tax Expense

Income tax expense of $1,695 thousand in 2016 consisted primarily of withholding taxes paid when licenses are signed with customers in certain Asian countries.

9.2.6 Net Income (loss)

In 2016, Company generated consolidated net income (IFRS) of $12,344 thousand as a result of:
- Net loss from continuing operations of $265 thousand; and
- Net income from discontinued operations of $12,609 thousand including $17,004 thousand of net profit from the sale of the semiconductor business in September 2016 (including assumption by acquirer of intercompany debts).

As a reminder, consolidated net loss (IFRS) in 2015 was $44,605 thousand million explained by:
- The adjusted operating loss from the continuing business of $19,605 thousand, including a non-cash amortization expense related to intangible assets arising from the Company's recent acquisitions of $9,714 thousand; and
- The net loss from discontinued operations of $24,933 thousand, which included, on top of the operating loss, a non-recurring, non-cash net charge of $2,661 thousand for the impairment of long-term assets related to the semiconductor business; and the recognition of a $6,850 thousand charge in connection with the implementation of a partnership agreement for the outsourcing of the company's engineering and semiconductor supply chain activities to a partner on June 30, 2015.

9.3 Qualitative and quantitative assessment of the market risks the Group faces

For a description of the Group's exposure to exchange rate and interest rate risks, please also refer to note 3 of the Notes to the Consolidated Financial Statements included in section 20.1 "*Historical Financial Information*" of the Registration Document (see also section 4.5 of the Registration Document).

10. CASH AND EQUITY POSITION

10.1 Equity

10.1.1 Equity and share capital

Note 17 of the Notes to the Group's Consolidated Financial Statements and the table presenting the change in consolidated shareholders' equity prepared according to IFRS, included in the financial statements in section 20.1 "*Historical Financial Information*" of this Registration Document, provide a description of the change in the Company's share capital and shareholders' equity in the past three fiscal years, respectively.

10.1.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid securities (mainly monetary securities). Such cash and securities are used to finance the Group's operating activities. As of December 31, 2014, the Group's cash and securities classified as cash were mainly invested in financial instruments with a maturity of less than twelve months.

As of December 31, 2015, the Group's available cash totaled US$16,434 thousand against US$36,315 thousand as of December 31, 2014.

Net cash stood at $12,476 toushand at December 31, 2015, compared with $25,297 thousand at December 31, 2014 and $16,631 thousand at June 30, 2015. Net cash consists of cash on hand, cash equivalents and short-term investments, the net amount of derivatives, less obligations under finance leases, bank overdrafts, bank loans, cash received in return for the assignment of trade receivables under factoring agreements, and any deferred payments due in connection with business combinations. Debts related to the financing of research tax credit claims in relation with non-deconsolidating agreements are not taken into account because they will be extinguished when the research tax credit claims are repaid by the French government.

Reconciliation of net cash with cash in the consolidated financial statements for the same period is as follows:

(in thousand of US$)	December 31, 2015	December 31, 2016
Cash and cash equivalents	**16,434**	**27,081**
+ net amount of derivative financial instruments	(49)	(103)
- debts related to finance lease agreements	(897)	-
- cash received against transfered receivables under the factoring agreement	(3,012)	-
- debts related to the deferred payment of acquired subsidiaries	-	-
Net Cash	**12,476**	**26,978**

10.1.3 Sources of financing

Since its creation, the Company has been financed through the issuance of new shares as well as the research tax credit reimbursement, and to a lesser extent, grants, and repayable advances, in particular, by Bpifrance.

In 2011, the Company entered into factoring agreements in US Dollars and Euros, including a deposit and backed by a credit insurance contract. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet. As of December 31, 2015, the total amount of transferred receivables (net of factoring warranty reserve) amounted to US$3,809 thousand (compared to US$9,883 thousand as of December 31, 2014).

In the fourth quarter of 2016, Inside Secure renegotiated the terms and conditions of the three financing agreements related to the research tax credit for the years 2013, 2014 and 2015. As a result, the financial debts related to these loans (as well as the amounts receivable from the tax authorities) have thus been derecognized from the balance sheet (see also note 16 to the consolidated financial statements of the Group for the year ended December 31, 2016 in Section 20.1 "*Historical financial information*" of the Registration Document).

Even though the Group elected to present its consolidated financial statements in US Dollars, the Company, which has its registered office in France, carries out share capital increases in Euros. Over the course of 2014, the Company did not carry out any share capital increases (with the exception of transactions including the subscription of share warrants, the exercise of stock options or the definitive acquisition of free shares granted to the Group's employees in 2014). In 2015, Inside Secure completed two capital increases, pursuant to an equity line progam organized with Kepler Cheuvreux (announced on April 15, 2015) under which Kepler Cheuvreux has undertaken to subscribe for new shares over a period of two years up to a maximum allocation of 3,400,000 shares (representing 15.1% of the share capital as of the date of the Registration Document), provided that the conditions laid down by the parties are satisfied. In April and May 2015, 400,000 new shares were issued under this agreement. No further shares were issued under this equity line scheme since then. In 2016, the Company completed a capital increase for an amount of $5,494 thousand including share issue premium.

10.2 Cash flow

10.2.1 Analysis of cash flows

Financial information selected from consolidated cash flow statement:

	Year ended December 31	
(in thousand of US$)	**2015**	**2016**
Cash and cash equivalents at beginning of the year	**36,315**	**16,434**
Net cash generated/ (used) in operating activities	(25,099)	(1,604)
Net cash used in investing activities	(1,187)	1,886
Net cash generated by / (used) in financing activities	6,252	10,654
Foreign exchange impact (1)	154	(289)
Cash, cash equivalents at end of the period	**16,434**	**27,081**

(1) Element with no impact on cash derived from the conversion to US Dollars of assets and liabilities denominated in other currencies.

10.2.1.1 Net cash from operating activities

(in thousand of US$)	Year ended December 31 2015	2016
Loss for the year	(19,650)	(265)
Adjustments for non cash items from continuing operations	13,484	7,898
Adjustments for non cash items from discontinued operations	(11,110)	(3,575)
Cash generated/ (used) in operations before changes in working capital	**(17,276)**	**4,058**
Changes in working capital :		
Inventories	58	41
Trade receivables net of trade receivabkes transferred	3,197	(1,557)
Trade and other payables	1,081	1,160
Other receivables/ others payables,net	(6,012)	(4,955)
operations	(6,097)	(62)
Cash generated by / (used in) changes in working capital	**(7,773)**	**(5,373)**
Others (Interest received, net, income tax paid)	(50)	(289)
Net cash generated (used) in operating activities	**(25,099)**	**(1,604)**

Year 2016

In 2016, cash flow from operations was up sharply, mainly due to improved operating performance.

In particular :
- continuing operations[2] (excluding changes in working capital requirements) generated cash of $7,344 thousand, while working capital requirements from continuing operations decreased by $3,635 thousand;
- discontinued operations absorbed $3,864 thousand; and
- the restructuring plan resulted in a disbursement of $5,689 thousand in 2016, including $2,932 thousand from continuing operations.

Year 2015

In 2015, cash used by operating activities amounted to $25,099 thousand ($19,153 thousand including financing of the research tax credit claim for which the corresponding receivable is classified as a working capital item) compared with $6,007 thousand cash generated in 2014 ($13,631 thousand including financing of the research tax credit).

Inside Secure used significantly less cash in the second half of 2015, compared with the first half. In the second half of 2015, cash used by operating activities amounted to $7,563 thousand ($ 7,317 thousand including financing of the research tax credit), down from $17,536 thousand used in the first half of 2015 ($11,836 thousand including financing of the research tax credit) owing mainly to a reduction in the working capital requirement. The decrease in working capital resulted primarily from inventory reductions ($7,943 thousand at December 31, 2015, compared with $11,949 thousand at June 30, 2015 and $9,919 thousand at December 31, 2014).

[2] See paragraph "Continuing and discontinued operations" in section 9.12.1 above.

10.2.1.2 Cash flow from investing activities

(in thousand of US$)	Year ended December 31 2015	2016
Acquisition of subsidiaries, net of cash acquired	(225)	-
Equity method investments	165	-
Purchases of property and equipment	(438)	(164)
Purchases of intangible assets	(98)	(32)
Cash flows used in investing activites from discontinued operations	(592)	2,082
Net cash used in investing activities	**(1,187)**	**1,886**

Year 2016

In 2016, capitalized investments in continuing operations remained marginal ($196 thousand).

As of the closing of the sale of its semiconductor business to WISeKey on 20 September 2016, Inside Secure received 2,000 thousand Swiss francs ($2,082 thousand) in cash as well as bonds redeemable in WISeKey shares, listed on the Zurich Stock Exchange, for an amount of 11,000 thousand Swiss francs. In January 2017, the Company began to convert bonds into shares to gradually sell the shares resulting from the conversion.

Year 2015

Capital expenditure remained low in 2015 ($1,127 thousand).

In addition, the Group paid and earnout for $225 thousand to former shareholders of Metaforic

Finally, in the fall of 2015, Inside Secure sold a minority interest in a young innovative company in which it had invested in 2014.

10.2.1.3 Cash from financing activities

(in thousand of US$)	Year ended December 31 2015	2016
Proceeds from issuance of ordinary shares, net of issuance costs	870	5,494
Repayable advance	(263)	(273)
Financing of the research tax credit	5,946	5,833
Principal repayment under finance lease	(330)	(346)
Treasury shares	28	(54)
Net cash generated by / (used) in financing activities	**6,252**	**10,654**

Year 2016

In April 2016, the Company completed a capital increase for an amount of $5,494 thousand including share issue premium (see also section 10.1.3 "*Sources of financing*" above).

Year 2015

In April and May 2015, the Company completed two capital increases for a total of $870 thousand (share premium included), in relation with the implementation of an equity line program (see also section 10.1.3 “*Sources of fiancing*” above).

10.2.2 Off balance sheet commitment

Total off balance sheet commitments for the Group as of December 31, 2016 amounted to $4,172 thousand, against $4,274 thousand as of December 31, 2015. These commitments are described in note 36 of the Notes to the Group's Consolidated Financial Statements as of December 31, 2016, which can be found in section 20.1 "*Historical Financial Information*" of this Registration Document.

The Group's main off-balance sheet commitment in 2016 corresponds to the lease contract for the building that houses the Company's registered office until July 2019. Approximately 70% of the building's surface is sublet to partners of the Company, mainly Presto Engineering and Vault-IC France (WISekey Group) and the Company has obtained commitments equivalent to those it supports.

10.3 Information on borrowing conditions and the structure of financing

The Company has no on-going borrowing as of the filing date of this Registration Document.

The Group provides financing for research tax credit claims in connection with non-recourse assignments of these receivables to financial institutions. In December 2016, the three contracts in force (covering 2013, 2014 and 2015) were renegotiated. This renegotiation, with no impact on cash, resulted in the transfer of virtually all of the risks and benefits attached to these receivables to the assignee and, as a result, the financial debts and the receivables sold were derecognized and no longer appear in the balance sheet (see Section 10.1.3 "*Sources of Financing*" above and note 16 to the consolidated financial statements of the Group for the year ended December 31, 2016 in Section 20.1 "*Historical Financial Information*" of the Document de Référence Reference).

10.4 Restriction on the use of capital

None applicable.

10.5 Future necessary sources of financing

In addition to the objective to improve its operating cash flow generation, the Group plans to continue to enter into financing agreements for its research tax credit receivables as well as lease-financing agreements, in order to cover part of its current IT investment requirements. Generally, the Group plans to continue to optimize its financial structure and flexibility by acquiring debt instruments or carrying out share capital increases through the issuance of shares or securities granting access to the share capital.

11. RESEARCH AND DEVELOPMENT, PATENTS, AND LICENSES

11.1 Research and development

11.1.1 A key element in the success of the Group

Inside Secure commits significant resources to its research and development activities, which represents a key element in its success. These investments lead to the creation of new silicon IP products, the integration of new functionalities, the development and improvement of its software, while perfecting the security of its products.

As of December 31, 201, the research and development activities of the Group comprises 87 of its employees (for the most part, designers of silicon IP components, embedded software and applications developers, security engineers and integration and testing engineers). They represent approximately 57% of the Group's employee base and are mainly based in Vught (The Netherlands), Amsterdam (The Netherlands), Glasgow (Scotland), Helsinki (Finland) and Meyreuil (region of Aix-en-Provence, France).

The Company's research and development expense (net of research tax credit and subsidies) totaled $15,257 thousand in 2016 against ($10,646 thousand in 2015). In 2016, the Company's research and development expense (net of tresearch tax credit and grants) represented 31% of its consolidated revenue (against 40% in 2015).

11.1.2 The Company's technologies

The technological core of Inside Secure is composed of the following main areas of activity:

- Silicon IP components development: the design of security and cryptography simple or more sophisticated components evolving later to fully-featured embedded secure element and to be integrated within the SoC or ASIC of its customers;
- Software development: The development of embedded software stacks and embedded applications. The development of software development toolkits for mobile and desktop platforms as well as software protection toolkits.

From a functional point of view, the core expertise of the Group lies in the areas of secure Silicon IP components be integrated into SoC or ASIC of its customers as well as security software to secure its customers transactions, content, applications and communications..

Inside Secure develops a wide range of software and toolkits based on set standards, for digital rights management ("DRM"), intended for mobile operators, service providers, and platform integrators on the server side, as well as DRM solutions on the client side for device manufacturers and suppliers of semiconductors, applications software, and platform integrators. It includes security toolkits as well as intellectual property for the design of semiconductors and security processors for security on mobile devices and networks. Inside Secure is also specialized in the development of software using obfuscation[3] technologies and security software specialized in cryptology. As an example, the Application Protection product line offers a high level of protection for payment functions and is intended to provide secure data exchange by relying on an exclusively software-based infrastructure. These solutions protect static, transiting, or dynamic data, and provide communication confidentiality functions to critical applications, offer protection per encryption key and data security, and are able to meet the growing security needs of large companies.

[3] Obfuscator technology improves the security of applications by voluntarily making them more difficult to understand and piece together (software obfuscation).

11.2 Intellectual property

The Group has a number of intellectual property rights and is committed to actively protect them in the relevant jurisdictions and before the relevant authorities (for further information please refer to sections 11.2.2 to 11.2.5 below). Furthermore, the Group uses the intellectual property rights of third parties and licenses its own technology to third parties (for further information please refer to section 11.2.1 below).

11.2.1 Licenses

Following the sale of its semiconductor business in September 2016, Inside Secure does not rely on material third-party technologies, except for market standard development tools.

11.2.2 Patents

The Company considers that the protection of its intellectual property rights is fundamental in the pursuit of its commercial development. In this context, its ability to register patents in France, Europe, the United States, and the rest of the world is of prime importance.

Thus, since its early days the Company has implemented an active policy aimed at protecting its innovative efforts, its technologies, and its products, by filing patent applications. Typically, the Company files its initial patent applications in France. The second step involves filing extensions for these patents in Europe and generally, in the United States, in Canada, in Japan, in China and in Korea.

Patents are granted for 20 years from the date the patent application is filed.

The Company has built a broad patent portfolio to protect its technologies and innovative products.

Historically, the Company's patent portfolio principally covers contactless interfaces and security. At the time of the integration of the SMS business in 2010, the Company acquired an additional patent portfolio principally relating to security and chips architecture (later transferred as part of the divestiture of the semiconductor business). In addition, the portfolio was further extended via the patents acquired through the acquisition of the ESS business in December 2012 (portfolio comprised of 19 patent families) and Metaforic in April 2014 (21 patents and patent requests), principally relating to both secure content transfer and embedded software security.

To date the Company currently holds a portfolio of nearly 600 active intellectual property titles or pending patent requests.

By the end of 2016, the patent portfolio included over 150 patent families, in line with the Group's strategy and business activities. They are allocated as follows: 30% relate to contactless interfaces and NFC, 55% relate to security, 15% relate to secure content transfer and embedded software security.

11.2.3 Software

The Company's software product offering is organized around the following areas:

- Embedded software stacks
- Embedded applications
- Software development toolkits for mobile and desktop platforms
- Software protection toolkits

Inside Secure's software and, in particular, its source code (all of a programmer's instructions written in intelligible form for such programmer) is protected not only by copyright but also as trade secrets, in addition to the protection by patent to the extent possible and subject to strategic considerations.

Most of the Group's software is developed internally by employees performing their job responsibilties or as a result of the Group's instructions. As a result, Inside Secure owns this software. Marginally, the Company may outsource specific development to third-party specialists, while retaining the intellectuak property.

Other software has been acquired by Inside Secure, such as security software (i) based on encryption algorithms through the acquisition of ESS and (ii) cryptology through the acquisition of Metaforic. Please refer to section 6.1.4 of this Registration Document for further information.

When it is commercialized, the Group's software is distributed via license agreements, whereby the Group grants its customers a right to use this software (as opposed to a right of ownership). As such, these agreements contain terms pursuant to which the Group reserves its ownership rights on its software and protects its confidential nature.

11.2.4 Trademarks

The Company owns the following trademarks and trademark applications, which are necessary for the conduct of its business:

INSIDE CONTACTLESS	65 UNIC
MICROREAD	p picopulse
wave-me (logo color)	SecuPulse
« Make The Move !» (logo accentuated ondulation)	PulseSuite
INSIDE CONTACTLESS (logo)	P Combopulse
mave the move (light ondulation)	N BOOSTER
Open NFC (logo)	N NFC BOOSTER
SECUREAD (logo)	QUICKSEC
Inside Secure	logo "square"
driving trust	securing everyday life
v VAULT NFC	Inside Secure (logo 2017)
N NFC id	
OpenNFC Inside Secure (for CN)	
V vaultSEcure	

These trademarks and trademark applications are protected in France. In some cases, the Company also registered trademarks or filed trademark applications at the European Community or international level and, in particular, in China, the United States, and Japan.

11.2.5 Domain names

As of the filing date of this Registration Document, the Company has registered and currently owns the following domain names:

beepscience.com	insidesecure.net
dmdlicenser.com	insidesecure.org
dmdmobile.com	insidesecure.ru
dmdpackager.com	ipsec.com
dmdsecure.com	ipvia.net
embeddedssl.com	ipvia.org
enfc.com	matrixssl.com
in-club.co.uk	matrixssl.org
in-club.fr	metaforic.com
inside-secure.com	micropass.asia
insidecontactless.asia	micropass.eu
insidecontactless.com	microread.asia
insidecontactless.eu	microread.eu
insidecontactless.us	open-nfc.com
insidefr.com	open-nfc.org
insidefr.eu	opennfc.com
insidefr.us	peersec.com
insidesecure-finance.com	peersec.net
insidesecure.co	peersec.org
insidesecure.com	peersecnetworks.com
insidesecure.eu	peersecsoftware.com
insidesecure.fr	quicksec.com
insidesecure.info	wave-me.asia

11.2.6 Disputes

Please refer to section 20.8 of this Registration Document for further information.

12. TRENDS

The strategic transformation, the refocusing of its activities, and reduction in operating expenses enabled the Company to be profitable[4] in 2016. In 2017, the Company intends to continue to increase the revenue it generates from new licenses, keep a strong discipline with respect to controlling operational expenditures, and sustain profitability[4] of its core software and silicon IP business on a full year basis, while investing[5] in sustainable long-term growth.

When it sold its semidconductor business to WISeKey on September 20, 2016, Inside Secure received 2,000 thousand Swiss Francs in cash, as well as bonds redeemable for WISeKey shares, a publicly traded company listed on the Zurick stock exchange, in the amount of 11,000 thousand Swiss Francs. In January 2017, the Company began to convert its bonds into shares in order to gradually sell the shares resulting from said conversion. For this reason, the Company considers its cash position should continue to increase in 2017 due to the monetization of these bonds redeemable for shares.

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[4] On an EBITDA and adjusted operating profit basis

[5] For 2017, the Company anticipates net increase of its operating expense of 11% on a full year basis compared to H2 2016, primarily due to investments in sales and marketing.

13. PROFIT FORECASTS OR ESTIMATES

The Company does not intend to make profit forecasts or estimates.

14. GOVERNING, MANAGEMENT AND SUPERVISORY BOARDS AND SENIOR MANAGEMENT

The Company is a French *société anonyme* (joint stock company) with a Management Board and a Supervisory Board.

14.1 Members of the Management Board and members of the Supervisory Board

14.1.1 Members of the Management Board[6]

Name	Title	Operating duties and other offices held within the Group	Terms of Office
Amedeo D'Angelo	Chairman of the Management Board	- Inside Secure S.A. (France) - Chairman of the Management Board - Inside Secure Corp. (United States) – Chairman of the Board of Directors	Initial appointment: September 29, 2015 Term of office expires: at the end of the General Shareholders' Meeting called to approve the financial statements of the fiscal year ended 31 December 2018

[6] Pascal Didier left the company on December 30, 2016.

Name	Title	Operating duties and other offices held within the Group	Terms of Office
Richard Vacher Detournière	Member of the Management Board	- Inside Secure S.A. (France) - Member of the Management Board, General Manager, and Chief Financial Officer - Inside Secure France S.A.S. – Chief Executive Officer - Vault-IC UK Ltd (United Kingdom) – Director - Inside Secure K.K. (Japan) – Director - Inside Secure B.V. (Netherlands) - Director - Inside Secure Amsterdam B.V. (Netherlands) - Director - Inside Secure Oy (Finland) - Director - Metaforic Ltd (United Kingdom) - Director	Initial appointment: October 2, 2008 Date of most recent renewal: June 3, 2015 Term of office expires: at the end of the General Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2018

The professional address of all the members of the Management Board is the corporate headquarters of the Company.

The management expertise and experience of the Management Board's members is the result of various salaried and managerial positions they have held in the past, which are summarized below.

Amedeo D'Angelo
Chairman of the Management Board

Amedeo D'Angelo is the Chairman of Inside Secure's Management Board. Prior to joining Inside Secure in 2015, Amedeo D'Angelo spent a large portion of his career in the hi-tech sector. He dedicated the first 12 years of his career in the field of semiconductors at AMD (Advanced Micro Devices), and then as the head of Samsung's European operations. He has held top management positions in leading global companies including Gemplus Card International, now Gemalto, as President. He was also the founder and CEO of Incard, an Italian company developing chip card, software applications and security products to serve the banking, telecom and the identity markets. He then was founder and Chairman of Y Generation, which developed a mobile payment platform for the Italian bank card issuers and acquirers. Amedeo also served as Chief Operating Officer at Oberthur Card Systems, developing security software and solutions for payment and telecom markets. Amedeo has also been CEO of Ingenico, a global leader in secure transactions and payment systems, at a moment when it was necessary to implement a structural strategic change, succeeding to position the company back to profitability and to position it as the industry leader. He is and will maintain the position of non-executive Chairman of Linxens, a world leader in the design and manufacture of connectors and contactless inlays for smart cards and secure documents.

Richard Vacher Detournière
General Manager & Chief Financial Officer

Before joining the Company in 2008, Richard Vacher Detournière served as a partner at Siparex, one of France's leading private equity investment groups. He joined Siparex in 1994 and played a key role in more than 25 financing transactions, including leveraged buy-outs, growth capital investments and investments in young, innovative companies. Richard went on to serve as a partner in the information technology sector. Following that, he helped to run SBV Venture Partners in California's Silicon Valley, a venture capital firm co-managed by Siparex. He was Siparex's permanent representative on the boards of thirteen of its portfolio companies, including Nanolase (sold to JDS Uniphase), SoiSic (sold to ARM), Leguide.com (listed on Alternext market in Paris, France), EVE (specializing in hardware/software co-verification) and Inside. He also served on the audit committees of several of these companies. He started off his business career in 1990 as a consultant at Price Waterhouse, concentrating on auditing and transaction support services, first in France, then in Central Europe. Richard, a graduate of the Ecole supérieure de commerce in Amiens (France), holds a Master's degree in accountancy and finance.

14.1.2 Members of the Supervisory Board[7]

Name	Title	Main offices held outside of the Group	Terms of Office
Patrick Schwager Jones 7057 Valley Green Circle Carmel, CA 93923 United States	Chairman of the Supervisory Board	None applicable	Date of appointment as Member of the Supervisory Board: June 3, 2015 Date of appointment as Chairman of the Supervisory Board: June 3, 2015 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2017
Jean Schmitt 8 rue Leroux, 75116 Paris France	Vice-Chairman and independent member of the Supervisory Board	Chairman of SuperJolt SAS Chairman of Jolt Capital Chairman of Alma Learning Group	Date appointed: June 19, 2013 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2017
Alex Brabers c/o GIMV Karel Oomsstraat 37, 2018 Antwerp Belgium	Member of the Supervisory Board	GIMV, Chief Business Operations	Date appointed: June 26, 2014 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2016
Muriel Barnéoud 183, rue Lecourbe, 75015 Paris France	Independent member of the Supervisory Board	Director of CSR for La Poste group (*Directeur de l'engagement sociétal du groupe La Poste*)	Date appointed: June 26, 2014 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2016
Catherine Blanchet 8, avenue Aristide Briand 78400 Chatou France	Independent member of the Supervisory Board	Chairman of CBL Conseil	Date appointed: December 16, 2016 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements of the fiscal year ended December 31, 2018

The management expertise and experience of the Supervisory Board's members is the result of various salaried and managerial positions they have held in the past, which are summarized below.

[7] Joëlle Toledano resigned from the Supervisory Board on October 18, 2016. Glenn Collinson resigned from the Supervisory Board on October 19, 2016. Bpifrance Participations resigned from the Supervisory Board on December 16, 2016.

Patrick Jones
Chairman of the Supervisory Board, Chairman of the Audit Committee, Member of the Nominations, Compensation, and Governance Committee
Age: 72
Nationality: American

Patrick Jones currently sits on the Board of Directors of Talend (Nasdaq: TLND), the leading software vendor of open source data integration solutions for companies seeking data management services, of Fluidigm (Nasdaq symbol: FLDM), a creator and manufacturer of integrated fluidic systems for biology, of Adionics S.A., a company specialized in water desalination and industrial water waste treatment, of Vesta Inc., a designer of electronic payment solutions, and of ITESOFT (Euronext: ITE), in the field of electronic document capture. In addition, he previously sat on the board of many high-tech firms in the United States and Europe, financed by venture capital investors, including several software developers. From 1998 to 2001, Patrick Jones was Senior Vice President and CFO of Gemplus SA (currently integrated into Gemalto), the smart card market leader, for which he successfully oversaw the initial public offering on the New York and Paris stock exchanges. He had previously served as Vice President for Finance and Corporate Controller at Intel and CFO at LSI Logic, a manufacturer of specialized semiconductors. He began his career as an engineer at IBM, before working for Singer Company in France, then in Singapore and Thailand. He has an MBA in finance from Saint Louis University (United States) and is a graduate of the University of Illinois-Urbana-Champaign (United States).

Jean Schmitt
Vice Chairman of the Supervisory Board, Member of the Audit Committee, Member of the Nominations, Compensation, and Governance Committee
Birth Year: 1965
Nationality: French

Jean Schmitt is Managing Partner of Jolt Capital, and Chairman of the Alma Learning Group. Before founding JoltTech Capital, from 2001 to 2011 Jean Schmitt was first Partner, then Managing Partner at Sofinnova Partners. Before that, Jean Schmitt had founded several companies, including SLP InfoWare, a CRM-based big data and artificial intelligence company. Following its sale to Gemplus in 2000, he held the joint roles of Chairman/CEO of SLP InfoWare and Vice President for Telecoms Solutions & Applications at Gemplus. Jean Schmitt is currently a member on the board of directors of Fogale Nanotech (FR), Skill&Tou (FR), Blackwood Seven (DK). He left the boards of Authentec after its sale to Apple Inc. (NASDAQ: AUTH), of Myriad (SIX: MYRN), and of Heptagon after it was sold to AMS (SIX: AMS) for nearly $1 billion. Jean Schmitt is a graduate of the Ecole Nationale Supérieure des Télécommunications (ENST) in Paris and holds a postgraduate degree in artificial intelligence. Jean lectures at Telecom ParisTech, Mines ParisTech and at HEC business school, is the President of the International Venture Club and Member of the *Conseil de la Fédération de l'Enseignement Privé* (Private Education Federation Council).

Alex Brabers
Member of the Supervisory Board, Member of the Audit Committee, Chairman of the Nominations, Compensation, and Governance Committee
Birth Year: 1965
Nationality: Dutch

Alex Brabers developed the international venture capital activity of Gimv, by investing in new innovative companies, followed by active support of the management team and eventually exiting either through IPO or trade sale. He built the VC team of Gimv and coached them in developing its place in the European VC ecosystem. Since 2012, Alex Brabers is responsible for all investment activity of Gimv, overseeing its 4 investment platforms. He is a board member of various listed and non-listed companies, including OTN Systems (Belgium) and Teads (Luxembourg). Before that, he was a member of the board of directors of Telenet (Belgium), Mobistar (Belgium), Emme (France), Barco (Belgium), Barconet (Belgium), Option (Belgium), Oree (Israel), Virtensys (UK) and Telos (Canada). Alex is also involved in policy issues for the European VC and PE industry, and was board member of Invest Europe (EVCA) and Chairman of the Venture Capital Platform of Invest Europe (EVCA). Alex Brabers holds a Master degree in Economics from KU Leuven (Belgium).

Muriel Barnéoud
Member of the Supervisory Board, Member of the Nominations, Compensation, and Governance Committee
Birth Year: 1967
Nationality: French

Muriel Barnéoud currently serves as *directeur de l'engagement sociétal* (Director of CSR) for the La Poste group. From 2010 to 2016, she was Chairman and Chief Executive Officer of Docapost (a subsidiary of La Poste group with revenues of €450 million and 4,500 employees) specializing in digital and mobile transition of companies and institutions and an expert in document management, digitalization, and security of electronic communications. Muriel Barnéoud joined the La Poste group in 1994 after an initial experience at Arthur Andersen. She went on to become Deputy Chief Executive Officer of mail services, responsible for production. Muriel Barnéoud was non-executive chairman of two logistics holding companies (Viapost and STP). While at Docapost, she also sat on the supervisory committee of Xange Private Equity (La Poste group's private equity company), and on the Board of Directors of Sofipost, a La Poste group holding company. In addition, she is a Board member of the *Syntec Numérique* professional association (vendors committee) and of the *Centre National de Référence* (CNR) *Santé à Domicile et Autonomie* (French national organization set up to facilitate the development and use of information technology for health and dependency-related applications) and is also a member of the management committee for the CNAM Abbé Grégoire foundation. Muriel Barnéoud graduated from the IEP Paris and ENSPTT schools and holds a postgraduate diploma in finance and tax.

Catherine Blanchet
Member of the Supervisory Board, Member of the Nominations, Compensation, and Governance Committee
Birth Year: 1970
Nationality: French

Catherine Blanchet is a member of the Board and Chairman of the Audit Committee of Coheris (Euronext: COH), a CRM and analytics solutions provider. In 2015, she created her own business supporting growing companies by accelerating their development and optimizing their valuation. Mrs. Blanchet began her career in 1994 with Crédit Lyonnais in New York, before joining the bank's international audit department. From 1998 to 2008 she worked with Completel, a B2B telecom operator, notably as Deputy Chief Financial Officer in charge of strategic planning, financing and investor relations, to support the group's development and promote it to financial markets. From 2009 to 2015, Catherine Blanchet worked with Ingenico (Euronext: "ING"), first as Investor Relations Director to improve the group's visibility on and attractiveness to the financial markets and, next, as Vice-President of Investor Relations and External Communications to manage the transformation of the group's image. Ms. Blanchet holds degrees from the Université Paris IX Dauphine (1993) and from Telecom Management (1994), with a telecom finance specialty degree from the Institut Mines-Telecom Bretagne (France).

14.1.3 Other positions held by the Members of the Management Board and Supervisory Board

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
Amedeo D'Angelo	- Linxens (France) – Chairman of the Supervisory Committee - Tactilis (Singapore) – Chairman of the board of directors - Bloompix (Italy) – Director - Diadema (Italy) – Director	- Intelcav (Brazil) – Director - Intelicard (Italy) – Director
Richard Vacher Detournière	- Provepharm Solutions (France) - Director	Knowings SA (France) - Director
Alex Brabers	- Automation (Belgium) – Director - OTN Systems (Belgium) – Director - Teads (Luxembourg) – Director - Several Investment Vehicles managed by Gimv - Festival Van Vlaanderen (Belgium) – Director - Powerinbox (ActivePath Ltd.) (USA) – Director	- Telenet Communications (Belgium) - Director - Telenet Bidco (Belgium) – Director - Incofin (Belgium) – Director - Telenet (Belgium) (*) – Director - I&I Leuven (Belgium) – Director - Oree (United States) – Director - Easyvoyage (France) – Director - Nomadesk (Belgium) – Director - EVCA (Belgium) – Director - Punch Powertrain (Belgium) – Director
Jean Schmitt	- Fogale Interactive Technologies (Switzerland) – Director - Softonic – Director - Greentropism (France) – Director - Blackwood Seven (Denmark) – Director - Skill & You (France) - Director	- Upek/Authentec (United States) - Director - Comprove (Ireland) - Director - Heptagon (Singapore)

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
Patrick Schwager Jones	- Fluidigm Inc. (United States) (*) - Director - ITESoft SA (France) (*) - Director - Adionics SA (France) – Director - Vesta Inc. (United States) – Director - Talend (France) (*) – Director	- Lattice Semiconductor Corp (United States) (*) – Chairman of the board of directors - Unwired Planet. (United States) (*) – Director - Novell Inc. (United States) (*) - Director - Mobiwire (France) - Director - Epocrates Inc. (United States) (*) – Chairman of the board of directors - Heptagon OY (Finnish company, with registered offices in Zurich), Chairman of the board of directors - Mobile365 (United States) Director - Smarttrust AB (Sweden) – Director - Dialogic Inc. (United States) (*) – Chairman of the board of directors
Joëlle Toledano	- Résidentiel Numérique (France) – Director - Agence Nationale des Fréquences (ANFR) (France) – Director - Red Technologies (France) - Director	
Muriel Barnéoud	- Sofrepost (France) - Director - Fondation CNAM Abbé Grégoire (France) – Director - La Banque Postale Assurances IARD – Director	- La Poste Global Mail (France), Director - Proveance (ex SFDOC.4) (France) – Permanent representative of Docapost who also acts as Chairman - La Vosgienne Industrielle de Mailings (France) - Permanent representative of Docapost who also acts as Chairman - Orsid (France) – Chairman - Mediapost Holding (France) - Director - Viapost (France) – Director - Syntec Numérique (France) – Director - Docapost IoT (France) – President of the company - SFDOC. B (France) – permanent Docapost representative on the board of directors

Names	Offices currently held (exercised by the authorized legal representative, as the case may be) outside of the Group	Offices held outside the Group over the course of the past five fiscal years that are not longer in effect as of today (exercised by the authorized legal representative, as the case may be)
		- SFDOC. C (France) – permanent Docapost representative on the board of directors - Maileva (France) – Legal representative of Docapost and Chairman - Docapost BPO (France) – Chairman - Docapost BPO IS (France) – Chairman of the Board of Directors - CER – Docapost (France) – Chairman - Docapost Conseil (France) – Chairman, Chairman of the Supervisory Board Mediapost Holding (France) – Director - Seres (France) – Permanent representative of Docapost on the Board of Directors - Xange Capital (France) - Permanent representative of Docapost on the Supervisory Board - Sefas Innovation (France) - Permanent representative of Docapost on the Board of Directors - Bretagne Routage (France) – Permanent representative of Docapost who also acts as Chairman - Docapost CSP (France) – Permanent representative of Docapost who also acts as Chairman, Chairman of the Board of Directors - Docapost DPS (France) – Chairman of the Board of Directors and Director
Catherine Blanchet	- CBL Conseil – Chairman - Coheris (*) (France) - Director	

Note: Companies carrying the symbol (*) are publicly traded companies.

14.1.4 Statements relative to the members of the Management Board and Supervisory Board

To the Company’s knowledge, there is no familial tie between the persons listed above.
To the Company’s knowledge, over the past five years none of these persons:

- was found guilty of fraud;
- was associated with a bankruptcy, receivership or liquidation while acting as senior executive or director;
- was banned from exercising management responsibilities;
- was officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities.

14.2 Conflicts of interest at the level of the governing and senior management bodies

As of the filing date of this Registration Document, and to the Company’s knowledge, there is no actual or potential conflict of interest between the private interests and/or other duties of the members of the Management Board and Supervisory Board of the Company and the interests of the Company. The related party transactions are described in note 37 of the Notes to the Consolidated Financial Statements included in section 20.1 of this Registration Document.

Furthermore, to the Company’s knowledge, there is no pact or agreement whatsoever entered into with shareholders, customers, suppliers or other entities by virtue of which one of the members of the Management Board or Supervisory Board of the Company was appointed to his or her position.

Lastly, to the Company’s knowledge, as of the filing date of this Registration Document there is no restriction accepted by the persons described in section 14.1 “*Members of the Management Board and members of the Supervisory Board*” of this Registration Document concerning the sale of their equity interests in the share capital of the Company.

15. COMPENSATION AND BENEFITS

15.1 Compensation paid to corporate officers

The information included below has been prepared in reference to the AFEP-MEDEF corporate governance code of publicly traded companies, as updated in November 2016.

Table 1: Overview of the compensation, stock options, and free shares granted to each member of the Management Board (*dirigeant mandataire social*)[(1)]

	Fiscal Year 2015	Fiscal Year 2016
Amedeo D'Angelo – Chairman of the Management Board		
Compensation owed for the fiscal year	€89,445[(2)]	€574,948
Valuation of the multi-year variable compensation paid during the fiscal year	None	None
Valuation of stock options granted in the fiscal year	None	None
Valuation of shares granted free of charge in the fiscal year	None	€339,692
Total	€89,445	€914,640

	Fiscal Year 2015	Fiscal Year 2016
Richard Vacher Detournière – member of the Management Board		
Compensation owed for the fiscal year	€183,913	€365,280
Valuation of the multi-year variable compensation paid during the fiscal year	None	None
Valuation of stock options granted in the fiscal year	None	€53,550
Valuation of shares granted free of charge in the fiscal year	€22,088	€134,000
Total	€206,001	€552,830

1. *Pascal Didier left the Company on December 30, 2016. The compensation he received in connection with his duties for the 2016 fiscal year totals EUR 160,376. Additionally, he also received: (i) a gross severance payment of EUR 290,950 paid out on January 28, 2017.*
2. *Amedeo d'Angelo was appointed Chairman of the Company's Management Board on September 29, 2015.*

The Supervisory Board decided that members of the Management Board would be required to hold, in registered form and until the termination of their duties on the Management Board, 10% of the number of shares issued as a result of the exercise of stock options or the effective vesting of free shares.

Table 2: Overview of the compensation of each member of the Management Board[(6)]

The table below shows the compensation due to members of the Management Board of the Company for the fiscal years ended December 31, 2015 and 2016 and the compensation paid to those members for the said fiscal years.

	Fiscal Year 2015		Fiscal Year 2016	
	Due (1)	Paid (2)	Due (1)	Paid (2)
Amedeo D'Angelo – Chairman of the Management Board(5)				
Fixed portion*	€89,445	€89,445	€349,498	€349,498
Variable portion*	None	None	€225,000	None
Multi-year variable compensation	None	None	None	None
Extraordinary compensation*	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	None	None	None	None
Total	None	None	€574,948	€349,498

	Fiscal Year 2015		Fiscal Year 2016	
	Due (1)	Paid (2)	Due (1)	Paid (2)
Richard Vacher Detournière – Member of the Management Board				
Fixed portion*	€171,164	€171,164 €	€169,990	€169,990 €
Variable portion* (3)	€12,749 €	€80,985 €	€195,170	€89,892€
Multi-year variable compensation	None	None	None	None
Extraordinary compensation*	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	€120	€120	€120	€120
Total	€183,913	€252,269	€365,280	€260,002

(1) For the fiscal year

(2) Over the course of the fiscal year

(3) The variable portion includes annual profit-sharing (intéressement)

(4) Pascal Didier left the Company on December 30, 2016.

(5) Amedeo D'Angelo was appointed Chairman of the Company's Management Board on September 29, 2015. In 2016, his gross annual fixed salary was EUR 350,000 and his variable compensation could reach EUR 150,000, subject to meeting FY 2016 profitability targets.

* based on a pre-tax gross amount

The variable portion of the compensation paid to executive corporate officers is subject to the completion of specific and predetermined objectives. For the fiscal year ended December 31, 2016, the variable items of compensation paid to the members of the Management Board, were determined by the Supervisory Board of the Company based on a proposal submitted by the Compensation Committee, in accordance with the following criteria:

Executive Corporate Officers	Targets
Amedeo D'Angelo	100% of variable portion is payable based on reaching an EBITDA target for FY 2016.
Richard Vacher Detournière	(i) 40% of this variable portion is payable based on reaching an EBITDA target for FY 2016, and (ii) 60% payable based on qualitative objectives (specific, measurable, top priority objectives for implementing the Company's strategy).

Regarding the variable portion of their compensation, the expected level of completion of the quantitative and qualitative objectives determined for executive corporate officers was established in a precise manner. However, it is not made public for confidentiality reasons.

At the General Shareholders' Meeting dated June 19, 2013, it was decided to set the amount attendance fees awarded to members of the Supervisory Board to EUR 265,000 for the fiscal year ended December 31, 2013, as well as for each subsequent fiscal year, until decided otherwise at the Ordinary Shareholders' Meeting. At its April 13, 2015 meeting, the Supervisory Board approved a 20% reduction to the board fees to be paid to members as from the second half of the 2015 fiscal year. Lastly, it should be noted that at its meeting dated December 16, 2016, the Supervisory Board decided to reduce annual attendance fees to EUR 20,000, and reserve them for three of its independent members (Patrick Jones, Muriel Barnéoud, and Catherine Blanchet).

Attendance fees and other elements of compensation paid to non-executive corporate officers over the course of the 2015 and 2016 fiscal years are distributed as described in Table 3 below.

Table 3: Table summarizing the attendance fees and other elements of compensation paid to the members of the Supervisory Board

Members of the Supervisory Board	**Amounts paid with respect to the 2015 fiscal year**	**Amounts paid with respect to the 2016 fiscal year**
Patrick Schwager Jones		
Attendance fees	€42,500	€40,000
Other compensation	None	None
Jean Schmitt		
Attendance fees	€25,500	€24,000
Other compensation	None	None
Alex Brabers		
Attendance fees	€29,750	€28,000
Other compensation	None	None
Glenn Collinson (1)		
Attendance fees	€34,000	€32,000
Other compensation	None	None
Joëlle Toledano (2)		
Attendance fees	€25,500	€18,000
Other compensation	None	None
Bpifrance (3)		
Attendance fees	€29,750	€21,000
Other compensation	None	None
Muriel Barnéoud		
Attendance fees	€21,250	€20,000
Other compensation	None	None
Catherine Blanchet (4)		
Attendance fees	None	€5,000
Other compensation	None	None
Total	€208,250	€188,000

(1) Glenn Collinson resigned from the Supervisory Board on October 19, 2016
(2) Joëlle Toledano resigned from the Supervisory Board on October 18, 2016
(3) Bpifrance Participations resigned from the Supervisory Board on December 16, 2016
(4) Catherine Blanchet is member of the Supervisory Board since December 16, 2016

Table 4: Stock options granted by the issuer and any company of the group to each executive corporate officer over the course of the fiscal year

Name	Name of Plan	Type of Options	Options valuation based on the method used in the Consolidated Financial Statements	Number of options granted	Stricke Price	Exercise Period
Richard Vacher Detournière	Options December 2016	Stock Options	€1.19	45,000	€1.91	Exercisable until December 16, 2026 provided he is still employed at the Company

Table 5: Stock options exercised by each executive corporate officer (*dirigeant mandataire social*) during the fiscal year

None of the executive corporate officers of the Company has exercised any of the stock options of the Company or of any other company of its Group over the course of the fiscal year ended December 31, 2016.

Table 6: Shares granted free of charge by the issuer or any company of the group to each corporate officer during the fiscal year

Shares granted free of charge to each corporate officer during the fiscal year ended December 31, 2016						
Name	Grant Date	Number of shares granted during the fiscal year	Valuation of the shares according to the method used in the consolidated financial statements	Vesting Date	Lock-up Expiration Date	Performance Conditions
Amedeo D'Angelo	Management Board meeting dated February 2, 2016	864,000	€339,692	October 1, 2018	October 1, 2018	The final vesting of all or part of these shares is based on satisfying a specific market condition (1)
Richard Vacher Detournière	Management Board meeting dated December 16, 2016	100,000	€134,000	December 16, 2019	December 16, 2019	The final vesting of all or part of these shares at expiration of the vesting period is based on the value of the volume weighted average market price of the share during the 60 trading days preceding the expiration date of the vesting period
Total		964,000	€473,692			

(1) *Regarding these shares, on October 1, 2018, Amedeo D'Angelo will become an Inside Secure shareholder provided he satisfies a specific market condition. The percentage of shares to vest in connection with this condition will range from zero to one hundred based on whether the volume-weighted average of the market price of the Company's shares during the last sixty trading days preceding said date is either lower than 1 Euro or higher than 3 Euros, respectively, it being specified that (i) these shares might vest faster under certain conditions such as a change in control of the Company or if the volume-weighted average of the market price of the Company's shares during sixty consecutive trading days preceding October 1, 2018 were to exceed 3 Euros, and that (ii) the Management Board, subject to the*

Supervisory Board's prior authorization, could, as the case may be and if deemed in the interest of the Company, waive this market condition with respect to all or part of Amedeo D'Angelo's shares

Table 7: Shares granted free of charge that became available for each corporate officer during the fiscal year

None of the different executive corporate officers' performance shares became available over the course of the fiscal year ended December 31, 2016.

Table 8: History of the stock options granted to corporate officers

Past grants of stock options (1) (2) (4)			
Information on stock subscription options			
Date of the Shareholders' Meeting	June 19, 2007	June 26, 2014	December 16, 2016
Date of the Management Board meeting	November 3, 2008	August 28, 2014	December 16, 2016
Name of the plan	Options 2007-1-F	Options June 2014	Options December 2016
Aggregate number of shares that can be subscribed by			
Richard Vacher Detournière	*64,041*	*36,866*	*45,000*
Expiration date	June 19, 2017	August 28, 2024	December 16, 2026
Strile price	€9.5438	€3.997	€1.91
Terms and conditions of exercise	Exercisable in full(3)	12,288 on August 28, 2015(3) 12,288 on August 28, 2016(3) 12,290 on August 28, 2017(3)	15,000 on December 16, 2017(3) 15,000 on December 16, 2018(3) 15,000 on December 16, 2019(3)
Number of shares subscribed as of the filing date of this Registration Document	0	0	0
Aggregate number of canceled or voided stock options	0	0	0
Number of outstanding shares to be subscribed as of the filing date of this Registration Document	64,041	36,866	45,000

(1) Only those grants that still apply are described

(2) The table does not account for Pascal Didier who left the Group on December 30, 2016

(3) The exercise of options is subject, as applicable, to having the status of Company employee or corporate officer at the date of the exercise

(4) The number of options and exercise prices reflect the adjustment in the rights of holders of free shares, carried out in accordance with applicable legal and regulatory provisions following the April 26, 2016 share capital increase

Table 9: History of free share grants

History of free share grants (1) (3) (6)					
Information on the shares granted free of charge					
Date of the Shareholders' Meeting	June 30, 2008	June 30, 2010	June 26, 2014	February 2, 2016	December 16, 2016
Date of the Management Board meeting	November 3, 2008	December 16, 2010	March 23, 2015	February 2, 2016	December 16, 2016
Aggregate number of shares granted to:					
Amadeo D'Angelo			*45,000*	*864,000*	
Richard Vacher Detournière	*20,000*	*106,000*	*31,599*		*100,000*
Vesting date of the shares	November 3, 2010	December 16, 2012	March 23, 2018	No earlier than February 2, 2018 (4)	December 16, 2019
Expiration date of the holding period	November 3, 2012	December 16, 2014	March 23, 2020	No holding period applicable	No holding period applicable
Terms and conditions of exercise	Exercisable in full	Exercisable in full	Exercisable in full (2)	Exercisable in full (4)	Exercisable in full (5)
Aggregate number of cancelled or voided shares	0	0	0	0	0
Number of outstanding free shares at fiscal year-end	20,000	106,000	31,599	864,000	100,000

(1) Only outstanding and valid grants are described
(2) These free shares are subject to performance conditions, as described in section 21.1.4.2
(3) The table does not account for Pascal Didier who left the Group on December 30, 2016
(4) These free shares are subject to performance conditions, as described in section 21.1.4.2
(5) These free shares are subject to performance conditions, as described in section 21.1.4.2
(6) The number of shares reflects the adjustment in the rights of holders of free shares, carried out in accordance with applicable legal and regulatory provisions following the April 26, 2016 share capital increase

Table 10: Summary of the variable annual compensation of each executive corporate officer

None of the different executive corporate officers benefit from a multi-year variable compensation plan as of the date of the Registration Document.

Table 11

The following table provides further details on the conditions surrounding the compensation and other benefits granted to executive corporate officers:

Members of the Management Board (1)	Employment Contract		Additional Pension Plan		Compensation or benefits owed or likely to be owed as a result of termination of duties or a change in duties		Compensation associated with a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Amedeo D'Angelo, Chairman of the Management Board		X		X		X		X
Term of office began on:	September 29, 2015							
Term of office will end on:	Following the Annual Shareholders' Meeting approving the financial statements for the fiscal year ended December 31, 2018							
Richard Vacher Detournière Member of the Management Board	X			X	X		X	
Term of office began on::	June 3, 2015 (renewal)							
Term of office will end on:	Following the Annual Shareholders' Meeting approving the financial statements for the fiscal year ended December 31, 2018							

(1) Pascal Didier left the Company on December 30, 2016.

When Pascal Didier left the Company on December 30, 2016, the Supervisory Board authorized the payment of the severance fee owed to him, once it was acknowledged that he had satisfied the performance conditions to which said severance fee was subject. Said severance payment amounts to EUR 290,950 and was paid on January 28, 2017. The terms governing said severance payment comply with the provisions set by the Supervisory Board at its meeting dated February 19, 2013, approved at the Company's Shareholder's Meeting dated June 26, 2014, and provided in the Company's 2015 Registration Document. Lastly, in accordance with the terms of the aforementioned 2013 Supervisory Board meeting's deliberation, the Company's Management Board also waived the continued employment condition imposed on the vesting of the free shares granted to Pascal Didier on March 23, 2015. The other conditions and, in particular, any conditions relating to the stock market price of the free shares, will remain unchanged.

At its meeting dated July 26, 2016 the Supervisory Board decided to adjust the terms of the severance compensation from which Richard Vacher Detournière benefits. The latter has heretofore the right to claim such compensation in the event of:

(i) termination or non-renewal of his term of office as member of the Management Board (or dismissal) for a reason other than gross negligence (*faute lourde*) in the meaning of the jurisprudence of the labor division of the French Supreme Court (*chambre sociale de la cour de cassation*),

(ii) resignation for good cause (either due to a significant reduction in duties and responsibilities, a reduction in compensation (including fixed compensation, benefits in kind, target variable compensation, or severance compensation), or a change in his work location to another country, in every case without his consent) within six months of a change in control of the Company in the meaning of Article L. 233-3 of the French Commercial Code, or

(iii) termination or resignation of his term of office as member of the Management Board (or dismissal), following a significant disagreement between the Supervisory Board and the Management Board regarding the strategy carried out by the Management Board, irrespective of whether such strategy was carried out pursuant to a change in control of the Company.

The Supervisory Board will determine the amount of severance compensation paid to the member in question in the following way:

Maximum severance compensation will be equal to the lower of the following two amounts: (i) EUR 250,000.00 or (ii) the sum of the gross fixed compensation received by the member in question over the course of the year preceding that during which his resignation, termination, or dismissal took place, plus the gross variable compensation received by the member in question over the course of the two years preceding that during which his resignation, termination, or dismissal took place (hereinafter referred to as the "Maximum Amount"), it being hereby understood that the effective date of his resignation, termination, or dismissal will be defined as, depending on the case, the date on which the member in question receives the termination letter (or letter of dismissal), or the date on which the Company receives the resignation letter.

The severance payment will be conditioned upon, and its amount will be adjusted based on the arithmetical average of the rate of achievement of the performance criteria used to determine the member in question's variable compensation for the two closed fiscal years preceding the day he is terminated or resigned. If the average is:
- strictly lower than 20%, no severance compensation will be paid out,
- between 20% and 50%, the member in question will receive severance compensation in an amount equal to the gross fixed compensation for the year in which his resignation, termination, or dismissal took place,
- higher than or equal to 50%, the member in question will receive severance compensation in an amount equal to 100% of the Maximum Amount.

The severance payment will include any dismissal indemnity provided by statutory regulations (including but not limited to the ones provided by applicable laws and any applicable collective bargaining agreement) which may be due to the member in question (for the avoidance of doubt, the severance payment shall not include any payment made pursuant to a non-competition clause, but shall be reduced if necessary so that the sum of the severance payment plus any amount paid pursuant to a non-competition clause does not exceed the two times the member in question's fixed and variable gross compensation for the year when the termination or resignation shall occur, assuming for the determination of the variable portion thereof that any milestones/objectives have been fully achieved. Notwithstanding the above, for the avoidance of doubt, the severance payment shall not be less than any mandatory dismissal indemnity provided by statutory regulations.

It should be noted, insofar as necessary, that no severance compensation will be owed in the event that the term of office of the member in question is terminated or non-renewed, or that the member in question is dismissed or resigns from his duties as corporate officer, while remaining an employee of the Group, assuming that he is neither subject to a significant reduction in his duties, responsibilities, or compensation (including his fixed compensation, benefits in kind, target variable compensation, or severance compensation) nor subject to a transfer of his work location to another country, and further assuming that such decisions were made without his consent.

Severance compensation will be paid within 30 days of the member's effective departure from the Group.

Additionally, the vesting of all options, free shares or other equity incentive instrument held by the member in question will be accelerated upon such termination or resignation, to the extent possible without any material adverse tax or social consequences for the Inside Secure group.

15.2 Amounts provisioned by the Company for the purpose of covering pension plans, retirement schemes, and other benefits offered to corporate officers

With the exception of provisions for statutory retirement allowances described in note 24 of the Notes to the Consolidated Financial Statements provided in section 20.1 "*Historical Financial Information*" of this Registration Document, the Company has not provisioned any sums for the purposes of covering pension plans, retirement schemes, and other benefits offered to the members of the Management Board and Supervisory Board.

The Company did not pay out any signing or severance bonuses to the above-referenced corporate officers.

15.3 Free shares, share warrants and stock options granted to corporate officers

The table below summarizes, as of the filing date of this Registration Document, all of the securities or rights granting access to the share capital that are currently outstanding, regardless of their type, issued by the Company for the benefit of corporate officers.

Free shares, share warrants, and stock options granted to corporate officers (2)(3)(4)				
	Free shares subject to a vesting period (1)	Options 2007-1-F	Options June 2014	Total number of shares that could be issued following the exercise of these rights
Amedeo D'Angelo	864,000			864,000
Richard Vacher Detournière	131,599	64,041	36,866	232,506
Patrick Schwager Jones				0
Jean Schmitt				0
Alex Brabers				0
Muriel Barnéoud				0
Catherine Blanchet				0
Number of shares that could potentially be issued if all such rights were exercised	995,599	64,041	36,866	1,096,506

(1) For a detailed description of the terms and conditions of each of the above-mentioned plans, please refer to section 21.1.4 "Authorized Share Capital" of the Registration Document. The figures provided correspond to the number of shares that can be subscribed via the exercise of each right or in connection with the securities granting access to the share capital

(2) The table does not account for Pascal Didier who left the Group on December 30, 2016

(3) Only currently valid grants are included

(4) The number of shares reflects the adjustment in the rights of holders of free shares, carried out in accordance with applicable legal and regulatory provisions following the April 26, 2016 share capital increase

15.4 Summary statement for FY 2016 transactions in excess of EUR 5,000 and involving the securities of the Company, carried out by executives and persons referred to in Article L. 621-18-2 of the French Monetary and Financial Code

The following transactions, published on the AMF's website, have been reported by the parties involved in the transactions:

Reported by	Financal Instrument	Transaction Type	Number of Transactions	Transaction Amount (in Euros)
Bpifrance Participations	Preferential Subscription Rights	Sale	1	41,814
Amedeo D'Angelo	Shares	Subscription (1)	1	191,580
Richard Vacher Detournière	Shares	Subscription (1)	1	16,751
Pascal Didier	Shares	Subscription (1)	1	23,514

(1) Subscription to the share capital increase with preferential subscription rights carried out in April 2016

16. MANAGEMENT AND GOVERNANCE MATTERS

16.1 Management of the Company

16.1.1 The Management Board

The composition of the Management Board and information pertaining to its members are subject to developments presented in Chapter 14 "Governing, Management, and Supervisory Bodies and Senior Management" and Chapter 21.2 "Incorporation Documents and Bylaws" of this Registration Document.

At its meeting dated April 22, 2014, the Management Board approved its internal charter in order to enable the members of the Management Board to participate in the Management Board's meetings via videoconferencing or teleconferencing.

16.1.2 The Supervisory Board

The composition of the Supervisory Board and information pertaining to its members are subject to developments presented in Chapter 14 "Governing, Management, and Supervisory Bodies and Senior Management" and Chapter 21.2 "Incorporation Documents and Bylaws" of this Registration Document and in the Chairman of the Supervisory Board's Report on corporate governance, internal control, and risk management, which can be found in section 16.4 of this Registration Document.

16.2 Service contracts existing between the members of the Management Board and the members of the Supervisory Board of the Company

To the Company's knowledge, as of the filing date of this Registration Document, there are no existing service contracts between the members of the Supervisory Board or Management Board and the Company or one of its subsidiaries and providing for the grant of benefits.

16.3 Committees

The Company's Supervisory Board has two committees to assist it in carrying out its duties:

- The Audit Committee and
- The Nominations, Compensation, and Governance Committee

As a result of the resignations of Joëlle Toledano and Glenn Collinson and the Company's new size, at its meeting dated October 19, 2016, the Supervisory Board decided to merge the Compensation Committee with the Nominating and Governance Committee. This new committee, which regroups all of the duties of these two former committees, is now known as the Nominations, Compensation, and Governance Committee.

16.4 Chairman of the Supervisory Board's Report on corporate governance, internal control, and risk management

A French *société anonyme* with a Management Board and a Supervisory Board
A share capital of EUR 17,250,799.60
Registered offices: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Registered in the Trade and Companies Registry of Aix-en-Provence, France under number 399 275 395

CHAIRMAN OF THE SUPERVISORY BOARD'S REPORT
ON COROPORATE GOVERNANCE, INTERNAL CONTROL, AND RISK MANAGEMENT

Dear Shareholders,

In accordance with the provisions of Article L. 225-68 of the French Commercial Code, and as Chairman of the Supervisory Board, in this report I have the honor to share the composition of the Supervisory Board, the application of the equitable men and women representation principle within its membership, the conditions under which this Board's duties were prepared and organized over the course of the 2016 fiscal year, as well as the internal control and risk management procedures implemented by the Company.

This report, prepared by the secretary general's office and the financial management of the Company, was subject to the Audit Committee, then approved by the Supervisory Board at its meeting dated February 17, 2017.

1. Introduction and Standard

Inside Secure (hereinafter the "Company") is a French *société anonyme*, created on November 30, 1994 with a Management Board and a Supervisory Board.

At its meeting held on March 31, 2011, the Supervisory Board (or the "Board") approved its internal charter, which was amended on November 21, 2012. This charter details, in particular, the rules applicable to the operation of the Board, the rules of conduct, and the obligations of the members of the Supervisory Board of the Company, and the terms and conditions of operation of the Board and the committees. The main provisions of the Board's internal charter are reiterated hereafter.

Each Supervisory Board member undertakes to maintain his or her independence of analysis, judgment, and action and to actively participate in the Supervisory Board's work. He or she must inform the Supervisory Board regarding potential conflicts of interest he or she may face. In addition, each member of the Supervisory Board must make every effort to comply with applicable regulations associated with the dissemination and use of inside information and must refrain from engaging in transactions involving Company securities once he or she has been exposed to inside information. Each Supervisory Board member must report all transactions to the Company and the AMF in which he or she has directly or indirectly engaged and involving Company securities.

At its meeting held on March 31, 2011, the Supervisory Board decided to use as its reference the corporate governance code of publicly-traded companies published by the AFEP and MEDEF in December 2008, the most recent version of which was published on November 24, 2016, and approved by the *Autorité des Marchés Financiers* (French financial markets regulator, or "AMF") as a code of reference for corporate governance (the "AFEP-MEDEF Code"). This code is available on the MEDEF website (www.medef.com), among other places.

Implementation of the "apply or explain" rule

The goal of the Company is to comply with all of the recommendations contained in the AFEP-MEDEF Code.

To this end, the Company regularly reviews its governance principles based on the AFEP-MEDEF Code's recommendations. Therefore, the Company considers that it complies with the Code's main recommendations, with the exception of the recommendations described below:

AFEP-MEDEF Code Recommendation	Explanation
The assessment of the Supervisory Board is carried out according to the following terms and conditions: - once per year, the Board discusses the quality of its functioning; - a formal assessment is performed at least every three years (please refer to Section 9.3 of the Code).	Every year, the Board assesses the quality of its functioning. However, there currently is no formal assessment process in place. Since the Company's transformation and changes in the Board's composition are now complete, the Company plans to implement a formal evaluation process in the future.
Long term compensation of executive corporate officers. The Board must ensure that it carries out its grants at the same time every calendar year. For example, after publishing the previous year's financial statements and, insofar as possible, every year (please refer to Section 24.3.3 of the Code).	There is currently no general policy for granting stock options or performance shares. In addition, the various grants of stock options and free shares that occurred in past fiscal years were not carried out on pre-determined calendar days as recommended under the terms of the AFEP-MEDEF Code. The purpose of these grants has always been to incentivize employees and managers who are joining the Group, in particular following any of the Group's takeovers and, more recently, to incentivize and retain executives and managers in the context of the Group's strategic and operational transformation. Regarding the specific case of executive corporate officers, the final vesting of the free shares granted to Amedeo D'Angelo in February 2016 and to Richard Vacher Detournière in both March 2015 and December 2016 is subject to the satisfaction of a market condition (the Management Board may, subject to the Supervisory Board's approval, waive all or part of this market condition for Amedeo D'Angelo and/or Richard Vacher Detournière). Based on the Group's business transformation strategy, the Supervisory Board, acting on the Compensation Committee's recommendation, considered that this market condition alone allowed for a fair balance between performances both internal and external to the company. The efforts Amedeo D'Angelo and Richard Vacher Detournière have made internally, particularly with respect to the implementation of the Company's new strategic plan, must be reflected in the Company's stock market valuation.

2. Composition of the Supervisory Board / Balanced Gender Ratio

Composition

Pursuant to applicable legal and statutory provisions, the Supervisory Board is composed of at least three members and at most nine, appointed by shareholders at the General Shareholders' Meeting for a term of three years. They are eligible for reelection at expiration of their term of office. In the event that a seat becomes vacant, the members of the Supervisory Board may co-opt other members under the conditions set by law and applicable regulations.

In accordance with the terms of its internal charter, the Supervisory Board undertakes to make all efforts to ensure that it is composed of at least a majority of independent members in the meaning of the AFEP-MEDEF Code. Those members of the Board who do not entertain any relationship with the Company, its Group, or its management that could potentially compromise their freedom of judgment are considered independent.

As of the filing date of this Registration Document, there are 5 members on the Board. The profiles and experience of the members of the Supervisory Board are described in Chapter 14 "Governing, Management and Supervisory Bodies, and Senior Management" of this Registration Document.

Review of Members' Independence and Potential Conflicts of Interest

The Supervisory Board considers that four of its current five members are independent. Mr. Patrick Jones, Mr. Jean Schmitt, Mrs. Muriel Barnéoud, and Mrs. Catherine Blanchet effectively meet the criteria defined in the AFEP-MEDEF Code, insofar as they:

- are not currently or were not over the course of the past five years, either employees or executive corporate officers of the Company, and either employees or corporate officers of one of its subsidiaries;
- are not corporate officers of a company in which the Company exercises, either directly or indirectly, a role as director or in which a Company employee appointed as such or a corporate officer of the Company (either currently in office or having been in office during the past five years at least) exercises a role as director,
- are not customers, suppliers, investment bankers, finance bankers (i) that are key for the Company or the Group, or (ii) for which the Company or its Group represent a significant portion of their business,
- do not have any close familial ties with a corporate officer,
- have not acted as auditors of the Company over the course of the past five years, and
- have not been corporate officers of the Company for more than twelve years.

Furthermore:

- A non-executive corporate officer cannot be considered independent if he or she receives variable compensation in cash, securities, or any other compensation linked to the performance of the company or the group.
- The members of the Supervisory Board who represent significant shareholders of the Company can be considered independent if they do not hold any equity in the Company. Beyond a 10% share capital and voting rights threshold, the Board must, based on the report delivered by the compensation and nomination committee, systematically review the status of independence of its members while taking into account the distribution of the share capital of the Company and the existence of potential conflicts of interest.

Balanced Gender Ratio

The Company's Supervisory Board is also in compliance with the balanced gender ratio principle (the *loi du 27 janvier 2011 relative à la représentation équilibrée des femmes et des hommes au sein des conseils d'administration et de surveillance et à l'égalité professionnelle*, or the "January 27, 2011 Law on the equal representation of men and women on boards of directors and supervisory boards and professional equality"). Since December 15, 2016, the Board has two women and three men.

3. Duties of the Supervisory Board

The Supervisory Board is subject to the provisions of the French Commercial Code, to articles 15 to 17 of the Bylaws of the Company, and to the internal charter it adopted.

In particular, the Supervisory Board is responsible for:
- exercising permanent oversight of the management of the Company by the Management Board,
- appointing those members of the Management Board responsible for defining the strategy of the Group and for managing it,
- setting the compensation of the members of the Management Board,
- authorizing the agreements and commitments discussed in articles L. 225-86 and L. 225-90-1 of the French Commercial Code,
- suggesting statutory auditors for nomination at the General Shareholders' meeting,
- approving the Chairman of the Board's report on corporate governance and internal control.

It makes sure of the quality of information disclosed to shareholders and to the market.

There are no statutory limitations to the powers of the Management Board.

4. Conditions under which the work of the Supervisory Board was prepared and organized

In order to efficiently participate in the work and deliberations of the Board, each member of the Board requests the documents he or she deem useful. Such requests must be sent to the Management Board or, as the case may be, any other senior executive.

Each member of the Board is allowed to meet with the main executives of the company, provided prior notification is sent the Management Board. The members of the Management Board can attend these meetings unless the Board member in question refuses. The members of the Management Board can be asked to appear at any Board meeting.

The Management Board informs the Board on a regular basis regarding the financial position, cash position, financial commitments of the Company and the Group, as well as regarding any significant events that may have occurred.

Lastly, any new member of the Board can request to receive training on the specificities of the Company and its Group, their business activities and their business sectors.

The Board meets as often as necessary in the corporate interest of the Company and at least once per quarter. No later than on the last meeting of the fiscal year, the Board sets the dates of its quarterly meetings to be held in the following fiscal year. The members of the Board are notified by letter, facsimile, or email at least eight (8) days prior to each meeting. The Board can also be convened by any means available, even verbally, if all the active members of the Board are present or represented at the meeting.

All documents, in final or draft form, are sent, handed, or made available to the members of the Board within a reasonable time frame prior to the meeting, in order to inform them regarding the agenda of the meeting and any questions subject to the Board's review.

In addition, at each meeting the Board is updated regarding the financial position, the cash position, and the commitments of the Company.

The members of the Board can attend Board meetings via video-conferencing or any other means of telecommunication. This attendance method is not valid for deciding on the following matters: (i) appointing, terminating, or setting the compensation of members of the Management Board, and (ii) reviewing and auditing the annual financial statements, including the consolidated financial statements, and reviewing the management report including the management report of the Group.

The means put in place must enable the identification of those in attendance and guarantee their effective participation.

The minutes of the meeting lists those members using video-conferencing or any other means of telecommunication to attend the meeting.

Annually, the Board reviews its terms and conditions of operation and, at least once every three years, complete a formal evaluation with the assistance of an external consultant, as the case may be. The purpose of this evaluation is also to ensure that important questions are adequately prepared and debated, and to assess the contribution of each member to the work completed by the Board based on his or her abilities and implication, in particular.

5. Compensation of the Supervisory Board and Management Board

Supervisory Board

The compensation paid to members of the Supervisory Board is exclusively in the form of attendance fees. The distribution of attendance fees amongst the various members of the Supervisory Board takes into account (i) the actual attendance rate of the members at meetings of the Supervisory Board, and (ii) the effective participation in the work of the various committees. The total amount of attendance fees paid out to members of the Supervisory Board was set at the General Shareholders' Meeting dated June 19, 2013.

The distribution of attendance fees allocated to over the course of the 2015 and 2016 fiscal years is described in Table 3 of section 15.1 "*Compensation paid to Corporate Officers*" of the Registration Document.

At its meeting dated April 13, 2015, the Supervisory Board decided to apply a 20% reduction to the attendance fees to be paid to members as from Q2 2015. Then, at its meeting dated December 16, 2016, the Supervisory Board decided to reduce the annual attendance fees to EUR 20,000, which are reserved for its three independent members (Patrick Jones, Muriel Barnéoud, and Catherince Blanchet).

Management Board

The principles and rules set by the Supervisory Board to determine the compensation and benefits granted to members of the Management Board, as well as the detailed amounts in question, are described in Chapter 15 "*Compensation and Benefits*" of the Registration Document.

6. Report on the activity of the Board and its committees over the course of the 2016 fiscal year

Over the course of the past fiscal year, the Supervisory Board of the Company met 6 times. The Chairman of the Board chaired these meetings, it being specified that the average attendance rate of all members of the Board for the fiscal year was equal to 98%.

6.1 The Audit Committee

The audit committee (the "Audit Committee") was created in 2006. Its members adopted a new internal charter on March 31, 2011, which was approved by the Supervisory Board that same day.

The goal of the Audit Committee, acting under the exclusive and collective authority of the members of the Supervisory Board of the Company and in order to ensure the quality of internal control procedures and of the reliability of the information provided to shareholders and to the financial markets, is to monitor all issues associated with the establishment and auditing of accounting and financial information and, to this end, in particular:

- to monitor the process under which financial information is prepared,
- to monitor the effectiveness of internal control and risk management systems and, in particular:
    - to evaluate the internal control processes as well as any measures adopted for the purpose of solving any significant potential internal control dysfunctions,
    - to review the annual work plan of the auditors,
    - to assess the relevance of the risk monitoring procedure,
- to monitor the legal auditing of the annual financial statements and consolidated financial statements by the Statutory Auditors and, in particular:
    - to review the assumptions retained in the financial statements, to study the corporate financial statements of the Company and the annual, half-year and, as the case may be, quarterly consolidated financial statements before they are reviewed by the Supervisory Board, while having regularly kept abreast of the financial position, cash position, and commitments of the Company, in particular off-balance sheet data,
    - to assess the merits of the choice in accounting principles and methods, in consultation with the Statutory Auditors,
    - to discuss the merits of the accounting principles and methods retained, the effectiveness of accounting auditing procedures, and all other relevant matters with the members of the Management Board in charge of financial concerns as well as with the Chief Financial Officer, from the end of any given fiscal year to the date on which the Audit Committee will seek to approve the draft version of the annual financial statements,
- to review the significant transactions for which a conflict of interests may have occurred,
- to issue a recommendation on the Statutory Auditors suggested for appointment at the General Shareholders' meeting and to review the conditions applicable to their compensation,
- to monitor the status of independence of the Statutory Auditors and, in particular:
    - to suggest the setting of rules that the Statutory Auditors can resort to with respect to duties other than the auditing the financial statements in order to guarantee the independence of the auditing services of the financial statements provided by such Statutory Auditors in compliance with the law, regulations, and recommendations applicable to the Company, and to ensure that such rules are well applied,
    - to authorize any decision to resort to the Statutory Auditors for work other than the auditing of the financial statements,
- to review the conditions governing the use of financial derivatives,
- to monitor the status of significant disputes on a regular basis,
- to review the procedures implemented by the Company with respect to the receipt, filing, and processing of claims pertaining to accounting matters and accounting audits carried out internally, to issues surrounding the auditing of the financial statements, as well as to documents sent anonymously and confidentially by employees and that may call into question any practices used in accounting or in the auditing of the financial statements, and
- generally, to provide any advice and to formulate any appropriate recommendations regarding the matters set forth above.

If possible, the Audit Committee is composed of at least three members of the Supervisory Board appointed by the Supervisory Board, it being specified that at least two thirds of the members of the Audit Committee must be, insofar as possible, independent members in accordance with the criteria defined in the AFEP-MEDEF Code, which the Company uses as a reference.

In selecting the members of the Audit Committee, the Supervisory Board ensures that they are independent, that at least one independent member of the Audit Committee has specific skills in finance or accounting, and that all the members have basic skills in finance and accounting.

The members of the Audit Committee are:
- Patrick Jones (Chairman of the Audit Committee, financial expert, independent member of the Supervisory Board, and Chairman of the Supervisory Board),
- Alex Brabers (member of the Supervisory Board), and
- Jean Schmitt (independent member of the Supervisory Board.

These three individuals were selected based on their accounting and financial skills, it being specified that Patrick Jones and Jean Schmitt also meet the independence criteria retained by the Company and reiterated in the internal charter of the Board. With 2/3 independent members, the Audit Committee complies with the recommendations of the AFEP-MEDEF Code according to which an audit committee must be composed of at least 2/3 independent members.

The Audit Committee can speak with any member of the Management Board of the Company and visit with or interview the heads of operating or functional entities that may be of assistance to the Audit Committee in completing its assignment. Should the Audit Committee choose to do so, it gives prior notice to the Chairman of the Supervisory Board and the Chairman of the Management Board of the Company. In particular, the Audit Committee has the authority to interview persons who participate in the preparation of the financial statements or their auditing (Chief Financial Officer and senior executives in financial management).

The Audit Committee interviews the Statutory Auditors.

The Audit Committee met 6 times over the course of the 2016 fiscal year with an attendance rate of 91%.

6.2 Nominations, Compensation, and Governance Committee

At its meeting dated October 19, 2016, the Supervisory Board decided to merge the Compensation Committee with the Nominating and Governance Committee, calling it the nominations, compensation, and governance committee (the "Nominations, Compensation, and Governance Committee"). The internal rules of the Nominations, Compensation, and Governance Committee were modified to reflect this change and were adopted by the members of the Supervisory Board at its meeting dated October 19, 2016.

The main objectives of the Nominations, Compensation, and Governance Committee are:
- to make recommendations to the Supervisory Board regarding the persons or entities that should be appointed as members of the Management Board,
- to review the compensation policies implemented by the Group and applicable to senior executives, to make proposals regarding the compensation of members of the Management Board, and to prepare all reports that the Company must disclose on these matters,
- to determine the composition of the Supervisory Board and specialized committees,
- manage the procedure for assessing the quality of the Supervisory Board's functioning, and
- develop and recommend the corporate governance principles applicable to the Company to the Supervisory Board.

The Nominations, Compensation, and Governance Committee is, in particular, responsible for the following:

- with resepct to nomination matters:
  - Make recommendations to the Supervisory Board on the composition of the Management Board,
  - Establish a succession plan for the executive officers of the Company and assist the Supervisory Board in the selection and evaluation of members of the Management Board,
  - Prepare a list of persons to recommend for nomination to the Management Board, and
  - Supervise the recruitment process for new Supervisory Board members and make recommendations to the Board. The Committee must also supervise the integration and training of newly elected or nominated members;
- with respect to compensation matters:
  - Study the main objectives proposed by senior management regarding compensation of executives who are not corporate officers of the Company, including free allocation of shares and stock options,
  - Review the compensation of executives who are not corporate officers of the Company, including free share plans and stock option plans, pension schemes, welfare plans and benefits in kind;
  - Formulate recommendations and proposals to the Supervisory Board regarding:
    - compensation, pension and welfare schemes, benefits in kind and other pecuniary rights, including in the event that the terms of office of Management Board members are terminated. The Compensation Committee proposes amounts and systems of compensation and, in particular, rules for calculation of any variable compensation taking into account the strategy, objectives and results of the Company and market standards,
    - free share plans, stock option plans, and any similar profit sharing mechanism and, in particular, the individual grants to the members of the Management Board,
  - Annually review the compensation paid to members of the Supervisory Board,
  - Prepare and present reports required under the terms of the internal charter of the Supervisory Board, and
  - Prepare any other recommendation that could be requested by the Supervisory Board or the Management Board regarding compensation.
- With respect to governance matters:
  - (i) Develop and submit to the approval of the Supervisory Board the principles of corporate governance applicable to the Company. Every year, or more frequently if necessary, the Committee must review these principles. While consulting with the Chairman of the Supervisory Board and the Chairman of the Management Board, it must periodically review, revise, and confirm the Company’s compliance with governance policies as well as take into consideration other governance matters that can, from time to time, require a review by the entire Supervisory Board, (ii) develop and recommend to the Supervisory Board an annual self-assessment procedure to evaluate the method of operation of the Board and its committees. The Committee supervises this annual self-assessment, and (iii) identify the Supervisory Board’s good practices with respect to its methods of operation, and makes any appropriate recommendations to the Board;
  - Analyze matters of independence and potential conflicts of interests affecting the Supervisory Board’s members and the Company’s executives. This explicitly includes an analysis of sensitive issues regarding the disclosure of information on competition, strategic partners, current or potential investors, technological partners, or customers. The Nominations, Compensation, and Governance Committee develops and spearheads practices guaranteeing the confidentiality of information concerning their customers. For example, the Committee does not authorize discussing a particular customer in the presence of a Supervisory Board member or observer who faces a conflict of interests, and
  - Ensures that the code of conduct and ethics, as well as the insider trading rules, are clear, published, and up to date. In the event of a problem, the Committee makes recommendations aimed at resolving such problem.

Generally speaking, the Nominations, Compensation, and Governance Committee provides all advice and formulates all appropriate recommendations regarding the matters set forth above.

If possible, the Nominations, Compensation, and Governance Committee is composed of at least three members of the Supervisory Board appointed by the Supervisory Board, it being specified that no less than the majority of the members of the Audit Committee must be, insofar as possible, independent members in accordance with the criteria defined in the AFEP-MEDEF Code, which the Company uses as a reference.

The members of the Nominations, Compensation, and Governance Committee are:
- Alex Brabers (Chairman of the Nominations, Compensation, and Governance Committee, member of the Supervisory Board),
- Patrick Jones (independent member of the Supervisory Board),
- Jean Schmitt (independent member of the Supervisory Board),
- Muriel Barnéoud (independent member of the Supervisory Board),
- Catherine Blanchet (independent member of the Supervisory Board).

Within the context of its duties, the Nominations, Compensation, and Governance Committee can submit a request to the Chairman of the Management Board regarding the need for the assistance of any management executive (*cadre dirigeant*) of the Company, the specific skills of which could facilitate the completion of one of the tasks on the agenda.

Over the course of the 2016 fiscal year and before these two committees were merged together, the Compensation Committee met 3 times for an overall attendance rate of 100%, and the Nominating and Governance Committee met 8 times for an overall attendance rate of 100%.

Since it was created, the Nominations, Compensation, and Governance Committee met once, and its attendance rate was 100%.

7. Specific terms and conditions applicable to the participation of shareholders at general shareholders' meetings

In accordance with the provisions of Paragraph 3 of Article 22 of the By-laws, the right to participate at general shareholders' meetings is governed by the legal and regulatory provisions in force and is, in particular, subject to registering the securities, in the name of the shareholder or of the financial intermediary acting on his/her behalf, no later than two business days before the date of the meeting, at midnight, Paris time, (i) in the registered securities accounts held by the Company or (ii) in the bearer form securities accounts held by the duly authorized financial intermediary. If he/she cannot personally attend the meeting, the shareholder can choose between one of the following: (i) granting a proxy under applicable legal and regulatory conditions, (ii) voting by absentee ballot, or (iii) granting a proxy to the company with no assigned representative, under applicable legal and regulatory conditions.

In accordance with the provisions of Paragraph 3 of Article 9 of the By-laws, barring cases in which the law provides otherwise, each shareholder has as many voting rights and can cast as many votes at general shareholders' meetings as the number of fully paid up shares he/she holds. Two shares with the same par value each grant the right to one vote. Any mechanism assigning an *ipso jure* double voting right to the shares held in registered form for at least two years in the name of the same shareholder is expressly excluded under the terms of the By-laws.

8. Risk management and internal control procedures implemented by the Company

In drafting this section of its report, the Company used the reference framework implementation guide on internal control intended for publicly traded companies, prepared by AFEP and MEDEF and updated in April 2010.

8.1 General risk management principles

A) Definition

Risk management aims to identify all of the main risks and risk factors that could affect the business activities and processes of the company and to define the means of managing these risks and maintaining them, or to bring them down to an acceptable level for the Company, in particular by setting up preventative measures and controls linked to the internal control system. Internal control is not limited to procedures increasing the reliability of financial and accounting information. Together, its procedures are intended to cover all types of risks and to apply to all the business activities of the Company and the Group.

B) Risk management objectives

The Company adopted the definition of risk management published by the French *Autorité des marchés financiers*, according to which risk management is a leverage mechanism in the management of the Company that contributes to:
- creating and maintaining the value, assets, and reputation of the Company,
- providing added security to the decision-making and processes of the Company in order to promote the reaching of objectives,
- promote consistency between actions and the securities of the Company,
- mobilize employees around a shared understanding of the main risks to which the Company is exposed.

C) Components of the risk management system

The risk controlling method used by the Company is mainly based on a risk assessment it updates every year and on the elaboration of plans of action aimed at handling these risks.

The risk assessment is presented to the Audit Committee.

The main risks associated with the Group's business activities are described in Chapter 4 "Risk Factors" of this Registration Document.

D) Main financial and accounting plans of action

Specific plans of action are put in place in order to respond appropriately to the main risks identified. Financial and accounting risks and related controls in place are shared with the Statutory Auditors and the Audit Committee on a regular basis in order to adapt these plans of action.

Considering the uncertainties associated with the technological nature of the industry in which the Group operates, the financial and accounting plans of action are mainly the following:

- Financial plans of action:

  - Active monitoring of financial markets and establishment of a three-year business plan, an annual budget, a quarterly income and cash position forecast, and monthly reporting;
  - Prudent cash management and capped external indebtedness;
  - Protection of patented technologies; and
  - Spearheading research and development projects throughout their term.

- Accounting plans of action:

    - Revenue accounting only when the amount of revenue can be assessed reliably, when there is a probability that future economic advantages will benefit the Group and that the criteria specific to each of the Group's types of income are fulfilled;
    - Internal costs incurred on development projects are not capitalized insofar as the capitalization criteria are difficult to be met;
    - Grant's recognition in income statement only when a definitive confirmation of the grant is received;
    - Systematic monitoring of impairment indicators for fixed assets (with future cash flow accounting for a 5-7 year product shelf life and including the discount rates incorporating a risk premium); and
    - Assessment of the probility of recovering deferred tax assets based on, in particular, future taxable profit forecasts (this assessment takes into account the chronological sequence of the Group's taxable income).

8.2 Relationship between risk management and internal control

The internal control system aims to ensure that specific plans of action are effectively implemented.

8.3 General internal control principles

A) Definition

Inside Secure uses as a guideline the definition of internal control proposed by the French *Autorité des marchés financiers*, according to which internal control is a system implemented by the Company intended to ensure:

- compliance with laws and regulations of its activities,
- the enforcement of instructions and guidelines set by senior management,
- the proper functioning of the internal processes of the Company,
- the reliability of its financial information,

and, generally, contribute to the monitoring of its activities, the effectiveness of its operations and the efficient use of its resources. Over the course of the fiscal year, the Company continued to implement an internal control system intended to "internally guarantee that the information used and distributed throughout the businesses of the Company is relevant and reliable."

However, the use of internal controls does not constitute an absolute guarantee that the objectives of the Company will be reached, or even that the risk of error or fraud will be fully controlled or eliminated.

B) The components of internal control

Standards

The procedures described below are those of the Company and its subsidiaries, the financial statements of which are consolidated by the global integration method. The Company also refers to the guidelines contained in the implementation guide for the framework of reference on risk management and internal control adapted to small- and mid- capitalizations published by the French *Autorité des marchés financiers* on November 18, 2013.

The different actors of the internal control system

The Group's internal control system relies on the Management Board of the Company, its Supervisory Board, its Audit Committee and its Nominations, Compensation, and Governance Committee. Their composition, functions and operation are described above.

Accounting and financial organization and spearheading

The Group has implemented a number of procedures relative to accounting and financial information, which are mainly organized around a three-year business plan, an annual budget, a quarterly income and cash position forecast, and monthly reporting.

Identification of key controls and the monitoring of their implementation

In studying its risk map, the Group identified the major risks it is exposed to as a result of the nature of its business activities.

Relative to its risk map and to corresponding plans of action, the Group identified twelve processes used in the preparation of its financial information:

- Governance
- Reporting and budgetary procedures
- Research and development activity
- Recognition of income and customers
- Accounts payable and vendor process
- Payroll and Human Resources
- Cash and derivatives
- Contractual and legal framework
- Tax matters
- Research tax credits and grants
- Procedures for closing interim and annual financial statements
- Information systems

These processes are listed in an internal control matrix that included 137 key controls during its most recent review in December 2016. Some key controls have revealed internal control weaknesses, which as far as the Company is concerned, did not significantly affect the reliability of its financial information as offsetting controls were implemented. These are areas of improvement for the Group. The Audit Committee reviews the matrix of internal control on an annual basis.

Accounting and financial information system

The Group has two main information systems to strengthen its internal control system:

- a management tool for ERP (SAP), the objective of which is to restore financial information in an automated and secure way. This tool has helped to establish a plan of accounts, to improve the traceability of information and create audit trails,
- a tool to monitor research and development projects that enables the monitoring, on a per project basis, of the time spent by researchers on each project and the costs incurred in connection with each project,
- a software package for modeling projected cash flows in order to manage cash projections in connection with accounting and budget control data.

Resources allocated to internal control

Given its size, the Group has not established an internal audit department. Internal control is primarily the responsibility of its financial department. During their visit to sites abroad, its teams review the analyses of the financial statements prepared by the accountants of its subsidiaries. In general, for foreign subsidiaries, the Group relies on outside auditors for the preparation of the financial statements and the annual tax returns in order to maintain an adequate segregation of duties and to ensure proper compliance with and implementation of local legal and tax provisions.

8.4 Scope of risk management and internal control

The internal control procedures described herein are applicable to the Company as well as to any of its subsidiaries for which the financial statements are consolidated according to the global integration method.

8.5 Corporate bodies responsible for risk management and internal control

The Management Board of the Company is responsible for the identification and processing of essential challenges and defines strategic and operational objectives. It ensures that the strategy is executed and reviews the options contributing to its effective implementation, in particular in the fields of technology, security, and human and financial resources.

The framework of reference used by the Company for its internal control is focused on ensuring that the accounting and financial information is reliable and on compliance with applicable laws and regulations, in particular in the area of preparation of accounting and financial information.

The Management Board is responsible for the supervision of the internal control system of the Company. Since its does not have an internal auditing department, the Management Board entrusts the financial department with the responsibility of identifying the risks and implementing, monitoring, and evaluating the internal control system.

Within the financial department, the chief financial officer, the VP of finance and spending, and the financial planning & analysis department are an integral part of the system and work in close collaboration with the various operational departments in order to guarantee an acceptable level of internal control.

Lastly, acting under the authority of the members of the Supervisory Board of the Company and in order to ensure the quality of internal control procedures and of the reliability of the information provided to shareholders and to the financial markets, The Audit Committee monitors all issues associated with the establishment and auditing of accounting and financial information.

8.6 Limitations of risk management and internal control and areas of improvement

Risk management and internal control represent a constantly improving process. In 2016, the Company maintained and adapted its internal control system while its business grew rapidly In 2017, the Company will seek to continue its efforts in the context of a business now focused on software and intellectual property licensing.

16.5 Report of the statutory auditors on the report of the Chairman of the Supervisory Board's Report on corporate governance, internal control, and risk management

PricewaterhouseCoopers Audit
63 rue de Villiers
92200 Neuilly-sur-Seine

Antoine OLANDA
38 Parc du Golf
13856 Aix-en-Provence

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of Inside Secure

Year ended December 31, 2016

Inside Secure
Rue de la Carrière de Bachasson
13590 Meyreuil

To the Shareholders,

In our capacity as Statutory Auditors of Inside Secure, and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-68 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-68 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman’s report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Supervisory Board’s report, prepared in accordance with article L.225-68 of the French Commercial Code.

Other information

We attest that the Chairman’s report sets out the other information required by article L.225-68 of the French Commercial Code.

Signed at Neuilly-sur-Seine and Aix-en-Provence, March 24, 2017

The statutory auditors

PricewaterhouseCoopers Audit

Antoine OLANDA

Didier Cavanié
Partner

17. EMPLOYEE MATTERS

17.1 Corporate information

17.1.1 Employees

As of December 31, 2016, the Company had 158 employees (of which 3 employed under temporary closed-term employment contracts), to be compared with 291 employees as of December 31, 2015 and 346 employees as of December 31, 2014.

At closing of the periods in question, the Group's employee base changed as follows:

Per function	December 31, 2015	December 31, 2016
Senior management and support functions	50	29
Research and development	167	87
Sales & Marketing	74	42
Total	291	158

Per country (*)	December 31, 2015	December 31, 2016
France	*141*	*37*
Scotland	*41*	*31*
Netherlands	*37*	*37*
Finland	*28*	*28*
Singapore	*5*	*0*
South Korea	*5*	*2*
Taiwan	*7*	*6*
Japan	*4*	*4*
United States	*23*	*13*

(*) in this table, employees are assigned to the various countries based on their home company. It should be noted that an employee working for the Finnish subsidiary of the Company performs her duties mainly in Norway.

Gender breakdown

		December 31, 2016
Women	France	13
	Outside of France	18
Men	France	24
	Outside of France	103
Total		158

Based on an employee base of 158 employees as of December 31, 2016, the percentage of women is equal to 19.62%. This gender distribution is mainly due to the types of professions represented within the Group, which historically have been dominated by the male population.

Age breakdown

	< 30 years	Between 30 and 40 years	Between 40 and 50 years	> 50 years
France	1	16	15	5
Outside of France	4	31	59	27
Total	5	47	74	32

The Group's employees have an average age of 43 years. It should be noted that there is a fairly large senior population for a high-tech business, since the percentage of employees over 50 is 20%. In France, the rate is 13.50%.

In order to strengthen its teams on certain projects, the Group also occasionally employs through staffing agencies that assist in finding temporary employees. These temporary employees totaled 15 persons as of December 31, 2014, 12 persons as of December 31, 2015, and 5 persons as of December 31, 2016.

Hirings, dismissals, transfers

The Company mainly employs candidates with "expert" profiles. Due to their experience, they are able to meet the technological challenges inherent in the markets in which the Company conducts its business. However, the hiring strategy of the Company is to hire a mix of profiles, with a higher preference for "junior-level" profiles concerning generally versatile or multi-purpose positions. Apprenticeships and mandatory long-term engineering post-graduate residencies are also a preferred source of recruitment for the Company.

The Group hired 11 persons in 2016, of which 2 in the France zone. Of all the employees who joined the Group in 2016, 72% of them were recruited with permanent "open term" employment contracts (*contrat à durée indéterminée*, or "CDI"). 3 employees were recruited with temporary "closed term" employment contracts (*contrat à durée déterminée*, or "CDD").

In addition, over the course of the 2016 fiscal year, 144 persons left the Group:

- 62 employees were transferred to the WISeKey group in the context of the Group's sale of its semiconductor business (56 employees in France and 6 outside of France) via company disposals or tripartite agreements,
- 4 employees were transferred to on of the Company's customers in the context of tripartites agreements,
- 41 employees were dismissed in the context of a *plan de sauvegarde de l'emploi* (French redundancy plan) and, generally, in the context of a global personnel restructuring plan,
- 25 employees of the Group resigned,
- 6 employees left the Company upon expiration of their CDD,
- 5 mutually agreed employment contract terminations (*rupture conventionnelle*) took place for 2 employees stationed in France, and
- the corporate mandate of the CEO – General Secretary, member of the Management Board was terminated.

Wages and salaries

Wages and salaries (social charges included) recorded by the Group in the 2016 fiscal year amounted to US$23,817 thousand.

Incentive-based compensation

In France, a discretionary profit-sharing agreement (*accord d'intéressement*) was signed with the representatives of the employees of Inside Secure, the Group's parent company. The purpose of this agreement is to create a direct link between the employee and the Group's performance, while strengthening its belief in promoting common interests.

The agreements in force in the 2016 fiscal year were based on reaching a target operating margin in the 2016 fiscal year and on reaching four set targets associated with the launch of new software products. Incentive-based compensation was paid to Company employees in 2016.

Health, pension, welfare, and other benefits

Inside Secure's employees in France also benefit from various employment benefits:

- Regarding health, the Company guarantees its employees an additional health plan to the general social security plan. In 2012, the additional health plan was redefined and, as a result, the Group's management will incur a larger portion of contributions to this plan;

- Regarding welfare, the protection plan available to employees aims to protect them against life's mishaps: work interruption, disability, or inability to perform. This plan guarantees employees that they will be paid significant bonuses in the event of disability or inability to perform. In the event of death, this plans allows for to be paid to the spouse and an education stipend for each child he or she claims as a dependent;

- In order to help its employees in securing a home, the Company became a member of the organization responsible for managing the *1% patronal* (employer loan offering employees a 1% interest rate for the acquisition or construction of one's principal residence). This new membership provides all employees with privileged access to real estate inventory. They also benefit from other advantages aimed at assisting them in leasing or acquiring their place of residence.

17.1.2 Work hours

Within Inside Secure, company executives and non-executives (*salariés cadres et non cadres*) work 39 hours per week. They accumulate 0.62 days of overtime per month, or a total of 6.82 days per year.

As of December 31, 2016, 9.43% of the Group's employees work part-time.

<u>Skills management</u>

As early as 2011, the Group wanted to change its internal structure in order to manage new hires and skills homogeneously across its entire staff and rally groups of varying origin around the same approach regarding professional contributions and their development.

The structure launched in December 2013 assigned a position to each job and each contribution level in the organization. It highlights career moves within the sector and across sectors, horizontal and vertical, and between expertise and management. The approach covers all of the Group's employees, excluding corporate officers. It is used for all job positions, in all countries, and applies to executive and non-executives. The structure includes 11 groups. Job positions are split into four broad career sectors (Technical, Sales, Support, Management).

Lastly, the structure helped to harmonize and provide consistency with the Group's general remuneration policy (fixed salaries and individual variable portions), by assigning salary ranges to each group in the structure, which are determined based on the real salaries, pay equity management, and market competitiveness. Although it is constantly changing as the company further develops, it provides the general guidelines for its remuneration policy and employment benefits of the Group.

<u>Absenteeism</u>

Absenteeism within the company is fairly weak; it is lower than the national averages for the business sector of the Group (source: *8ème baromètre Alma Consulting Group sur l'absentéisme en France* published in September 2016 – Absenteeism rate of 4.55% in France in 2015).

In 2016, the aggregate absenteeism rate in Europe (including illness and work-related or traveling injuries) totaled 1.62%. In France it is equal to 1.54%. It corresponds to the total number of days absent for illness, or work-related or traveling injury or illness, divided by the theoretical number of business days in the year.

17.1.3 Labor relations

The Group assigns special importance to labor relations, in particular when negotiating with employee representatives.

Inside Secure has a dedicated employee delegation comprised of 3 permanent members and 1 alternate. The most recent elections took place in September 2015 and interim elections took place in January 2017 to fill vacancies. All of the elected members of the works council belong to the FO labor union.

The Company reorganized its business in 2016, which included implementing a restructuring plan. In France, these actions were subject to various disclosure/consultation procedures with the works councils of Inside Secure (and its former subsidiary Vault-IC France) as well as a disclosure/consultation procedure with the CHSCT union of Inside Secure (and the CHSCT union of its former subsidiary Vault-IC France).

Mandatory annual negotiations (*négociations annuelles obligatoires*, or “NAO”) will take place in the first half-year of 2017.

Review of collective bargaining agreements

Over the course of the 2016 fiscal year, a collective bargaining agreement and two amendments to existing collective bargaining agreements were signed with Inside Secure’s employee representative bodies:

- *Accord collectif majoritaire portant sur le plan de sauvegarde de l’emploi signé le 2 mai 2016*,
- *avenant au règlement du PEE signé le 02 mars 2016* – (Amendment to the company savings plan regulations (French *plan d’épargne d’entreprise*, or “PEE”), signed on March 2, 2016). The purpose of this amendment is to update the PEE with the new provisions of *loi n°2015-990 du 6 août 2015 pour la croissance, l’activité et l’égalité des chances économiques* (or Law #2015-990 dated August 6, 2015 on growth, business, and equal economic opportunities, also known as the “Macron Law”);
- *Avenant à l’accord d’intéressement du 22 juin 2015* (Amendment to the Incentive Agreement dated June 22, 2015) – The purpose of this amendment is to define the terms and conditions for calculating the incentive-based compensation for the 2016 fiscal year.

Social activities

The Company contributes to social activities promoted by labor organizations in France pursuant to legal provisions put in place for that purpose. Budgets benefiting social activities promoted by foreign organizations are also in place. These contributions cover, either partly or fully, the participation of employees mainly in athletic, cultural, and musical activities and events.

17.1.4 Health and safety

Every day, the Company works with the members of CHSCT in order to comply with the requirement for and guarantee good work conditions to its employees. The Company complies with applicable legal provisions in this domain. There is no collective bargaining agreement relative to health and safety.

Europe only	**Europe**		**Of which: France**	
	2015	**2016**	**2015**	**2016**
Number of work-related injuries with leave	0	0	0	0
Number of work-related injuries without leave	0	1	0	1
Number of injuries while commuting	1	0	1	0
Number of cases of work-related illnesses	0		0	0
Frequency rate	2.04	5.39	3.40	5.59
Injury severity rate	0.24	0.03	0.58	0.03

The calculation of the theoretical number of hours worked that was used to determine the frequency and severity rates is based on theoretical format of 39 hours per week for all types of employment contracts.

17.1.5 Training

Professional training within the Group

The annual training program aims to ensure that employees are properly trained to carry out their work responsibilities and offers training focused on skills development.

Training initiatives set up by the Group are typically technical and concern job-related skills. These programs are essential for acquiring the skills to master necessary technical and technological advancements that meet the specificities of the markets in which the Company conducts its business activities. They also help in introducing new professional tools and new work methods. This explains why such programs must be completed as soon as possible and with the best experts / trainers in the field.

Other training initiatives aim to develop cross-disciplinary skills. Here are some examples: (i) learning to work in a cross-disciplinary way in an international multi-worksite environment in which setting challenging goals and ensuring customer satisfaction are top priorities, or (ii) continuing education in the development of linguistic abilities, in particular in English, which is necessary for operating in the international environment of the Company.

In 2016, the definition and implementation of a new strategic plan combined with a restructuring of the Group led to training initiatives focused on two main areas:
- assist employees through the expected career adjustment process via skills assessments; and
- allow for skills to adapt to the technological advancements linked to the Group’s business.

The Group’s goal remains to ensure that all of its employees can benefit from at least one training initiative per year.

Training partnerships

The Company often utilizes external training initiatives organized with public institutions and organizations (*organismes conventionnés*) and selected pursuant to calls for tenders. Once selected, they become true partners with which the Group works closely to meet its needs in knowledge acquisition and skills development. Specific onsite training that targets operating expectations is preferred.

The sharing of knowledge

Training within the Group also relies on the formal sharing of experience through the creation of internal training initiatives. Such internal training initiatives play an important role and the Company acknowledges this transfer of knowledge by ensuring that its internal trainers have the pedagogical skills necessary to complete this task. The professionalization of internal trainers is currently considered a priority.

Training review

Since the training of its staff represents a significant investment for the Group, measuring its effectiveness is necessary. The review process is still most often based on the impressions of participants on the training they received. Although this feedback is necessary, it is not sufficient; this is why the Company wishes to gradually implement a process to enable trainers to evaluate interns based on the knowledge they acquired.

Number of training hours

In Europe, over the course of the 2016 fiscal year, the Company offered 776 hours of external training.

Following the *plan de sauvegarde de l'emploi* (redundancy plan) implemented in France in 2016, the Company also paid for 2,464 hours of external training training for these dismissed employees from 2016 to 2018.

Considering the Company's context in 2016, few training hours were completed. Due to the redundancy plan and transfer of many employees, it was difficult to focus on training.

17.1.6 Fair treatment in the workplace

17.1.6.1 Gender equality

The Group aims to promote the equality of wages between men and women with similar levels of skill and experience. For that reason, the Company ensures that wages are equal when employees are hired and monitors aggregate wages paid by gender to ensure that wage increases benefit men and women proportionally.

In 2015, the Group went even further by initiating negotiations with its labor union representatives, ending in the execution, on December 8, 2015, of an *Accord collectif portant sur l'égalité professionnelle entre les hommes et les femmes du 8 décembre 2015* (collective agreement on male and female equality in the workplace dated December 8, 2015). This agreement aims to reduce inequality in the workplace between women and men by focusing on four areas: work conditions, hiring process, effective compensation, relationship between professional life and parental responsibilities.

Average annual base salary in France as of December 31, 2016 (does not include seniority bonuses):

Women		Men	
Executives	Non-executives	Executives	Non-executives
63,656	34,857	76,322*	35,595

** excludes compensation paid to the Chairman of the Management Board (non-employee corporate officer)*

The difference in salary between men and women in the executives' category is mainly due to the lack of women in executive management positions in its business sector.

17.1.6.2 Anti-discrimination Policy

The Company fights against all forms of personal discrimination. In order to achieve this, it has implemented the following measures in France:

- Message on job posts mentioning that the job is available to employees with disabilities,
- Monthly monitoring of the equality of access to training for both women and men,
- Directing managers to ensure equal access to training for all at the time of creation of their team training program.

17.1.6.3 Hiring and integration of employees with disabilities

The Company offers all of its employment positions to all potential employees without discrimination. Despite this policy, the Company believes that it hires an insufficient number of employees with disabilities, which prompted it to establish a partnership with Agefiph in order to find solutions for meeting its requirement in this area. Commissioning external companies that hire workers with disabilities in the office supplies business is, in particular, another method the Company uses to meet its requirement.

17.1.7 Promotion of and compliance with stipulations in key collective bargaining agreements of the International Labor Organization

As specified in the ethics charter sent via email to all employees of the Group and handed to each new hire, the Group scrupulously complies with national and international laws and, in particular, commits to complying with the standards set by the International Labor Organization relative to preventing child or forced labor. The Group ensures that its commercial partners make the same such commitments.

In addition, Inside Secure respects employees' right to be personally involved in political activities, to support the causes of their choice, or to join the labor union of their choice.

17.2 Financial instruments granting access to the share capital of the Company awarded to the first ten non-executive employee beneficiaries, and stock options exercised by such beneficiaries

Over the course of the past three fiscal years and from January 1, 2017 to the filing date of this Registration Document, the Company granted 1,503,934 stock options of the Company ("Options") and 599,499 free shares ("FS") to the ten employees of the Group who hold the largest number of free shares and stock options of the Company granted during the fiscal years in question (collectively referred to as the "Entitlements").

	2014		2015		2016		From January 1, 2017 to the filing date of this Registration Document	
	Options	FS	Options	FS	Options	FS	Options	FS
Date of the Shareholders' Meeting	June 26, 2014		June 26, 2014			December 16, 2016		
Date of the Management Board Meeting	July 22, 2014 August 28, 2014		March 23, 2015			December 16, 2016		
Number of Entitlements granted to the ten Group employees who have the highest number of Entitlements granted in such way (on aggregate)	398,934	0	0	128,499	1,060,000	471,000	45,000	0
Total number of Entitlements exercised/acquired/vested by the ten Group employees who have the highest number of Entitlements exercised/acquired/vested in this way.	56,260	53,210	0	12,500	0	10,533	0	0

17.3 Equity and stock options held by corporate officers (*mandataires sociaux*)

As of the filing date of this Registration Document, the direct and indirect equity held by members of the Management Board and Supervisory Board, as well as the number of rights or securities held granting access to the Company's share capital, can be broken down as follows:

	Number of shares	Number of shares that could result from securities or other rights granting access to the share capital (1)	Total
Pierre Garnier	309,000	864,000	1,173,000
Richard Vacher Detournière	139,600	277,506	417,106
Patrick Schwager Jones	4	0	4
Alex Brabers	4	0	4
Jean Schmitt	2,034	0	2,034
Muriel Barnéoud	0	0	0
Catherine Blanchet	4,200	0	4,200
Total	454,842	1,141,506	1,596,348

(1) A detailed breakdown of these securities and rights can be found in section 15.3 above entitled "Free shares, share warrants, and stock options granted to corporate officers" and a detailed description of the terms of each of these plans is included in section 21.1.4 entitled "Potential share capital" of this Registration Document. The numbers provided correspond to the number of shares that could potentially be subscribed following the exercise of each of these securities or other rights granting access to the share capital of the Company.

17.4 Employee shareholding

As of the filing date of this Registration Document, there is no agreement in place providing for employee shareholding. However, it should be noted that, in the past, the Company completed several grants of free shares and stock options from which some of the Group's employees benefited (for further information, please refer to section 21.1.4 "*Potential share capital*").

As of December 31, 2016, employee shareholding in the Company, calculated in accordance with the provisions of Article L. 225-102 of the French Commercial Code (in other words any shares held in the context of a company savings plan (*plan d'épargne d'entreprise*) provided for under the terms of articles L. 3332-1 *et seq.* of the French Labor Code) was equal to 0.

17.5 Statutory profit-sharing ("*contrats de participation*") and discretionary corporate bonus scheme ("*contrats d'intéressement*")

On June 22, 2015, the Company signed a discretionary corporate bonus scheme ("*accord d'intéressement*") with its works council for the fiscal years ended December 31, 2015, 2016, and 2017.

On February 20, 2006, the Company signed a collective agreement creating a company savings plan ("*plan d'épargne d'entreprise*"), tacitly renewable on an annual basis.

18. MAJOR SHAREHOLDERS

18.1 Distribution of the share capital and voting rights

For further information please refer to the table in section 21.1.7 "*Change in the distribution of the Company's share capital since December 31, 2014*" of this Registration Document.

18.2 Major shareholders not represented on the Supervisory Board

For further information, please refer to the table in section 21.1.7 "*Change in the distribution of the Company's share capital since December 31, 2014*" of this Registration Document.

18.3 Voting rights of major shareholders

As of the filing date of this Registration Document, the number of voting rights granted to each shareholder is equal to the number of shares each of them holds.

Due to the fact that Article 7 of law # 2014-384 dated March 29, 2014, aimed at "regaining control over the real economy", resulted in attaching a double voting right *ipso jure*, unless otherwise specified in the Bylaws, to any fully paid-up shares for which custody in registered form and under the name of the same shareholder can be proven for at least two years, the Company's General Shareholders' Meeting was convened on June 26, 2014 in order to decide on whether to change the Bylaws in order to avoid introducing this double voting right.

The General Shareholders' Meeting adopted this resolution. Therefore, the Company's Bylaws now explicitly disallow any mechanism granting an *ipso jure* double voting right to shares for which custody in registered form and under the same name can be proven for at least two years.

18.4 Control of the Company

As of the filing date of this Registration Document, there Company does not have a controlling shareholder in the meaning of L. 233-3 of the French Commercial Code.

The Company has not implemented any measures in order to ensure that its control is not exercised in an abusive manner.

To the Company's knowledge, there is no planned joint action among its shareholders.

18.5 Agreement that may cause a change in control

To the Company's knowledge, there is no existing agreement that, if implemented, could lead to a change in control of the Company.

18.6 Status of the Company's share pledges

To its knowledge, the Company has not pledged any of its share capital.

18.7 Information required under Article L. 225-103 of the French Commercial Code

18.7.1 Capital structure of the Company

Please refer to the table included in section 21.1.4.2 "*Changes in the distribution of the share capital of the Company since December 31, 2014*" of this Registration Document.

18.7.2 Statutory restrictions to the exercise of voting rights and to share transfers or clauses disclosed to the Company pursuant to the terms of Article L. 233-11 of the French Commercial Code

Not applicable.

18.7.3 Directly or indirectly held equity in the Company of which the latter has knowledge, pursuant to the terms of articles L. 233-7 and L. 233-12 of the French Commercial Code

Please refer to the table in section 21.1.4.2. "*Changes in the distribution of the share capital of the Company since December 31, 2014*" of this Registration Document.

18.7.4 List of holders of any securities carrying special control rights and description of such rights

The Company has no knowledge of the existence of any special control rights.

18.7.5 Audit procedures provided for in the event of a potential employee shareholding structure, when such auditing rights are not exercised by the latter

The Company has not implemented any employee shareholding structure that could potentially contain audit procedures in which employees do no exercise the auditing rights.

18.7.6 Agreement between shareholders of which the Company has knowledge and that could potentially trigger restrictions on transfers of shares and on the exercise of voting rights

The Company has no knowledge of the existence of any such agreements.

18.7.7 Rules applicable to the nomination and replacement of Management Board members as well as to the modification of the Bylaws

Please refer to section 21.2 "*Incorporation Documents and Bylaws*" of this Registration Document.

18.7.8 Powers of the Management Board relative to the issuance or repurchase of shares

Please refer to section 21.1 entitled "*Share Capital*" of this Registration Document.

18.7.9 Agreements entered into by the Company that will be modified or terminated in the event of a change in control of the Company

The Company could potentially sign contracts including provisions that trigger, under certain conditions, their early termination or their modification in the event of a change of control of the Company. This is the case, in particular, for certain agreements entered into by the Company in the banking sector; however, the names of the co-contractors cannot be disclosed in an effort to protect business secrecy. The Company considers that in the event of a change in control, under current conditions, the termination or modification of any of these individual contracts should not have a significant impact on the business overall.

In addition, two of the three contracts referenced in section 18.7.9 of the 2015 Registration Document (the Core License Agreement between Atmel Corp and the Company dated September 30, 2010, and the Patent License Agreement between Atmel Corp and Cryptography Research Inc. dated August 12, 2009) were transferred, with the co-contractors' approval, in the context of the sale of Inside Secure's semiconductor business to WISeKey in September 2016.

18.7.10 Severance payments to members of the Management Board

Please refer to section 15.1 "*Compensation paid to corporate officers*" of this Registration Document.

19. RELATED PARTY TRANSACTIONS

19.1 Intercompany Agreements

The transfer pricing between the Company and its subsidiaries (or, as the case may be, among subsidiaries themselves) is subject to agreements governing the nature and conditions for billing costs and expenses. The Company is the Group's main operating company, its subsidiaries are mainly support companies that invoice back their services to the Parent Company (or, as the case may be, to sister companies) at prices respecting the principles of full competition.

19.2 Related Party Agreements

Related party transactions are described in note 37 of the Notes to the Consolidated Financial Statements included in section 20.1 "*Historical Financial Information*" of this Registration Document.

19.3 Agreements between an officer or a significant shareholder of the Company and a subsidiary

Over the course of the 2016 fiscal year, no agreement was signed between an officer of the Company or a significant shareholder of the Company and a subsidiary.

20. FINANCIAL INFORMATION

20.1 Historical Financial Information

Consolidated income statement

In thousands of US$	Note	Year ended December 31, 2015 (*)	2016
Revenue	7	**26 920**	**49 944**
Cost of sales		(11 935)	(8 951)
Gross profit		**14 985**	**40 993**
Research and development expenses	28	(10 646)	(15 257)
Selling and marketing expenses		(10 657)	(11 348)
General and administrative expenses		(9 781)	(8 058)
Other gains / (losses), net	29	(2 407)	(4 216)
Operating income/(loss)		**(18 507)**	**2 114**
Finance income / (loss), net	32	(808)	(684)
Loss before income tax		**(19 315)**	**1 430**
Income tax expense	33	(335)	(1 695)
Net income/(loss) from continuing operations		(19 650)	(265)
Net income/(loss) from discontinued operations	35	(24 933)	12 609
Consolidated net income/(loss)		**(44 583)**	**12 344**
Attributable to:			
Equity holders of the Company		(44 583)	12 344
Non-controlling interests		-	-
Earnings per share (in US$)	**34**		
Basic earnings per share		(1,29)	0,30
Diluted earnings per share		(1,29)	0,30
Basic earnings from continuing operations per share		(0,57)	(0,01)
Diluted earnings from continuing operations per share		(0,57)	(0,01)
Basic earnings from discontinued operations per share		(0,72)	0,31
Diluted earnings from discontinued operations per share		(0,72)	0,31

(*) The net income of semi-conductor business (see note 1) is presented in accordance with IFRS 5 in the line item "income / (loss) from discontinued operations". The annual consolidated income statement for the 12 month period ended December 31, 2015 has been re-classified in the same way in order to allow comparisons between the two accounting periods.

Consolidated statement of comprehensive income

In thousands of US$	**Year ended December 31,**	
	2015	**2016**
Net Income	(44 583)	12 344
Actuarial gain / (loss) on retirement benefit obligations - continuing operations	72	(98)
Actuarial gain / (loss) on retirement benefit obligations - discontinued operations	179	(244)
Non-reclassifiable components of other comprehensive income	**252**	**(342)**
Financial instrument fair value changes (only continuing operations)	695	(68)
Currency translation differences - continuing operations	(407)	(3 890)
Currency translation differences - discontinued operations	752	970
Reclassifiable components of other comprehensive income	**1 040**	**(2 988)**
Other comprehensive income / (loss) for the year, net of tax	1 292	(3 330)
Total comprehensive loss for the year	**(43 291)**	**9 014**
Attributable to:		
Equity holders of the Company	(43 291)	9 014
Non-controlling interests	-	-
Total comprehensive loss for the year	**(43 291)**	**9 014**

Consolidated balance sheet- Assets

In thousands of US$	Note	December 31, 2015	December 31, 2016
Goodwill	8	20 873	18 773
Intangible assets	9	15 760	6 534
Property and equipment	10	1 744	1 523
Other receivables	16	19 022	5 361
Non-current assets		**57 399**	**32 191**
Inventories	13	7 943	65
Trade receivables	14	8 282	8 630
Bonds reedemable in shares	15	-	11 648
Other receivables	16	12 765	4 845
Derivative financial instruments	12	275	90
Cash and cash equivalents	17	16 434	27 081
Current assets		**45 699**	**52 358**
Total assets		**103 097**	**84 549**

Consolidated balance sheet- Equity and liabilities

In thousands of US$	Note	December 31, 2015	December 31, 2016
Ordinary shares	18	18 218	22 023
Share premium	18	226 518	228 029
Other reserves	20	15 250	12 493
Retained earnings	20	(166 635)	(211 218)
Income / (loss) for the year		(44 583)	12 344
Equity attributable to equity holders of the Company		**48 767**	**63 670**
Non-controlling interests		-	-
Total equity		**48 767**	**63 670**
Intangible liabilities - Non-current portion	22	1 907	-
Financial debt - Long term	23	11 806	128
Repayable advances	24	5 056	-
Retirement benefit obligations	25	993	336
Non-current liabilities		**19 762**	**465**
Intangible liabilities - Current portion	22	6 486	-
Financial instruments	12	324	193
Trade and other payables	21	17 232	11 524
Financial debt - Short term	23	6 558	670
Provisions for other liabilities and charges	26	689	4 308
Deferred income	27	3 278	3 719
Current liabilities		**34 568**	**20 414**
Total liabilities		**54 330**	**20 879**
Total equity and liabilities		**103 097**	**84 549**

Consolidated statement of changes in equity

In thousands of US$	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at January 1, 2015	**18 020**	**225 820**	**13 494**	**(166 635)**	**90 699**	**-**	**90 699**
Loss for the year	-	-	-	(44 583)	(44 583)	-	(44 583)
Actuarial loss on retirement benefit obligations	-	-	252	-	252	-	252
Financial instruments at fair value	-	-	695	-	695	-	695
Currency translation differences	-	-	345	-	345	-	345
Total other comprehensive income	**-**	**-**	**1 292**	**(44 583)**	**(43 292)**	**-**	**(43 292)**
Employees share option scheme :							
Value of employee services	-	-	478	-	478	-	478
Exercise of stock options and/or definitive allotment of shares	18	-	-	-	18	-	18
Equity financing (note 16)	180	698	(43)	-	835	-	835
Treasury shares	-	-	29	-	29	-	29
Balance at December 31, 2015	**18 218**	**226 518**	**15 250**	**(211 218)**	**48 767**	**-**	**48 767**
Balance at January 1, 2016	**18 218**	**226 518**	**15 250**	**(211 218)**	**48 767**	**-**	**48 767**
Loss for the year	-	-	-	12 344	12 344	-	12 344
Actuarial loss on retirement benefit obligations	-	-	(342)	-	(342)	-	(342)
Financial instruments at fair value	-	-	(68)	-	(68)	-	(68)
Currency translation differences	-	-	(2 921)	-	(2 920)	-	(2 920)
Total other comprehensive income	**-**	**-**	**(3 331)**	**12 344**	**9 013**	**-**	**9 013**
Employees share option scheme :							
Value of employee services		-	627	-	627	-	627
Exercise of stock options and/or definitive allotment of shares	5	-	-	-	5	-	5
Equity financing (note 18)	3 800	1 511	-	-	5 311	-	5 311
Treasury shares	-	-	(53)	-	(53)	-	(53)
Balance at December 31, 2016	**22 023**	**228 029**	**12 493**	**(198 875)**	**63 670**	**-**	**63 670**

Consolidated cash flow statement

In thousands of US$	Notes	Year ended December 31, 2015 (*)	2016
Loss for the year		**(19 650)**	**(265)**
Adjustments for:			
Depreciation of tangible assets	10	1 097	1 189
Amortization of intangible assets	9	10 590	3 997
Impairment of receivables	14	(311)	(136)
(Profit) / loss on disposal of assets		617	-
Share-based payments	18	478	627
Change in retirement benefit obligation	24	(104)	(793)
Finance income, net		808	684
Income tax	32	335	1 694
Variation in provisions for risks	25, 28	(26)	828
		(6 166)	**7 824**
Cash generated by / (used in) continuing operations before changes in working capital			
		(11 110)	**(3 766)**
Cash generated by / (used in) discontinued operations before changes in working capital			
Changes in working capital			
Inventories	13	58	41
Trade receivables	14	3 197	(1 557)
Other receivables		570	(194)
Research tax credit and grants	15	(3 405)	(2 918)
Trade and other payables		1 081	1 160
Other payables		(3 177)	(1 911)
Cash generated by / (used in) changes in working capital from discontinued operations		(6 097)	6
Cash generated by / (used in) changes in working capital		**(7 773)**	**(5 373)**
Cash generated by / (used in) operations		**(25 049)**	**(1 315)**
Interest received, net		(32)	(95)
Income tax paid		(18)	(194)
Net cash generated by / (used in) operating activities		**(25 099)**	**(1 604)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(225)	-
Disposal /(acquisition) of equity investments accounted for under the equity method	39	165	-
Purchases of property and equipment	10	(438)	(164)
Purchases of intangible assets	9	(98)	(32)
Cash flows used in investing activites from discontinued operations	35	(592)	2 082
Net cash used in investing activities		**(1 187)**	**1 886**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	17	870	5 311
Frais externes liés à l'introduction en bourse	17	-	-
Financing of the Research tax credit	22	5 946	5 833
Principal repayment under finance lease		(330)	(346)
Treasury shares		28	(54)
Net increase / (decrease) in cash and cash equivalents		**(20 034)**	**10 753**
Cash and cash equivalents at beginning of the period	16	36 315	16 434
Effect of exchange rate fluctuations		129	69
Effect of exchange rate fluctuations on discontinued operations		24	(175)
Cash, cash equivalents at end of the year	**16**	**16 434**	**27 081**

(*) The cash flow for the 12 month period ended December 31, 2016 of semi-conductor business (see note 1) is presented in accordance of IFRS 5, in line items "cash generated from discontinued operations", "cash flow used in investing activities from discontinued operations", and "cash flow from financing activities from discontinued operations" according to their nature. The consolidated cash flow table for the 12 month period ended December 31, 2015 has been reclassified in the same way in order to allow comparisons between the two accounting periods.

Notes to the consolidated financial statements

1. General information and significant events for the year

Inside Secure ("the Company") and its subsidiaries (together "the Group") design, develop and sell embedded software and intellectual property components that provide security to transactions, content, and digital identification.

Shares in the Company are listed on the Euronext exchange in Paris (compartment B) under the Isin code FR0010291245.

The Company is a limited liability company ("société anonyme"). The address of its registered office is Arteparc Bachasson, rue de la carrière de Bachasson, Meyreuil (13590), France.

The consolidated financial statements were authorized for issue by the Management Board on February 17, 2017.

Reorganization of the Group's activity:

On February 25, 2016, the Company announced its decision to disengage from the semiconductor business as well as a rightsizing of its operations through a restructuring plan.

On September 20, 2016, the Company completed the sale of its semi-conductor business. The scope of the transaction includes the sale of certain products, technologies, customer agreements and certain patents. More generally, the scope corresponds to the semiconductor activity of Inside Secure based on the Internet of things, anti-counterfeiting, trademark protection, EMV smart payment cards and secured access.

Since Inside's secure semiconductor business was considered a distinct business line, the net result of the period ending at the closing of the sale of this activity was accounted for in a separate line item of the income statement: "Net Income (Loss) from discontinued operations".

The consolidated cash flows, the consolidated statement of comprehensive income and the consolidated income statement for the 12 month period ended December 31, 2015 have been reclassified in a similar manner to allow comparisons with the corresponding 2016 figures.

The reorganization of the Group has led to reduce the staff resources of the Group in France and in other countries where the Group is established.. As at December 31, 2016 all costs related to the reorganization have been accounted for. The cost of the reorganization is disclosed in note 29.

Share capital increase:

In April, 2016, Inside Secure completed a share capital increase with shareholders' preferential subscription right for an amount of $5,5 million, issue premium included (see note 18).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. IFRS are available on the website of the European Commission:
http://ec.europa.eu/internal_market/accounting/ias_en.htm

The consolidated financial statements have been prepared under the historical cost convention, except for derivative instruments which include currency forward contracts and options which are shown at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Presentation currency

According to IAS 21 § 38, the Group has elected to present its consolidated financial statements in US Dollars. The US Dollar is the functional currency of the Company and the currency in which the majority of transactions within the Group are denominated. The functional currency for Inside Secure Corporation (USA) and Metaforic (USA) is the US Dollar, for Inside Secure (Asia) Pte Ltd the Singapore Dollar was the functional currency (subsidiary disposed of in the sale of the semiconductor business), for Vault-IC UK Ltd and Metaforic Ltd UK the Pound Sterling, for Vault-IC France SAS (subsidiary disposed of in the sale of the semiconductor business) , Inside Secure B.V (Netherlands), Inside Secure Amsterdam B.V and Inside Secure Oy (Finland) the Euro, and for Inside Secure K.K the Japanese Yen.

The exchange rates of the US Dollar against the Euro, the main currency used by the Group after the US Dollar, are as follows for the years ended December 31, 2015 and 2016:

Dollar / Euro	**2015**	**2016**
Closing	1.0887	1.0541
Average	1.1096	1.1066

2.1.2 New and amended standards adopted by the Group

The accounting policies adopted by the Group in the consolidated financial statements for the year ended December 31, 2016 are consistent with those of the previous financial year, except for the following:

Standards, amendments and interpretations whose application is mandatory for the financial year beginning January 1st 2016:

- Improvements to IFRS, 2010-2012
- Improvements to IFRS, cycle 2012-2014
- Amendments of IAS 16 and IAS 38 which provides clarification on acceptable methods of depreciation and amortization
- Amendments of IAS 1 – Disclosure initiative

The standards, amendments and interpretations applied since January 1, 2016 do not have a material impact on the consolidated financial statements as at December 31, 2016.

Standards, amendments and interpretations which are not effective for the financial year beginning January 1st 2016 but may be adopted by anticipation:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRS 16, Leases

The Group has not applied these standards, amendments and interpretations in advance in the annual consolidated financial statements as of December 31, 2016. The Group will carry out an assessment of their potential impacts in the consolidated financial statements for the six-month period ended June 30, 2017

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities, if any) over which the Group has the control. Group control is defined by the three following elements:

- Power over the other entity
- Exposure or rights to the variable yield of this other entity
- Capacity to use its power to impact return

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, including any potential purchase price adjustments. Purchase price adjustments made after the allocation period of 12 months following acquisition date are reevaluated at each closing date at fair value through the income statement Acquisition-related costs are expensed as incurred in the line item ‘‘Other gains / (losses), net”. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group does not have minority interests or significant investments in any entity requiring treatment under the equity method.

2.3 Operating segment information

Following the sale of the semiconductor business (see Note 1) the Group has only the Mobile Security activity. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Management Board that makes strategic decisions. The Management Board is composed of the corporate officers of the Group.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars ("$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses relating to exchange differences affecting revenue and operating expenses concluded during the year, as well as the impact of the revaluation at closing rates of operating assets and liabilities denominated in currencies other than the functional currency of the consolidated companies, are recognized in operating result.

Foreign exchange gains and losses relating to financial transactions settled during the year as well as the impact of the revaluation at closing rates of cash denominated from foreign currencies into US Dollars, are recognized in the financial result.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet line item presented are translated at the closing rate as at the date of that balance sheet;
- income and expenses for each income statement line item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity in the line item "Currency translation differences"

2.5 Impairment of non-financial assets and cash-generating units

Non-financial assets including intangible and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing the value in use, with the exception of certain intangible assets dedicated to specific products (see note 2.8), non-financial assets are generally grouped by operating segments identified by the Group which constitutes the lowest level for the definition of a cash-generating unit.

2.6 Goodwill and other intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Management has determined its cash-generating units to be the operating segments which constitute the lowest level for the definition of a cash-generating unit. As part of its reorganization around two operating divisions ("Mobile security" and "Secure transactions"), which took place in 2013, the Group has regrouped its activities around common technological and operating platforms and a global sales force. Following the sale of the semiconductor business, the Group maintains only one segment, "Mobile Security", which is considered as the Cash Generating Unit (CGU).

(b) Intellectual property licensing royalties

Capitalized intellectual property licensing royalties relate to licenses transferred to the Group as part of acquisitions, and represent royalties for technology developed and licensed before the transfer date. The portfolio of intellectual property licensing royalties is recognized as an intangible asset as the commercial and technological efforts were made before the business combination. This intangible asset is amortized through the income statement in the line item ''Cost of sales''.

(c) Acquired patented technologies

Acquired patented technology is shown at acquisition cost less accumulated amortization.

Each acquired technology dedicated to a specific product is individually tested for impairment based on the expected output of the related product whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When a technology is not dedicated to a specific product but is widely used, the cash generating unit used for impairment testing is the operating segment in which the technology is used.

When an acquired patented technology is no longer used, the corresponding gross value and accumulated amortization are written off.

Acquired patented technologies are subsequently amortized within the line item "Research and development expenses" when they are used for project engineering design and "Cost of sales" when they are used in production.

(d) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. This capitalized software includes software transferred as part of business combinations. These costs are amortized over the estimated useful lives of the software.

Costs associated with developing or maintaining computer software programs are expensed as incurred.

(e) Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved solutions) are recognized as intangible assets when the following criteria are fulfilled:

- The Group has the intention, the financial capacity and the technical capability to fully develop the project to completion.
- The Group has adequate resources necessary to complete the development and to use or sell
- There is a high probability that the future economic benefits generated from the developed products will flow to the Group.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Research and development expenses financed through repayable advances are capitalized to the extent that the Group has the resources necessary to successfully complete certain precisely defined development programs and will benefit from the future economic advantages, either through the abandonment of the repayable advance or through the cash flows generated by the future sales of products developed.

The research and development costs financed by the repayable advance were dedicated to the semiconductor business. Following the sale of this business during in 2016, this asset was transferred to the buyer.

2.7 Property and equipment

The Group rents premises in France, Europe, Asia and the United States under operating leases. Its head office at Meyreuil, near Aix-en-Provence in France, hosts the corporate functions including sales and marketing, and research and development (R&D) activities.

Furniture and other office equipment relate to office and computing equipment.

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to bring the cost of assets to their residual values over their estimated useful lives, as follows:

- Facilities and leasehold improvements 5 to 15 years
- Computer and R&D equipment 1 to 3 years
- Production equipment 1 to 5 years
- Furniture and other office equipment 3 to 8 years

The assets' residual values deemed material and their useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains / (losses), net" in the income statement.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing the value in use, assets are grouped by operating segment which constitutes the lowest level for the definition of the cash generating unit.

2.8 Impairment of non-current assets

IAS 36 defines the procedures that a company must apply to ensure that the net carrying amount of its assets does not exceed their recoverable amount, i.e. the amount that would be recovered from their use or sale. Aside from goodwill and intangible assets with an indefinite life that systematically undergo annual impairment testing, the recoverable amount of an asset is estimated whenever there is an indication that the asset may be impaired.

Cash-Generating Unit (CGU)

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group is organized around two operating divisions (Mobile Security and Secure Transactions – see Note 6) and has determined that each of these divisions represents a CGU for the purposes of the impairment testing of non-current assets.

Impairment indicators

The Group regularly monitors its financial results against its forecasts for all of its businesses and monitors local and global economic indicators. These elements represent, where applicable, impairment indicators.

Determining the recoverable amount

The recoverable amount of an asset is the higher of the fair value less costs to sell and its value in use. To determine the recoverable amount, non-current assets are assigned to the CGUs defined above and a value in use calculation is performed. If the value in use is lower than the carrying amount, an impairment loss should be recorded.

The value in use of each activity is based on a projection of discounted estimated cash flows that takes into account the risks specific to the technological nature of the Group's activity.

Changes in market conditions or in the cash flows initially estimated may therefore lead to a review and a change in the impairment losses previously recorded.

Impairment loss

An impairment loss is recorded when the carrying amount of the asset or the CGU to which it belongs exceeds its recoverable amount. Impairment losses are expensed within ''Other gains / (losses), net".

Except in the case of goodwill, impairment losses recognized in previous years may be reversed if and only if there has been a change in the estimates used to calculate the recoverable amount of the asset since the previous recognition of an impairment loss. Even so, the carrying amount of an asset plus a reversal of an impairment loss cannot exceed the carrying amount that would have been calculated had no impairment been recognized for the asset in previous years.

2.9 Financial assets

2.9.1 Classifications

The Group classifies its financial assets in the following categories: at fair value through profit or loss, as loans and receivables, or as available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except when they have maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Group has no available-for-sale financial assets.

2.9.2 Measurement

Changes in the fair value of monetary securities which are denominated in a currency other than the functional currency (certain monetary securities of the Group are denominated in Euros) and which result from translation differences are recognized in the line item "Finance income / (loss), net", except for changes in the fair value of monetary securities relating to operating activities such as trade receivables, which are presented in operating result.

2.9.3 Impairment

Regarding loans, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement in a line item dependent upon the nature of the loan.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recorded in the income statement in the same line item.

2.9.4 Bonds redeemable in shares

As of the closing of the sale of its semiconductor business to WISeKey on 20 September 2016, Inside Secure received 2,000 thousand Swiss francs ($2,082 thousand) in cash as well as bonds redeemable in WISeKey shares, listed on the Zurich Stock Exchange, for an amount of 11,000 thousand Swiss francs ($ 11,287 thousand). The bonds have a maturity of nine months and may be converted after a period of two months following their allocation into WISeKey shares, freely tradeable, at a discount of at least 10% on the volume weighted average price of the fifteen trading days preceding the date of conversion. As an exception, WISeKey is entitled to reimburse unconverted bonds in cash, and the Company may request cash redemption for up to 30% of the amount of bonds issued, 20 days before the term of the bond. For the impact on the Group's financial performance, see note 15.

In accordance with IAS 39, these obligations are hybrid instruments (including a host contract and multiple embedded derivatives). The Group has chosen the option offered by the standard to recognize the entire instrument at fair value through profit or loss, without the need to distinguish embedded derivatives from the host contract. As a result, the Group assesses and recognizes at each balance sheet date the convertible bonds on the basis of their fair value, with changes in fair value from one period to another being recognized in the income statement under the heading "Other gains/(losses), net ". To the extent that these instruments have been subscribed for in exchange for an business and to the extent that such convertible bonds are not quoted in an active market, the Group measures the fair value of these convertible bonds using an option pricing model (level 2 of the fair value hierarchy according to IFRS 13).

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Finance income / (loss), net".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Finance income / (loss), net".

Certain derivative instruments do not qualify as hedge accounting. Such derivatives are classified as assets or liabilities at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify as hedge accounting are recognized immediately in the income statement. The income statement impact of such derivatives is presented in the line item "Finance income / (loss), net".

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured at fair value as at December 31, 2016:

December 31, 2016

(In thousands of US$)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	-	19	71	90
	-	11 648	-	11 648
Total assets	**-**	**11 667**	**71**	**11 738**
Liabilities				
Trading derivatives	-	98	54	152
Derivatives used for hedging	-	-	40	40
Total liabilities	**-**	**98**	**94**	**193**

The following table presents the Group's assets and liabilities measured at fair value as at December 31, 2015:

December 31, 2015

(In thousands of US$)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	-	184	91	275
Total assets	**-**	**184**	**91**	**275**
Liabilities				
Trading derivatives	-	204	46	250
Derivatives used for hedging	-	-	74	74
Total liabilities	**-**	**204**	**120**	**324**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. No derivative financial instruments fall into this category.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This category includes currency forward contracts.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This category includes currency options.

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within "Selling and marketing expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Selling and marketing expenses" in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid securities with original maturities of three months or less and with a negligible risk of change in value.

Short term securities that meet all criteria defined in 2012 by the AMF are classified as cash equivalents.

Bank overdrafts are shown within financial debts in current liabilities on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Financial debts

Financial debts comprise bank overdrafts that are classified as current liabilities. Financial debts also include finance leases.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Research tax credit and government grants

Research tax credits are provided by various governments to give incentives for companies to perform technical and scientific research. These research tax credits are presented as a reduction of "Research and development expenses" in the income statement when companies that have qualifying expenses can receive such grants in the form of a tax credit irrespective of taxes ever paid or ever to be paid, the corresponding Research and Development effort has been completed and the supporting documentation is available.

These tax credits are included in "Other receivables - current portion" or "non-current" in the balance sheet taking into account the timing of expected cash inflows.

In addition, grants may be available to companies that perform technical and scientific research. Such grants are typically subject to performance conditions over an extended period of time. The Group recognizes these grants in the income statement as a reduction of "Research and development expenses" over the cost of the corresponding research and development program and when confirmation of the grant has been received.

Aid for research and development activities can take the form of repayable advances. A loan which is non-repayable under certain conditions is treated like a government grant (accounted for in the income statement on a pro rata basis as a deduction of research and development expenses) when the organization granting the advance has confirmed that no repayment is required. Otherwise it is classified as a liability.

2.18 Employee benefits

Pension obligations

The Group has both defined benefit (mainly for French employees) and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to equity in the statement of recognized income and expense (SoRIE) in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group provides no other post-employment benefits to its employees.

2.19 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the instrument is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- including any market performance condition (for example increase in share price) and non-vesting conditions (for example, the requirement for employees to save);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Service and non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest.

The total expense is recognized over the period during which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of instruments that are expected to vest based on these vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the instruments are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the instruments are exercised.

2.20 Provisions

Provisions for claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Intangible liabilities

Intangible liabilities relate to management's estimate of fair value of above market royalty-based intellectual property license agreements for existing or future products, transferred to the Group as part of business combinations. The Group values these license agreements based on their fair value in normal market conditions at acquisition date. When the royalties to be paid exceed their fair value, the Group recognizes an intangible liability corresponding to the discounted value of the difference between the best estimate of the royalties to be paid based on the contract and forecasted sales and the fair value. Intangible liabilities are reversed in the line item "Cost of Sales" on the basis of the number of units using this intellectual property sold during the year compared to the number of units expected to be sold. The assumptions regarding the number of units expected to be sold is revised on a regular basis.

Following the sale of the semiconductor business on September 2016, the intangible liabilities have been transferred to the buyer.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

The Group sells its customers a range of semiconductor platforms, intellectual property, software and services.

(a) Revenue recognition- Service revenue

Revenue from services is recognized over the period when services are rendered and collectability is reasonably assured. Licenses for software that do not require specific development are recognized in revenue when the legal right to use the license has been granted or in accordance with specific contractual conditions.

Revenue corresponding to the development of specific software platforms is recognized using the percentage of completion method as the development process progresses (according to criteria applied on a consistent basis). Under the percentage of completion method, the extent of progress towards completion is measured based on actual costs incurred relative to total estimated costs. Losses on contracts are recognized during the period in which the loss first becomes probable and can be reasonably estimated.

(b) Revenue recognition- Intellectual property licensing royalties

Royalties relate to revenue from technology licensed to certain customers of the Group, and can be fixed and / or variable. Fixed royalties are recognized on a straight-line basis over the contractual periods during which they are generated. Variable royalties are generally based on sales made by customers and are by definition difficult to estimate. To ensure revenue is recorded in the proper accounting period, the Group principally relies on the notifications received from customers. In general notifications are received from customers during the quarter following delivery of goods.

(c) Revenue recognition- Maintenance

As a general rule, the sales of software licenses are accompanied by a maintenance contract that includes regular updates and the providing of technical assistance. Revenue related to maintenance activities is recognized on a straight-line basis over the contractual period.

(d) Revenue recognition- Sale of patents

The development of technologies may give rise to the sale or to the licensing of patents. The sale of a patent is recognized in revenue when title, risks and rewards fully pass to the buyer and specifically when there is no remaining obligation to further develop the underlying technology.

(e) Multiple element arrangements

Revenue from contracts with multiple elements, such as those including services, is recognized as each element is earned based on the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements.

(f) Revenue recognition- Sale of products

The Group's products are generally sold based upon contracts or purchase orders with the customer that include fixed and determinable prices and that do not include right of return, other similar provisions or other significant post-delivery obligations except for customary warranty terms. Revenue is recognized for products upon delivery when title and risk pass, the price is fixed and determinable and collectability is reasonably assured.

(g) Collectability

As part of the revenue recognition process, the Group determines whether trade receivables and notes receivable are reasonably assured of collection based on various factors, and whether there has been deterioration in the credit quality of customers that could result in the inability to sell those receivables.

(h) Deferred and unbilled revenue

Deferred revenue includes amounts that have been billed as per contractual terms but have not been recognized as income.

2.23 Cost of sales

Cost of sales is primarily composed of the cost of products, solutions and services sold, including wafer purchase costs, assembly sub-contracting expenses, tests and product engineering, royalties and other direct attributable costs.

2.24 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are computed by dividing net income attributable to equity holders of the Group by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Dilutive instruments are taken into account when, and only when, their dilutive effect decreases earnings per share or increases loss per share from continuing operations.

A reconciliation of the weighted average number of ordinary shares outstanding during the period and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, is presented in note 34.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases for which the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

3. Financial risk management

3.1 Financial risk factors

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management Board provides principles for the overall management of risks such as foreign exchange risk, credit risk and liquidity risk.

a) Sensitivity to Dollar/Euro exchange rates

As stated in note 2.1.1., the Group's presentation currency is the US Dollar. The US Dollar is also the functional currency for Inside Secure, as well as the currency of the majority of Group transactions. However the Group operates internationally, and is therefore exposed to foreign exchange risks, particularly regarding the Dollar/Euro rate.

The table below displays the income statement presented in US Dollars as set out in the consolidated income statement in accordance with IFRS, and also this same income statement presented in US Dollars assuming an average Dollar/Euro exchange rate of 1.01 US Dollars / Euros instead of the 2016 effective average rate of 1.11 US Dollars / Euros (an assumption whereby the Dollar increased by 10% in relation to the Euro).

As at December 31, 2015 - in thousands of US$	At 2016 year end exchange rate	At 2016 year end exchange rate - 10% *	Variance due to exchange rate
Revenue	49 944	49 656	(288)
Adjusted gross profit	40 993	40 705	(288)
Research and development expenses	(15 257)	(14 106)	1 151
Selling and marketing expenses	(11 348)	(10 359)	989
General and administrative expenses	(8 058)	(7 417)	641
Other gains / (losses), net	(4 216)	(4 216)	-
Adjusted operating loss	**2 114**	**4 607**	**2 493**

** For the exchange rate EUR / USD only*

The impact of the strengthening of the US Dollar by 10% compared to the Euro would have led to an increase in the adjusted operating result of US$ 2,493 thousand. Indeed, even if more than 90% of revenue was generated in US Dollars, a significant portion of research and development costs, selling and marketing expenses and general and administrative expenses were denominated in Euros, these activities being largely carried out in France and other European countries.

Inversely, the weakening of the US Dollar by 10% compared to the Euro would have led to a reduction in the adjusted operating result of US$ 2,493 thousand.

Following the sale of the semiconductor business the exposition of the balance sheet to foreign exchange risks is considered as non-significant.

(a) Credit risk

Credit risk is managed on a Group wide basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

b) Liquidity risk

Cash flow forecasting is performed by the Finance department. Management monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs.

Such forecasting takes into consideration the Group’s financing plans. The Group treasury invests surplus cash in interest bearing current accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

In 2011, the Company entered into factoring agreements in US Dollars and Euros, including a deposit and backed by a credit insurance contract. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet. The Group decided to terminate the factoring agreement in June 2016. Therefore, the Group no longer has factoring.

c) Risks on bonds

As at December 31, 2016 the Company owns bonds redeemable in listed shares of WISeKey International Holding Ltd for a nominal amount of CHF 11,000,000

The bond agreement includes provisions to reduce the volatility of the stock price before conversion (upwards and downwards).

Nevertheless, the WISeKey share remains illiquid to date, which may extend the holding period of the shares after conversion and expose the Group to a post-conversion equity risk.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern. Cash and cash equivalents are set to allow for financing activities in the short and medium term.

The Group does not plan to pay dividends to shareholders in the short term.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

The Group derives its revenue principally from sales of products and solutions as well as license-based royalties and sale of patents. The timing of revenue recognition and the amount of revenue actually recognized depends upon the specific terms of each arrangement with customers (transfer of risk) and the nature of the Company's deliverables and obligations. For royalties, the Group generally does not obtain formal confirmation of the level of sales made by customers until the quarter following product delivery. Determination of the appropriate amount of revenue recognized involves certain judgments and estimates that the management believes are reasonable, but actual results may differ from management's estimates.

(b) Intangible assets

Intangible assets include acquired or investments in patented technologies and the recognition of above market royalty-based intellectual property license agreements. Upon acquisition, these assets were recognized at fair value which required certain judgments and estimates that Management believed were reasonable. On a regular basis, the Group reassesses the fair value of these intangible assets, leading to a potential adjustment of the carrying amount through an impairment charge or write-down.

(c) Intangible liabilities

Intangible liabilities relate to license agreements transferred to the Group as part of business combinations under conditions that differ from the market conditions at the date of acquisition. These liabilities are initially recognized at fair value, which requires certain judgments and estimates that Management believes are reasonable. On a regular basis, the Group reassesses the fair value of these intangible liabilities, which could lead to a potential additional provision or provision reversal.

(d) Impairment of non-current assets and goodwill

Comme mentionné en note 2.8, les actifs non courants sont regroupés selon l'UGT définie ci-dessus et testés sur la base de leur valeur d'utilité.

Goodwill is tested for impairment whenever an indicator of impairment is identified, and at least once a year. For impairment tests, the Group uses cash flow projections that take into account market conditions and the growth and profitability profile of the Group's products.

The recoverable amount was calculated using value in use, with cash flow forecasts based on financial budgets over a five-year period. The key assumptions used to determine the value in use of the tested assets are based on the objectives of revenue and operating margin growth defined by the Group's management. The discount rate applied to these forecasts is 11.5% in 2016 (12.5% in 2015). Cash flows beyond five years were extrapolated using a 2% growth rate. As at December 31, 2016, based on these assumptions, the Group concluded that the recoverable amount exceeded the carrying amount.

The sensitivity analysis to a change in the discount rate or to the evolution of the growth rate to infinity did not reveal a probable scenario in which the recoverable amount of the CGU would be less than its carrying value. The results of the impairment tests show that an increase of 100 basis points in the discount rate or a 100 basis point decrease in the growth rate at infinity would not lead to a depreciation of the assets tested for The UGT. The Group also conducted sensitivity analyzes on operating assumptions to determine whether a 20% decrease in net projected cash flows over the last two years of the 5-year business plan (2020 and 2021) and beyond Would lead to the recognition of an impairment in the Group's consolidated financial statements as at 31 December 2016. These analyzes did not show any risk of depreciation for the CGU.

(e) Share-based payments

The Group grants options to purchase Company's common shares and other equity instruments to management, employees and third parties. The determination of the fair value of share-based compensation on the date they are granted uses an option-pricing model (Monte-Carlo or Black and Scholes) which is affected by assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the fair value of the Company's common shares, the expected common share price volatility over the term of the instrument and current and projected instrument holders' exercise behaviors.

There is a significant degree of subjectivity involved when using such option-pricing models to determine share-based compensation under IFRS 2.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(g) Accounting for income tax

The Group is subject to the income tax laws of France and those of the foreign jurisdictions in which it has business operations. These tax laws are often complex and subject to different interpretations by the tax payer and the relevant governmental taxing authorities. The Group must make judgments and interpretations about the application of these tax laws when determining the provision for income taxes.

The Group must also assess the likelihood that each of its deferred tax assets will be realized. Unless there is strong evidence that an entity currently generating losses will become profitable, the policy of the Group is to recognize deferred tax assets only when the tax jurisdiction where it conducts business has generated a taxable profit in two consecutive years.

The income tax expense comprises all local and foreign taxes payable on taxable revenue and therefore includes withholding tax incurred by the Group on royalty revenue generated abroad.

5. Business combinations and transfer of activities

5.1 Combination of activities

The Group did not make any acquisitions during the presented periods.

5.2 Transfer of activities

On June 30, 2015 the Company transferred the industrialization activity and the management of the supply chain of Inside Secure's semiconductor components to Presto Engineering Inc. In accordance with this long term agreement, Presto Engineering provides Inside Secure with services relating to the industrialization of integrated circuits and management of the supply chain.

As the consequence of this operation the Group has accounted the liability for an amount of $US 6,850 thousand as at December 31, 2015. Following the sale of the semiconductor business this liability was transferred to the buyer.

6. Operating segment information

Following the sale of the semiconductor business in September 2016, which one of the two operating segments, the Group operates only under the segment "Mobile Security".

The Mobile Security division gathers the Group's offer in all mobile communication matters, to provide a comprehensive suite of embedded security solutions for all mobile and connected devices. The offer includes IPs, software solutions and marginally semi-conductors capable of addressing the growing needs for a full range of security solutions on all mobile platforms, securing M-payments, content, data communications and data storage.

The financial information provided to the Management Board which is in charge of strategical decisions and provided to the investors includes certain adjusted measure related to the continuing operations: Adjusted gross profit, adjusted operating result and EBITDA. That are not a measure of operating performance or liquidity under IFRS.

Adjusted gross profit is defined as gross profit before (i) amortization of intangible assets relating to business combinations and depreciation of masks acquired as part of a business combination, (ii) potential impairment of goodwill, (iii) expense linked to share-based payments and (iv) non-recurring costs relating to restructuring programs and acquisitions by the Group.

Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets 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.

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.

The reconciliation from Company reporting to consolidated IFRS reporting (audited) is as follows:

As of December 31, (In thousands of US$)	**2015**	**2016**
Gross profit as per IFRS	**14 985**	**40 993**
Share based payments	1	1
Amortization and depreciation of acquired assets	9 151	3 529
Adjusted gross profit	**24 137**	**44 523**

As of December 31, (In thousands of US$)	**2015**	**2016**
Operating loss as per IFRS	**(18 507)**	**2 114**
Share based payments	478	632
Amortization and depreciation of acquired assets	9 711	3 818
Accelerated amortization of prepaid costs related to research tax financing	-	482
Restructuring expense	904	3 849
Adjusted operating income / (loss)	**(7 414)**	**10 895**
Depreciation and amortization of tangible and intangible assets which are not related to the acquisition of business	1 288	1 369
EBITDA	**(6 126)**	**12 264**

The revenue by geographical region for the years ended December 31, 2015 and 2016 is as follows:

(In thousands of US$)	**Asia**	**Europe, Middle East Africa, Latin America**	**North America**	**Total**
2016	20 496	7 742	21 706	49 944
2015	6 275	6 259	14 386	26 920

Geographically, management has allocated revenue based on the location where the goods are delivered or the services are rendered, except for the sales with three major customers, which were allocated based on the location of their head offices. During the period, the revenue realized in United Sates amounts to $US 20,308 thousand (7,965 thousand in 2015). In France, in 2016 the Group achieved sales of € 368 thousand (€ 333 thousand in 2015).

The top ten customers of the Group represented 71% of its consolidated revenue in 2016 and 51% of revenue in 2015.

The customers representing more than 10% of the total consolidated revenue in 2016 and 2015 are as follows:

As of December 31, 2015 (In thousands of US$)	Invoiced amount	As a % of revenue
Customer A	14 190	28%
Customer B	11 798	24%

As of December 31, 2014 (In thousands of US$)	Invoiced amount	As a % of revenue
Customer C	3 335	12%

7. Revenue

Revenue for the years 2015 and 2016 breaks down as follows:

(In thousands of US$)	Year ended December 31, 2015	2016
Licences	10 251	20 763
Royalties	12 304	24 160
Maintenance, development agreements, and other	4 364	5 021
Total	**26 920**	**49 944**

The Group relies on its expertise in research and development, on intellectual property developed internally and on its patents to generate revenue from licenses, royalties and services (mainly maintenance and development agreements).

8. Goodwill

Goodwill breaks down as follows:

(In thousands of US$)	December 31, 2015	December 31, 2016
Goodwill as at January 1st	24 623	20 873
Goodwill depreciation	(2 993)	-
Effect of exchange rate fluctuations and other variations	(757)	(2 100)
Total	**20 873**	**18 773**

The foreign exchange impact recorded in 2016 is mainly due to the share of goodwill denominated in Sterling which has changed significantly since 31 December 2015.

Annual impairment test

The recoverable amount of the cash-generating unit to which the goodwill is related has been estimated on the basis of its value in use as described in paragraph 4 "Critical accounting estimates and judgments".

As at December 31, 2015, based on the decision to sell certain semiconductor activities, the recoverable amount was less than the carrying value, and the Company had, therefore, recorded an impairment charge of US$ 2,993 thousand. Thus, the goodwill corresponding to the "Secure Transactions" segment was fully impaired as at December 31, 2015.

9. Intangible assets

Intangible assets break down as follows:

(In thousands of US$)	Patented technologies	Software licenses	Royalties on intellectual property	Internally developed software	Technologies in development	Total
Year ended December 31, 2015						
Opening net book amount	**10 545**	**1 047**	**11 146**	**712**	**5 003**	**28 453**
Acquisitions	-	98	-	-	-	**98**
Acquisition of business	-	-	-	-	-	**-**
Exchange differences	(80)	(163)	-	-	-	**(243)**
Impairment	-	-	-	-	(484)	**(484)**
Impairment - Secured Transactions	-	(82)	-	-	-	**(82)**
Amortization charge	(3 138)	(449)	(7 682)	(712)	-	**(11 982)**
Closing net book amount	**7 327**	**451**	**3 464**	**-**	**4 519**	**15 760**
At December 31, 2015						
Cost or valuation	16 218	9 977	31 576	2 330	5 487	**65 588**
Accumulated amortization and impairment	(8 891)	(9 526)	(28 113)	(2 330)	(969)	**(49 828)**
Net book amount	**7 327**	**451**	**3 464**	**-**	**4 519**	**15 760**
Year ended December 31, 2016						
Opening net book amount	**7 327**	**451**	**3 464**	**-**	**4 519**	**15 760**
Acquisitions	-	166	-	-	-	**166**
Acquisition of business	-	-	-	-	-	**-**
Exchange differences	(377)	135	-	-	-	**(242)**
Impairment	-	-	-	-	-	**-**
Disposals (net book amount)	-	(27)	-	-	(4 519)	**(4 546)**
Amortization charge	(1 964)	(106)	(2 534)	-	-	**(4 604)**
Closing net book amount	**4 986**	**619**	**930**	**-**	**-**	**6 534**
At December 31, 2016						
Cost or valuation	16 070	6 280	31 576	-	969	**54 895**
Accumulated amortization and impairment	(11 084)	(5 661)	(30 646)	-	(969)	**(48 361)**
Net book amount	**4 986**	**619**	**930**	**-**	**-**	**6 534**

Amortization expenses of US$ 4,604 thousand were recorded in 2016 within research and development, selling and marketing, and general administration expenses according to the assets' allocation (US$ 11,982 thousand in 2015).

As part of the sale of the semiconductor business, the Group sold software dedicated to this activity as well as the technologies under development corresponding to projects financed by repayable advances.

10. Property and equipment

Property and equipment breaks down as follows:

(In thousands of US$)	Leasehold improvement	Equipment	Furniture and other office equipment	Masks	Total
Year ended December 31, 2015					
Opening net book amount	**1 984**	**2 025**	**520**	**1 474**	**6 003**
Additions	89	645	450	-	**1 183**
Acquisition of business	-	-	-	-	**-**
Exchange differences	(1)	7	(10)	(150)	**(153)**
Impairment	(975)	(330)	(47)	(637)	**(1 988)**
Disposals (net book amount)	(307)	(1 170)	243	-	**(1 233)**
Scrap (net book amount)	-	-	-	-	**-**
Reclassification	-	-	-	-	**-**
Work in progress	493	(194)	-	-	**299**
Depreciation charge	(242)	(901)	(536)	(688)	**(2 366)**
Closing net book amount	**1 041**	**83**	**620**	**-**	**1 744**
At December 31, 2015					
Cost or valuation	2 258	1 313	1 203	946	**5 720**
Accumulated depreciation	(1 217)	(1 231)	(583)	(946)	**(3 976)**
Net book amount	**1 041**	**82**	**620**	**-**	**1 744**
Year ended December 31, 2016					
Opening net book amount	**1 041**	**82**	**620**	**-**	**1 744**
Additions	121	165	87	-	**374**
Acquisition of business	-	-	-	-	**-**
Exchange differences	(8)	(11)	(12)	-	**(31)**
Disposals (net book amount)	(159)	33	(72)	-	**(198)**
Work in progress	214	-	-	-	**214**
Depreciation charge	(156)	(107)	(317)	-	**(580)**
Closing net book amount	**1 053**	**163**	**307**	**-**	**1 523**

Depreciation expenses of US$ 580 thousand were recognized in 2016 within cost of sales, research and development expenses, selling and marketing expenses, and general and administrative expenses dependent on the corresponding asset (US$ 2,366 thousand in 2015).

Finance leases included in property and equipment above are as follows:

(In thousands of US$)	2015	2016
Gross book value	1 901	**-**
Accumulated depreciation	(1 356)	**-**
Net book value	**545**	**-**

11. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

December 31, 2016 Assets	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Derivative financial instruments	-	-	90	-	90
Other non current receivables	5 361	-	-	-	5 361
Other current receivables	4 845	-	-	-	4 845
Trade and other receivables	8 630	11 648	-	-	20 278
Cash and marketable securities	27 081	-	-	-	27 081
Total	**45 917**	**11 648**	**90**	**-**	**57 655**

Liabilities	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial debt	798	-	-	798
Derivative financial instruments	54	139	-	193
Trade and other payables	-	-	11 524	11 524
Total	**852**	**139**	**11 524**	**12 515**

December 31, 2015 Assets	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Derivative financial instruments	-	-	275	-	275
Other non current receivables	19 022	-	-	-	19 022
Other current receivables	12 765	-	-	-	12 765
Trade and other receivables	8 282	-	-	-	8 282
Cash and marketable securities	16 274	160	-	-	16 434
Total	**56 343**	**160**	**275**	**-**	**56 778**

Liabilities	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Financial debt	-	-	18 365	18 365
Derivative financial instruments	46	278	-	324
Trade and other payables	-	-	17 232	17 232
Total	**46**	**278**	**35 597**	**35 921**

12. Derivative financial instruments

Derivative financial instruments break down as follows:

(In thousands of US$)	**2015**		**2016**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency forward contracts - cash flow hedges	184	202	19	98
Currency forward contracts - held for trading	-	-	-	-
Currency options - cash flow hedges	91	74	71	40
Currency options - held for trading	-	46	-	54
Total	**275**	**322**	**90**	**193**
Of which current portion	*275*	*322*	*90*	*193*

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to a loss of US$ 74 thousand (a gain of US$ 40 thousand in 2015).

(a) Currency forward contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2016 were US$ 4,500 thousand (US$ 5,500 thousand in 2015).

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity on forward foreign exchange contracts as at December 31, 2016 are recognized in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

(b) Currency options

The notional principal amounts of the outstanding currency options at December 31, 2016 were US$ 2,000 thousand (US$ 4,000 thousand in 2015).

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity on currency options as at December 31, 2016 are recognized in the income statement in the period during which the hedged forecast transaction affects the income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

13. Inventories

Inventories break down as follows:

(In thousands of US$)	2015	2016
Semi-finished and finished goods	14 747	65
Less: provision for impairment of obsolete items	(6 805)	-
	7 943	**65**

As at December 31, 2015, inventories correspond to the semiconductor products for the Group's semiconductor operations.. As at December 31, 2016, inventories were transferred as part of the sale of the semiconductor business.

14. Trade receivables

Net trade receivables break down as follows:

(In thousands of US$)	2015	2016
Trade receivables	8 469	8 682
Less: provision for impairment of trade receivables	(188)	(52)
Trade receivables, net	**8 282**	**8 630**

Trade receivables break down as follows:

(In thousands of US$)	2015	2016
Trade receivables invoiced	8 190	7 422
Trade receivables accrued invoices	647	1 628
Credit notes to be issued	(368)	(368)
Trade receivables	**8 469**	**8 682**

Trade receivables that are less than three months past due are not considered for impairment. As at December 31, 2016, trade receivables of US$ 2,121 thousand were overdue but not impaired. These relate to a number of customers for whom there is no history of default.

The ageing analysis of these trade receivables is as follows:

(In thousands of US$)	Total	Not past due	1 to 30	30 to 60	60 to 90	90 to 120	Above 120
2015	8 190	4 064	1 939	1 120	575	119	374
2016	7 422	5 301	550	1 027	91	0	453

The provision for impairment of receivables breaks down as follows:

(In thousands of US$)	2015	2016
At January 1	(498)	(188)
Provision for the impairment of receivables	(178)	-
Receivables written off during the year as	109	136
Unused amounts reversed	380	-
At December 31	**(188)**	**(52)**

The recording and reversal of a provision for receivables impaired has been included in the line item "Selling and marketing expenses" in the income statement.

As at December 31, 2016, 71% of the carrying amounts of the Group's trade and other receivables are denominated in US Dollars (73% as at December 31, 2015).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

In 2011, the Company entered into factoring agreements in US Dollars and Euros, including a deposit and backed by a credit insurance contract. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet. The Group decided to terminate the factoring agreements in June 2016. Therefore, the Group no longer uses factoring. All corresponding current accounts and deposit accounts have been settled as at December 31, 2016.

The amount of receivables transferred to the factor after December 31, 2015, for which virtually all of the risks and benefits were transferred, were not included in the balance sheet assets. Factoring contracts were closed at 31 December 2016. There are no more sold receivables:

(In thousands of US$)	2015	2016
Trade receivables transferred	4 039	-
Factoring reserve	(230)	-
Cash received as at December 31,	**3 809**	**-**

15. Bonds reedemable in shares

As of the closing of the sale of its semiconductor business to WISeKey on 20 September 2016, Inside Secure received 2,000 thousand Swiss francs ($2,082 thousand) in cash as well as bonds redeemable in WISeKey shares, listed on the Zurich Stock Exchange, for an amount of 11,000 thousand Swiss francs. ($ 11,287 thousand). The bonds have a maturity of nine months and may be converted after a period of two months following their allocation into WISeKey shares, freely tradeable, at a discount of at least 10% on the volume weighted average price of the fifteen trading days preceding the date of conversion. As an exception, WISeKey is entitled to reimburse unconverted bonds in cash, and the Company may request cash redemption for up to 30% of the amount of bonds issued, 20 days before the term of the bond. For the impact on the Group's financial performance, see note 15.

Subsequent to the closing, the Group converted 20% of the nominal value and started to sell a portion of these shares on the market.

The bond was valued at its fair value at the transaction date for $ 12,899 thousand and the difference with the nominal value ($ 1,612 thousand) increased the proceeds from the sale of the semiconductors' business at the completion of the operation. The fair value as at December 31, 2016 amounts to $ 11,648 thousand, resulting in a financial expense (continuing operations) of $ 1,251 thousand (of which $ 560 thousand related to the foreign exchange impact).

16. Other receivables

Other receivables break down as follows:

(In thousands of US$)	2015	2016
Deposits	334	314
Research tax credit	18 008	3 174
VAT and tax receivables	330	350
Receivable (> 1 year)	247	1 458
Pre-payments	103	66
Current assets	**19 022**	**5 361**
Research tax credit	6 729	655
Prepaid expenses	2 442	1 094
VAT and tax receivables	1 786	699
Other receivables	1 808	2 397
Non current assets	**12 764**	**4 845**
Other receivables	**31 786**	**10 206**

The trade receivable over one year on December 31, 2016 relates to a deferred payment negotiated at the signature of the contract and will be settled in July 2018.

In previous years and in 2016, the group have financed three Research Tax Credit ("Crédit impôt recherche" or "CIR") claims relating to eligible expenses incurred during the years 2013, 2014 and 2015. These contracts did not allow derecognition of the receivables, therefore, the cash received was accounted for as a debt (see note 23).

In the fourth quarter of 2016, Inside Secure renegotiated the terms and conditions of the three financing agreements related to the research tax credit for the years 2013, 2014 and 2015. This renegotiation, with no impact on cash, enabled virtually all of the risks and benefits attached to these receivables to be transferred to the assignee, the risk of tax adjustment retained by the group being considered marginal. The receivables sold were therefore derecognized for an amount of $ 15,776 thousand and the bank debt was reduced by $ 17,468 thousand (see note 23). A receivable in respect of the transferee credit institution was recognized for an amount of 1,609 thousand dollars, corresponding in substance to a guarantee holdback, and which, taking into account its size and the terms of return Group, does not call into question the transfer to the assignee of all the risks and advantages of the receivables transferred. The Group recorded as operating expenses (research and development expenses) the amount of 482 thousand dollars corresponding to the portion of interest deducted over the period between December 2016 and the maturity date of each of these receivables, (paid for the initial financing of these receivables).

In accordance with generally accepted accounting principles, the RTC receivable is not discounted.

The variation in the RTC receivable over the year is as follows:

(In thousands of US$)	2015	2016
At January 1	**28 686**	**24 736**
Research tax credit for the year	5 460	2 193
Derecognition of financed research tax credit	-	(15 776)
Repayment of the research tax credit receivable	(6 295)	(6 729)
Exchange differences	(3 115)	(595)
As at December 31,	**24 736**	**3 829**

17. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(In thousands of US$)	2015	2016
Cash at bank and on hand	16 274	27 081
Short term securities	160	-
Cash and cash equivalents	**16 434**	**27 081**

As at December 31, 2016 and 2015, US dollar denominated cash and cash equivalents are approximately 92% and 84% respectively

Cash, cash equivalents and short-term investments are placed with top-tier financial institutions, mainly in France. The Company's management monitors the quality of its investments and the solvency of its counterparts and considers that its exposure to the risk of default of one of them is minimal. Consequently, the Company considers that its exposure to credit or counterparty risk is very low, and even marginal.

18. Share capital

The variations of share capital break down as follows:

(In thousands of US$ except number of shares)	Number of shares	Ordinary shares	Share premium	Total
As at January 1, 2015	**34 328 848**	**18 020**	**225 820**	**243 840**
Equity financing	400 000	180	698	878
Exercise of stock options	42 500	18	-	18
As at December 31, 2015	**34 771 348**	**18 218**	**226 518**	**244 736**
Equity operations	8 345 118	3 800	1 511	5 311
Exercise of stock options	10 533	5	-	5
As at December 31, 2016	**43 126 999**	**22 023**	**228 029**	**250 052**

Year ended December, 31, 2015

During the year, the Company increased capital through:

- An equity line with Kepler Cheuvreux, pursuant to which Kepler Cheuvreux has undertaken to subscribe for new shares over a period of two years up to a maximum allocation of 3,400,000 shares, provided that the conditions laid down by the parties are met. In 2015, 400,000 new shares were issued under this agreement, corresponding to a capital increase of US$ 870 thousand, including the share premium.
- The definitive acquisition of free shares granted to some employees.

Year ended December 31, 2016

During the year, the Company increased capital through:

- On April 22, 2016, Inside Secure completed a share capital increase with shareholders' preferential subscription rights launched on March 31, 2016 on the regulated market of Euronext Paris (the "Share capital increase"). The proceed of the transaction net of costs and issue premium included, amounts to € 5,172 thousand corresponding to the issuance of 8,345,118 new shares at a price of € 0.62 (in US Dollars at the rate at the date of the transaction, the net proceed of the Share Capital Increase amounts to US$ 5,3 million).
- The definitive acquisition of free shares granted to some employees for an amount of 5 thousand dollars.

19. Share-based payments

Share options, free shares and stock purchase warrants are granted to management, employees and third parties (service providers).

As at December 31, 2016 the following share based payments were granted by the Company:

Plan	Date of allocation	Exercise price in $ per share	Vesting / Conditions	Number of instruments	Expiration date
BSA 2007-02	30/08/2007	7,06	3 years - graded vesting	2 205	10/10/2017
BSA 2007-4	30/08/2007	7,06	1 year - graded vesting	750	30/08/2017
BSA 2007-4	18/12/2008	7,06	1 year - graded vesting	750	18/12/2018
BSA 2007-3	21/09/2007	7,06	2 years - graded vesting	1 000	21/09/2017
BSA 2007-3 (2eme tranche)	21/09/2007	7,06	2 years - graded vesting	1 000	21/09/2017
BSA 2007-5	21/12/2007	10,06	2 years - graded vesting	2 000	22/08/2018
BSA 8	02/10/2008	10,06	3 years - graded vesting	3 200	02/10/2018
Options 2007-1-F	03/11/2008	10,06	5 years - graded vesting and need to be part of the Advosiry Board	64 041	19/06/2017
SO	26/07/2012	3,07	10 years - graded vesting	15 266	26/02/2022
SO	20/02/2013	2,89	10 years - graded vesting	15 801	20/02/2022
SO	20/02/2013	2,89	10 years - graded vesting	79 004	20/02/2023
SO	27/08/2013	2,45	10 years - graded vesting	47 409	27/08/2023
SO	27/08/2013	2,45	10 years - graded vesting	15 803	27/02/2023
SO	23/04/2014	3,66	4 years - graded vesting	15 800	23/04/2024
SO	22/07/2014	4,54	4 years - graded vesting	242 264	22/01/2024
SO	22/07/2014	4,54	4 years - graded vesting	73 736	22/07/2024
SO	28/08/2014	4,21	3 years - graded vesting	47 400	28/08/2024
SO - US Residents	16/12/2016	2,34	3 years - graded vesting	394 000	16/12/2026
SO - Residents out of US	16/12/2016	2,01	3 years - graded vesting	761 000	16/12/2026
SO - Residents out of US	16/12/2016	2,01	3 years - graded vesting	45 000	16/12/2026
Free Shares	23/03/2015	-	3 years - graded vesting - French residents	152 873	NA
Free Shares	23/03/2015	-	3 years - graded vesting - Foreign residents	28 288	NA
Free Shares	02/02/2016	-	3 years - graded vesting - Performance criteria	864 000	NA
Free Shares	30/05/2016	-	3 years - graded vesting - Performance criteria	51 317	NA
Free Shares	16/12/2016	-	3 years - graded vesting - Performance criteria	600 000	NA

Share based payments are conditional on the holder completing a certain number of years of service (the vesting period). Certain share based payments are exercisable subject to the common share of the Group achieving a certain value. The Group has no legal or constructive obligation to repurchase or settle the share based payments in cash.

The number of stock purchase warrants outstanding and their related weighted average exercise prices are as follows:

	2015		2016	
	Average exercise price in $ per share	**Number of financial instruments (in thousands)**	**Average exercise price in $ per share**	**Number of financial instruments (in thousands)**
As at January 1	5,6	78	7,8	16
Granted	-	-	-	-
Void	5,0	(63)	4,2	(5)
Exercised	-	-	-	-
Expired	-	-	-	-
As at December 31	**7,8**	**16**	**8,9**	**11**

No stock purchase warrants were exercised in 2016, and 4,200 became void in 2016.

The evolution of the number of options outstanding and their weighted average exercise price are as follows:

	2015		2016	
	Average exercise price in $ per share	**Number of financial instruments (in thousands)**	**Average exercise price in $ per share**	**Number of financial instruments (in thousands)**
As at January 1	5,0	1 181	5,0	891
Granted	-	-	2,2	1 200
Void	4,3	(290)	4,6	(275)
Exercised	-	-	-	-
Expired	-	-	-	-
As at December 31	**5,0**	**891**	**3,0**	**1 817**

The evolution of the number of free shares is as follows :

	2015	2016
	Number of financial instruments (in thousands)	**Number of financial instruments (in thousands)**
As at January 1	435	272
Granted		1 684
Definitive allotment	(13)	(11)
Void	(151)	(249)
As at December 31	**272**	**1 696**

The expense recognized in fiscal year 2016 amounted to $ 627 thousand ($ 478 thousand for the period 2015)

20. Retained earnings and other reserves

Retained earnings and other reserves break down as follows:

(In thousands of US$)	**2015**	**2016**
As at January 1	**(153 141)**	**(195 969)**
Loss for the year	(44 583)	12 344
Share based payments	478	627
Exercise of stock options and/or definitive allotment of shares	(43)	-
Actuarial loss on retirement benefit obligations	252	(342)
Financial instruments at fair value	695	(68)
Contribution to restricted reserve	-	-
Currency translation differences	345	(2 920)
Treasury shares	29	(53)
As at December 31,	**(195 969)**	**(186 382)**
Of which:		
Retained earnings	(211 218)	(198 875)
Legal reserve	-	-
Restricted reserves	2 618	2 618
Other comprehensive income / (loss)	256	(154)
Share based payments	11 765	12 391
Currency translation differences	1 061	(1 857)
Treasury shares	(450)	(504)
As at December 31,	**(195 969)**	**(186 382)**

Companies registered in France must transfer 5% of their annual profit to a “legal reserve” until the reserve reaches 10% of the share capital. The Group having generated losses in the past, no contribution has been made to this reserve.

21. Trade payables

Trade and other payables break down as follows:

(In thousands of US$)	**2015**	**2016**
Trade payables	9 001	4 297
Accrued expenses	2 032	2 196
Social security and other taxes	4 712	4 481
Advances from customers	1 487	549
Total	**17 232**	**11 524**

In certain cases, when the revenue recognition criteria are not met, the Group may defer the related income and the related payments are recorded within the line item “Advances from customers”.

22. Intangible liabilities

Intangible liabilities break down as follows:

(In thousands of US$)	December 31, 2015	December 31, 2016
License agreement liabilities	1 544	-
Provision for onerous contracts - Presto Engineering	6 850	-
Total	**8 394**	**-**
Of which:		
Long term portion	*1 908*	-
Short term portion	*6 486*	-

The Group had recorded a liability relating to the license agreement entered into in the context of the acquisition of the SMS business in September 2010, and a provision for onerous contracts relating to the transfer of industrialization activities and supply chain management activities for Inside Secure’s semiconductor components to the company Presto Engineering Inc. in 2015. These contracts have been transferred as part of the sale of the semiconductor business and no longer appear on the Company's balance sheet as at December 31, 2016.

23. Financial debts

Financial debts break down as follows:

(In thousands of US$)	2015	2016
Non-current		
Research tax credit financing	11 311	-
Obligations under finance lease	174	-
Other financial debt	321	128
	11 806	**128**
Current		
Research tax credit financing	6 157	-
Obligations under finance lease	148	-
Other financial debt	253	670
	6 558	**670**
Total	**18 365**	**798**

As at 31 December 2016, the debt relating to the financing of the research tax credit is derecognized following the renegotiation with the credit institution (see note 16).

The item "Other financial liabilities" includes the amount of the repayable advance with a fixed payment schedule and the financing of the Competitiveness and Employment Tax Credit (“CICE”)

Purchase options on finance leases were exercised during fiscal year 2016.

24. Repayable advances

Repayable advances break down as follows:

(In thousands of US$)	2015	2016
Repayable advances Bpifrance	5 056	-
Total	**5 056**	**-**
Other payables - Non-current portion	*5 056*	-
Other payables - Current portion	-	-

The Group benefits from repayable advances from French institution Bpifrance for research and innovation programs. These advances are repayable if and only if the contractually defined commercial objectives are achieved. The repayment of these advances is subject to revenue objectives being achieved on the related projects. Repayable advances are accounted for at nominal value and are non-interest-bearing. They are also recorded in Euros, thus the total amount recorded on the balance sheet may be affected by fluctuations in the exchange rate. Repayable advances corresponding to discontinued operations have been transferred as part of the sale of the semiconductor business and no longer appear on the Company's balance sheet as at 31 December 2016.

25. Retirement benefit obligations

The Group operates a defined benefit pension plan in France and its obligations to employees in terms of retirement benefits are limited to a lump sum payment based on remuneration and length of service, determined for each employee. In the UK the Group operates under a defined contribution plan whereby the Company’s liability is limited to its contributions.

The amounts recognized in the balance sheet are determined as follows:

(In thousands of US$)	2015	2016
Present value of unfunded obligations	993	336

The movement in the defined obligation over the year is as follows:

(In thousands of US$)	2015	2016
As at January 1	1 503	993
Current service cost	160	86
Interest cost	22	15
Actuarial (losses)/gains	(287)	65
Transferts and departures	(277)	(833)
Exchange differences	(128)	11
As at December 31	**993**	**336**

The amounts recognized in the income statement are as follows:

(In thousands of US$)	2015	2016
Current service cost	160	86
Interest cost	22	15
As at December 31	**182**	**101**

The principal actuarial assumptions used were as follows:

	2015	2016
Discount rate	2,03%	1,38%
Salary growth rate (including inflation)	3%	3%
Inflation rate	2%	2%

Assumptions regarding future mortality expectations are set based on data in accordance with published statistics and experience in France.

The liability recognized as at December 31, 2016 takes into account the latest regulations in terms of pension obligations.

The sensitivity of the overall pension liability to changes in the weighted principal assumption is as follows:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease of 0.25 points	Decrease/Increase of 4.2%

26. Provisions for other liabilities and charges

Provisions for other liabilities and charges break down as follows:

(In thousands of US$)	Employee related litigations	Customer claims	Restructuring	Others	Total
As at January 1, 2016	**40**	**475**	**-**	**175**	**689**
Charges / (credited) to the income statement:					
- Additional provisions	-	1 650	2 654	-	**4 304**
- Unused amounts reversed	-	(160)		(175)	**(335)**
- Used during the year	(40)	(338)	-	-	**(378)**
Exchange differences	-	28	-	-	**28**
As at December 31, 2016	**-**	**1 655**	**2 654**	**-**	**4 308**

Employee related litigation

The Group is subject to legal proceedings arising in the ordinary course of business. Management does not expect that the ultimate costs necessary to resolve these matters will have a material adverse effect on the Group's consolidated financial position, result of operations or cash flows.

Provision for restructuring expenses

The provision of $ 2,654 thousand as at December 31, 2016 corresponds to the remaining costs related to the restructuring described in note 1, including contracts that have become unfavorable.

27. Deferred income

Deferred income breaks down as follows:

(In thousands of US$)	2015	2016
Maintenance	2 000	2 419
Licenses	951	308
Royalties	327	992
As at December 31,	**3 278**	**3 719**

Deferred income mainly comprises maintenance invoices and licenses for which revenue is recorded as and when recognition criteria are met.

28. Research and development expenses

Research and development expenses break down as follows:

(In thousands of US$)	2015	2016
Research and development expense	11 959	17 178
Share base payment	209	134
Research tax credit	(1 522)	(2 055)
Total	**10 646**	**15 257**

The amount of the research tax credit varies according to the corresponding research effort, which can fluctuate significantly by period according to the nature and progress of ongoing projects and the grants received.

29. Other gains / (losses), net

Other gains / (losses), net break down as follows:

	Year ended	
(In thousands of US$)	December 31, 2015	December 31, 2016
Restructing expenses / costs linked to departures	(812)	(3 849)
Transaction costs related to acquisition of Metaforic	(23)	-
Foreign exchange losses on operating activities	(1 354)	(367)
Other	(218)	-
Total	**(2 407)**	**(4 216)**

Operating exchange gains and losses relate to exchange differences affecting revenue and operating expenses concluded during the year as well as the impact of the revaluation at closing rates of operating assets and liabilities denominated in currencies other than the functional currency of the consolidated companies.

30. Expenses by nature

Expenses by nature break down as follows:

(In thousands of US$)	2015	2016
Depreciation, amortization, impairment charges and write offs	1 288	1 369
Employees and compensation benefits	19 037	22 097
Amortization and depreciation of acquired assets	9 714	3 818
Restructuring costs	902	3 849
Subcontracting and temporary work force	1 863	1 663
External services	4 307	5 486
Travel expenses and entertainment	1 593	1 398
Buildings and office leases	1 293	1 387
Advertising, promotion and trade shows	798	771
Fees, commissions and royalties	4 385	7 680
Grants and research tax credit	(1 522)	(2 055)
Operationnal exchange gains and losses	1 354	367
Others	415	-
Total	**45 427**	**47 830**

31. Employee benefit expense

Employee benefit expense breaks down as follows:

(In thousands of US$)	2015	2016
Wages and salaries including termination benefits	13 885	16 694
Social security costs	4 582	4 660
Shared based payments	478	631
Retirement benefit obligation	92	112
Total	**19 037**	**22 097**

As of December 31, 2016, the Group had 158 employees (including 3 fixed-term contracts):

Employees	2016
Administrative and support	29
Research & development	87
Sales & marketing	42
Total	**158**

32. Finance income and expense

Finance income and expense breaks down as follows:

(In thousands of US$)	2015	2016
Foreign exchange loss	(1 572)	(3 869)
Interest expense	(671)	(1 108)
Finance costs	**(2 243)**	**(4 976)**
Foreign exchange gain	1 149	4 031
Interest income	112	261
Finance income	**1 261**	**4 292**
Finance loss, net	**(983)**	**(684)**

Foreign exchange gains and losses relating to financial transactions settled during the year, as well as the impact of the revaluation at closing rates of cash denominated in Euros into US Dollars, are recognized in financial result.

33. Income tax expense

The income tax expense breaks down as follows:

(In thousands of US$)	2015	2016
Tax calculated at domestic tax rates applicable to profits in the respective countries		
- France	(186)	(1 577)
- Holland	(5)	(54)
- United Kingdom	(101)	-
- United States	17	(3)
- Singapore	(1)	-
- Japan	-	(9)
- Finland	(58)	(52)
	(335)	**(1 695)**

The effective income tax charge differs from the theoretical amount that would arise from applying the income tax rate calculated based on rates applicable in France as a result of the following elements:

In thousands of US$	2015	2016
Loss before income tax	(19 315)	1 430
Theoretical income tax (tax rate of 34.43%)	6 650	(492)
Effect of different tax rates	36	(49)
Unrecognized (used) tax losses during the period	(7 967)	477
Research tax credit not liable to income tax	524	708
Share based payment	(165)	(216)
Witholding taxes	(213)	(1 264)
Other permanent differences	799	(859)
Effective income tax	**(335)**	**(1 695)**

Tax loss carryforwards of French entities that have not given rise to the recognition of deferred tax assets are chargeable without limitation of duration to future taxable profits and amounted to $ 202 million as at December 31, 2016 (compared with 211 Million as at December 31, 2015.

34. Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year:

	2015	**2016**
Loss attributable to equity holders of the Company (in thousand dollars)	(44 583)	12 344
Weighted average number of ordinary shares in issue	34 598 738	40 557 879
Basic loss per share ($ per share)	**(1,29)**	**0,30**
Basic earnings from continuing operations per share ($ per share)	(0.57)	(0.01)
Basic earnings from discontinued operations per share ($ per share)	(0.72)	0.31

The variation in earnings per share mainly results from the share capital increases realized over the year which have an impact on the weighted average number of shares.

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding with the shares which would be issued as a consequence of the exercising of dilutive financial instruments.

The Group has three categories of dilutive potential financial instruments: free shares, warrants, and stock options.

For the periods 2015 and 2016, warrants and stock options relating to the current plans had an exercise price higher than the average share price and were therefore not taken into account in the calculation of the result Diluted per share. As far as free shares are concerned, there are very few dilutive shares, due to the performance conditions attached to their acquisition. As a result, after taking into account the small number of dilutive shares, diluted earnings per share is equal to the basic result.

When the conversion of the options has the effect of increasing the diluted loss per share to an amount greater than the basic loss per share, the dilution effect is not taken into account.

35. Discontinued operations

Income statement:

(in thousands of US$)	as at December 31, 2015	2016
Revenue	43 186	33 253
Cost of sales	**(34 887)**	**(20 941)**
Gross profit	**8 299**	**12 312**
Research and development expenses	(14 134)	(5 086)
Selling and marketing expenses	(7 400)	(4 845)
General and administrative expenses	(949)	(1 384)
Other gains / (losses), net	(10 575)	(5 466)
Operating profit (loss) from discontinued operations	**(24 758)**	**(4 469)**
Finance income / (loss), net	(175)	74
Gain on disposal	-	17 004
Net income/(loss) from discontinued operations	**(24 933)**	**12 609**

Cash flow statement:

In thousands od US$	December 31, 2015	December 31, 2016
Income / (loss) for the period from discontinued operations	**(24 933)**	**12 609**
Adjustments for :		
Depreciation of tangible assets	1 269	-
Amortization of intangible assets	1 876	-
Impairment of assets	5 064	-
Reversal of unused provision of intangible assets - SMS	(2 403)	-
Transfer to Presto Engineering - Part without cash impact	7 198	-
Impairment of inventories	(76)	(4 032)
Impairment of receivables	-	1 445
Finance income, net	175	191
(Profit) / loss on disposal of assets	617	(17 005)
Change in retirement benefit obligation	(346)	77
Variation in provisions for risks	450	3 141
Cash generated by / (used in) operations before changes in working capital	**(11 110)**	**(3 575)**
Changes in working capital :		
Inventories	1 995	8 577
Trade receivables	8 736	(7 646)
Trade receivables transferred and derecognized	(6 278)	0
Other receivables	127	1 127
Research tax credit and grants	(2 055)	
Trade and other payables	(8 622)	(2 051)
Cash generated by / (used in) changes in working capital	**(6 097)**	**6**
Cash generated by / (used in) operations	**(17 207)**	**(3 568)**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	2 082
Purchases of property and equipment	(592)	-
Net cash used in investing activities	**(592)**	**2 082**

36. Commitments

Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rates.

The Group also leases certain equipment under cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(In thousands of US$)	2015	2016
Gross finance lease liabilities - minimum lease payment		
No later than 1 year	1 391	1 593
Later than 1 year and no later than 5 years	3 795	2 579
Later than 5 years	-	-
Total	**5 186**	**4 172**

The Group entered into an operating lease contract in August 2012 for a building which now serves as its head office. The initial duration of the lease is 6 years. The future lease payments over 6 years are included in the table above.

37. Related party transactions

(a) Transactions with related companies

The Group purchases audit and consulting services from the company Leyton & Associés who share a common shareholder with the Group in the investment firm GIMV. These services were negotiated on an arm's length basis, without the involvement of the common shareholder, and amounted to US$ 107 thousand and US$ 129 thousand for 2016 and 2015, respectively.

Mr. Amedeo D'Angelo, who has been the Chairman of the Company's Management Board since October 2015 is also non-executive chairman of Linxens, one of Inside Secure's suppliers. In 2016, purchases and services with the Company amounted to US$ 52 thousand (US$ 1,506 thousand in 2015). These purchases and services were concluded under normal market conditions without the involvement of Mr. Amedeo D'Angelo. Following the sale of its semiconductor business in September 2016, Inside Secure has no commercial relationship with Linxens since that date.

The Company obtained financing (see note 24) from the Bpifrance group. One of the companies belonging to this group is a shareholder of the Company and was a member of its Supervisory Board until December 2016. This financing has been arranged under normal market conditions, without the involvement of the shareholder.

(b) Key management compensation

Key management is composed of Management Board members. The compensation paid to key management for employee services is as follows:

(In thousands of US$)	2015	2016
Salaries	1 695	852
Share based compensation expenses	127	301
Total	**1 822**	**1 153**

38. Events after the reporting period

None.

39. Audit fees

In thousands of US$	PwC	Antoine Olanda
Audit of the consolidated finacial statements	199	34
Other services	70	-
Total	**269**	**34**

40. Consolidated entities

The consolidated financial statements as at December 31, 2016 include the accounts of the Company and the following entities:

Country	Entity	Holding percentage 2015	2016	First consolidation	Consolidation method	Acquisition/ creation
France	Inside Secure France	100%	100%	2012	Full	Creation
United States	INSIDE Secure Corporation	100%	100%	2002	Full	Creation
Singapore	INSIDE Secure (Asia) Pte Ltd	100%	Divested	2007	Full	Creation
France	Vault-IC France SAS	100%	Divested	2010	Full	Acquisition
United Kingdom	Vault-IC UK Ltd	100%	100%	2010	Full	Acquisition
Netherlands	INSIDE Secure B.V	100%	100%	2012	Full	Acquisition
Netherlands	INSIDE Secure Amsterdam B.V	100%	100%	2012	Full	Acquisition
Finland	INSIDE Secure Oy	100%	100%	2012	Full	Acquisition
Japan	INSIDE Secure K.K	100%	100%	2013	Full	Creation
United States	Metaforic Corp	100%	Liquidated	2014	Full	Acquisition
United Kingdom	Metaforic Ltd	100%	100%	2014	Full	Acquisition

During the year 2016, the scope of consolidation changed as a result of the following events:

- On 20 September 2016, the Company sold all of the shares in its subsidiaries Vault-IC France SAS and Inside Secure Asia Pte Ltd (Singapore) in connection with the sale of its semiconductor business to WISeKey;
- In order to simplify the organization and structure of the Group, Metaforic Inc. (USA), which was dormant, was wound up in December 2016.

All companies have an annual closing date as of December 31, 2016.

It should also be noted that Vault-IC UK Ltd. was renamed Inside Secure UK Ltd. in 2016.

20.2 Proforma financial information

Not applicable.

20.3 Financial statements

Not applicable.

20.4 Verification of the annual historical financial information

PricewaterhouseCoopers Audit
63 rue de Villiers
92200 Neuilly-sur-Seine

Antoine OLANDA
38 parc du Golf
13856 Aix-en-Provence

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report on the consolidated financial statements
For the year ended December 31, 2016

Inside Secure
Rue de la Carrière de Bachasson
13590 Meyreuil

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2016, on:
- the audit of the accompanying consolidated financial statements of Inside Secure, as attached to this report ;
- the justification of our assessments ;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

The accounting estimates used in the preparation of the consolidated financial statements for the year ended December 31, 2016 take into account the specific features of the new technology sector in which the company operates.

As indicated in note 4 "*Critical estimates and judgments*" of the Notes to the financial statements, the company is required to make estimates and assumptions that relate in particular to revenue recognition, impairment on non-current assets and goodwill, and accounting for income tax.

The procedures to be followed in this respect are described in note 2 "*Summary of principle accounting methods*" of the notes to the consolidated financial statements. For all these estimates, we examined the documentation available, assessed the reasonableness of assessments made by company management and verified that the notes related thereto provide appropriate information on the assumptions used by the company.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Signed at Neuilly-sur-Seine and Aix en Provence, on March 24, 2017

The statutory auditors

PricewaterhouseCoopers Audit | Antoine Olanda

Didier Cavanié
Partner

20.5 Date of most recent financial information

The most recent financial information available dates from December 31, 2016.

20.6 Interim financial information

Not applicable.

20.7 Dividend distribution

20.7.1 Dividends paid out in the past three fiscal years

None.

20.7.2 Dividend distribution policy

There is no short-term plan to introduce a dividend distribution policy.

20.8 Court and arbitration proceedings

At times, the Group is exposed to the filing of observations against a certain number of its patent applications or to opposition procedures against some of its patents, in particular its European patents before the European Patent Office. The Group is also exposed to nullity actions filed with the national courts with respect to some of its national patents. These procedures against the Company’s patents or patent applications may in particular be initiated by industrial players that are sued for infringement or are likely to be sued for infringement in connection with the NFC patent licensing program, or by third parties supplying accused components to said industrial players.

Three other industrial players, in particular, have initiated actions aimed at obtaining, for the first player, on the one hand the nullity of the German part of a European patent containing claims reading on the NFC standard as defined by the NFC Forum (action was initiated in December 2013) and, on the other hand, the revocation of a European patent application by opposition (the Opposition Division of the European Patent Office rejected the revocation request in December 2015, and this decision is now final). For the second industrial player, on the one hand, the nullity of the German parts of two European patents (actions were initiated in June 2014, and one of two nullity actions has been rejected by a competent court of first instance in January 2016) and, on the other hand, the revocation of a European patent application by opposition (procedure initiated in January 2015). For the third industrial player, on the one hand, the nullity of the German part of a European patent and, on the other hand, the revocation of a European patent application by opposition.

The first industrial player, in accordance with the terms of a decision issued by a court of first instance in June 2016, obtained the nullity of the German part of the European patent, which contained claims pertaining to the NFC standard as defined by the NFC forum. The Company has filed an appeal with the German Bundesgerichthof. The appeal procedure is currently pending.

The actions and procedures initiated by the second and the third industrial players have been withdrawn as a result of settlements entered into in 2016 in favour of the Group. However, the European Patent Office maintained the procedure initiated by the second player for the revocation of a European patent application by opposition and such procedure is thus still pending.

In addition, the second industrial player initiatedd three *inter partes review* procedures in 2014 before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office against certain claims of two US patents that are no longer owned by the Company but belong to patent families owned by the Company. As of the date hereof, these procedures produced three decisions, one of which invalidated two claims of the first patent in February 2016, and another decision invalidated all claims of the second patent also in February 2016. The current owner of said US patents has filed an appeal against these invalidation decisions before the Court of Appeals for the Federal Circuit. The US Patent Office took part in the initial procedure and these appeals are currently pending, even though the second industrial player has withdrawn from the case.

Another industrial player initiated in 2016 five other *inter partes review* procedures before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office against, on the one hand, the U.S. patent belonging to the same patent family as the European patent containing the claims reading on the NFC standard as defined by the NFC Forum and, on the other hand, the U.S. patent belonging to the patent family that includes the German part of the European patent for which the aforementioned favorable decision was rendered by a competent court of first instance. In September 2016, the Patent Trial and Appeal Board has merged these actions into two cases and instituted a trial to hear the same.

Although the Group considers it has solid arguments in defense of its patents and patent applications, enabling it to resist such actions, it can neither guarantee the outcome nor exclude that these actions could be onerous and time-consuming for its management.

Lastly, in the normal course of business, the Group is exposed to various other claims and litigation, including claims by current and former employees.

As of the filing date of this Registration Document, the Group considers that the potential losses it could incur in connection with such ongoing claims and litigation, including a dispute between the Company and a former semiconductor business customer in the field of Pay TV access control for the payment to the Company of an outstanding $3.6 million, could not individually have a significant adverse impact on its financial position or profitability, and considers that it has provisioned, whenever it deemed it necessary, the sufficient amount of funds to cover its liability based on the information available on the day the financial statements were approved.

Therefore, there are no regulatory, legal, or arbitration proceedings, including any proceedings of which the Company is aware, that are pending or threatened, which could potentially have or have had over the past twelve months, a significant impact on the Company's or Group's financial position or profitability.

20.9 Significant change in the financial or commercial position

Not Applicable.

21. ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 Amount of share capital

As of the filing date of this Registration Document, the share capital of the Company totals EUR 17,250,799.60, split up into 43,126,999 fully paid-up common shares of par value EUR 0.4 each.

21.1.2 Non-equity securities

Not applicable.

21.1.3 Share repurchase program

The Combined Ordinary and Extraordinary Shareholders' Meeting of the Company dated June 8, 2016 authorized the Management Board to implement, for a period of eighteen months from the date of such Meeting, a share repurchase program under provisions of articles L. 225-209 *et seq.* of the French Commercial Code and the market practices accepted by the AMF.

The principal terms of this authorization are as follows:

- Maximum number of shares to be purchased: 10% of the total number of shares, at any time, being specified that (i) when shares are acquired in order to improve the liquidity of the shares of the Company, the number of shares used to calculate this limit will be the number of shares purchased minus the number of shares sold during the authorized period and (ii) when the shares are acquired to be held and subsequently delivered as payment or in exchange during a merger, division or contribution, the number of shares purchased may not exceed 5% of the total number of shares;
- Objectives of the share repurchase:
  - ensure the liquidity of shares under a liquidity contract to be concluded, as the case may be, with an investment services provider, in compliance with the ethics charter recognized by the *Autorité des marchés financiers*;
  - meet obligations related to stock option plans, free share plans, employee savings plans, or other grants of shares to employees and corporate officers of the Company or of the companies related to it ;
  - deliver shares in connection with the exercise of rights attached to securities giving access to the share capital;
  - acquire shares to be held and subsequently exchanged or used as payment in connection with potential external growth transactions ; or
  - cancel all or part of the shares acquired in this way ;
- maximum purchase price (excluding fees and commission): EUR 10 with an overall cap of EUR 33,000,000.

As a result of the above, on March 8, 2012, the Company entered into a liquidity agreement with Natixis and allocated EUR 500,000 to it.

Number of shares acquired and sold over the course of the 2016 fiscal year

In the context of the liquidity agreement, over the course of the 2016 fiscal year,
- 1,453,658 shares were purchased at the average price of EUR 1.32062, and
- 1,425,042 shares were sold at the average price of EUR 1.36003.

The Company did not repurchase any of its own shares for other reasons.

Number of and value of own shares held as of December 31, 2016

Based on the acquisitions and sales completed over the course of the 2016 fiscal year, the balance of the liquidity agreement was equal to 70,902 shares as of December 31, 2016. As of that date, the value of the portfolio of own shares was equal to EUR 172,791.16, based on the closing price on December 31, 2016, or EUR 2.51.

Notwithstanding the shares purchased in the context of a liquidity agreement, the Company does not hold any other own shares.

21.1.4 Potential share capital

As of the filing date of this Registration Document, the securities and other currently outstanding financial instruments granting the right to a percentage of the share capital are described in sections 21.1.4.1, 21.1.4.2, and 21.1.4.3. The exercise of all these securities and financial instruments and the vesting of all free shares would result in the issuance of 6,558,911 additional common shares of the Company. A shareholder who owns 1% of the share capital of Inside Secure would see his or her ownership go down to 0.87% in the event of exercise of all stock options, share warrants, and free shares.

21.1.4.1Share warrants (*Bons de souscription d'actions*)

The main terms and conditions of the currently outstanding share warrants (*bons de souscription d'actions*, or "BSA(s)") issued by the Company are provided in the following table.

Plan name[(1)]	Date of issue	Total number of warrants	Maximum number of shares resulting from the warrants [(2)]	Unit subscription price of the shares resulting from the warrants [(2)]	Timeframe for exercising the warrants	Expiration date of the warrants
BSA 2007-2	August 30, 2007	2,205	9,283	€6.698	Fully exercisable	June 4, 2019
BSA 2007-3	September 21, 2007 September 21, 2007	1,000 1,000	4,210 4,210	€6.698 €6.698	Fully exercisable Fully exercisable	June 13, 2018 July 3, 2018
BSA 2007-4	August 30, 2007 December 18, 2008	750 750	3,157 3,157	€6.698 €6.698	Fully exercisable Fully exercisable	November 6, 2017 May 4, 2019
BSA 2007-5	December 21, 2007	2,000	8,420	€9.5438	Fully exercisable	August 22, 2018
BSA 8	December 18, 2008	3,200	13,472	€9.5438	Fully exercisable	March 24, 2019
		10,905	45,909			

(1) Only currently outstanding BSAs are listed above.
(2) In order to protect the rights of BSA holders following the April 2016 share capital increase, the BSA exercise parity and the subscription price of a single share derived from a BSA were adjusted in accordance with applicable legal and regulatory provisions.

In addition, on April 15, 2015 the Company announced the arrangement of an equity line of financing with Kepler Cheuvreux. Kepler Cheuvreux has undertaken to subscribe new shares over a two-year period, up to a maximum allocation of 3,400,000 shares (or 9.9% of the existing share capital), subject to compliance with the conditions defined by both parties. Kepler Chevreux subscribed 400,000 new shares in 2015 and no new shares in either 2016 or as of the filing date of this Registration Document.

As of the filing date of this Registration Document, the members of the Management Board and Supervisory Board do not hold any BSAs.

21.1.4.2Free share grants

As of the filing date of this Registration Document, the Management Board of the Company has granted a total of 4,429,290 free shares to the Group's employees and officers, pursuant to authorizations granted at the General Shareholders' Meetings dated June 16, 2005, October 20, 2005, June 30, 2008, June 30, 2010, January 20, 2012, June 29, 2012, June 26, 2014, February 2, 2016, and December 16, 2016.

Pursuant to their terms, as of the filing date of this Registration Document, 1,696,478 shares have definitively vested, 803,519 shares have become null and void, and 1,729,293 shares have not yet fully vested.

The main terms and conditions of these free share grants are provided in the table below.

Date of the Shareholders' Meeting authorizing the grant	Date granted by the Management Board	Number of shares granted [7]	Number of voided shares [7]	Number of vested shares [7]	Number of shares in the process of vesting [7]	Vesting Date	Length of the holding period[1]
June 16, 2005	July 28, 2005	92,184	23,046	69,138	0	March 6, 2012	2 years
		21,016	0	21,016	0	July 28, 2007	2 years
June 16, 2005	July 28, 2005	112,600	112,600	0	0	N/A	N/A
		25 664	0	25,664		July 28, 2007	2 years
October 20, 2005	February 17, 2006	83,092	6,088	44,840	0	February 17, 2008	2 years
				16,192		February 17, 2009	2 years
				15,972		February 17, 2010	2 years
October 20, 2005	February 17, 2006	56,264	56,264	0	0	N/A	N/A
		12,832	0	12,832	0	February 17, 2008	2 years
October 20, 2005	June 2, 2006	76,096	0	38,048	0	June 2, 2008	2 years
				19,024		June 2, 2009	2 years
				19,024		June 2, 2010	2 years
June 30, 2008	November 3, 2008	20,000	0	20,000	0	November 3, 2010	2 years
June 30, 2010	December 16, 2010	1,116,000	0	1,116,000	0	December 16, 2012	2 years
		110,000	0	110,000	0	December 16, 2014	2 years
January 20, 2012	April 6, 2012	151,370	151,370	0	0	N/A	N/A
		64,100	64,100	0	0	N/A	N/A
June 29, 2012	July 26, 2012	2,200	2,200	0	0	N/A	N/A
		4,000	4,000	0	0	N/A	N/A
		63,510	0	63,510	0	July 26, 2014	2 years
June 29, 2012	October 17, 2012	160,533	30,000	80,000	0	October 17, 2014	2 years
				40,000	0	October 17, 2015	2 years
				10,533	0	October 17, 2016	2 years

June 29, 2012	December 20, 2012	10,133	2,633	5,000 2,500	0 0	December 20, 2014 December 20, 2015 December 20, 2016	2 years 2 years 2 years
June 26, 2014	March 23, 2015	299,270	146,397	0	152,873	March 23, 2018 (2)	2 years
June 26, 2014	March 23, 2015	64,426	36,138	0	28,288	March 23, 2020 (3)	N/A
February 2, 2016	February 2, 2016	864,000	0	0	864,000	No earlier than February 2, 2018 (4)	N/A
February 2, 2016	May 30, 2016	220,000	168,683	0	51,317	February 2, 2019 (5)	N/A
December 16, 2016	December 16, 2016	600,000	0	0	600,000	December 16, 2019 (6)	N/A
		4,429,290	803,519	1,729,293	1,696,478		

(1) The holding period begins on the vesting date of the free shares.

(2) Every grant beneficiary shall become a shareholder of Inside Secure at expiration of a three-year period, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next three years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the twenty trading days preceding March 23, 2018 are lower than EUR 3.125 or higher than EUR 6, respectively). Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.

(3) Every grant beneficiary shall become a shareholder of Inside Secure at expiration of a five-year period, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next five years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the twenty trading days preceding March 23, 2018 are lower than EUR 3.125 or higher than EUR 6, respectively). Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.

(4) Amedeo D'Angelo will become a shareholder of the Company when these shares vest on October 1, 2018, subject to the satisfaction of a market condition. The percentage of shares vested as a result of this condition will vary from zero to one hundred based on whether the volume-weighted average price of the Company's shares during the sixty trading days preceding that date is lower than 1 Euro or higher than 3 Euros, respectively, it being hereby specified that (i) the vesting of these shares could occur faster than expected under certain conditions such as a change in control of the Company or if the volume-weighted average price of the Company's shares during the sixty consecutive trading days preceding October 1, 2018 should be higher than 3 Euros, and that (ii) the Management Board, after having received the Supervisory Board's prior authorization, could potentially, if deemed in the interest of the company, waive said market condition for all or part of his shares.

(5) Every grant beneficiary shall become a shareholder of Inside Secure on February 2, 2019, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next three years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the sixty trading days preceding February 2, 2019 are lower than EUR 1.0 or higher than EUR 3.0, respectively), it being specified that the shares could be eligible for early vesting if the volume weighted average of the Company share prices recorded during the sixty consecutive trading days prior to February 2, 2019 exceeds EUR 3.0. Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.

(6) Every grant beneficiary shall become a shareholder of Inside Secure on December 16, 2019, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next three years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the sixty trading days preceding December 16, 2019 are lower than EUR 2.0 or higher than EUR 3.5, respectively). Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.

(7) The number of shares takes into account the adjustment of the rights of holders of free shares, applied in accordance with applicable legal and regulatory provisions following the share capital increase dated April 26, 2016.

The main terms and conditions of the free shares granted to the members of the Management Board of the Company are described in the following table[(4)].

First and Last Name [(1)]	Position	Date of issue	Number of allocated shares	Number of vested shares	Number of shares in the process of vesting	Vesting Date	Lock-up period	Number of shares to be kept during the term of office
Amedeo D'Angelo	Chairman of the Management Board	February 2, 2016	864,000	0	864,000	No earlier than February 2, 2018 [(2)]	N/A	10%
Richard Vacher Detournière	Member of the Management Board	November 3, 2008 December 16, 2010 March 23, 2015 December 16, 2016	20,000 106,000 31,599 100,000	20,000 106,000 0 0	0 0 31,599 100,000	November 3, 2010 December 16, 2012 March 23, 2018 December 16, 2019 [(3)]	2 years 2 years 2 years 2 years	10% 10% 10% 10%
			1,121,599	126,000	995,599			

(1) *The free shares granted to corporate officers having left the Group are not documented above.*

(2) *Amedeo D'Angelo will become a shareholder of the Company when these shares vest on October 1, 2018, subject to the satisfaction of a market condition. The percentage of shares vested as a result of this condition will vary from zero to one hundred based on whether the volume-weighted average price of the Company's shares during the sixty trading days preceding that date is lower than 1 Euro or higher than 3 Euros, respectively, it being hereby specified that (i) the vesting of these shares could occur faster than expected under certain conditions such as a change in control of the Company or if the volume-weighted average price of the Company's shares during the sixty consecutive trading days preceding October 1, 2018 should be higher than 3 Euros, and that (ii) the Management Board, after having received the Supervisory Board's prior authorization, could potentially, if deemed in the interest of the company, waive said market condition for all or part of his shares.*

(3) *Richard Vacher Detournière will become a shareholder of Inside Secure on December 16, 2019, subject to fulfilling the following double condition: (i) a condition of continued employment with the Group for the next three years, and (ii) a market condition (the percentage of shares acquired pursuant to this latter condition will vary from zero to one hundred based on whether the volume-weighted average of the Company share prices recorded during the sixty trading days preceding December 16, 2019 are lower than EUR 2.0 or higher than EUR 3.5, respectively). Subject to the Supervisory Board's prior approval, the Management Board can decide, if deemed in the Company's interest, to exempt a given grant beneficiary from either or both of the aforementioned conditions, applicable to all or part of his or her shares. In the event of a change in control of the Company, a percentage of non-voided shares will definitively vest, as calculated with all necessary modifications indicated above, by replacing the aforementioned weighted average by the change in control price.*

(4) *The number of shares takes into account the adjustment of the rights of holders of free shares, applied in accordance with applicable legal and regulatory provisions following the share capital increase dated April 26, 2016.*

21.1.4.3Stock Options

As of the filing date of this Registration Document, the Management Board of the Company has granted a total of 3,728,937 stock options, each giving right to subscribe to one common share of the Company, to the Group's employees and officers, pursuant to authorizations granted at the General Shareholders' Meetings dated of June 16, 2005, October 20, 2005, June 2, 2006, June 19, 2007, June 30, 2008, June 29, 2012, June 19, 2013, June 26, 2014, and December 16, 2016.

As of the filing date of this Registration Document, 132,336 stock options have been exercised by their holders, 1,780,077 stock options have become null and void, and 1,771,524 stock options are still outstanding.

The main terms and conditions of these stock option plans are provided in the table below.

Name of the plan	Date of grant	Number of granted stock options(3)	Number of voided stock options(3)	Number of exercised stock options(3)	Maximum number of shares which can be subscribed(3)	Subscription price per unit(3)	Timeframe for exercising the stock options	Expiration date of the vesting period(1)	Expiration date of the stock options
Options 2005-1 (P 3)	July 28, 2005	113,200	113,200	0	0	€ 0.40		July 28, 2009	June 16, 2015
Options 2005-1 (P 4)	July 28, 2005	102,240	102,240	0	0	€ 0.40		July 28, 2009	June 16, 2015
Options 2005-2	February 17, 2006	96,908	75,138	21,770	0	€ 3.9425		February 17, 2010	October 20, 2015
Options 2005-2	June 2, 2006	51,904	51,904	0	0	€ 3.9425		June 2, 2010	October 20, 2015
Options 2006-1	June 2, 2006	273,965	197,099	76,866	0	€ 3.743		June 2, 2010	June 2, 2016
Options 2006-1	June 2, 2006	4,400	4,400	0	0	€ 3.743		June 2, 2010	June 2, 2016
Options 2006-1	February 2, 2007	93,500	92,300	1,200	0	€ 7.055		February 2,	June 2, 2016
Options 2006-1	February 2, 2007	12,324	12,324	0	0	€ 6.698		February 2,	June 2, 2016
Options 2007-1-A	August 4, 2007	301,512	301,512	0	0	€ 7.055		August 4, 2011	June 19, 2017
Options 2007-1-A	August 4, 2007	12,336	12,336	0	0	€ 7.055		August 4, 2011	June 19, 2017
Options 2007-1-B	August 4, 2007	189,832	189,832	0	0	€ 7.055		August 4, 2011	June 19, 2017
Options 2007-1-A	September 21, 2007	4,400	4,400	0	0	€ 7.055		September 21, 2011	June 19, 2017
Options 2007-1-C	February 22, 2008	52,000	52,000	0	0	€ 10.0525		February 22, 2012	June 19, 2017
Options 2007-1-D	February 25, 2008	50,800	50,800	0	0	€ 10.0525		February 25, 2012	June 19, 2017
Options 2007-1-E	November 3, 2008	20,000	20,000	0	0	€ 10.0525		November 3, 2012	June 19, 2017
Options 2007-1-F	November 3, 2008	64,041	0	0	64,041	€ 9.5438	exercisable in full(2)	November 3, 2012	June 19, 2017
Options 2006-1-B	November 3, 2008	22,752	22,752	0	0	€ 9.5438		November 3, 2012	June 2, 2016

Name of the plan	Date of grant	Number of granted stock options(3)	Number of voided stock options(3)	Number of exercised stock options(3)	Maximum number of shares which can be subscribed(3)	Subscription price per unit(3)	Timeframe for exercising the stock options	Expiration date of the vesting period(1)	Expiration date of the stock options
Options 2008-1	November 3, 2008	30,000	30,000	0	0	€ 10.0525		November 3, 2012	June 30, 2018
Options juillet 2012	July 26, 2012	2,277	0	0	2,277	€ 2.9146	exercisable in full	July 26, 2016	July 26, 2022
Options juillet 2012	July 26, 2012	12,989	0	0	12,989	€ 2.9146	exercisable in full	July 26, 2016	January 26, 2022
Options février 2013	February 20, 2013	195,872	116,868	0	79,004	€ 2.7438	59,259 exercisable(2) 19,745 on February 20, 2017(2)	N/A	February 20, 2023
Options février 2013	February 20, 2013	41,869	26,068	0	15,801	€ 2.7438	19,753 exercisable(2) 6,582 on February 20, 2017(2)	N/A	August 20, 2022
Options février 2013	May 3, 2013	100,000	75,000	25,000	0	€ 2.54		N/A	May 3, 2023
Options juin 2013	June 20, 2013	20,000	20,000	0	0	€ 2.85		N/A	December 22, 2022
Options juin 2013	August 27, 2013	108,479	53,570	7,500	47,409	€ 2.326	31,296 exercisable(2) 16,113 on August 27, 2017(2)	N/A	August 27, 2023
Options juin 2013	August 27, 2013	36,603	20,800	0	15,803	€ 2.326	10,432 (2) 5,371 on August 27, 2017(2)	N/A	February 27, 2023
Options janvier 2014	January 17, 2014	100,000	100,000	0	0	€ 2.11		N/A	January 17, 2024
Options janvier 2014	April 23, 2014	15,800	0	0	15,800	€ 3.4748	7,900 exercisable(2) 3,950 on April 23, 2017(2) 3,950 on April 23, 2018(2)	N/A	April 23, 2024
Options juin 2014	July 22, 2014	242,264	0	0	242,264	€ 4. 3103	121,132 exercisable(2) 60,566 on July 22, 2017(2) 60,566 on July 22, 2018(2)	N/A	January 22, 2024

Name of the plan	Date of grant	Number of granted stock options[(3)]	Number of voided stock options[(3)]	Number of exercised stock options[(3)]	Maximum number of shares which can be subscribed[(3)]	Subscription price per unit[(3)]	Timeframe for exercising the stock options	Expiration date of the vesting period[(1)]	Expiration date of the stock options
Options juin 2014	July 22, 2014	73,736	0	0	73,736	€ 4.3103	36,868 exercisable[(2)] 18,434 on July 22, 2017[(2)] 18,434 on July 22, 2018[(2)]	N/A	July 22, 2024
Options juin 2014	August 28, 2014	82,934	35,534	0	47,400	€ 3.997	31,286 exercisable[(2)] 16,114on August 28, 2017[(2)]	N/A	August 28, 2024
Options décembre 2016 NR	December 16, 2016	394,000	0	0	394,000	1.91	131,333 on December 16, 2017[(2)] 131,333 on December 16, 2018[(2)] 131,334 on December 16, 2019[(2)]	N/A	December 16, 2026
Options décembre 2016 US	December 16 2016	761,000	0	0	761,000	2.22	268,666 on December 16, 2017[(2)] 268,666 on December 16, 2018[(2)] 268,668 on December 16, 2019[(2)]	N/A	June 16, 2026
		3,683,937	1,780,077	132,336	1,771,524				

(1) Concerns residents of France for tax purposes.
(2) The exercise of the stock options is subject to being either an employee or a corporate officer of the Company on the exercise date.
(3) The number of options and the exercise price take into account the adjustment of the rights of holders of free shares, applied in accordance with applicable legal and regulatory provisions following the share capital increase dated April 26, 2016.

The main characteristics of the stock options plans offered to the members of the Management Board of the Company are described in the following table.

Corporate officers (2)	**Name of the plan**	**Date of grant**	**Number of granted stock options**	**Maximum number of shares which can be subscribed**	**Subscription price per unit**	**Timeframe for exercising the stock options**	**Expiration date of the vesting period**	**Number of shares to be kept during the term of office**	**Expiration date of the stock options**
Richard Vacher Detournière (member of the Management Board)	Options 2007-1-F	November 3, 2008	64,041	64,041	€ 9.5438	Exercisable in full*(1)*	November 3, 2012	10%	June 19, 2017
	Options juin 2014	August 28, 2014	36,866	36,866	€ 3.997	24,332 exercisable*(1)* 12,534 on August 28, 2017*(1)*	N/A	10%	August 28, 2024
	Options décembre 2016	December 16, 2016	45,000	45,000	€ 1.91	15,000 on December 16, 2017*(1)* 15,000 on December 16, 2018*(1)* 15,000 on December 16, 2019*(1)*	N/A	10%	December 16, 2026
			145,907	145,907					

(1) The exercise of the stock options is subject to being either an employee or a corporate officer of the Company on the exercise date.
(2) The stock options granted to corporate officers who have left the Group are not referenced in the above table.
(3) The number of options and the exercise price take into account the adjustment of the rights of holders of free shares, applied in accordance with applicable legal and regulatory provisions following the share capital increase dated April 26, 2016.
(4) Only those grants that are currently active are listed above.

21.1.5 Authorized share capital

The delegations and authorizations granted to the Management Board at the General Shareholders' Meetings dated June 3, 2015, February 2, 2016, June 8, 2016, and December 16, 2016, which are currently active as of the date of this Registration Document, are summarized below, it being hereby reminded that in order to use these authorizations, the Management Board must request prior approval from the Supervisory Board:

	Validity Period	Maximum nominal amount (in Euros)	Aggregate maximum nominal amount (in Euros)	Date and condition s of use by the Managem ent Board
Delegations and authorizations granted at the General Shareholders' Meeting dated June 3, 2015				
Delegation of power granted to the Management Board to increase share capital via the issuance of ordinary shares or any securities granting access to the share capital, with shareholders' preferential subscription rights	26 months as from June 3, 2015	5,500,000	6,800,000	April 26, 2016
Delegation of power granted to the Management Board to increase share capital by issuing common shares or any securities granting access to the share capital, without preferential subscription rights, and with a public offering as well as the ability to establish a priority right	26 months as from June 3, 2015	2,746,300		Not applicable .
Delegation of power granted to the Management Board to increase share capital by issuing common shares or any securities granting access to share capital without preferential subscription rights for the benefit of qualified investors or a restricted circle of investors	26 months as from June 3, 2015	2,746,300, not to exceed 20% of the share capital per 12-month period		Not applicable .
Delegation of power to be granted to the Management Board to increase share capital by issuing common shares or any securities granting access to share capital without shareholders' preferential subscription rights, for the benefit of a category of persons in the context of equity financing	18 months as from June 3, 2015	2,746,300		Not applicable .
Delegation of power granted to the Management Board to increase the number of securities to be issued in the event of a share capital increase, with or without preferential subscription rights, to be decided based on previous delegations	26 months as from June 3, 2015	not to exceed 15% of the initial amount issued		Not applicable .
Delegation of power granted to the Management Board to issue common shares or securities granting access to the share capital of the Company, in the event of a public offer including an exchange component initiated by the Company	26 months as from June 3, 2015	2,746,300		Not applicable .
Delegation of power granted to the Management Board to increase share capital in order to compensate contributions in kind	26 months as from June 3, 2015	not to exceed 10% of the share capital as it		Not applicable .

of shares or securities granting access to the share capital of third-party companies, excluding a public exchange offer		stands on the date of the considered transaction		
Delegation of power granted to the Management Board to increase share capital by incorporating premiums, reserves, profits or other, by the issue and grant of free shares or by raising the par value of existing shares or by a combination of these two methods	26 months as from June 3, 2015	2,000,000		Not applicable.
Delegations and authorizations granted at the General Shareholders' Meeting dated June 8, 2016			2,000,000	
Authorization to be granted to the Management Board to reduce the share capital via the cancellation of shares in the context of the authorization granted to the Company to buy back its own shares	18 months as from June 8, 2016	not to exceed 10 % of the share capital per 24-month period		Not applicable.
Delegation of power to be granted to the Management Board to increase share capital by issuing common shares or any securities granting access to share capital without shareholders' preferential subscription rights, for the benefit of a category of persons in the context of equity financing	18 months as from June 8, 2016	2,781,700		Not applicable.
Delegations and authorizations granted at the General Shareholders' Meeting dated December 16, 2016				
Authorization granted to the Management Board to grant stock options	38 months as from February 2, 2016	480,000		Refer to the Management Board's Special Report
Authorization granted to the Management Board to carry out free grants of existing shares or shares to be issued.	38 months as from February 2, 2016	328,000		Refer to the Management Board's Special Report
Delegation of power granted to the Management Board to increase the share capital via the issuance of shares and securities granting access to the share capital of the Company for the benefit of employees who are members of a group savings plan (*plan d'épargne de groupe*)	18 months as from June 3, 2015	517,000		Refer to the Management Board's Special Report

21.1.6 Information on the share capital of any member of the Group that is subject to an option or to a conditional or unconditional agreement to be put under option

As of the filing date of this Registration Document, to the Company's knowledge there are none in existence.

21.1.7 History of the share capital

21.1.7.1 Changes in share capital

The Company was registered with the Trade and Companies Registry on December 29, 1994, with an initial share capital of 1,620,500 francs.

The share capital was subsequently increased several times, reaching EUR 9,581,828.14 on June 16, 2005. A General Shareholders' Meeting held on the same day decided to reduce the share capital of the Company to zero and then to increase it to EUR 1,005,865.60 by the issuance, at par, of 628,666 shares at a price of EUR 1.60 each. Both the reduction and the increase were completed on July 8, 2005.

The table below provides a summary of the changes in share capital since that date.

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
July 8, 2005	Decrease in share capital to zero	(628,666)	(9,581,828.14)	None	0	0	
July 8, 2005	Capital increase by consideration in cash[1]	628,666	1,005,865.60	0	1,005,865.60	628,666	1.60
November 14, 2005	Capital increase by consideration in cash[2]	380,472	608,755.20	5,391,288.24	1,614,620.80	1,009,138	1.60
March 3, 2006	Capital increase by consideration in cash[2]	13,733	21,972.80	194,596.61	1,636,593.60	1,022,871	1.60
March 31, 2006	Capital increase by consideration in cash (exercise of warrants)[3]	190,234	304,374.40	2,695,615.78	1,940,968.00	1,213,105	1.60
June 2, 2006	Capital increase by consideration in kind[4]	35,798	57,276.80	507,257.66	1,998,244.80	1,248,903	1.60
July 19, 2006	Capital increase by consideration in cash (exercise of warrants)[3]	6,865	10,984.00	97,277.05	2,009,228.80	1,255,768	1.60
August 28, 2006	Capital increase by consideration in cash[5]	465,390	744,624.00	12,388,681.80	2,753,852.80	1,721,158	1.60
July 28, 2007	Capital increase by definitive allocation of free shares[4]	11,670	18,672.00	0	2,772,524.80	1,732,828	1.60
September 4, 2007	Capital increase by consideration in cash (exercise of warrants)[6]	232,695	372,312.00	6,194,340.90	3,144,836.80	1,965,523	1.60
December 28, 2007	Capital increase by consideration in cash[7]	411,638	658,620.80	15,893,343.18	3,803,457.60	2,377,161	1.60
December 28, 2007	Capital increase by consideration in cash[7]	164,220	262,752.00	6,340,534.20	4,066,209.60	2,541,381	1.60
February 5, 2008	Capital increase by consideration in cash[7]	45,878	73,404.80	1,771,349.58	4,139,614.40	2,587,259	1.60
February 17, 2008	Capital increase by definitive allocation of free shares[4]	14,418	23,068.80	0	4,162,683.20	2,601,677	1.60
June 2, 2008	Capital increase by definitive allocation of free shares[4]	9,512	15,219.20	0	4,177,902.40	2,611,189	1.60

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
August 20, 2008	Capital increase by consideration in cash[7]	66,595	106,552.00	2,571,232.95	4,284,454.40	2,677,784	1.60
December 17, 2008	Capital increase by consideration in cash[7]	99,478	159,164.80	3,840,845.58	4,443,619.20	2,777,262	1.60
February 17, 2009	Capital increase by definitive allocation of free shares[4]	4,048	6,476.80	0	4,450,096.00	2,781,310	1.60
June 2, 2009	Capital increase by definitive allocation of free shares[4]	4,756	7,609.60	0	4,457,705.60	2,786,066	1.60
July 29, 2009	Capital increase by consideration in cash (exercise of warrants)[4]	12,392	19,827.20	0	4,477,532.80	2,798,458	1.60
February 17, 2010	Capital increase by definitive allocation of free shares[4]	3,993	6,388.80	0	4,483,921.60	2,802,451	1.60
June 2, 2010	Capital increase by definitive allocation of free shares[4]	4,756	7,609.60	0	4,491,531.20	2,807,207	1.60
September 29, 2010	Capital increase by consideration in cash[8]	2,426,017	3,881,627.20	42,212,695.80	8,373,158.40	5,233,224	1.60
October 1, 2010	Capital increase by consideration in cash (exercise of stock options)[4]	210	336.00	2,975.70	8,373,494.40	5,233,434	1.60
November 3, 2010	Capital increase by definitive allocation of free shares[4]	5,000	8,000.00	0	8,381,494.40	5,238,434	1.60
November 8, 2010	Capital increase by consideration in cash[8]	73,077	116,923.20	1,271,539.80	8,498,417.60	5,311,511	1.60
November 30, 2010	Capital increase by consideration in cash[8]	107,894	172,630.40	1,877,355.60	8,671,048.00	5,419,405	1.60
May 11, 2011	Split of the par value of the Company’s shares	0	0	0	8,671,048.00	21,677,620	0.40
June 13, 2011	Capital increase by consideration in cash (exercise of warrants)[4]	46,704	18,681.60	165,448.92	8,689,729.60	21,724,324	0.40
February 22, 2012	Conversion of Class D preferred shares to common shares	1,449,144	579,657.60	-	9,269,387.20	23,173,468	0.40

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
February 22, 2012	Capital increase by consideration in cash (public offering)	8,313,250	3,325,300.00	65,674,675.00	12,594,687.20	31,486,718	0.40
February 24, 2012	Capital increase by consideration in cash (exercise of the overallotment option)	1,246,986	498,794.40	9,851,189.40	13,093,481.60	32,733,704	0.40
April 6, 2012	Capital increase by consideration in cash (exercise of stock options)	40,481	16,192.40	360,535.81	13,109,674.00	32,774,185	0.40
April 6, 2012	Capital increase by definitive allocation of free shares	69,138	27,655.20	-	13,137,329.20	32,843,323	0.40
December 20, 2012	Capital increase by definitive allocation of free shares	1,116,000	446,400.00	-	13,583,729.20	33,959,323	0.40
December 20, 2012	Capital increase by consideration in cash (exercise of stock options)	34,239	13,695.60	125,026.6575	13,597,424.80	33,993,562	0.40
July 8, 2014	Capital increase by consideration in cash (exercise of stock options)	24,276	9,710.40	85,997.73	13,607,135.20	34,017,838	0.40
August 25, 2014	Capital increase by definitive allocation of free shares	63,510	25,404.00	-	13,632,539.20	34,081,348	0.40
August 25, 2014	Capital increase by consideration in cash (exercise of warrants)	20,000	8,000.00	35,800.00	13,640,539.20	34,101,348	0.40
October 20, 2014	Capital increase by consideration in cash (exercise of stock options)	32,500	13,000.00	68 875.00	13,653,539.20	34,133,848	0.40
October 20, 2014	Capital increase by definitive allocation of free shares	80,000	32,000.00	-	13,685,539.20	34,213,848	0.40
December 17, 2014	Capital increase by definitive allocation of free shares	110,000	44,000.00	-	13,729,539.20	34,323,848	0.40
December 20, 2014	Capital increase by definitive allocation of free shares	5,000	2,000.00	-	13,731,539.20	34,328,848	0.40
May 11, 2015	Capital increase by consideration in cash (exercise of stock options)	400,000	160,000.00	652,000.00	13,891,539.20	34,728,848	0.40
October 28, 2015	Capital increase by definitive allocation of free shares	40,000	16,000.00	-	13,907,539.20	34,768,848	0.40

Date	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of cumulated share capital (in Euros)	Cumulated number of total outstanding shares	Par value (in Euros)
December 21, 2015	Capital increase by definitive allocation of free shares	2,500	1,000.00	-	13,908,539.20	34,771,348	0.40
April 26, 2016	Capital increase by consideration in cash	8,345,118	3,338,047.20	1,835,925.96	17,246,586.40	43,116,466	0.40
October 17, 2016	Capital increase by definitive allocation of free shares	10,533	4,213.00	-	17,250,799.60	43,126,999	0.40

1 *Class P preferred shares converted into common shares on October 20, 2005.*
2 *Class A preferred shares carrying the right to subscribe to Class A preferred shares.*
3 *Class A preferred shares.*
4 *Common shares.*
5 *Class B preferred shares carrying the right to subscribe to Class B preferred shares.*
6 *Class B preferred shares.*
7 *Class C preferred shares.*
8 *Class D preferred shares.*

21.1.7.2 Changes in the distribution of the share capital of the Company since December 31, 2014

To the Company’s knowledge, the Company’s share capital distribution has changed in the following way since December 31, 2014.

	Situation as of December 31, 2014		**Situation as of December 31, 2015**		**Situation as of December 31, 2016**		**Situation as of the filing date of the Registration Document**	
	Number of shares	**% equity**	**Number of shares**	**% equity**	**Number of shares**	**% equity**	**Number of shares**	**% equity**
Members of the Management Board	**210,551**	**0.61%**	**210,551**	**0.61%**	**448,600**	**1.04%**	**448,600**	**1.04%**
Amedeo D’Angelo *(président)*	0	0.00%	0	0.00%	309,000	0.72%	309,000	0.72%
Richard Vacher Detournière	112,582	0.33%	112,582	0.32%	139,600	0.32%	139,600	0.32%
Members of the Supervisory Board	**662**	**0.00%**	**2,024**	**0.01%**	**6,242**	**0.01%**	**6,242**	**0.01%**
Patrick Schwager Jones *(Chairman)*	4	0.00%	4	0.00%	4	0.00%	4	0.00%
Jean Schmitt *(Vice-Chairman)*	654	0.00%	2,034	0.01%	2,034	0.00%	2,034	0.00%
Alex Brabers	4	0.00%	4	0.00%	4	0.00%	4	0.00%
Muriel Barnéoud	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Catherine Blanchet	-	-	-	-	4,200	0.01%	4,200	0.01%
GIMV	**4,254,171**	**12.51%**	**4,254,171**	**12.23%**	**5,275,167**	**12.23%**	**5,275,167**	**12.23%**
Jolt Capital	**-**	**-**	**-**	**-**	**3,757,413**	**8.71%**	**2,447,297**	**5.67%**
Bpifrance Participations	**2,423,991**	**7.06%**	**2,423,991**	**6.97%**	**2,423,991**	**5.62%**	**2,423,991**	**5.62%**
Other shareholders	**27,426,070**	**79.89%**	**24,424,690**	**80.14%**	**31,215,586**	**72.38%**	**32,525,702**	**75.42%**
Total	**34,328,848**	**100.00%**	**34,771,348**	**100.00%**	**43,126,999**	**100.00%**	**43,126,999**	**100.00%**

21.1.7.3 Change in value of the security – Risk of price fluctuation

The Inside Secure share is publicly traded in France, on the Euronext Paris stock market, in Compartment C (ISIN code # FR0010291245, ticker symbol: INSD) and is part of indexes CAC Small, CAC Mid & Small, CAC All Tradable, CAC All Share, CAC Technology, CAC PME established by Euronext. The Inside Secure share is eligible for the long-only Deferred Settlement Service ("*SRD "long-seulement'*"") », the PEA (French equity savings plan) and the PEA-PME (French equity savings plan for small and medium-sized companies).

As of March 23, 2017, the Inside Secure's share share at closing of the market was EUR 3.62 and market capitalization totaled EUR 156 million.

Stock market price of the Inside Secure share and transaction volumes

Change in the stock market price and transaction volume in the past twelve months:

Month	High *(in EUR)*	Low *(in EUR)*	Trade volume *(number of shares)*	Closing *(in EUR)*	Traded capital *(in EUR)*	Average price *(in EUR)*
February 2016	1.06	0.68	12,705,282	0.74	11,116,550	0.73
March 2016	0.87	0.72	4,102,406	0.76	3,212,878	0.75
April 2016	1.07	0.70	6,391,432	0.95	5,850,468	0.95
May 2016	1.35	0.93	11,710,704	1.24	13,527,660	1.29
June 2016	1.37	1.01	3,095,756	1.12	3,743,977	1.12
Julyt 2016	1.48	1.11	2,286,818	1.42	2,959,371	1.43
August 2016	1.89	1.44	5,359,760	1.82	9,099,590	1.83
September 2016	2.32	1.72	4,041,784	1.86	8,042,590	1.83
October 2016	2.13	1.87	1,891,086	2.01	3,750,016	2.03
November 2016	2.11	1.76	2,164,486	1.99	4,296,141	1.97
December 2016	2.51	1.90	3,625,885	2.51	8,073,184	2.49
January 2017	2.60	2.18	3,237,498	2.48	7,847,235	2.49
February 2017	3.35	2.32	7,313,145	3.17	20,614,400	2.64

21.1.7.4 Elements that could have an impact in the event of a public offering

Please refer to sections 18.3 and 18.7.9 of this Registration Document.

21.2 Incorporation documents and Bylaws

21.2.1 Corporate purpose

The purpose of the Company is to:

- design, manufacture and sell electronic and computer products, especially in the semiconductor industry, and
- generally, carry out all commercial, financial, securities or real property transactions, related, directly or indirectly, to the purpose of the Company or that may contribute to its development.

21.2.2 Management and supervisory bodies

21.2.2.1 Management Board

21.2.2.1.1 Composition

The Company is managed by a Management Board comprised of at most five members, which exercises its duties under the control of the Supervisory Board.

The members of the Management Board are natural persons. They are not required to be shareholders.

The Supervisory Board appoints them for a four-year term, and nominates one of them as Chairman of the Management Board.

The members of the Management Board cannot be older than sixty-five years of age.

Any member of the Management Board can be reelected.

The Shareholders' Meeting or, as the case may be, the Supervisory Board can remove members of the Management Board from office. If the removal from office is carried out without due cause, it may trigger the payment of damages. In the event that the concerned party had signed an employment contract with the Company, the removal from office as a member of the Management Board does not terminate such employment contract.

The members of the Management Board meet whenever it is in the corporate interest to do so, upon convocation of its Chairman or half of its members, at the meeting location specified by the person calling for the meeting. They can be contacted by any means available, including verbally.

The Management Board's decisions are taken based on a majority vote of the members present at any given meeting. No one within the Management Board can vote by proxy.

21.2.2.1.2 Powers of the Management Board

The Management Board is invested with the broadest powers to act in all circumstances on behalf of the Company. It exercises these powers within the limit of the Company's corporate purpose and subject to those powers expressly attributed by law to the Supervisory Board and the general shareholders' meetings. In relations with third parties, the Company is also bound by the Management Board's acts that fall outside its corporate purpose, unless it can prove that the third party knew that the act exceeded such purpose, or that such third party must have so known in light of the circumstances. The publication of the Company's Bylaws is not in itself deemed sufficient to establish proof of such knowledge.

The Chairman of the Management Board represents the Company in its relations with third parties. The Supervisory Board may also attribute this power of representation to one or more other members of the Management Board who then carry the title of "general manager". The Chairman of the Management Board and the general manager(s), as the case may be, are authorized to partially delegate their powers to any special agent(s), selected at their discretion.

21.2.2.2 Supervisory Board

21.2.2.2.1 Composition

The Supervisory Board is composed of no less than three and no more than nine members.

An employee of the Company can only be appointed member of the Supervisory Board if his or her employment contract effectively represents an active employment. The number of Supervisory Board members related to the Company through an employment contract cannot exceed one third of its active members.

The term of office for members of the Supervisory Board is three years, and said office expires following the Ordinary Shareholders' Meeting approving the financial statements for the most recent fiscal year and held in the year during which the term of office expires.

The number of Supervisory Board members who are older than 70 years of age cannot exceed one third of the members in office. Whenever this threshold is crossed while in office, the oldest member is automatically considered as resigning at the end of the next General Shareholders' Meeting held.

Under the terms of Article 3 of the Supervisory Board's internal rules, the Supervisory Board must be, insofar as possible, comprised of a majority of independent members. The independence criteria retained by the Company and the other provisions of the Supervisory Board's internal rules relative to its composition are described in section 16.1.2 "*The Supervisory Board*" of this Registration Document.

21.2.2.2.2 Operation of the Supervisory Board

The Chairman or Vice-Chairman of the Supervisory Board, or two of its members acting jointly, can convoke its members to a meeting. The notification of meeting can be made by any mean available, in writing or verbally.

The Supervisory Board appoints a Secretary, who need not necessarily be a member of the Board.

The members of the Supervisory Board are convoked to the meeting of the Board by letter, facsimile, or email, providing a description of the meeting's agenda and sent to each member of the Board no later than eight days before the date set for the meeting. However, the Board can be convened by any means available, even verbally, if all members of the Board in office are present or represented at the meeting.

The Board can only deliberate validly if it was convened according to the stipulations provided for in the preceding paragraph and provided it only discusses those matters listed as on the agenda in the meeting notification, except if all of the Board's members in office are present or represented and provide their consent.

Decisions are taken based on the quorum and majority conditions set forth in the French Commercial Code.

The Supervisory Board's deliberations are recorded in minutes prepared and archived in accordance with the terms set forth in the French Commercial Code.

The other main provisions of the Supervisory Board's internal rules pertaining to its operation are described in section 16.1.2 "*Supervisory Board*" of the Registration Document.

21.2.2.2.3 The Supervisory Board's mission

The Supervisory Board monitors the Management Boards' management of the Company. To this end, at any time of the year, the Supervisory Board may perform the verifications and controls it deems appropriate and obtain from the Management Board any documents that it deems useful in the completion of its assignment.

At least once every quarter, the Supervisory Board receives a report from the Management Board on the status of corporate affairs.

21.2.3 Rights, privileges and restrictions attached to the Company’s shares

21.2.3.1 Voting Rights

At the Company’s General Shareholders’ Meetings, every shareholder has as many voting rights as the number of shares he or she holds or represents. The Company’s Bylaws explicitly disallow any mechanism granting an *ipso jure* double voting right to shares for which custody in registered form and under the same name can be proven for at least two years.

21.2.3.2 Rights to dividends and profits

Proportionally to the amount of existing shares, each share grants the right to capital ownership and entitlements to the distribution of profits, subject to the par value of the shares and to the various rights assigned to shares of different class.

21.2.3.3 Time frame for claiming dividends

Dividends that have not been claimed within a period of 5 years as from the date they are paid out will be transferred for the benefit of the State (Article L. 1126-1 of the French General Code of Ownership for Public Persons, or *code général de la propriété des personnes publiques*).

21.2.3.4 Right to the liquidation surplus

Proportionally to the amount of existing shares, each share grants the right to a portion of the liquidation surplus.

21.2.3.5 Preferential subscription right

The Company’s shares all carry a preferential subscription right for share capital increases.

21.2.3.6 Limitations on the right to vote

None applicable.

21.2.3.7 Identifiable bearer securities

The shares are held either in registered or bearer form, at the shareholder’s discretion. When held in registered form, the shares are registered in a securities account under the conditions and in accordance with the terms set forth by the legal and regulatory provisions in force.

At any time, and in compliance with applicable legal and regulatory conditions, the Company can pay the central custodian in charge of the issuing account of its securities to receive information on the holders of securities granting immediate or future voting rights at its General Shareholders’ Meetings, as well as the number of securities held by each of them and, as the case may be, any restrictions that may apply to said securities.

21.2.3.8 Share repurchase program

Please refer to section 21.1.3 “*Share Repurchase Program*” of this Registration Document for further information.

21.2.4 Changes in the rights of shareholders

The rights of shareholders, as they appear in the Company’s Bylaws, can only be amended at an Extraordinary Shareholders’ Meeting of the Company.

21.2.5 General Shareholders' Meetings

The General Shareholders' Meeting is open to all shareholders, regardless of the number of shares they own.

Based on the subject matter of the proposed resolutions, ordinary or extraordinary shareholders' meetings can be convened at any time of the year.

General Shareholders' Meetings are convened according to the procedure and time frames set by law.

General Shareholders' Meetings are held at the Company's registered office or any other location indicated in the notice of meeting.

Each shareholder has the right to request receipt of the documents necessary to enable him or her to speak knowledgeably and make an informed opinion on the management and direction of the Company.

Any shareholder, regardless of the number of shares he or she owns, can participate in General Shareholders' Meetings, either in person or via proxy by granting the necessary powers to another shareholder, or to his or her spouse or partner with whom he or she has executed a *pacte civil de solidarité* (civil union agreement) or, if the company's shares are admitted to trading on a regulated market, to any other natural person or legal entity of his or her choice, or to the Company without specifying an agent, or by mailing in his or her vote, in accordance with the legal and regulatory terms and conditions in force.

Ordinary Shareholders' Meetings are convened regarding decisions that do not modify the Bylaws.

Only Extraordinary Shareholders' Meetings have the authority to modify stipulations in the Bylaws. However, barring a unanimous shareholder vote, it cannot increase the commitments of shareholders, subject to transactions resulting from an exchange or a consolidation of shares decided on and carried out under normal conditions.

Ordinary and Extraordinary Shareholders' Meeting deliberate under the quorum and majority conditions set forth in the legal provisions governing each of them, respectively.

21.2.6 Provisions that may delay, defer, or prevent a change in control

The Company's Bylaws do not provide for any mechanisms able to delay, defer, or prevent a change in control.

21.2.7 Provisions concerning crossing statutory thresholds

None applicable.

21.2.8 Specific provisions governing changes in the share capital

There is no specific provision in the Company's Bylaws that governs changes in its share capital.

21.3 Pledging of the Group's assets or shares

As of the date of this Registration Document, the Group has not pledged any shares or assets.

22. KEY CONTRACTS

Beside the contracts entered into in the normal course of the Group's business activities, the Company entered into or took over various significant contracts that would be subject to changes or termination in the event of a change in the control of the Company.

***Patent License Agreement for Near Field Communication Technology* between the Company and France Brevets**

The Company and France Brevets entered into a patent license agreement on June 19, 2012. This agreement was subsequently amended by 9 successive amendments dated July 12, 2012, December 19, 2012, November 28, 2013, May 2, 2014, July 29, 2014, and December 19, 2014, respectively. The Company and France Brevets entered into a consolidated version of the license agreement on December 19, 2014 in order to, in particular, extend the license rights granted to France Brevets. The consolidated license agreement was amended by two amendments dated January 28, 2015 and February 21, 2015.

Under the terms of this consolidated license agreement, as amended, the Company grants France Brevets (excluding US patents) and its subsidiary NFC Technology LLC exclusively for US patents, a worldwide, exclusive, royalty or fee bearing license to grant non-exclusive licenses to third parties for the patent families owned by the Company in the field of NFC technology. The licensed patents now include the Company's patent families with respect to "Booster" technology. France Brevets also has the right to institute judicial proceedings to defend and assert its rights to the licensed patents.

The agreement provides that the Company and its affiliates retain the right to directly use the licensed patents, in particular, to manufacture and commercialize their products.

Except in relation to the sale of the Company's NFC assets to a third party, France Brevets has a right of first refusal if the Company decides to sell one of the licensed patents. The license will remain in force until the expiration of the last licensed patent. The Company may terminate the contract *ipso jure*, under certain conditions, including if France Brevets breaches its contractual obligations, and/or if, in the context of the potential transfer of the Company's NFC assets, the acquirer wishes to terminate the license subject to the payment of an indemnity to France Brevets.

The contract is governed by French law and is subject to the competent jurisdiction of the courts of Paris, France.

***Amended and restated NFC technology license agreement* between the Company and Intel**

On May 19, 2014, the Company and Intel entered into a license agreement in effect as from June 16, 2014, relating to the NFC technology owned by the Company. This agreement replaces an initial agreement dated August 23, 2011. This agreement and the ancillary agreements were granted in consideration of the payment of US$ 19,200,000 to the Company.

This new agreement broadens the scope of the license rights initially granted to Intel and specifically extends the initial worldwide and perpetual license into to a broader license enabling Intel to freely use Inside's MRv5 technology without any recurring fees. In consideration of this license, Intel paid a one-time license fee to the Company upon the closing of this new agreement. The Company remains the owner of most of the intellectual property rights and titles underlying the aforementioned license. The Company transferred to Intel the semiconductor NFC modem and software technology for the next generation MicroRead-v5 product that was under development by the Company, as well as various tangible and intangible assets associated with it, including some intellectual property rights.

Pursuant to an exclusivity undertaking, the Company agreed not to directly or indirectly use or license the licensed technology and some intellectual property rights to a third party (with the exception however of patents) for the development of a standalone NFC microcontroller or a standalone NFC technology that would be substantially similar to the MRv5 product.

The license is transferable by both parties insofar as (i) the third party beneficiary accepts to be bound by the terms of the license agreement, (ii) the rights to the licensed technology and intellectual property rights are transferred to a third party to which the Company assigns the license agreement, and (iii) Intel does not transfer the license agreement to one of the Company's competitors without the prior approval of the Company.

All of the rights associated to any derivative works developed and improvements made by Intel to the transferred technology and licensed technology are the exclusive property of Intel, and the Company and its affiliates are not licensed under aforementioned derivative works and improvements.

In the event of a dispute that cannot be resolved amicably, the license is subject to the laws of the State of New York and to the jurisdiction of the federal courts located in New York City.

Other Contracts

In the context of the Company's disposal of its semiconductor business to WISeKey Holding International AG, via the sale to said company of its equity in Vault-IC France SAS and the simultaneous sale of assets the latter, the following contracts, previously in this "Key Contracts" chapter of the Registration Document, were transferred to Vault-IC France SAS:

- the "Core License Agreement" between Atmel Corp. and the Company dated September 30, 2010
- the "Patent License Agreement" between Atmel Corp. and Cryptography Research Inc. dated August 12, 2009, transferred to the Company as part of the acquisition of Atmel Corporation's SMS business (Note: the other contract, which was entered into by the Company and Cryptography Research Inc. on July 1, 2009 will remain with the Company), and
- the "Asset Purchase Agreement" and "Service Level Agreement" signed between the Company and Presto Engineering Inc. and Presto Engineering HVM, dated June 30, 2015.

The details of the contracts transferred to Vault-IC France SAS can be found in the 2015 Registration Document, approved by the *Autorité des Marchés Financiers* on March 30, 2016 under number R. 16-014.

23. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS, AND DECLARATIONS OF INTEREST

None applicable.

24. DOCUMENTS AVAILABLE TO THE PUBLIC

The Bylaws, minutes of General Shareholders' Meetings, and other corporate documents of the Company, as well as historical financial information or any evaluation or statement prepared by an expert at the request of the Company and that must be made available to shareholders in accordance with applicable law, can be accessed free of charge at the registered offices of the Company.

The regulated information in the meaning of the provisions of the AMF's General Regulations is also available on the Company's website (www.Insidesecure.com).

Provisional calendar of the financial disclosures for 2017:

- Q1 2017 Revenue: April 20, 2017
- HY1 2017 Results: July 26, 2017
- Q3 2017 Revenue: October 20, 2017

25. INFORMATION ON EQUITY HOLDINGS

Other than the Company’s subsidiaries and equity holdings listed in the Group’s scope of consolidation as described in note 39 to the Group’s Consolidated Financial Statements (please refer to section 20.1 “*Historical Financial Information*” of this Registration Document for further information), the Company and its subsidiaries do not have equity holdings in other companies that could have a significant impact on the valuation of its their assets, financial position, or income.

26. GLOSSARY

Android:	Google's open source operating system and middleware for smartphones, tablet and other mobile devices. For example, it is used in TV sets, alarm clocks, connected watches, car radios, and even cars.
API *(Application Programming Interface):*	set of routines, data structures, object classes, and variables available to computer programs via a software library, an operating system, or a service allowing for interoperability between software components.
BYOD *(Bring Your Own Device):*	the act of using personal equipment (mobile phones, tablets, laptop computers) in a professional context.
Chip:	electronic packaged component able to perform one or more electronic functions of varying complexity, often integrating several types of basic electronic components on few square millimeters. Synonymous with integrated circuit.
Cloud computing:	concept of deporting to distant servers the computer processing typically completed on local servers or the user's machine (e.g. computer or mobile phone). Users no longer manage their computer servers, but can still gain access to a growing number of online services without having to manage the underlying infrastructure.
Company:	Inside Secure.
Cryptology:	encryption method by which a message is made unintelligible in the absence of an appropriate decryption key. Keys are based on mathematical algorithms.
Design in:	confirmation by a customer, often following a selection process, that a product has been officially selected for development of a project. The customer then forms his project team and starts the design phase of its own product. This design phase lasts, in the case of a mobile phone, between 6 and 12 months ("design-in to design-win" phase).

Design win:	confirmation by a customer, at the end of the design in and testing phase of a product, that a product can be used as part of its solution and, therefore, purchase orders for the product are made in significant volumes.
Dollar, **US Dollar, US$** and **$:**	legal currency in the United States.
DRM (Digital Right Management):	secure technology that enables copyright holders of an object subject to intellectual property (such as an audio, video, or text file) to specify what a user has the right to do with it. Generally, it is used to propose downloads without worrying that the user will distribute the file freely throughout the web.
Dual Interface Technology:	single-chip based technology that allows both contact and contactless payment.
EMV (*Europay Mastercard Visa*):	international security and interoperability standard for payment cards, in force since 1995.
ESS:	Embedded Security Solutions.
Fabless:	business model, for semiconductor company, which consists of outsourcing its manufacturing function to one or more foundries in order to focus on the development and sale of semiconductors.
Fab-lite:	business model, for semiconductor company, which consists of adopting a strategy that combines an in-house manufacturing and the subcontracting of part of the process to third-party foundries.
Finished product:	product that has undergone a transformation in order to provide it with added value and is ready for use by the end customer.
Firmware:	software program embedded in a chip.
Foundry:	company specializing in the manufacturing of semiconductor wafers for third-party companies.
GPS (*Global Positioning System*):	satellite geo-positioning standard created by the U.S. army that enables the location and identification of a compatible device supporting this standard.
Group:	the Company and its subsidiaries.

HCE (Host Card Emulation):	virtual representation of a smart card via software installed on the electronic equipment's main processor.
Inlay:	chip connected to an antenna for contactless applications.
Integrated circuit (IC):	electronic component performing one or more potentially complex electronic functions, often integrating several types of basic electronic components on few square millimeters. Synonymous with chip.
Internet of Things or IoT	The Internet of connected objects represents exchanges of information and data between devices present in the real world and the Internet.
Interoperability:	ability of a product or system based on a standard, to work with other products or systems without restriction of access or implementation.
IPsec	IPsec (Internet Protocol Security) is a network protocol suite that uses algorithms to send secure data over an IP network. IPsec differs from earlier security standards in that it can utilize several authentication methods or algorithms, and is the only security scheme able to protect all application traffic over an IP network.
ISO (*International Organization for Standardization*)**:**	international standards organization composed of representatives from national standards organizations from 158 countries, the mission of which is to establish international standards, called ISO standards, in the industrial and commercial fields.
Machine-to-machine:	combination of information and communication technologies with smart objects able to communicate in order to provide them with the means to interact with the information system without human intervention.

MACSec or IEEE MAC Security	IEEE 802.1AE, more commonly known as MACSec or MAC Security, is the IEEE MAC security standard. MACSec is designed for the layer 2 encryption of the Ethernet suite. It protects connectionless data confidentiality and integrity. It is standardized by the IEEE 802.1 working group.
Microcontroller:	integrated circuit incorporating the basic elements in a system such as: a microprocessor core, memory (ROM for program, volatile and non-volatile memories for data), peripherals and input-output interfaces.
Microelectronics:	designing and manufacturing of electronic components initially at the micrometer, now at the nanometer scale. These components are made from semiconductor materials such as silicon.
Microprocessor:	the part of a system that executes instructions and processes program data.
Middleware:	software that creates an information exchange layer between the various applications and/or software layers.
Mobile devices:	mobile handsets, tablets and laptops.
Mobile payment:	payment method enabling transactions from a mobile terminal (e.g. smartphone), with payment being debited to the credit card, the invoice from the operator or an electronic purse. There are three categories of mobile payments: remote payments; proximity payments in front of a terminal (with the NFC technology); or mobile-to-mobile money transfers (peer-to-peer).
Module:	one or several chips packaged together with a number of discrete components (resistors, capacitors, etc.).
NFC (*Near Field Communication*):	Short-range, radio frequency, wireless connectivity standard that enables communication between devices within a short range of each other.

NFC Forum:	organization established to accelerate and promote the use of NFC by developing specifications to guarantee interoperability between electronic devices and services and, in general, contributing to a better understanding of the NFC technology and applications. Created in 2004, the Forum now has nearly 140 members, hardware manufacturers, application developers and financial institutions, who are working together to promote the use of NFC in mobile devices, computers and consumer electronics.
Obfuscation:	the deliberate act of creating obfuscated code, i.e. source or machine code that is difficult for humans to understand and challenging to hack.
ODM (*Original Design Manufacturer*):	in the context of the Group's activities, a company providing development and manufacturing services based on its customers' specifications, and which does not market products to end consumers under its own brand.
OEM (*Original Equipment Manufacturer*):	in the context of the Group's activities, a company that sells products under its brand and may, as the case may be, subcontract the development and manufacturing to an ODM.
Open source:	software for which the license meets the criteria established by the Open Source Initiative, i.e. offering the possibility of free redistribution and access to source code and derivative works.
Operating system:	software that manages hardware and software resources from the device and provides common services for computer programs.
Operator:	companies operating in the mobile telecommunications sector running the telecommunication service and offering subscription to this service to the end customer.
OTT (*Over The Top*):	content distribution method via internet and without a multiple system operator being involved beyond the ISP's data routing services.

Packaging: package used as the mechanical interface between the component (integrated circuit or IC) itself and the printed circuit or the electronic card, which usually consists of plastic, sometimes of ceramic and less frequently of metal materials.

Peer-to-Peer: communication mode between two terminals using a common communication standard, which enables, among other things, file sharing and multimedia exchanges.

PKI ***(Public Key Infrastructure):*** all of the hardware components, human procedures and software needed to manage the life cycle of digital or electronic certificates.

Protocol: set of rules for establishing a communication between two entities or two systems.

Reference design: elements and information relating to one system's engineering design, which is meant to be used and copied by others. It includes essential elements of the system, but third parties can modify or improve their designs if necessary.

RFID *(Radio Frequency Identification)*: technology that allows the remote storage and exchange of data within a short-range based on markers called electronics tags (RFID tags). Electronic tags are small items such as adhesive tags that can be attached to or incorporated in objects, products or even living organisms (animal and human bodies). They include an antenna associated with a chip that enables them to receive and respond to requests issued from a radio transceiver.

Rooting Rooting is the process of allowing users of smartphones, tablets and other devices running the Android mobile operating system to attain privileged control (known as root access) over various Android subsystems. Rooting is often performed with the goal of overcoming limitations that carriers and hardware manufacturers put on some devices. Thus, rooting gives the ability (or permission) to alter or replace system applications and settings, run specialized applications ("apps") that require administrator-level permissions, or perform other operations that are otherwise inaccessible to a normal Android user.

Semiconductor:	material that has the same electrical properties as an insulator but can be used as a conductor by adding a small amount of impurities into it, and represents the basic element for microelectronics.
Service de message court (*SMS - Short Message Service*):	mobile telephony standard that allows users to exchange text messages between their mobile handsets and other devices.
SIM card (*Subscriber Identity Module*):	smart card used in mobile handsets to store information specific to the subscriber of a mobile network, particularly for networks such as GSM or UMTS. It can also store applications from the user, its operator or, in some cases, third parties.
Smart card:	flexible card with an embedded integrated circuit designed to process and store data. It contains at least one integrated circuit capable of processing information. The smart card is generally used for authentication or payments.
Smart meter:	meter powered with advanced technologies that identify with increased accuracy, potentially real-time, the energy consumption of a home, building or business, and sends the data directly to a management system using the telephone line or powerline communication. Smart meters allow for real-time preparation of bills and identification of the most costly items for the customer. They can inform the customer for brownouts or losses on the grid and also be remotely programmable and equipped with a remote switching device. Programmable meters are the basic element that allow for significant changes for the entire grid, generically red to as “smart grid”.
SMS:	Secure Microcontroller Solutions business acquired by the Company from Atmel on September 30, 2010
Software stack:	a set of programs that work together to produce a result (e.g. an operating system and its applications).
System-on-chip:	comprehensive system embedded on a chip that may include memory, one or more microprocessors, interface devices or any other components required to achieve the intended function.

Terminal: electronic device capable of reading data from a payment card, recording a transaction and communicating with a remote authentication secure server.

Token: used in addition to or instead of a password in order to prove that the customer is the one he or she alleges to be. The token acts like an electronic key to gain access to data.

Toolkit: all tools, libraries, and subprograms used to facilitate the creation of computer programs and use interfaces.

Transistor: basic active electronic component used mainly in electronics as a control switch to produce a “0” or a “1”.

USB flash drive: storage device that uses flash memory and connects itself to the USB port of a computer.

VPN *(Virtual Private Network):* extensive private network created by establishing permanent custom connections between corporate networks via public networks in order to share resources among its users.

Wafer: relatively thin slice of semiconductor material such as silicon, from which integrated circuits are made. It is used to support the manufacture of transistor-based microstructures using processed such as doping, etching, deposit of other materials (epitaxy, sputtering, chemical deposit in vapor phase, for example) and photolithography.

Whitebox Cryptographic solution by which one can “dissolve” the keys in the code and, in so doing, hide the algorithms, including while the program is in operating mode. This method protects the security of the keys, even when a hacker has complete access to the computer on which the cryptographic functions are running.

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