A French *société anonyme* with a Management Board and a Supervisory Board
and with share capital of EUR 17,647,664.80
Registered offices: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Registered on the Trade and Companies Registry of Aix-en-Provence, France under n° 399 275 395

REGISTRATION DOCUMENT

ANNUAL REPORT

MANAGEMENT REPORT

REPORT ON CORPORATE GOVERNANCE

AUTORITÉ DES MARCHÉS FINANCIERS

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* on April 10, 2018, in accordance with Article 212-13 of its General Regulation. The original French version may be used in support of a financial transaction if it is combined with a Securities Note 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.

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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, its results, its financial condition, 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 mentioned 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 condition, results, or outlook. 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, 2016 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 2016 Registration Document, filed with the AMF on March 28, 2017 under number D.17-0244, and

- 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.

Cross-reference tables

The cross-reference table can be used to identify in the Registration Document:

- the information making up the annual report (Article L. 451-1-2 III of the French Monetary and Financial Code and Article 222-4 of the AMF's General Regulation);

- the information making up the annual management report of the Company and the Group (Article L. 225-100 *et seq.* of the French Commercial Code, Article L. 232-1 and L. 233-23 of the French Commercial Code); and

- the information making up the report on corporate governance (Article L. 225-68 of the French Commercial Code)

Annual report	**Registration document**
Annual financial statements	Appendix 1 of Registration Document in French
Consolidated financial statements	Section 20.1
Management report	(see cross-reference table below)
Report on corporate governance	(see cross-reference table below)
Statement from the person responsible for the Registration Document	Section 1.2
Statutory Auditors' reports on the parent company financial statements	Appendix 2 of Registration Document in French
Statutory Auditors' report on the report on corporate governance	Section 16.6
Statutory Auditors' reports on the consolidated financial statements	Section 20.4
Disclosure of fees payable to the Statutory Auditors	Section 20.1

Management report	Registration document
Business information	
Presentation of the Company's and the Group's position during the fiscal year – Review of the financial statements and results	Chapters 6, 9 and 10
Expected future developments in the Company's and Group's position	Chapters 6 and 12
Significant events occurring between the reporting date and the date on which the management report was prepared	Section 20-10
Research and development activities	Chapter 11
Business trends and results of subsidiaries and controlled companies by sector of activity	Chapters 6 and 9
Objective and exhaustive analysis of business trends – Key financial and, where appropriate, non-financial performance metrics – Description of the principal risks and uncertainties – Statement on the use of financial instruments	Chapters 4, 6, 9 and 10
List of existing branches	Chapter 7
Legal information	
Adjustments in the event of the issue of negotiable securities granting access to the share capital	n/a
Transfers of shares (reciprocal shareholdings)	n/a
Free share grants	Chapters 15, 17 and 21
Stock option grants	Chapters 15, 17 and 21
Treasury shares	Section 21.1.3
Works Council's opinion on the business and corporate organization	n/a
Expenses not deductible for tax purposes and expenses added back following a tax reassessment	Section 20.8
Holders of the share capital and voting rights	Chapter 21
Proposed appropriation of net income/(loss) - Dividends	Section 20.9
Share buyback transactions	Section 21.1.3
Securities transactions by senior executives	Chapter 15 - section 15.4.
Employee shareholding	Section 17.4
Anti-competitive practices	n/a
Acquisitions of shareholdings and controlling interests	Chapter 7
Company's and Group's five-year financial highlights	Appendix 3
Employee, societal and environmental information	
Information about how the Company takes the employee-related and environmental aspects of its business activities into consideration	Chapters 8 and 17
Information about hazardous activities conducted	n/a

Statements about the financial risks arising from the effects of climate change and presentation of the measures taken to mitigate them while pursuing a low carbon strategy	n/a
Miscellaneous information	
Customer and supplier payment periods	Section 9.4.2
Amount of inter-company loans granted pursuant to Article L. 511-6 3 *bis* of the French Monetary and Financial Code	n/a

Report on corporate governance	**Registration document**
Composition and operation of management bodies – governance structure – Application of the balanced gender ratio on the Supervisory	Chapters 14 and 16
Corporate governance code	Chapter 16
Information about corporate officers: list of terms of office and duties – Compensation and benefits of any type – Attendance fees	Chapters 14 and 15
Presentation of the draft resolutions concerning the principles and criteria used to determine, award and allot the fixed, variable and exceptional components making up the total compensation and benefits of any type attributable to Members of the Management Board	Chapter 16 - section 16.4
Related party agreements - Agreements between an executive officer or a significant shareholder of the Company and a subsidiary	Chapter 16 - section 16.4
Arrangements for shareholders to attend Shareholders’ Meetings	Chapter 16 - section 16.4
Elements that could have an impact in the event of a public offering	Chapter 16 - section 16.4
Table summarizing currently valid delegations of authority and powers granted by the General Shareholders’ Meeting to the Management Board to increase the share capital and the use made of such delegations during the fiscal year now ended	Chapter 21 - section 21.1.2
Internal control and risk management procedure implemented by the Company for the preparation and processing of financial and accounting information	Chapter 16 - section 16.4

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 April 10, 2018

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 certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the assets and liabilities, financial condition and results of operations of the Company and all the companies included in the consolidation and that the information in the management report included in this Registration Document presents an accurate picture of the trends in the Group's business, results of operation and financial condition, as well as a description of the principal risks and uncertainties to which the Group is exposed.

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 for the fiscal year ended December 31, 2018.

Expertea Audit
60 boulevard Jean Labro, 13016 Marseille 16
Date of initial appointment: June 14, 2017
Expiration date of the current appointment: following the Annual Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2022.

2.2 Alternate statutory auditors

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

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, 2016 and 2017, 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, 2015, presented in section 20.1 "*Historical Financial Information*" of the 2016 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 to use the US Dollar (or "$," or "US$") as presentation currency for 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 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, 2015, 2016 and 2017:

Dollar / Euro	**December 31, 2015**	**December 31, 2016**	**December 31, 2017**
Closing rate	1.0887	1.0541	1.1993
Average rate	1.1096	1.1066	1.1293

(Please also refer to note 2.1 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 35 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, 2015, 2016 and 2017

Selected financial information from the consolidated income statement:

	Year ended December 31		
(in thousands of US$)	**2015**	**2016**	**2017**
Revenue	26,920	49,944	38,816
Adjusted gross profit (1)	24,137	44,523	37,048
Adjusted gross profit as a % of revenue	*90%*	*89%*	*95%*
Adjusted operating income (2)	(7,414)	10,895	7,714
Operating income	(18,507)	2,114	1,645
Net income/(loss) from continuing operations	**(19,650)**	**(265)**	**(798)**
Net income/(loss) from discontinued operations	(24,933)	12,609	(278)
Net income/(loss)	(44,583)	12,344	(1,076)
EBITDA (3)	**(6,126)**	**12,264**	**8,773**
As a % of revenue	*-23%*	25%	23%

(1) Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets related to business combinations, (ii) any goodwill impairment, (iii) non-cash share-based payment expense and (iv) non-recurring costs and income associated with restructuring and business combinations and divestitures carried out by the Group.
(2) Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets related to business combinations, (ii) any goodwill impairment, (iii) non-cash share-based payment expense and (iv) non-recurring costs and income associated with restructuring and business combinations and divestitures carried out by the Group.
(3) EBITDA is defined as adjusted operating income before depreciation, amortization and impairment losses not related 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 these discontinued operations are recognized directly in "net income from discontinued operations" and thus excluded from 2016 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 2015 have been restated in a similar manner to allow comparisons with the corresponding figures for 2016 and 2017.

Tables presenting reconciliations between the consolidated income statement figures in this document and the adjusted financial aggregates as defined above, for the 2016 and 2017 fiscal years, are provided in note 6 to the Group's Consolidated Financial Statements in section 20.1 "*Historical Financial Information*" of this Registration Document and, for the fiscal year ended December 31, 2015, in section 20.1 "*Historical Financial Information*" of the Registration Document for the 2016 fiscal year.

Selected financial information from the income statement of the core business:

	Year ended December 31		
(in thousands of US$)	**2015**	**2016**	**2017**
Revenue	26 575	35 754	38 816
Adjusted gross profit (1)	24 510	34 701	37 624
Adjusted gross profit as a % of revenue	*92%*	*97%*	*97%*
Adjusted operating income (2)	(7 041)	1 234	8 290
EBITDA	(6 328)	2 040	8 773
EBITDA as a % of revenue	*-23%*	25%	23%

The core business encompasses the design, marketing and sale of the Group's software and intellectual property components and also its corporate functions. It does not include the contribution from the Company's NFC patent licensing program or the discontinued semiconductor business (see also section 9.1.2 "*Preliminary comments on the Group's financial information and results*" of the Registration Document).

Selected financial information from the consolidated balance sheet:

	Year ended December 31		
(in thousands of US$)	**2015**	**2016**	**2017**
Non-current assets	57,399	32,191	40,986
Cash and cash equivalents	16,434	27,081	45,874
Other current assets	29,265	25,278	19,356
Current assets	45,699	52,358	65,230
Total assets	**103,097**	**84,549**	**106,216**
Equity	48,767	63,670	66,836
Non-current liabilities	19,762	465	22,589
Current liabilities	34,568	20,414	16,791
Total equity and liabilities	**103,097**	**84,549**	**106,216**

Selected financial information from the consolidated statement of cash flows:

	Year ended December 31		
(in thousands of US$)	**2015**	**2016**	**2017**
Cash and cash equivalents at beginning of the year	**36,315**	**16,434**	**27,081**
Net cash generated/ (used) in operating activities	(25,099)	(1,604)	2,477
Net cash used in investing activities	(1,187)	1,886	(862)
Net cash generated by / (used) in financing activities	6,252	10,654	17,222
Effect of rate fluctuation (1)	154	(289)	(44)
Cash, cash equivalents at end of the year	**16,434**	**27,081**	**45,874**

(1) Non-cash item resulting from the conversion into US Dollars of cash denominated in other currencies

4. RISK FACTORS

Investors should consider all the information contained in this Registration Document, including the risk factors described in the following chapter, before they decide to acquire or subscribe for 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, its results, its 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, results, 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 sizable 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 among the Group's existing and potential customers. 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 targeted by its software and intellectual property products, the Group competes with companies such as ARM, Synopsys, and Arxan. In the markets targeted by 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, patented 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, results, 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 Group's security technologies and products depends on the overall development of the security solutions market for networks and connected devices, on its being accepted by users, as well as on customer demand.

The market for the Group's mobile and network security solutions depends in particular on:
- 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 to integrate and deploy them, 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 technologies and solutions.

The customers of the Group may 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 agreements 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 Group's revenues is non-recurring, 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 results, its financial condition and its development.

The Group's success will also depend, in particular, on 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 results, its financial condition and its development.

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

Several of the Group's current and/or targeted markets are characterized by the presence of sizable 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 terms and 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, results 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 achieve 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 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 may 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 from 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 any more, to purchase fewer solutions than they did in the past or to alter the terms on which they purchase its products. Insofar as each customer accounts for a significant percentage of the Group's accounts receivable, the Group is more exposed to the risk of insolvency or late payment from any one of them. At the date of this report, the amount of bad debt is not significant (also see note 14 to the Consolidated Financial Statements of the Group for the fiscal year ended December 31, 2017, which can be found in section 20.1 "*Historical Financial Information*" of the Registration Document).

The Group's top customer, its top five customers, and its top ten customers represented, respectively, 26%, 46%, and 57% of its consolidated revenues for the fiscal year ended December 31, 2017, and 28%, 61% and 71% of its revenues in the 2016 fiscal year.

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 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, either by mobile operators or mobile device and consumer electronics manufacturers or 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.

For the purposes 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.

Most significantly, the Group launched in 2012 an NFC patent licensing program with France Brevets (additional information can be found in Chapter 22 of this Registration Document), which led France Brevets to enter into several licensing agreements.

However, the Group could struggle to continue 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 further 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 conceivable 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, results and 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 any patent applications or applications for other intellectual property rights in all the 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 peaceful enjoyment, could have an adverse impact on the Group, its business activities, financial condition, results 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 take 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.

As part 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 20.6 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, results, 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, results, 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.

In the normal course of its business, the Group frequently has to grant access to third parties 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, results, 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).

To meet the demands of a complex international, multi-site structure and successfully execute its strategy, the Group must ensure that its organization, management policies, and internal systems are constantly able to adapt 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. 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 and takes integration steps prior to completion of the acquisition, it could be confronted with integration problems and difficulties establishing synergies, on both the operational and staff levels, implication of the Company's liability, 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 in connection with 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 has completed the following two acquisitions since 2012:

- *Embedded Security Solutions*

  On December 1, 2012, the Group acquired the business known as Embedded Security Solutions ("ESS"). The identified assets, which were acquired in connection with the acquisition of the ESS business, were accounted for at their fair value in the consolidated financial statements (particularly the patented technologies) were fully amortized at December 31, 2017.

- *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 US$ 13.2 million. Furthermore, the identified assets acquired in the takeover of Metaforic, are also exposed to an impairment risk. They were recorded at fair value in the Consolidated Financial Statements (with the patented technologies measured at a total net amount of US$ 1.3 million at December 31, 2017).

- *Meontrust*

  On August 28, 2017, the Group acquired all the shares of Meontrust Oy, a cybersecurity emerging-growth company based in Finland that has developed a flexible authentication, identification and authorization technology. The cost of acquiring the company was EUR 4.0 million (US$ 4.8 million) plus a potential earn-out of up to EUR 1 million (US$ 1.2 million). Furthermore, the identified assets acquired in the takeover of Meontrust, are also exposed to an impairment risk. They were recorded at fair value in the Consolidated Financial Statements (with the patented technologies measured at a total net amount of US$ 1.8 million at December 31, 2017).

- *SypherMedia*

  On November 6, 2017, the Group purchased the assets and took on the employees of California-based SypherMedia International, Inc. ("SMI"), a security solutions and services provider. The cost of acquiring the company was US$ 7 million plus a potential earn-out of up to US$ 3 million. Furthermore, the identified assets acquired as part of the purchase of SMI's assets, are also exposed to an impairment risk. They were recorded at fair value in the Consolidated Financial Statements (in particular, the patented technologies measured at a total net amount of US$ 2.2 million at December 31, 2017).

In addition, there is a risk of goodwill impairment resulting from these acquisitions. This goodwill is tested annually for impairment. They are stated in the consolidated balance sheet in the amount of US$ 29.6 million as of December 31, 2017 (please also refer to note 8 "Goodwill" to the Consolidated Financial Statements for the fiscal year ended on December 31, 2017).

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 require more capital to be raised and dilute the equity holdings of existing shareholders or generate difficulties integrating new entities, absorb all the management team's attention and distract it from the core business, 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 research and development ("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 condition, and reputation.

In an effort to reduce this risk, the Group increased its security by implementing, in particular, anti-intrusion 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 implemented a plan to reorganize its worldwide business activities as part of its new strategic plan. This plan aims to lower its operating expenses (amid the realignment of the Group's strategic priorities in each of its markets) by divesting its semiconductor business, reducing its overhead and sales costs, and improving its sales efficiency and, generally, its operating efficiency.

If the savings measures implemented as part of this restructuring could not be continued, and if the Group were unable to 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), there could be a significant adverse impact on its business, results of operations, 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 who 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 a company with registered headquarters not located in one of these States, or a natural person with French citizenship who 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 who 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 a company with registered headquarters located in one of these States, or a natural person with French citizenship who 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 by 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 deter 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's or Group's financial condition or profitability (please also refer to section 20.6 of this Registration Document for further information).

4.5 Financial Risks

4.5.1 Risks associated with currency exchange rates

The lion's share of the Group's revenues and its payments made to suppliers is 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 US Dollar to Euro exchange rate.

For example, the impact of the strengthening of the US Dollar by 10% against the Euro would have led to an increase in the 2017 adjusted operating income/(loss) of US$ 2.4 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. On the assets side of the balance sheet, intangible assets and trade receivables are mainly expressed in US Dollars, whereas the research tax credit and, in particular, the cash line item are expressed in Euros. On the liabilities side, 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*" to the Consolidated Financial Statements of the Group for the fiscal year ended on December 31, 2017, which can be found in section 20.1 "*Historical Financial Information*" of this Registration Document.

To mitigate this exchange rate risk, the Group has implemented a foreign exchange rate risk hedging policy for these currencies since 2009 for the purpose of maintaining its profitability and its cash condition. However, the Group cannot guarantee that this risk coverage policy will protect it effectively against 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, 2017).

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

At the date of this report, the Group has not arranged any significant bank debt. In June and September 2017, the Company issued a nominal amount of EUR 16.1 million in bonds convertible into new shares and/or exchangeable for existing Inside Secure shares ("*OCEANE bonds*") due in June 2022 bearing interest at a fixed rate of 6% p.a. Accordingly, the Group 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, 2017, 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, 2017 was US$ 3.8 million (against US$ 4.2 million as of December 31, 2016). These off-balance sheet commitments are described in note 31 to the Consolidated Financial Statements for the fiscal year ended on December 31, 2017 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 operating profitability in 2016, which it confirmed in 2017. It may be unable to maintain its profitability in the future.

The Group was established in 1995 and has incurred losses ever since. In 2016, the Group recognized operating income (under IFRS) of US$ 2.1 million and consolidated net income of US$ 12.3 million. In 2017, the Group recognized operating income (under IFRS) of US$ 1.6 million and consolidated net loss of US$ 1.1 million. As of December 31, 2017, 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$ 196.8 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. Even though the Group has implemented forecasting and reporting tools geared to the size and nature of its business, it may struggle to make reliable projections and the actual figures could deviate and significantly from objectives and expectations.

Persuading 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 of the Group's licensing contracts provide for fixed quarterly royalty payments, a fair amount of these licensing agreements call 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, a comparison of revenue and operating income trends 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 profits 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. 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. In addition, in June and September 2017, the Company issued bonds convertible into new shares and/or exchangeable for existing Inside Secure shares ("*OCEANE bonds*") due in June 2022 (see section 10.1.3 "So*urces of financing*" of the Registration Document).

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 on the market.

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 or convertible bonds, the equity interest of its shareholders could be subject to dilution. Debt financing 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 financial instruments granting access to the share capital 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 financial instruments granting access to the share capital to finance its development.

In addition, in connection with its employee and management incentive policies, the Company has issued or granted warrants (*bons de souscription d'actions*, or "*BSA(s)*"), stock options and free shares several times since its inception. As such, in the event that all the financial instruments granting access to the share capital are exercised in full, that all free shares that remain subject to a vesting period vest definitively, and that all 4,313,125 OCEANE bonds issued in 2017 are converted through the issuance of new shares only, 6,235,866 new shares would be issued, resulting in the dilution of approximately 14.1% of the current share capital (which represents a "fully diluted" share capital of EUR 20,188,355.60, made up of 50,470,899 shares).

The Company intends to continue to issue or award new financial instruments granting access to the share capital. 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 been highly volatile 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, investors' perception of the Company and its ability to achieve its development milestones or otherwise.

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

To help finance its business activities, the Company has also opted for the French tax regime of the Research Tax Credit (*crédit d'impôt recherche* or "*CIR*"), whereby businesses investing significantly in research and development receive a tax credit. 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 2017 and 2016 fiscal years was equal to US$ 0.3 million and US$ 1.9 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 may be offset against future taxable profits without any restrictions on their availability. These amounted to US$ 231 million as at December 31, 2017 (compared with US$ 202 million as at December 31, 2016). 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 may be challenged 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. At 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, 97.6% and 99.3% of the Group's revenues were generated in foreign countries in fiscal years 2017 and 2016, 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 overall tax liability of the Company 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

For the purposes of managing its operational risks, the Group has arranged various insurance policies with top-tier insurers.

Civil liability: This policy is intended to cover the Group's activities against the financial consequences of its liability should it be held responsible for material or immaterial damage and/or injury caused to third parties. The restrictions of this civil liability cover (operation, after delivery, professional) are consistent with those of an international company operating in the sector in which the Group is active. The exclusions under this policy are in line with customary market practice.

Officers' and directors' liability: the senior executives' and corporate officers' liability insurance policy is intended to provide cover against any type of claim implicating the senior executives of the Company and its subsidiaries.

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 2017, the Group disbursed an aggregate amount of US$ 264 thousand to cover the premiums on all of its insurance policies.

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 on 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.

The Company's Legal Entity Identifier (LEI) is 969500MQKPVEWTQIRT36.

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.

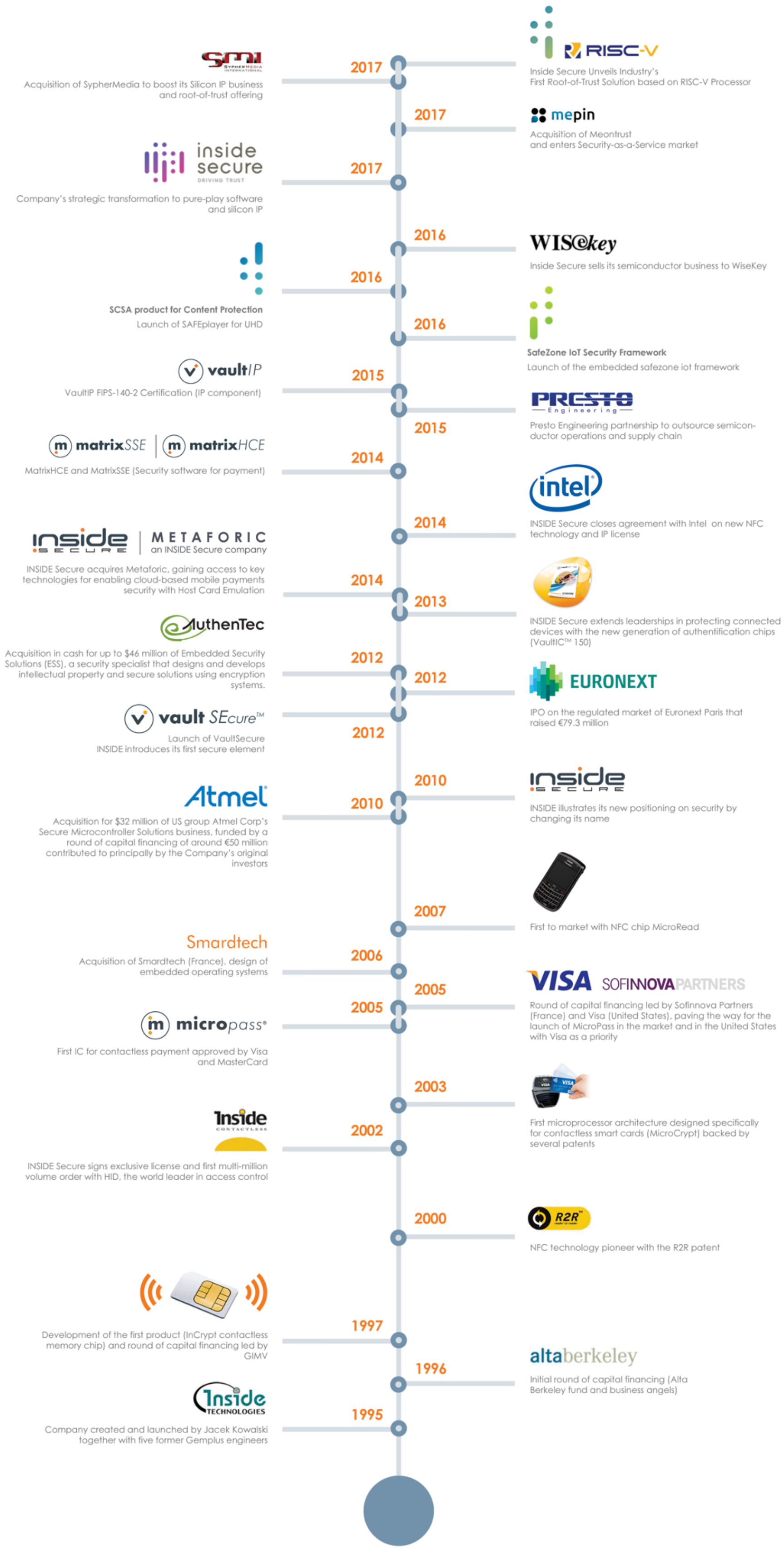
5.1.4 Registered office of the Company, legal form, and governing law

The Company is incorporated as 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 Article 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 acquisitions of companies or businesses, the Group's investments were mainly aimed at acquiring various tangible property, licenses, and software and, as appropriate, in accordance with IFRS, at capitalizing certain items of R&D expenditure.

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$)	**2015**	**2016**	**2017**
Purchase of property and equipment	1,029	374	250
Purchase of intangible assets	98	166	-
Capitalized development costs	-	-	-
Total	**1,127**	**540**	**250**

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).

Technology licenses

Throughout its development, Inside Secure has relied on technology and intellectual property rights licensed from third parties, in addition to its own intellectual property. This is the case, in particular, for certain technologies used in the design of its software or integrated into the software marketed by the Group. 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 of the licensing agreement. In this case, the licenses are recognized on the balance sheet (as intangible assets) and amortized over the contractual term of the license or, should it be shorter, its economic life as estimated by the Company.

Acquisitions of companies and businesses

For development purposes, the Group also acquires companies and businesses. In the past three years, and in connection with the development of its security technologies and software licenses business, the Group has acquired the following companies and activities (see also note 5 "*Business combinations*" of the notes to the consolidated financial statements for the fiscal year ended December 31, 2017 in section 20.1 "*Historical financial statements*" of the Registration Document):

- *Meontrust*

  On August 28, 2017, the Group acquired all the shares of Meontrust Oy, a cybersecurity emerging-growth company based in Finland that has developed a flexible authentication, identification and authorization technology. The cost of acquiring the company was EUR 4.0 million (US$ 4.8 million) plus a potential earn-out of up to EUR 1 million (US$ 1.2 million).

- *SypherMedia*

  On November 6, 2017, the Group purchased the assets and took on the employees of California-based SypherMedia International, Inc. ("SMI"), a security solutions and services provider. The cost of acquiring the company was US$ 7 million plus a potential earn-out of up to US$ 3 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 executive bodies have not made any firm commitments pertaining to significant investments or investments outside the normal course of its business.

6. BUSINESS OVERVIEW

6.1 General overview

6.1.1 Presentation and history

Inside Secure is a specialist software and technology licensing company. Inside Secure designs, develops and sells software, silicon IP, tools, services and know-how for mobile and connected devices to protect its customers' transactions, identity, content, applications, and communications. The Group has secured more than 2 billion devices to date.

Inside Secure serves markets such as network, IoT and System-on-Chip security, the protection of video content and entertainment, mobile payment and banking services, and, lastly, enterprise and telecom services. The Company's technology protects solutions for a broad range of customers including security system integrators for the Internet of Things and automobiles, semiconductor manufacturers, consumer electronics manufacturers, service providers, operators, and content distributors.

Inside Secure's offering comprises:

- 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 processor or SoC (system-on-chip) to inject optimum security right at the heart of smartphones and connected objects (provisioning/Root-of-Trust solutions). Technologies can also be integrated to protect against semiconductor reverse engineering & cloning.
- software, particularly embedded security software for content and application protection, identity and strong authentication as well as solutions for secure management & communication of data and cryptography algorithms;

Originally focused on microcontroller design, Inside Secure has gradually expanded its offering into 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 has been organized in four business lines:

- **Silicon IP**: the security of integrated circuits. A silicon-proven security IP portfolio to protect System-on-Chip (SOC) and Application Specific Integrated Circuits (ASIC).

- **Data and communication**: Secure communication & cryptographic modules certified with high interoperability & portability.

- **Application protection**: the security of applications. A comprehensive package of software protection tools as well as authentication, identification and authorization services.
- **Content protection**: the security of content. Hollywood studios-approved market solutions for Secure Multimedia Players, DRM Solutions, etc.

Inside Secure continues to believe profound changes are happening in the approach to security in the current context of automotive developments and the Internet of Things, mobile telephony and mobile applications, which pose new security challenges for billions of connected devices and objects. Accordingly, Inside Secure believes that the time has come to reinforce existing security models traditionally 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 (intellectual 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 pursues an agnostic approach to security since it offers a range of secure software and hardware solutions rising to the challenge of securing consumer access to content such as audio and video and managing issues associated with currently booming use. They cater largely for the following market segments:

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

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 around the following key drivers:

- Silicon IP: build up the security solutions business for the IoT & Automotive
- Application protection: leverage momentum in data protection and stronger authentication
- Content protection software: pursue sustainable growth
- Increase share of wallet with existing customers
- Pursue monetization of NFC patent portfolio through licensing program

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. In addition, the Company aims to combine its technology building blocks across its various sectors of activity into bundles for its clients and prospective clients. 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 acquisitions, or a combination of these means, while taking into consideration the fast changing ecosystem in which the Group operates.

a) Silicon IP: build up the security solutions business for the IoT & Automotive

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 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.

For automotive applications, two major issues stand in the way of an automotive digital revolution: system security and road safety. Designing products with this understanding is both critical and challenging for automotive OEMs. The 'smarter' the car, the more microprocessors, the more lines of code, and inevitably the more vulnerabilities, too. Many of these vulnerabilities are already well addressed in other areas like content protection, payment and TCP/IP secure communication.

Additionally, secure provisioning capabilities to manage the root of trust of a device throughout its entire life cycle, and chip anti-counterfeiting technology to address growing security challenges, in particular tampering, IP theft, reverse engineering and cloning are critical technologies to ensure a secure product roadmap. Against this backdrop, Inside Secure purchased SypherMedia in November 2016.

b) Application protection: leverage momentum in application protection and stronger authentication

Mobile applications are fast becoming the preferred method to access critical services. Sensitive personal and business information is being accessed, stored and managed on a growing range of devices. Cybercriminals are well aware of the value of this data – which affects a wide range of industries and sectors. These criminals are intelligent and highly resourceful and able to exploit weaknesses in platforms, operating systems and 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.

- For example, mobile banking and mobile payment are a key driver of application protection: security remains the paramount concern for consumers who are considering using banking services or going ahead with 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 is 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.

Flexible authentication, identification and authorization solutions are also becoming critical for the financial, insurance, retail and telecom markets to authenticate a user with a tap, PIN, fingerprint or face recognition. Very strong demand is also being seen from banks to meet the more stringent authentication requirements for all online payments imposed by the European Union from 2018 with the entry into

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

force of the PSD2 (Payment Services Directive) and GDPR (General Data Protection Regulation). To enrich its offering, Inside Secure purchased Meontrust in August 2017.

What's more, there has been a fundamental shift in the security industry towards Security-as-a-Service business models, in which a service provider integrates their security offering into a corporate infrastructure on a subscription basis or "pay-per-use". This type of solution is more cost-effective than most individuals or corporations can achieve on their own once the total cost of ownership is factored into the equation.

c) Content protection software: pursue sustainable growth

In today's complex environment, millions of devices are accessing digital content from the Internet or from the Cloud, which brings new threats. This makes Hollywood studios and distributors more susceptible than ever to content theft, jeopardizing precious revenue streams.

In the enterprise world, content protection is often about confidentiality and legal concerns. For media and publishers, it's about making sure content or intellectual property isn't stolen or illegally reproduced. When digital files or texts are transferred at the click of a button, or posted on a new site with a simple copy and paste, concerns about copyright go into overdrive. Content security has come a long way since Napster's first days, when college kids started trading music files like baseball cards.

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 for the movie industry alone in the United States. Content producers are fighting back with anti-piracy measures and calling for new laws to protect copyright material.

d) Increase share of wallet with existing customers

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) meeting the needs of its customers and designed to overcome upcoming architectural and certification challenges.

More than *ad hoc* solutions, customers need security roadmaps, from software to hardware to provisioning & management of the security. Inside Secure has one of the richest portfolios of security technologies, and so it can anticipate the needs of its customers and can harness the large range of solutions available in its portfolio and bundle its technologies to meet their requirements.

e) Pursue monetization of NFC patent portfolio through licensing program

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 liaises with manufacturers of NFC devices and, in particular, mobile devices.

Since the beginning of this program, France Brevets has signed fee-generating 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 in June 2011, 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 five acquisitions consistent with growing its range of embedded security solutions:

- The acquisition of Atmel's SMS (Secure Microcontroller Solutions) business in September 2010 brought complementary technologies to the Company's secure microcontroller operations, including in certified environments, reinforcing the Company's knowledge and expertise in security. As part of its strategic transformation, Inside Secure sold its semiconductor activities, including Atmel's SMS business, to Presto Engineering (2015) and to WISeKey, a Swiss cybersecurity specialist (2016), with Inside Secure retaining certain assets such as security patents, attack lab, etc.

- 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, expanded the portfolio of tools and software solutions offered by Inside Secure.

- In August 2017, Inside Secure acquired Meontrust, a cybersecurity emerging-growth company based in Finland that developed a flexible authentication, identification and authorization technology, ideally suited for the financial, insurance, retail and telecom markets. This acquisition represents a step-change accelerating the deployment of Inside Secure strategy in the Security a Service (SECaaS) business, alongside its existing solutions.

- In November 2017, Inside Secure acquired SypherMedia, a key California-based player in embedded security, providing solutions from product design through to product life cycle management. SypherMedia's secure provisioning solution, a critical pillar of any robust root-of-trust solution, and Circuit Camouflage Technology is an important step forward in the execution of Inside Secure's Silicon IP strategy of expanding Inside Secure's Silicon IP activities, especially to supplement its range of solutions for IoT and the automotive sector.

As a result, Inside Secure believes it owns a comprehensive range of embedded security products in these markets (see also section 5.2 "*Investments*", and note 5 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, has created 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 the needs of all those markets, including securing the point of access to users, from placing security at the heart of chips, through to securing applications and content.

6.2.2 Semiconductor IP

Security challenges and threats continue to make headlines in our connected world. Everything connected – cars, lighting systems, smart watches, white goods, home security devices, medical equipment, airplanes, industrial automation systems – is vulnerable to cybersecurity attacks.

With frequent headlines on cybersecurity 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, and 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.

Inside Secure now believes that Root-of-Trust solutions – comprehensive platform security solutions that protect SoCs, their identity, their secrets, their integrity and their operations – will be embedded in all SoCs. Combined with provisioning solutions, they will secure the SoC from design and throughout the entire chip lifecycle, enabling truly value-added services.

6.2.3 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 budgets and a shortage of cybersecurity experts, they are increasingly turning to centralized cloud deployments such as using Security as a Service (SECaaS) solutions.

To protect 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, data centers 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.

6.2.4 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, demand for IoT security products depends on the development of the IoT market, but significant needs are already evident for many vertical applications and government requirements.

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

However, 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.

6.2.5 Automotive

For automotive applications, two major issues stand in the way of an automotive digital revolution: system security and driver safety. Designing products with this understanding is both critical and challenging for automotive OEMs. The complexity of addressing security issues in the automotive market derives from the need to have specialized expertise encompassing software protection, digital rights management, payment systems, security protocols, hardware security modules (HSM) and more.

6.2.6 Digital Content Protection and Entertainment

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 for the movie industry alone in the United States. Content producers are fighting back with anti-piracy measures and calling 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 increasing sharply. 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…).

6.2.7 Mobile Payment

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

Major credit card providers (Visa, Mastercard, etc.) have developed certification programs to ensure their services can be fully trusted and that a standardized ecosystem is the norm. Mobile payment partners now need to be 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, Samsung Pay or AndroidPay, 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, combining third-party wallets (OEM "Pays": ApplePay, SamsungPay, AndroidPay etc.) with their own HCE (Host Card Emulation)-based payment solution, with 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. 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's technology and product can be integrated and are playing a critical role at the heart of those mobile payments solutions.

6.2.8 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 sophisticated new services including micro-credit, insurance, and savings initiatives.

Security remains a paramount concern for consumers who are considering 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 is 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 adapted for mobile platforms but have real risks—anti-malware and anti-virus tools 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 they create and maintain. Inside Secure's solution makes mobile applications self-defending.

6.2.9 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:

- These detection systems work using a forbidden list model - they search for known problems. That makes it an arms race and one the hackers are winning simply by using unknown and unanticipated techniques.
- 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.
- 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 an integrity checking and obfuscation Whitebox system, combining these techniques into a comprehensive package forming 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.

6.3 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.

The Group's products and technologies can be classified into four categories:

- Silicon IP
- Secure Data and Communication
- Application Protection
- Content Protection.

6.3.1 Silicon IP

Inside Secure offers 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, Data centers and Content Protection, evolving later on to fully-featured embedded secure elements, delivering quick time-to-market while reducing design cost.

6.3.1.1 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 crypto-hashing operations at target speeds ranging from 100Mbps to 50Gbps and beyond.

6.3.1.2 Packet Formation Engines for MACsec

This complete solution comprises a family of Vault MACsec Security IP elements and a MACsec software toolkit targeting IP phones, switches, bridges, and routers for Layer 2 LAN and Metro Ethernet communications. Vault MACsec IP engines can reach speeds of 10Gbps, 100Gbps, 400 Gbps and beyond. The IP block offering provides a complete and standard compliant MACsec solution, which ensures auditable compliance while reducing development cost and time to market.

6.3.1.3 Root of Trust Platform Security Solutions

Inside Secure's Programmable Root-of-Trust, which uses a RISC-V 32-bit CPU-based solution, is delivered with its application development framework. It is based on Inside Secure's silicon-proven and widely-adopted Root-of-Trust Engine, formerly known as Vault-IP. It provides a rich set of symmetric, asymmetric, hashing and true random number generation services. Its Secure Asset Store controls the use of keys and enforces authorization policies. With the Programmable Root-of-Trust Engine, chipmakers can extend and tailor the cryptographic capabilities, the asset use policies and lifecycle management of the SoCs to their needs. Platform boots, software updates, provisioning, data storage, cloud communications can now be operated from a secure and physically isolated entity.

Equipped to resist side channel and physical attacks, the Programmable Root-of-Trust Engine is an essential component of Inside Secure's Root-of-Trust solutions.

6.3.1.4 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.

6.3.1.5 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 in Vault-IP products.

6.3.1.6 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 in Vault-IP products.

6.3.1.7 Provisioning

Provisioning is the secure and trusted programming of technology secrets at the chip manufacturing level through the injection of keys, credentials, data, tokens into a personalized device either at manufacturing, or in the field or Over-The-Air to deliver secure applications and services.

Provisioning is critical for chip and module manufacturers, operators, broadcasters, security providers, integrators, consumer electronics manufacturers to take control of their own business and products, e.g. to take full advantage of a true hardware root of trust in today's SoCs and modules, take ownership of their secret keys and take ownership of their signing key and sign their own software code.

6.3.1.8 Camouflage™

Camouflage™ is a technology that adds extreme resistance to reverse-engineering attacks.
Camouflage is a patented method making reverse engineering, cloning, and tamper attacks of semiconductors very difficult for hackers.

For example, Camuflage SmartFill fills empty spaces in a semiconductor chip with realistic circuitry and also prevents attackers from inserting a Trojan circuit without destroying the underlying function of the ASIC. These techniques also secure and protect intellectual property during the manufacturing process.

6.3.2 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 originates from a trusted peer, automatically discarding malicious data.

Inside Secure's product offering includes:

6.3.2.1 Secure Communication Software 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 tiny memory footprint.

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

6.3.2.2 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.

6.3.2.3 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.

6.3.3 Application Protection Technologies and Products

6.3.3.1 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 cryptographic methods, it is difficult to keep cryptographic keys private because the hacker can easily analyze the software to find the secrets. This is compounded by the trend towards 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.

Strong Authentication (MePIN)

MePIN is a complete universal online authentication platform providing modern strong authentication and legacy 2-factor authentication for online services. Authentication methods and policies can be pre-set or chosen by end-users. Integration is easy with the unified MePIN server API.

The MePIN mobile app and SDK authenticates the user with a PKI private key and certificate. Each authentication event has a dynamic policy defining whether the user is further authenticated with a PIN code, fingerprint or by face recognition.

6.3.3.2 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 for their customers.

Mobile Payments Client

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

Mobile Payments Client 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 minimizing ongoing testing costs. Mobile Payments Client is pre-integrated with the Visa Token Service (VTS) and the MasterCard Digital Enablement Service (MDES).

Mobile Payments Server & Mobile Payments Wallet

Mobile Payments Server 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 **Mobile Payments Server** allows issuers to connect their mobile payment applications to the payment scheme token services in a straightforward and secure way.

Mobile Payments Wallet supports Visa and MasterCard (VTS & MDES) as standard and integrated directly with **Mobile Payments Server** to achieve rapid time to market and minimize development requirements.

6.3.4 Content Protection

6.3.4.1 Downloadable solutions for Secure Playback

Inside Secure provides downloadable solutions from its Content Protection range for accessing content stored on a server from a mobile device, allowing content owners and providers to securely distribute (Over-The-Top) OTT premium content.

Multi-DRM (Digital Rights Management) and multiple protocols are supported, with a wide range of player features: the Content Protection downloadable series also covers server encryption only and complete DRM solutions.

Content Protection Client

Content Protection Client 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.

Content Protection Server

As an end-to-end DRM solution, Content Protection Server can create live and on-demand services for any platform, including TV, PC, tablet and mobile devices. With Content Protection Server, the entire DRM process is enabled – from content protection, rights creation, rights and condition management through 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's 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 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.

Content Protection 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.

6.3.4.2 Embedded solutions for secure playback

Inside Secure provides the components required by MovieLabs (joint venture started by Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLP, 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.

DTCP Toolkit

Digital Transmission Content Protection–Internet protocol (DTCP-IP) is a standard that 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 as PCs, tables, smartphones and gaming devices.

HDCP Toolkit

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.

6.4 Customers

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

As such, the Group offers:

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

Amazon, Asus, Broadcom, Cisco, Chase, HBO, HTC, Intel, MasterCard, Mstar, Samsung, Orange, Qualcomm, Quickplay, Santander, Sky, Texas Instruments, Toshiba, Visa, Virgin 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 an essential role in their strategy to develop security solutions.

6.5 Competition

The Group operates in a fragmented competitive environment:

- In the IP blocks market, very few companies offer IP security products with high certification standards. Relying on its expertise and technology, the Group plans to contribute to the definition of future standards in mobile handset security, of new mobile security architectures and of new security certification schemes. In the target markets for its software and intellectual property, the Group competes with companies such as ARM, Rambus, Irdeto, or Arxan.

  In the embedded software market, the Group competes with a greater number of companies because the barriers to entry are apparently lower in software security and the market emerged more recently. Nonetheless, due to the fact that mobile security is a systems issue based around an understanding of the complex combination of hardware, software, and IP blocks, the Group believes it benefits from a competitive advantage in this market, as it is proficient in these various aspects.

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 a long time implemented a policy and currently owns 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 does not rely on any third party for critical security technologies except for its content protection (Digital Rights Management) products, in respect of which it uses certain software components, such as Verimatrix ViewRight, Microsoft PlayReady Porting Kit and the Google WideVine CDM SDK.

6.6.2 Manufacturing

Inside Secure withdrew from the semiconductor market in 2016. Since then, it has no longer had any manufacturing operations, but now operates as a pure play software and technology licensing company that designs its own products.

In June 2015, Inside Secure transferred 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 transferred 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.

6.6.3 Sales and marketing

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

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, 2017, the Group had a direct sales team of 22 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 some of the management, marketing and communication, financial, and administrative activities.

The Group, which now has a global reach, 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 can be used to protect messages, and
- cryptoanalysis, which aims to implement mechanisms that can circumvent the protection of these messages without being privy to the protection key in order to study potential 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 may be exempt 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 may 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 consumer 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 exempt from the obligation to make a prior declaration to the Prime Minister, or exempt from the requirement to obtain his prior authorization.

However, certain means of cryptology used or disseminated by the Company do not fall within 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 Group's means of cryptology in accordance with the regulations applicable in countries other than France, but in which the Group conducts its business activities or sells its products, may require prior authorization.

The provision of cryptology services

According to the aforementioned law to build trust in the digital economy, 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 contractual clause to the contrary.

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.

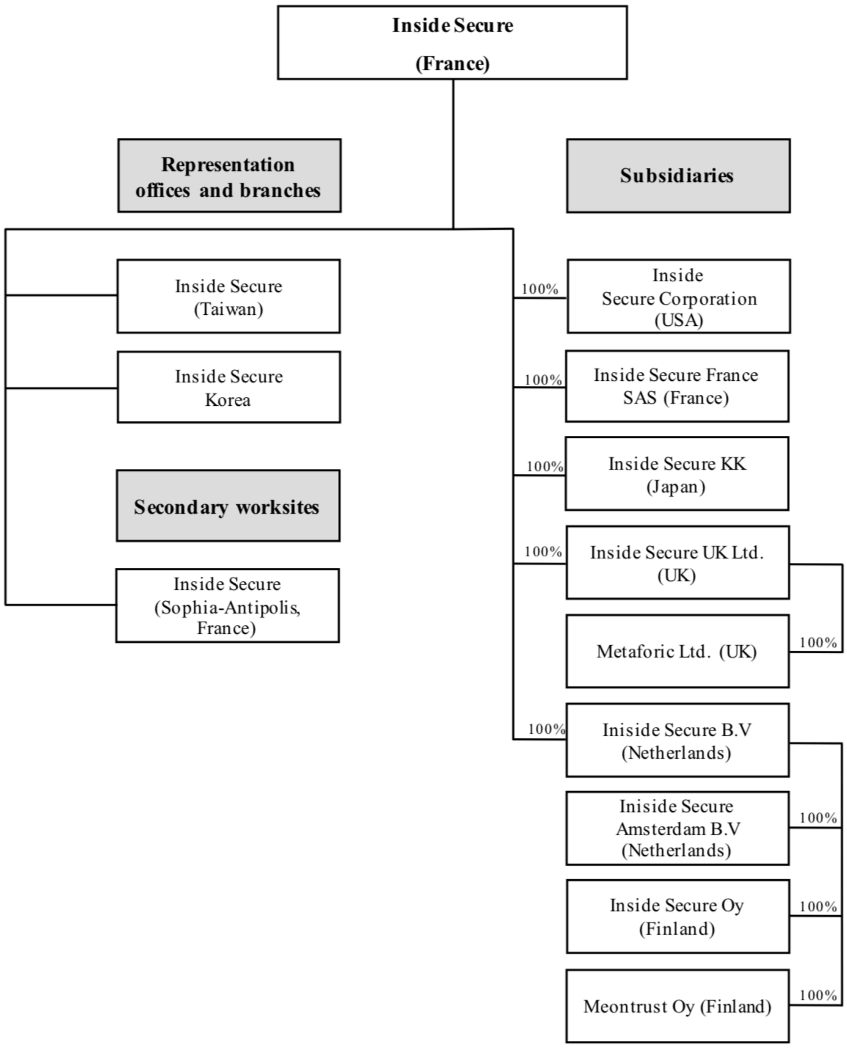
6.9 Degree of the issuer's dependence on patents or licenses, industrial, sales, or financial contracts or new manufacturing methods

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

At 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, 2017 (in thousands of US$)	Inside Secure UK (anc. Vault IC UK)	Subsidiaries "ESS" (*)	Other subsidiaries	INSIDE Secure	**Total**
Fixed assets	128	56	39	9 524	**9 747**
Cash and cash equivalents	288	391	479	44 716	**45 874**
Inventories	-	-	-	219	**219**
Trade and other payables	647	1 307	1 172	5 653	**8 779**

(*) INSIDE Secure B.V., INSIDE Secure Amsterdam B.V. et INSIDE Secure Oy

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

7.2 Business of subsidiaries and of branches and representation offices

7.2.1 Subsidiaries

As of December 31, 2017, the Company held an equity interest in the following subsidiaries:

- Inside Secure Corporation (San Jose, California, United States) is a wholly-owned subsidiary. Its main business activities are sales development and technical support. The subsidiary had 25 employees on staff.
- Inside Secure UK Ltd. (London, United Kingdom, previously Vault-IC UK Ltd) is a wholly-owned subsidiary. Its main business activities, which are carried out at its only worksite in Glasgow (Scotland), are research and product development. The subsidiary had 32 employees on staff.
- Inside Secure B.V. (Vught, The Netherlands) is a wholly-owned subsidiary. 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 through its 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 wholly-owned subsidiary of Inside Secure B.V. 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 wholly-owned by Inside Secure B.V. Its main business activities are research and development and software marketing. The subsidiary had 25 employees on staff.
- Inside Secure K.K (Tokyo, Japan) is a wholly-owned subsidiary. The Company created it following its acquisition of the ESS business. Its main business activities are sales development and technical support. The subsidiary had 5 employees on staff.
- Inside Secure France SAS (Aix-en-Provence, France) is a wholly-owned subsidiary. The Company created this subsidiary in December 2012. It is not yet commercially active and did not have any employees on staff.
- Meontrust Oy (Helsinki, Finland) is a subsidiary wholly-owned by Inside Secure B.V. The subsidiary was acquired on August 28, 2017. Its main business activity is software research and development. The subsidiary had 9 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, 2017, this secondary worksite had 3 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 2017 to the date of this Registration Document

On August 28, 2017, the Group acquired all the shares making up Meontrust Oy's share capital.

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 transferred 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 by mid-2018.

8. PROPERTY, PLANTS AND EQUIPMENT

8.1 Real estate property

The Group does not own any buildings.

Generally, the Group leases the 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 of the French version of the Registration Document. The quantitative indicators mentioned therein pertain to either the entire global scope of consolidation or the European entities (78% of employees). Any exclusion from the scope is systematically indicated.

Inside Secure appointed an independent third party service to verify this information. The independent third party's report is presented in the management report after the Company's Management Board and Supervisory Board have approved the latter report.

8.2.1 Employee matters

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 advancement objectives 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. Since the Company's business activities no longer really justify it, this program has not been repeated since.

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.

8.2.2.2 Pollution and waste management

Since its business activities are conducted mainly in the commercial 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 recovery/reuse of products at their end-of-life. In order to avoid any related risk of pollution, all this waste is removed and processed by a specialized third party company.

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

In 2017, the Group produced and ordered the processing of the following quantities of waste:

a) French worksites

- Electrical and electronic equipment	0 kg*
- Lead-based and other batteries	0 kg*
- Toner and ink cartridges	0 kg*
- Paper	391 kg

(*) Since the amount of waste generated in 2017 was negligible, these items were stored and will be processed in 2018.

b) Scottish worksites

- Electrical and electronic equipment (including batteries, wafers…)	0 kg
- Paper	495 kg

c) Dutch worksites

- Paper	1,460 kg
- Other municipal solid waste (MSW)	3,495 kg

d) Finnish worksite

- Electrical and electronic equipment	0 kg

In addition, the Vught and Amsterdam worksites also manufacture and dispose of electrical 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 waste do not affect the Group significantly based on its size and its business.

8.2.2.3 Sustainable use of resources

In 2017, the Group's electrical power consumption in France, Scotland, the Netherlands, and Finland was as follows:

- France: 237,886 kWh
- Scotland: 70,750 kWh
- Netherlands (Vught worksite – data for the Amsterdam worksite not available): 134,055 kWh
- Finland: 49,317 kWh

Since 2013, the Group has brought together 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's primary energy consumption stands out. 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:

- a 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% of the light and only 27% of the 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 the Scottish staff were 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 major 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 2017 were as follows:

- France: 7,750 tons of CO_2
- Scotland: 26,888 tons of CO_2
- The Netherlands (Vught): 78,556 tons of CO_2
- Finland: 11,836 tons of CO_2

Bringing all the teams in the Aix-en-Provence region together under one roof in 2013 and doing the same in Scotland in 2016 has, among other things, eliminated employees' frequent automobile journeys between worksites.

The Company's travel policy recommends that employees should travel by train rather than plane on journeys 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 related to 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 to 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, educational institutions, environmental protection associations, 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. Following the shift in its business model 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 highly responsive 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, 2017, 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. Throughout the assignment, the corresponding engineers become part of the development teams and work under the supervision of the people responsible for these teams.

8.2.3.4 Fair business practices

The Company carries out its business activities in compliance with rules on 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 Code of ethics and business conduct was distributed to all employees of the Group in French and English. Every new Inside Secure employee is given a copy.

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. All new employees also receive a copy. The purpose of the insider-trading policy handbook is to inform the Group's employees and the people around them of their obligations relative to trading on the stock exchange and preventing the unlawful use or dissemination of insider information.

Both the code of conduct and the policy were updated in March 2017.

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

The Group believes that its software development business does not have a negative impact on the health and safety of consumers. Nonetheless, if necessary, the Group would make sure its suppliers and subcontractors across the globe comply 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 accordance 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 do not source their mineral supplies (gold, tungsten, tantalum, and tin) from the conflict zones of the Democratic Republic of Congo or neighboring countries, where revenue from these minerals is used to finance these 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 these 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, 2016 and 2017 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, 2017. The Company's Statutory Auditors performed an audit of the Consolidated Financial Statements for the fiscal years ended December 31, 2016 and 2017.

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 (see also chapter 6 "*Business Overview*" of the Registration Document).

In 2016, Inside Secure withdrew from its original 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.

In 2017, Inside Secure acquired Meontrust Oy, a company based in Finland, and purchased the assets and took on the employees of California-based SypherMedia International, Inc. Both these companies develop security software solutions and services.

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

The Consolidated Financial Statements for the fiscal year ended December 31, 2017 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 to the Financial Statements established as of December 31, 2017 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 2016 and 2017 fiscal years:

Dollar / Euro	**2016**	**2017**
Closing	1.0541	1.1993
Average	1.1066	1.1293

Scope of consolidation

The Group's scope of consolidation is described in note 35 to the Group's Consolidated Financial Statements, which can be found in section 20.1 "*Historical Financial Information*" of this Registration Document.

Implementation of IFRS 15

The Company's revenue and earnings in 2017 were prepared in accordance with IFRS 15 – Revenue from Contracts with Customers, application of which was mandatory from January 1, 2018. The Company elected to adopt this standard early, so it is able to present a performance in 2018 directly comparable with 2017. As permitted under IFRS 15, the income statement for 2016 has not been restated and remains as originally released. The impact of the new standard on 2017 revenue and earnings is considered as non-material. Had the Company continued to apply the previous standard (IAS 18), 2017 revenue would have been US$ 38.6 million, consolidated operating income US$ 1.204 million and EBITDA US$ 8.332 million. The Company believes that the implementation of IFRS 15 will nevertheless result in variations in recognition of quarterly revenues. For a more detailed description of the nature of these changes, please refer to note 2.1.2 to Group's consolidated financial statements presented in section 20.1 "*Historical Financial Information*" of this Registration Document.

Continuing and discontinued operations

Pursuant to Inside Secure's decision in 2016 to pull out of the semiconductor business and in accordance with IFRS 5, income and expense items for the discontinued operation are recognized directly in "*Net income from discontinued operations*" and thus excluded from adjusted operating income, operating income, EBITDA and net income. Continuing operations thus comprise the Company's core business and the NFC patent licensing program.

The core business encompasses the design, marketing and sale of the Group's software and intellectual property components and also its corporate functions. It does not include the contribution from the Company's NFC patent licensing program or the discontinued semiconductor business.

Performance indicators not defined under IFRS

In its business analysis, the Group includes the performance indicators defined below, which are not strictly accounting figures. 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 accounting-based metrics 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 goodwill impairment, (iii) non-cash share-based payment expense and (iv) non-recurring costs and income associated with restructuring and business combinations and divestitures carried out by the Group.

Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets related to business combinations, (ii) any goodwill impairment, (iii) non-cash share-based payment expense and (iv) non-recurring costs and income associated with restructuring and business combinations and divestitures carried out by the Group.

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 to the Group's Consolidated Financial Statements for the 2016 and 2017 fiscal years, presented in section 20.1 "*Historical financial information*" of this Registration Document.

9.2 Financial information and consolidated income of the Group

	Core Business		Consolidated Adjusted		IFRS	
(in thousands of US$)	**2017**	2016	**2017**	2016	**2017**	2016
Revenue	**38 816**	35 754	**38 816**	49 944	**38 816**	49 944
Gross profit	**37 624**	34 701	**37 048**	44 523	**35 554**	40 993
As a % of revenue	***96,9%***	*97,1%*	***95,4%***	*89,1%*	***91,6%***	*82,1%*
Operating expense	**(29 334)**	(33 467)	**(29 334)**	(33 628)	**(33 909)**	(38 879)
Operating income from continuing operations	**8 290**	1 234	**7 714**	10 895	**1 645**	2 114
As a % of revenue	***21,4%***	*3,5%*	***19,9%***	*21,8%*	***4,2%***	*4,2%*
Net income/(loss) from continuing operations (i)	-	-	-	-	**(798)**	(265)
Net income/(loss) from discontinued operations (ii)	-	-	-	-	**(278)**	12 609
Net income/(loss) (i) + (ii)	-	-	-	-	**(1 076)**	12 344
EBITDA from continuing operations	**8 773**	2 040	**8 773**	12 264	-	-
As a % of revenue	***22,6%***	*5,7%*	***22,6%***	*24,6%*	-	-

9.2.1 Revenue

(in thousands of US$)	Q4-2017	Q4-2016	Q4-2017 vs. Q4-2016	12-months 2017	12-months 2016	2017 vs. 2016
Licences	1 998	2 889	-31%	9 013	6 573	37%
Royalties	9 350	5 982	56%	23 861	24 160	-1%
Maintenance, development agreements, and other	1 553	1 138	36%	5 942	5 021	18%
Total revenue from software and silicon IP	**12 901**	**10 009**	**29%**	**38 816**	**35 754**	**9%**
Unallocated revenue (*)		323	-	-	14 190	-
Total consolidated revenue	**12 901**	**10 332**	**25%**	**38 816**	**49 944**	**-22%**

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

Revenue from core business was US$ 38.816 million for 2017, up 9% vs. 2016, driven by strong license revenue. Excluding the contribution from a US customer generating significant royalties, year-on-year revenue growth from the core security software and silicon IP business would have been 20% for the period.

License revenue increased by 37% compared with 2016, reflecting strong sales activity with new and existing customers in all business segments. This included increased traction in IoT and Automotive and new design wins in Silicon IP. The Company also capitalized on its capacity to provide bundled solutions of Silicon IP and secure communication, as illustrated by the agreement sealed with Toshiba during the year.

The Company continued to leverage its strong position in content protection to support new applications for existing customers, such as Virtual Reality for HTC, on-line postage transactions for Neopost and in-flight entertainment on passenger devices for Lufthansa.

Inside Secure continued to make progress in the payment space, with additional payment scheme wins in Europe and in the US, and with the deployment of its HCE mobile payment software solution in Latin America. During the year, Inside Secure increasingly focused on deploying bundled offers. For example, it demonstrated a solution with content protection, payments and strong authentication at the annual IBC show in Amsterdam, which was well-received. It also made solid progress with the development of its product offerings in security as a service (SECaaS), strong authentication, and provisioning that will help to generate incremental recurring revenues going forward.

Consolidated revenue for 2017 was US$ 38.816 million, down from US$ 49.944 million in 2016 as the Company did not generate any revenue from the NFC patent portfolio monetization program managed by France Brevets. As a reminder, the NFC patent related revenue stood at US$ 14.190 million in 2016 due to the three licenses signed by France Brevets (Sony, Samsung, and HTC).

9.2.2 Adjusted operating income/(loss) and EBITDA

Adjusted core business gross profit over 95%, reflecting the software business model

For full year 2017, adjusted gross profit generated by the core business grew to US$ 37.624 million (96.9% of revenue) from US$ 34.701 million in 2016 (97.1% of revenue) reflecting revenue growth and the product mix.

As expected, consolidated adjusted gross profit decreased from US$ 44.523 million in 2016 (89.1% of revenue) to US$ 37.048 million in 2017 (94.8% of revenue) as the company did not generate any gross profit in 2017 from the NFC patent licensing business agreement (US$ 9.8 million in 2016).

Operating expense reflecting investments in R&D and sales & marketing starting from H2 2017

Operating expenses decreased from US$ 33.628 million in 2016 to US$ 29.334 million in 2017, as the Company reaped the full benefit of its lower cost base achieved through the restructuring and rightsizing initiated in 2016 and other net one-time savings (US$ 1.515 million) and foreign exchange gains (US$ 0.947 million).

At the same time and as anticipated, the Company injected fresh impetus into its investment in H2 2017, notably in research & development and sales development to lay the foundations for sustainable long-term growth in software and silicon IP. Operating expenses in H2 2017 stood at US$ 15.662 million, a 15% increase vs. H1 2017.

Substantial improvement in adjusted operating income from the core business in 2017

Adjusted operating income generated by the core business increased significantly from US$ 1.234 million in 2016 to US$ 8.290 million in 2017 (21% of revenue) due to revenue growth and lower operating expenses.

Consolidated adjusted operating income was US$ 7.714 million in 2017 with a negative contribution of US$ 0.576 million from the NFC patent licensing program, compared with US$ 10.895 million in 2016, with a US$ 9.661 million contribution from the NFC patent licensing program.

Core business EBITDA margin at 23% of 2017 revenue

In 2017, core business EBITDA was US$ 8.773 million (23% of revenue), compared with US$ 2.040 million in 2016 (6% of revenue) due to the Company's successful transition to a software-based business model.

In 2017, the Company's EBITDA was US$ 8.773 million, compared with US$ 12.264 million in 2016, which included a strong contribution from the non-recurring NFC patent licensing program of US$ 10.224 million.

(in thousands of US$)	**2017**	2016
EBITDA from continuing operations	**8 773**	12 264
Amortization and depreciation of assets (*)	**1 059**	1 369
Adjusted operating income/(loss) from continuing operations	**7 714**	10 895
Business combinations (**)	**(2 426)**	(3 818)
Other non recurring costs	**(3 122)**	(4 331)
Share based payments	**(521)**	(632)
Operating income/(loss) from continuing operations	**1 645**	2 114
Finance income/(losses), net	**(1 879)**	(684)
Income tax expense	**(564)**	(1 695)
Net income/(loss) from continuing operations (i)	**(798)**	(265)
Net income/(loss) from discontinued operations (ii)	**(278)**	12 609
Net income/(loss) (i) + (ii)	**(1 076)**	12 344

(*) 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
Sums may not equal totals due to rounding

9.2.3 Operating income (IFRS)

Operating income from continuing operations was US$ 1.645 million in 2017, compared with US$ 2.114 million in 2016.

Operating performance in 2017 was impacted primarily by:
- US$ 2.426 million in amortization expense (non-cash item) related to assets originating from the Company's acquisitions in recent years (ESS in 2012 and Metaforic in 2014, and Meontrust and SypherMedia in 2017). The Company did not recognize any goodwill impairment on these acquired businesses;
- US$ 0.816 million in non-recurring expenses in relation to the acquisitions;
- recognition of a US$ 2.137 million net non-recurring charge arising from the Company's restructuring and rightsizing plan initiated in 2016.

9.2.4 Net Financial Income / Expense

Net financial expense was US$ 1.879 million in 2017 vs. an expense of US$ 0.684 million in 2016, primarily due to the interest on the convertible loan notes issued in July and September 2017 of US$ 0.989 million (including US$ 0.410 million in non-cash expense).

9.2.5 Income Tax Expense

Income tax expense of US$ 0.564 million in 2017 consisted primarily of withholding taxes paid when licenses are signed with customers in certain Asian countries.

9.2.6 Net Income (loss)

In 2017, the Company recorded a consolidated net loss (IFRS) of US$ 1.076 million, with:
- a net loss from continuing operations of US$ 0.798 million; and
- a net loss from discontinued operations of US$ 0.278 million (non-recurring expense in relation to the semiconductor business divested in 2016).

As a reminder, the consolidated net loss (IFRS) in 2016 was US$ 12.344 million, breaking down as follows:

- Net loss from continuing operations of US$ 0.265 million; and
- Net income from discontinued operations of US$ 12.609 million including a US$ 17.004 million net gain on the sale of the semiconductor business in September 2016 (including assumption by the acquirer of intercompany liabilities).

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 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 and share capital

10.1.1 Equity and share capital

Note 16 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, demand deposits at 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, 2017, 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, 2017, the Group's available cash totaled US$ 45,874 thousand against US$ 27,081 thousand as of December 31, 2016.

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 was transferred to the bank, the receivables transferred under these contracts are no longer recorded on the balance sheet. In July 2016, Inside Secure terminated its factoring agreements, as this type of financing was deemed no longer relevant to the Company's software and technology licensing business, as the divestiture of the semiconductor business was completed in September 2016. As of December 31, 2015, the total amount of transferred receivables (net of factoring warranty reserve) amounted to US$ 3.809 million (zero at December 31, 2016).

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 2013, 2014 and 2015. As a result, the financial liabilities arising from these loans (as well as the amounts receivable from the tax authorities) were derecognized from the balance sheet in a transaction that had no cash impact (see also note 14 to the consolidated financial statements of the Group for the year ended December 31, 2016 in section 20.1 "*Historical financial information*" of the 2016 Registration Document).

Even though the Group has 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. In 2016, the Company completed a capital increase for an amount of €5,494 thousand including share issue premium.

In June and September 2017, the Company issued EUR 16.1 million in bonds convertible into new shares and/or exchangeable for existing Inside Secure shares ("*OCEANE bonds*") due in June 2022 (see section 10.3 "*Information on borrowing conditions and the structure of financing*" below).

10.2 Cash flow

10.2.1 Analysis of cash flows

Financial information selected from consolidated cash flow statement:

(in thousand of US$)	Year ended December 31 December 31, 2016	December 31, 2017
Cash and cash equivalents at beginning of the year	**16,434**	**27,081**
Net cash generated/ (used) in operating activities	4,230	2,477
Net cash used in investing activities	1,886	(862)
Net cash generated by / (used) in financing activities	4,638	17,222
Effect of exchange rate fluctuations (1)	(106)	(44)
Cash, cash equivalents at end of the period	**27,081**	**45,874**

(1) Non-cash item from the conversion to US Dollars of assets and liabilities denominated in other currencies.

10.2.1.1 Net cash generated/(used) by operating activities

(in thousand of US$)	Year ended December 31 December 31, 2016	December 31, 2017
Loss for the year	(265)	(1,076)
Adjustments for non cash items from continuing operations	7,898	6,224
Adjustments for non cash items from discontinued operations	(3,575)	-
Cash generated/ (used) in operations before changes in working capital	**4,058**	**5,148**
Changes in working capital :		
Inventories	41	(154)
Trade receivables net of trade receivabkes transferred	(1,557)	(2,250)
Trade and other payables	1,160	(1,312)
Other receivables/ others payables,net	(2,105)	(2,734)
Research tax credit and grants	2,915	2,392
Cash generated by / (used in) changes in working capital from discontinued operations	6	2,500
Cash generated by / (used in) changes in working capital	**4,519**	**3,589**
Others (Interest received, net, income tax paid)	(289)	(1,112)
Net cash generated (used) in operating activities	**4,230**	**2,477**

2017

In 2017, Inside Secure's continuing operations generated US$ 5.148 million in cash flow as the result of higher operating performance. Excluding US$ 2.614 million in restructuring charges and outlays on acquisitions (US$ 0.683 million), Inside Secure's operating cash flow totaled US$ 8.445 before changes in the working capital requirement.

2016

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

- Continuing operations[1] (excluding changes in working capital requirement) generated cash of US$ 7.344 million, while the working capital requirements of continuing operations decreased by US$ 3.635 million;
- discontinued operations absorbed US$ 3,864 thousand; and

[1] See "*Continuing and discontinued operations*" in section 9.1.2 and the "*Preliminary comments on the Group's financial information and results*" in this Registration Document.

- the restructuring plan resulted in a disbursement of US$ 5,689 thousand in 2016, including US$ 2,932 thousand from continuing operations.

10.2.1.2 Net cash generated/(used) by investing activities

	Year ended December 31	
(in thousand of US$)	**December 31, 2016**	**December 31, 2017**
Cash received in relation to the sale of the semi-conductor activity	-	11,202
Business acquisition, net of cash acquired - Meontrust	-	(4,814)
Business acquisition, net of cash acquired - SMI	-	(7,000)
Purchases of tangible assets	(164)	(250)
Purchases of intangible assets	(32)	-
Cash flows used in investing activities from discontinued operations	2,082	-
Net cash used in investing activities	**1,886**	**(862)**

2017

In 2017, the Company converted and then sold in the market 100% of the listed WISeKey shares for US$ 11.202 million.

In the second half of 2017, the Company acquired Meontrust and SypherMedia International (SMI) to accelerate the execution of its strategic roadmap by adding core technologies to its portfolio and unlocking cross-selling opportunities in key markets such as automotive, IoT, mobile and banking.

With SypherMedia, Inside Secure added key core technologies from product design to product life cycle management for security embedded in a chip. SypherMedia brings to the table a secure provisioning solution, a critical pillar of any robust root-of-trust solution, which is increasingly used to address the critical security needs in the Automotive, IoT, Mobile, and Smart TV markets. With Meontrust, Inside Secure has added strong authentication technology to its comprehensive solutions in mobile banking and payment and digital content protection.

The integration process of the two businesses is progressing well, with teams now integrated. Inside Secure has already engaged with its customers on its expanded portfolio to support the more stringent authentication requirements in Europe imposed by PSD2 (Payment Services Directive) and GDPR (General Data Protection Regulation) leveraging Meontrust's offering. The Inside Secure sales team has been trained and is fully engaged in selling SMI's Camouflage and provisioning products, and initial customer wins have been achieved.

The Group laid out US$ 4,814 thousand to acquire all the shares in Meontrust, and US$ 7,000 thousand to acquire substantively all SypherMedia's assets. These acquisitions are also subject to earn-outs if certain business targets are achieved (see notes 1 and 5 to the Group's consolidated financial statements presented in section 20.1 "*Historical Financial Information*" of the Registration document).

2016

In 2016, capitalized investments in continuing operations remained marginal (US$ 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 (US$ 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 its bonds into shares in order to gradually sell the shares resulting from said conversion.

10.2.1.3 Net cash generated/(used) by financing activities

	Year ended December 31	
(in thousand of US$)	**December 31, 2016**	**December 31, 2017**
Proceeds from issuance of ordinary shares, net of issuance costs	5,311	212
Convertible bonds	-	17,260
Repayable advance	(273)	(250)
Financing of the research tax credit	-	-
Principal repayment under finance lease	(346)	-
Treasury shares	(54)	-
Net cash generated by / (used) in financing activities	**4,638**	**17,222**

2017

In June and September 2017, the Company issued a convertible bond for an aggregate amount of US$ 17,260 thousand (see section 21.1.4.4 "*OCEANE bonds*" of the Registration Document and note 20 to the Group's Consolidated Financial Statements at December 31, 2017 presented in section 20.1 "*Historical Financial Information*" of this Registration Document.

2016

In April 2016, the Company completed a US$ 5,494 thousand capital increase including share premiums.

10.2.2 Off balance sheet commitment

Total off balance sheet commitments for the Group as of December 31, 2017 amounted to US$ 3,765 thousand, against US$ 4,172 thousand as of December 31, 2016. These commitments are described in note 31 to the Group's Consolidated Financial Statements as of December 31, 2017, which can be found in section 20.1 "*Historical Financial Information*" of this Registration Document.

The Group's main off-balance sheet commitment in 2017 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 ongoing bank loans as of the filing date of this Registration Document.

In June and September 2017, the Company issued EUR 16.1 million in bonds convertible into new shares and/or exchangeable for existing Inside Secure shares ("*OCEANE bonds*") due in June 2022 (see section 21.1.4.4 "*OCEANE bonds*" of the Registration Document and note 20 to the Group's Consolidated Financial Statements for the year ended December 31, 2017 presented in section 20.1 "*Historical Financial Information*" 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. Substantially all the risks and benefits attached to these receivables are transferred to the assignee and the financial liabilities and the receivables sold are derecognized and no longer appear on the balance sheet (see section 10.1.3 "*Sources of Financing*" above and note 14 to the consolidated financial statements of the Group for the year ended December 31, 2017 in section 20.1 "*Historical Financial Information*" of the Registration Document).

10.4 Restriction on the use of capital

None.

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, 2017, the research and development activities of the Group comprises 95 of its employees (for the most part, designers of silicon IP components, embedded software and application developers, security engineers and integration and testing engineers). They represented around 58% of the Group's total headcount. They are based mainly in Vught (The Netherlands), Amsterdam (The Netherlands), Glasgow (Scotland), Helsinki, Oulu (Finland), Westminster (California, United States) and Meyreuil (Aix-en-Provence region, France).

The Group's research and development expense (net of research tax credit and subsidies) totaled US$ 12,764 thousand in 2017 against US$ 15,257 thousand in 2016. In 2017, the Company's research and development expense (net of research tax credit and grants) represented 33% of its consolidated revenue (against 31% in 2016).

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: design, security and cryptography solutions for simple or more sophisticated components evolving later into fully-featured embedded secure elements and for integration with the SoCs or ASICs of its customers;
  It also includes semiconductor process technologies for anti-counterfeiting to address growing security challenges, in particular tampering, IP theft, reverse engineering and cloning;

- Software development: 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 area of secure Silicon IP components for integration into SoC or ASIC designs for 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[1] technologies and security software specialized in cryptology. For 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

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

applications, offer protection per encryption key and data security, and are able to meet the growing security needs of large companies.

11.2 Intellectual property

The Group has a number of intellectual property rights and is committed to actively protecting 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 Atmel Corp.'s 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 September 2016). In addition, the portfolio was further extended via the patents acquired through the acquisition of the ESS business in 2012 (portfolio comprised of 19 patent families) and Metaforic in 2014 (21 patents and patent requests) and Meontrust in 2017 (4 patents and patent requests) and the assets of SypherMedia Inc. (30 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 2017, the patent portfolio included over 160 patent families, in line with the Group's strategy and business activities. They are allocated as follows: 35% relate to contactless interfaces and NFC, 50% 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 responsibilities 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 intellectual property.

Other software has been acquired by Inside Secure, such as security software (i) based on encryption algorithms through the 2012 acquisition of ESS (see section 4.3.2 "*Risks associated with growth management*") or (ii) cryptology through the acquisition of Metaforic (see also section 6.1.4 of this Registration Document).

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	
eNFC	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
dmdpackager.com
dmdsecure.com
embeddedssl.com
enfc.com
in-club.co.uk
in-club.fr
inside-secure.com
inside-contactless.com
insidecontactless.asia
insidecontactless.com
insidecontactless.eu
insidecontactless.us
insidefr.com
insidefr.eu
insidefr.us
insidesecure-finance.com
insidesecure.co
insidesecure.co.uk
insidesecure.com
insidesecure.hk
insidesecure.eu
insidesecure.it
insidesecure.fr
insidesecure.jp
insidesecure.info

insidesecure.ru
insidesecure.tw
ipsec.com
ipvia.net
ipvia.org
matrixssl.com
matrixssl.org
metaforic.com
mepin.com
micropass.asia
micropass.eu
microread.asia
microread.eu
open-nfc.com
open-nfc.org
opennfc.com
peersec.com
peersec.net
peersec.org
peersecnetworks.com
peersecsoftware.com
quicksec.com
smi.tv
wave-me.asia

11.2.6 Disputes

Please refer to section 20.6 of this Registration Document for further information.

12. TRENDS

In 2018, the Company anticipates continuing to sustain strong top line revenue growth with accelerated growth of its core business revenue (excluding the contribution of a U.S. customer driving significant royalties), based on strong momentum in new licenses with both existing and new customers. The Company also anticipates generating additional revenue in provisioning and security-as-a-service derived from its 2017 acquisitions, while benefiting from sales synergies on core technologies. As of today, the Company has no assurance that royalty revenues can be maintained at the high levels of 2016 and 2017.

In this context, the Company has decided to accelerate its investments to leverage its strategic position in key markets such as Automotive and IoT. It therefore anticipates increasing investments in both research & development and sales & marketing, notably to accelerate product development with bundling its technologies and products across all product lines to create a unique and complete offer from embedding security into general purpose chips to provisioning with root-of-trust, strong authentication, content protection and payment.

Combining these investments with operating expenses derived from the two 2017 acquisitions ($3.5 million) along with a stronger euro vs. dollar (estimated $2.0 million of incremental cost), the Company anticipates operating expenses to increase to between $38.5 million and $40.0 million in 2018, before getting back to a normative EBITDA[1] margin greater than 20 percent.

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[1] See definition in section 9.1.2 "*Preliminary comments on the Group's financial information and results*"

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.

Members of the Management Board and members of the Supervisory Board

14.1.1 Members of the Management Board

Name	Position	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 for the fiscal year ended December 31, 2018
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. – General Manager - Inside Secure UK Ltd (United Kingdom) – Director - Inside Secure K.K. (Japan) – Director - Inside Secure B.V. (The Netherlands) – Director - Inside Secure Amsterdam B.V. (The Netherlands) – Director - Inside Secure Oy (Finland) - Director - Inside Secure Corp. (United States) – Director - Meontrust Oy (Finland) - Director	Initial appointment: October 2, 2008 Date of most recent reappointment: June 3, 2015 Term of office expires: at the end of the General Shareholders' Meeting called to approve the financial statements for 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 to 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. Amedeo also served as Chief Operating Officer at Oberthur Card Systems, developing security software and solutions for payment and telecom markets. Amedeo was also CEO of Ingenico, a global leader in secure transactions and payment systems, at a time of a strategic, structural change, and he succeeded in leading the company back to profitability. He is 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
Member of the Management Board, General Manager, and 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 13 of its portfolio companies, including Nanolase (sold to JDS Uniphase), SoiSic (sold to ARM), Leguide.com (listed on Alternext market in Paris, France), EVE (sold to Synopsys) and Inside. He also served on the audit committees of several of these companies. He is also an independent director and member of the audit committee of Provepharm Life Solutions. 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[1]

Name	Position	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	Date of reappointment 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 for the fiscal year ended December 31, 2017
Jean Schmitt 8 rue Leroux 75116 Paris	Vice-Chairman and independent member of the Supervisory Board	Chairman of SuperJolt SAS Chairman of Jolt Capital Chairman of Alma Learning Group	Date of most recent reappointment: June 8, 2016 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017
Muriel Barnéoud 183 rue Lecourbe, 75015 Paris	Independent member of the Supervisory Board	Director of CSR for La Poste group (*Directeur de l'engagement sociétal du groupe La Poste*)	Date of most recent reappointment: June 14, 2017 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019
Catherine Blanchet 8 avenue Aristide Briand 78400 Chatou	Independent member of the Supervisory Board	Chairman of CBL Conseil	Date of most recent appointment: December 16, 2016 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2018
Alain Blancquart Hohenbühlstrasse 8152 Opfikon, Switzerland	Independent member of the Supervisory Board	Chairman and Chief Executive Officer of Sierrabolics	Date of most recent appointment: June 14, 2017 Term of office expires: at the end of the Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2019

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.

[1] Alex Brabers resigned from the Supervisory Board on April 1, 2017.

Patrick Jones
Chairman of the Supervisory Board, Chairman of the Audit Committee, Member of the Nominations, Compensation, and Governance Committee
born: 1944
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: 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
born: 1965
Nationality: French

Jean Schmitt is Managing Partner of Jolt Capital. 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 of the board of directors of Fogale Nanotech (FR), Skill&Tou (FR), Blackwood Seven (DK) and Interel (SG). He left the boards of Authentec after its sale to Apple Inc. (NASDAQ: AUTH), Myriad (SIX: MYRN), and of Heptagon after it was sold to AMS (SIX: AMS) for nearly EUR 1.3 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 the HEC business school, and is the President of the International Venture Club.

Muriel Barnéoud
Chairman of the Supervisory Board, Chairman of the Audit Committee, Member of the Nominations, Compensation, and Governance Committee
born: 1967
Nationality: French

Muriel Barnéoud 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. She is also an independent director of Akka tech. She is a board member of the ACSEL trade association (digital transformation hub) and the AFRC association (French customer relationship management association) and is also a member of the management committee for the CNAM Abbé Grégoire foundation. Muriel Barnéoud graduated from the IEP Paris (Paris Institute of Political Studies) and ENSPTT engineering schools and holds a postgraduate diploma in finance and tax.

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

Catherine Blanchet is a member of the Board and Chairman of the Audit Committee of Cohéris (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 investors. From 2009 to 2015, Catherine Blanchet worked with Ingenico (Euronext: ING), first as Investor Relations Director to raise the group's profile on the financial markets and enhance its appeal to investors, then 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).

Alain Blancquart
Member of the Supervisory Board
born: 1946
Nationality: French

Alain Blancquart is currently Chairman and Chief Executive Officer of Sierrabolics, a data analytics software company based in California. He has spent the past 40 years in high-ranking executive positions from International Vice-President to Chairman and CEO of emerging companies and established groups, including listed companies such as Micropro, Borland, Computervision, Openwave, Esmertec and Streamezzo. As Chairman and Chief Executive Officer of Esmertec, Alain oversaw a successful IPO on the Swiss market four years after the business was originally set up. His expertise in the development of start-ups, global restructuring and creation of value creation for investors is well-known. He graduated in electronic engineering from the ECP Paris engineering school in Paris.

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 no 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 Life Solutions (France) - Director - Juniper SAS (France) - Chairman	- Knowings SA (France) - Director
Jean Schmitt	- Fogale Nanotech (France) – Director - Softonic – Director - Greentropism (France) – Director - Blackwood Seven (Denmark) – Director - Skill & You (France) - Director - Interel (SG) – Director - Compagnie Financière de Haute Joux - Chairman - Jolt Capital - Chairman	- Upek/Authentec (United States) - Director - Comprove (Ireland) - Director - Heptagon (Singapore)
Patrick Schwager Jones	- Fluidigm Inc. (United States) (*) - Director - ITESoft 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

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 no longer in effect as of today (exercised by the authorized legal representative, as the case may be)
		- Joëlle Toledano (United States) (*) - chairman of the board of directors - Adionics SA (France) – Director
Muriel Barnéoud	- Sofrepost (France) - Director - Fondation CNAM Abbé Grégoire (France) – Director - La Banque Postale Assurances IARD – Director - Akka tech	- 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 - SFDOC. B (France) – permanent Docapost representative on the board of directors - 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 of the Supervisory Board - Seres (France) – Permanent representative of Docapost on the Board of Directors - Xange Capital (France) - Permanent representative of Docapost on the 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 no longer in effect as of today (exercised by the authorized legal representative, as the case may be)
		- 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, Chairman of the Board of Directors - Docapost DPS (France) – Chairman of the Board of Directors
Catherine Blanchet	- CBL Conseil – Chairman - Coheris (*) (France) - Director	
Alain Blancquart	- Sierrabolics (United States) – Chairman and Chief Executive Officer	

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 are no familial ties 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 32 to the Consolidated Financial Statements included in section 20.1 "*Historical financial information*" 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 Company's share capital.

15. COMPENSATION AND BENEFITS

Pursuant to the provisions of paragraph II of Article L. 225-100 of the French Commercial Code, the fixed, variable and exceptional components of compensation awarded or to be awarded in respect of the 2017 fiscal year to the Chairman of the Supervisory Board and members of the Management Board for the performance of their duties, as agreed by the Supervisory Board in accordance with the principles and criteria approved by the General Shareholders' Meeting of June 14, 2017, as outlined in this section, will be presented for shareholders' approval at the Shareholders' Meeting to be called to approve the financial statements for fiscal year 2017.

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 (executive corporate officer)

	Fiscal Year 2016	Fiscal Year 2017
Amedeo D'Angelo – Chairman of the Management Board		
Compensation owed for the fiscal year	€574,948	€560,004
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	€339,692	None
Total	€914,640	€560,004

	Fiscal Year 2016	Fiscal Year 2017
Richard Vacher Detournière – Member of the Management Board		
Compensation owed for the fiscal year	€365,280	€366,415
Valuation of the multi-year variable compensation paid during the fiscal year	None	None
Valuation of stock options granted in the fiscal year	€53,550	None
Valuation of shares granted free of charge in the fiscal year	€134,000	None
Total	€552,830	€366,415

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 definitive vesting of the free shares. In addition, the Management Board members had not implemented any hedges covering the stock options and free shares at the date of the Registration Document.

Table 2: Overview of the compensation of each executive corporate officer

The table below shows the compensation due to members of the Management Board of the Company for the fiscal years ended December 31, 2016 and 2017 and the compensation paid to those members for the said fiscal years.

	Fiscal Year 2016		Fiscal Year 2017	
	Due (1) due (1)	Due (1) paid (2)	Due (1) due (1)	Due (1) paid (2)
Amedeo D'Angelo – Chairman of the Management Board				
Fixed compensation (*)	€349,498	€349,498	€350,004	€350,004
Variable compensation (*)	€225,000	None	€210,000	€225,000
Multi-year variable compensation	None	None	None	None
Exceptional compensation (*)	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	None	None	None	None
Total	€574,948	€349,498	€560,004	€575,004

	Fiscal Year 2016		Fiscal Year 2017	
	Amounts due (1)	Amounts paid (2)	Amounts due (1)	Amounts paid (2)
Richard Vacher Detournière – Member of the Management Board				
Fixed compensation (*)	€169,990	€169,990	€210,000	€210,000
Variable portion (*) (3)	€195,170	€89,892	€156,415	€118,673
Multi-year variable compensation	None	None	None	None
Exceptional compensation (*)	None	None	None	None
Attendance fees	None	None	None	None
Benefits in kind*	€120	€120	€120	€120
Total	€365,280	€260,002	€366,415	€328,793

(1) For the fiscal year
(2) Over the course of the fiscal year
*(3) The variable portion includes annual profit-sharing (*intéressement*)*

(*) 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, 2017, 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	Group EBITDA target for the 2017 fiscal year
Richard Vacher Detournière	Group EBITDA target for the 2017 fiscal year

The expected level of attainment of the objectives set for executive corporate officers for variable compensation purposes was established in a precise manner. However, it is not made public for confidentiality reasons. Since the operational profitability objectives set for the 2017 fiscal year were exceeded, the capped annual variable compensation was set at 100% of the target amount.

On March 23, 2015, the Company allotted Richard Vacher Detournière 31,599 free shares vesting definitively upon satisfaction of twin continued employment and market conditions. Using the option provided for in the plan, the Management Board decided on March 22, 2018, after obtaining the prior authorization of the Supervisory Board at its meeting on March 21, 2018, on an exceptional basis and considering that it is in the Company's interest to reward and retain its key contributors, to waive the aforementioned market condition covering all 31,599 shares allotted to him, as well as for certain other grantees. Since the 3-year employment condition had been satisfied, the shares vested definitively on March 23, 2018, with the shares not transferable for a further period of 2 years from their vesting date.

Compensation of the Supervisory Board members

The General Shareholders' Meeting on June 19, 2013 decided to set the amount of attendance fees awarded to members of the Supervisory Board at 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.

Upon the decision made by the Supervisory Board, the attendance fees amounted to EUR 5,000 per quarter per person (subject to attendance requirements). In addition, the Supervisory Board decided at its meeting on December 16, 2016 to restrict the attendance fees to solely its independent members who received no separate compensation from a portfolio management company. Lastly, the Supervisory Board decided at its October 19, 2017 meeting to pay an additional sum of EUR 1,000 per quarter to the chairmen of the supervisory board and its two committees in respect to these duties.

Attendance fees and other elements of compensation paid to non-executive corporate officers over the course of the 2016 and 2017 fiscal years are distributed as shown in Table 3 below.

Table 3: Table summarizing the attendance fees and other elements of compensation paid to non-executive corporate officers

Members of the Supervisory Board	Amounts paid in respect of the 2016 fiscal year	Amounts paid in respect of the 2017 fiscal year
Patrick Schwager Jones		
Attendance fees	€40,000	€22,000
Other compensation	None	None
Jean Schmitt		
Attendance fees	€24,000	None
Other compensation	None	None
Muriel Barnéoud		
Attendance fees	€20,000	€21,000
Other compensation	None	None
Catherine Blanchet(1)		
Attendance fees	€5,000	€20,000
Other compensation	None	None
Alain Blancquart(2)		
Attendance fees	None	€14,389
Other compensation	None	None
Alex Brabers(3)		
Attendance fees	€28,000	None
Other compensation	None	None
Glenn Collinson(4)		
Attendance fees	€32,000	None
Other compensation	None	None
Joëlle Toledano(5)		
Attendance fees	€18,000	None
Other compensation	None	None
Bpifrance(6)		
Attendance fees	€21,000	None
Other compensation	None	None
Total	€188,000	€77,389

(1) Catherine Blanchet has been a member of the Supervisory Board since December 16, 2016
(2) Alain Blancquart has been a member of the Supervisory Board since June 14, 2017
(3) Alex Brabers resigned from the Supervisory Board on April 1, 2017.
(4) Glenn Collinson resigned from the Supervisory Board on October 19, 2016
(5) Joëlle Toledano resigned from the Supervisory Board on October 18, 2016
(6) Bpifrance Participations resigned from the Supervisory Board on December 16, 2016

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

None

Table 5: Stock options exercised by each executive corporate officer 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, 2017.

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

None

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, 2017.

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

Past grants of stock options (1) (2) (4)		
Information on stock options		
Date of the Shareholders' Meeting	June 26, 2014	December 16, 2016
Date of the Management Board meeting	August 28, 2014	December 16, 2016
Name of the plan	Options June 2014	Options December 2016
Aggregate number of shares that can be subscribed for by:		
Richard Vacher Detournière	*36,866*	*45,000*
Expiration date	August 28, 2024	December 16, 2026
Subscription price	€3,997	€1.91
Terms and conditions of exercise	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 for as of the filing date of this Registration Document	0	0
Aggregate number of canceled or voided stock options	0	0
Number of outstanding shares to be subscribed for as of the filing date of this Registration Document	36,866	45,000

(1) Only currently valid grants are included

(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 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)				
	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:					
Amedeo D'Angelo				*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
Vesting arrangements	vested	vested	vested	vested	in the process of vesting (2)
Aggregate number of canceled 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 currently valid grants are included*

(2) *These free shares are subject to performance conditions, as described in section 21.1.4.2*

(3) *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 capital increase of April 26, 2016.*

Table 10: Summary of the multi-year variable compensation of each executive corporate officer

None of the various executive corporate officers benefit from a multi-year variable compensation plan at 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:

Executive Corporate Officers	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 to approve 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							
Term of office will end on:	Following the Annual Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2018							

Richard Vacher Detournière is eligible for severance compensation approved by the Supervisory Board on July 26, 2017 and ratified by the General Shareholders' Meeting on June 14, 2017, 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 executed 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.

Severance compensation will be contingent 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 most recently ended fiscal years preceding the day he is terminated or resigned. If the average is:

- strictly lower than 20%, no severance compensation will be paid,
- 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 compensation 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 and the applicable collective bargaining arrangements.

It should be noted, insofar as necessary, that no severance payment will be owed in the event that the term of office of the member in question is terminated or not 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 payment) nor subject to a transfer of his work location to another country, and further assuming that such decisions were made without his consent. Severance payments will be made 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, 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 sign-on fees or severance compensation to the aforementioned 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)				
	Free shares subject to a vesting period (1)	Options June 2014	Options December 2016	Number of shares that could potentially be issued if all such rights were exercised
Amedeo D'Angelo	0			0
Richard Vacher Detournière	100,000	36,866	45,000	181,866
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	100,000	36,866	45,000	181,866

(1) For a detailed description of the terms and conditions of each of the aforementioned 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 for via the exercise of each right or in connection with the securities granting access to the share capital.

(2) Only those grants that are currently active are listed above.

(3) 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

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

15.4 Summary statement for FY 2017 transactions in excess of EUR 20,000 and involving the securities of the Company, carried out by senior 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	Financial Instrument	Transaction Type	Number of Transactions	Transaction Amount (in EUR)
Amedeo D'Angelo	OCEANE bonds	Subscription(1)	1	112,000.20
Richard Vacher Detournière(2)	OCEANE bonds	Subscription(1)	1	112,000.20
Jean Schmitt	OCEANE bonds	Subscription(1)	1	55,996.20

(1) Subscriptions to the OCEANE bonds issued by the Company in September 2017
(2) Via a holding company that it controls

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 of 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 providing for the grant of benefits, except for a service agreement between related parties entered into between Catherine Blanchet Conseil, a company controlled by Catherine Blanchet, a member of the Supervisory Board, and the Company, and presented in section 19.2 "*Related Party Agreements*" of the Registration Document. The one-year agreement covers consulting services in financial communications and investor relations.

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

Duties and activity of the two committees are presented in section 16.4 "*Report of the Supervisory Board on Corporate Governance*" of the Registration Document.

16.4 Report of the Supervisory Board on Corporate Governance

A French *société anonyme* with a Management Board and a Supervisory Board with share capital of EUR 17,647,664.80
Registered offices: rue de la Carrière de Bachasson – CS 70025 – Arteparc Bachasson – 13590 Meyreuil, France
Registered on the Trade and Companies Registry of Aix-en-Provence, France under no. 399 275 395

REPORT OF THE SUPERVISORY BOARD
ON CORPORATE GOVERNANCE

FISCAL YEAR ENDED DECEMBER 31, 2017

We hereby present our report on corporate governance prepared by the Supervisory Board in accordance with the provisions of Article L. 225-68, paragraph 6, of the French Commercial Code.

This report covers the composition of the Supervisory Board and application of the balanced gender ratio, the preparation and organization of the Supervisory Board's work in the 2017 fiscal year, and the internal control and risk management procedures implemented by the Company.

In addition, it includes all the information relevant to companies with a supervisory board stated in Article L. 225-37-3 to L. 225-37-5 of the French Commercial Code.

This report, prepared by the Company's finance department, was submitted to the Audit Committee, then approved by the Supervisory Board at its meeting of March 26, 2018.

1. OBSERVATIONS ON THE PARENT COMPANY FINANCIAL STATEMENTS AND THE MANAGEMENT

The Supervisory Board reviewed the parent company and consolidated financial statements for the fiscal year ended December 31, 2017 as submitted by the Management Board and the Management Board's management report including the Group's management report.

The Supervisory Board has no observations to make about the Management Board's management report or on the parent company and consolidated financial statements for the previous fiscal year.

2. CORPORATE GOVERNANCE

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 "comply or explain" rule

The Company aims 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 its effectiveness. 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 at this stage no general policy for granting stock options or performance shares, nevertheless the Company allocate such instruments on a case by case basis. 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 as part of the Group's strategic and operational transformation.

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 use its best efforts to ensure that it is composed of at least a majority of independent members as defined in the AFEP-MEDEF Code. Those members of the Board who do not have 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 five 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 all five of its current members are independent. Patrick Jones, Alain Blancquart, Jean Schmitt, Muriel Barnéoud, and Catherine Blanchet meet the criteria laid down 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 may be considered independent where they are not involved in controlling 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 ownership of the Company's share capital and the existence of potential conflicts of interest.

The Supervisory Board, after reviewing the Nominations, Compensation, and Governance Committee, took the view that the assignment entrusted to Catherine Blanchet Conseil, a company controlled by

Catherine Blanchet, who is a member of the Supervisory Board, and the relevant fees (see section of the Registration Document), do not compromise Catherine Blanchet's independence.

<u>Balanced Gender Ratio</u>

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 16, 2016, the Board has had two female and three male members.

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 stewardship 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 covered by Article L. 225-86 and Article L. 225-90-1 of the French Commercial Code,
- suggesting statutory auditors for nomination at the General Shareholders' meeting,
- preparing the report on corporate governance.

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

4. Preparation and organization of the work of the Supervisory Board

In order to efficiently participate in the work and deliberations of the Board, each member of the Board may request any documents he or she deems 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 condition, 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 may request training on the specific characteristics 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 all available means, 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 condition, 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 controlling the annual financial statements, including the consolidated financial statements, and reviewing the management report including the management report of the Group.

The systems 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 participate in the meeting.

Annually, the Board reviews its effectiveness and, at least once every three years, it carries out 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 involvement, in particular.

5. Compensation of the Supervisory Board and Management Board - Principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to members of the Members of the Management Board and Supervisory Board – Resolutions submitted for a vote by Shareholders

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.

The commitments given by the Company to Richard Vacher Detournière representing compensation, payments or benefits due or potentially falling due in respect of the cessation or change in their duties or subsequent thereto are stated in sections 15 "*Compensation and benefits*" of the Registration Document.

Supervisory Board

The compensation paid to members of the Supervisory Board is exclusively in the form of attendance fees. The distribution of attendance fees among 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 of June 19, 2013.

The compensation policy on attendance fees and their allocation over the course of the 2016 and 2017 fiscal years is described in table 3 of section 15.1 "*Compensation paid to Corporate Officers*" of the Registration Document.

Since 2017, the attendance fees paid annually are limited to the four independent members not separately compensated by a portfolio management company (Patrick Jones, Alain Blancquart, Muriel Barnéoud and Catherine Blanchet).

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Pursuant to Article L. 225-82-2 of the French Commercial Code, the Supervisory Board submits for approval by the General Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017 the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to members of the Management Board and of the Supervisory Board in respect of their duties in the fiscal year 2018 and representing the compensation policy for them.

In connection with the determination of the aggregate compensation of executive corporate officers, the Supervisory Board, upon a proposal made by the Nominations, Compensation, and Governance Committee, took into account the following principles, in accordance with the recommendations of §24-1 of the AFEP/MEDEF Corporate governance code of listed corporations of November 2016:

- completeness: the compensation determined must be complete. All the compensation components must be included in the overall assessment of compensation;
- balance between the compensation components: each compensation component must be clearly explained and be in the best interest of the Company;
- comparability: this compensation must be assessed in the context of a business segment and a reference market. If the market is used as a reference, it cannot be the sole point of reference since the compensation paid to an executive corporate officer should reflect the responsibilities, results obtained and work performed. It may also depend on the nature of the tasks entrusted to him/her and special circumstances (e.g. turnaround of a distressed company);
- consistency: an executive corporate officer's compensation must be determined in line with that of the company's other senior executives and employees;
- clear rules: the rules must be simple, consistent and transparent. The performance criteria used must be aligned with the company's objectives and be challenging, explicit, and sustainable, wherever possible;
- measurement: the components of compensation must be determined so as to strike the right balance and reflect the company's interests, customary market practice, and the performance of the company's senior executives and other stakeholders.

These principles and criteria, which are laid down by the Supervisory Board on the recommendation of the Nominations, Compensation, and Governance Committee, are presented below:

1. Management Board

Amedeo D'Angelo, Chairman of the Management Board:

Compensation components	Principles	Criteria used to determine
Fixed compensation	Compensation in respect of his appointment as Chairman of the Management Board determined by the Supervisory Board.	The annual gross amount of fixed compensation was set at EUR 349,498 for fiscal year 2018, unchanged compared with the 2017 fiscal year.
Annual variable compensation	The Chairman receives annual variable compensation of up to EUR 210,000, depending on whether the budget objectives	The required level of attainment for the variable compensation is set every year based on the Group's budget objectives,

	set by the Supervisory Board on the proposal of the Nominations, Compensation, and Governance Committee are reached.	which are not made public for confidentiality reasons. For 2018, half of variable compensation is based on a revenue target and the other half on an operating profitability target (EBITDA).
Exceptional compensation	The Chairman of the Management Board could be awarded exceptional compensation.	The purpose of such exceptional compensation is to reward specific performance on one or more projects with a major impact on the Company's development, such as acquisitions, mergers and a change in control.
Benefits in kind	A furnished apartment rented by the Company and located close to the registered office is available, if required.	This option has not been taken up to date by its beneficiary.
Additional pension plan	Amedeo D'Angelo is not covered by an additional pension plan.	

The Chairman may be awarded stock options and/or free shares subject to continuing term of office and performance conditions. As a reminder, Amedeo D'Angelo was granted 864,000 performance shares in 2016, with definitive vesting of some or all of these shares contingent upon satisfaction of a market condition (see appendix 11 of the 2016 management report). Since the market condition was reached, all the shares granted to Amedeo D'Angelo vested definitively on February 2, 2018.

Lastly, Amedeo D'Angelo does not receive attendance fees or any other compensation in respect of his duties within the subsidiary companies of the Company and is not eligible for a long-term, multi-year compensation mechanism (as defined in the AFEP-MEDEF Code) other than, on a case-by-case basis, the award of stock options and/or free shares subject to a condition of continued term of office or performance criteria (see above).

Richard Vacher Detournière, Member of the Management Board and an employee of the Company

The only compensation received by Richard Vacher Detournière is in his capacity as an employee:

Compensation components	**Principles**	**Criteria used to determine**
Fixed compensation	Compensation under his employment contract	The annual gross amount of fixed compensation was set at EUR 210,000 for fiscal year 2018, unchanged compared with the 2017 fiscal year.
Annual variable compensation	Compensation under his employment contract. The Chairman receives annual variable compensation of up to EUR 140,700, depending on	The required level of attainment for the variable compensation is set every year based on the Group's budget objectives, which are not made public for

	whether the budget objectives set by the Supervisory Board on the proposal of the Nominations, Compensation, and Governance Committee are reached.	confidentiality reasons. For 2018, half of variable compensation is based on a revenue target and the other half on an operating profitability target (EBITDA). The target annual gross amount of variable compensation for 2018 is unchanged compared with the 2017 fiscal year.
Non-compete clause	Non-compete clause for a 6-month period, renewable once by the Company, upon the cessation of his employment contract.	Payment of a special monthly allowance calculated in line with the French national collective bargaining agreement for metalworking sector engineers and executives.
Exceptional compensation	The Supervisory Board decided in 2017 and reiterated in 2018 that Richard Vacher Detournière would be awarded gross exceptional compensation of up to EUR 250,000 in the event of highly specific circumstances, with payment to be decided at the appropriate juncture by the Supervisory Board upon a proposal submitted by the Nominations, Compensation, and Governance Committee. Richard Vacher Detournière could also be awarded other exceptional compensation.	It should be possible to justify the amount and payment of this type of compensation by means of an event such as completion of a major transaction by the Company, which could be an acquisition, merger or a change in control.
Additional pension plan	Richard Vacher Detournière is not covered by an additional pension plan.	

Richard Vacher Detournière could claim severance compensation in the event of his departure from the Company as described in the special report of the Statutory Auditors on commitments covered by Article L. 225-90-1 of the French Commercial Code and in the Registration Document.

Richard Vacher Detournière may be awarded stock options and/or free shares subject to continued employment and performance conditions. As a reminder, Richard Vacher Detournière was granted 100,000 performance shares in 2016, with the definitive vesting of some or all of these shares contingent upon satisfaction of a market condition and 45,000 stock options (see appendix 11 of the 2016 management report).

Lastly, Richard Vacher Detournière does not receive attendance fees or any other compensation in respect of his duties within the Company's subsidiary and is not eligible for a long-term, multi-year compensation mechanism other than, on a case-by-case basis, the award of stock options and/or free shares subject to a condition of continued employment or performance criteria (see above).

Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from implementation of the principles and criteria laid out above in respect of Amedeo D'Angelo and Richard Vacher Detournière will be submitted for shareholders' approval at the General Shareholders' Meeting called to approve the financial statements for the fiscal year 2018, and payment of the variable compensation will be contingent upon said meeting's approval.

2. Members of the Supervisory Board

The Supervisory Board members receive attendance fees in an amount decided by the Supervisory Board (up to the amount of the overall allocation agreed by the General Shareholders' Meeting) and the principles laid down by the Supervisory Board, according to their attendance rate and the time they devote to their duties, including, where appropriate, on the committees established by the Supervisory Board.

The members of the Supervisory Board may also receive compensation in respect of specific duties with which they may be entrusted by the Supervisory Board and laid down in regulated agreements to be submitted for approval of the General Shareholders' Meeting as related party agreements.

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We propose that you approve the principles and criteria as presented hereinabove and the corresponding resolutions submitted for your approval to this end, the text of which is presented below:

"Eighth resolution

Approval of the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to Alain Blancquart in respect of his duties as a member of the Supervisory Board during the fiscal year 2018

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority voting requirements,

apprised of the Supervisory Board's report prepared pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code,

***approves** the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type presented in the aforementioned report and attributable in respect of the fiscal year 2018 to Alain Blancquart in respect of his duties as a member of the Supervisory Board as stated in the aforementioned report.*

Ninth resolution

Approval of the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to Jean Schmitt in respect of his duties as a member of the Supervisory Board during the fiscal year 2018

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority voting requirements,

apprised of the Supervisory Board's report prepared pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code,

***approves** the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type presented in the aforementioned report and attributable in respect of the fiscal year 2018 to Jean Schmitt in respect of his duties as a member of the Supervisory Board as stated in the aforementioned report.*

Tenth resolution
Approval of the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to Catherine Blanchet in respect of her duties as a member of the Supervisory Board during the fiscal year 2018

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority voting requirements,

apprised of the Supervisory Board's report prepared pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code,

***approves** the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type presented in the aforementioned report and attributable in respect of the fiscal year 2018 to Catherine Blanchet in respect of her duties as a member of the Supervisory Board as stated in the aforementioned report.*

Eleventh resolution
Approval of the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to Murielle Barnéoud in respect of her duties as a member of the Supervisory Board during the fiscal year 2018

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority voting requirements,

apprised of the Supervisory Board's report prepared pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code,

***approves** the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type presented in the aforementioned report and attributable in respect of the fiscal year 2018 to Murielle Barnéoud in respect of her duties as a member of the Supervisory Board as stated in the aforementioned report.*

Twelfth resolution
Approval of the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to Amedeo D'Angelo during the fiscal year 2018,

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority voting requirements,

apprised of the Supervisory Board's report prepared pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code,

***approves** the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type presented in the aforementioned report and attributable in respect of the fiscal year 2018 to Amedeo D'Angelo as stated in the aforementioned report.*

Thirteenth resolution

Approval of the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type attributable to Richard Vacher Detournière during the fiscal year 2018,

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority voting requirements,

apprised of the Supervisory Board's report prepared pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code,

***approves** the principles and criteria used to determine, award and allot the fixed, variable and exceptional components together making up the total compensation and benefits of any type presented in the aforementioned report and attributable in respect of the fiscal year 2018 to Richard Vacher Detournière in return for his duties as a member of the Management Board and his employment contract, as stated in the aforementioned report."*

6. Report on the activity of the Board and its committees over the course of the 2017 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 90%.

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 investors, is to monitor all issues associated with preparing and controlling 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 failures,
  - to review the annual work plan of the auditors,
  - to assess the relevance of the risk monitoring procedure,
- to monitor the statutory audit 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 parent company 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 condition, cash position, and commitments of the Company, in particular off-balance sheet data,
  - to assess the merits of the choice of 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 control 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 their compensation,
- to monitor the status of independence of the Statutory Auditors and, in particular:
  - to suggest the setting of rules under which the Statutory Auditors may perform non-audit work in order to guarantee the independence of the statutory audit 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 the Statutory Auditors to perform non-audit assignments,
- 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 controls carried out internally, to issues surrounding the audit 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),
- Catherine Blanchet (financial expert, independent member of the Supervisory Board), and
- Jean Schmitt (financial expert, independent member of the Supervisory Board),

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

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 and/or control of the financial statements (Chief Financial Officer and senior executives in financial management).

The Audit Committee interviews the Statutory Auditors.

The Audit Committee met 5 times over the course of the 2017 fiscal year with an attendance rate of 87%. In 2017, the Committee paid particular attention to the impact of applying new accounting standards, including IFRS 15, above and beyond the powers presented above.

6.2 Nominations, Compensation, and Governance Committee

At its meeting on October 19, 2016, the Supervisory Board decided to merge the Compensation Committee with the Nominations 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 on 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 Supervisory Board's effectiveness, and
- develop and recommend to the Supervisory Board the corporate governance principles applicable to the Company.

The Nominations, Compensation, and Governance Committee is, in particular, responsible for the following:
- with respect 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:
  - Develop and submit for 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, 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 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 it.

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:

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

As part 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.

The Nominations, Compensation, and Governance Committee met 3 times over the course of the 2017 fiscal year with an attendance rate of 93%.

7. Related party agreements - Agreements between an executive officer or a significant shareholder of the Company and a subsidiary

The General Shareholders' Meeting, which is called to approve the financial statements for the fiscal year now ended, based on the special report of the Statutory Auditors on the agreements covered by Article L. 225-86 *et seq.* of the French Commercial Code.

During the fiscal year now ended, an agreement was entered into with Catherine Blanchet Conseil under the terms outlined in the special report of the Statutory Auditors, authorized by the Supervisory Board of October 19, 2017 and amended by the Supervisory Board at its meeting on December 19, 2017.

No further agreements have been entered into since the end of said fiscal year.

In addition, over the course of the 2017 fiscal year, no agreement was signed between an executive officer of the Company or a significant shareholder of the Company and a subsidiary.

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

8.1 General risk management principles

A) Definition

Risk management aims to identify all 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 crucial management tool that helps a Company to:

- create and maintain the value, assets, and reputation of the Company,
- provide added security for the decision-making and processes of the Company in order to promote the attainment of objectives,
- promote consistency between actions and the values 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 as follows:

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
- Leading research and development projects throughout their course.

Accounting plans of action:

- Recognition of revenue only when the amount of revenue can be assessed reliably, when there is a probability that future economic benefits will flow to the Group and that the criteria specific to each of the Group's types of income are met;
- Internal costs incurred on development projects are not capitalized insofar as the capitalization criteria are hard to meet;
- Recognition of grant funding on the income statement only when a definitive confirmation of the grant is received;
- Systematic monitoring of impairment indicators for fixed assets (with cash flow projections assuming that products have a 5-7 year life and factoring a risk premium into the discount rates); and
- Assessment of the probability of recovering deferred tax assets based on, in particular, future taxable profit forecasts (this assessment takes into account the Group's past history of taxable income).
- Application of the new accounting standards – including IFRS 15 from January 1, 2018

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 application 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 full consolidation 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-cap companies published by the French *Autorité des marchés financiers* on November 18, 2013.

Participants in 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 oversight

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 75 key controls during its most recent review in November 2017. 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 chart of accounts to improve the traceability of information and create audit trails;
- a tool to monitor research and development projects that tracks, on a project basis, the time spent by researchers on each project and the costs incurred in connection with each project.

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 full consolidation method.

8.5 Corporate bodies responsible for risk management and internal control

The Management Board of the Company is responsible for identifying and addressing key 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 reference framework 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 audit 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 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 preparation and control 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 2017, the Company adapted its internal control system following the rapid growth in its business during 2016. The goal was to bring it into line with its business now refocused on software and IP licensing.

9. 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 Bylaws, 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 Bylaws, 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 carry 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 Bylaws.

10. Elements that could have an impact in the event of a public offering

See sections 18.3 and 18.7.9 of this Registration Document.

11. Table summarizing currently valid delegations of authority and powers granted by the General Shareholders' Meeting to the Management Board to increase the share capital and the use made of such delegations during the fiscal year now ended

See section 21.1.5 of this Registration Document.

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16.5 Report of the Statutory Auditors on the report of the Supervisory Board's Report on corporate governance

The Statutory Auditors' statement on the report of the Supervisory Board's Report on corporate governance is included in the report on Inside Secure's parent company financial statements contained in Appendix 2 of the Registration Document.

17. EMPLOYEE MATTERS

17.1 Corporate information

17.1.1 Employees

As of December 31, 2017, the Company had 165 employees (of whom 5 were employed under temporary fixed-term employment contracts), compared with 158 employees as of December 31, 2016 and 291 employees as of December 31, 2015.

At the end of the periods in question, the Group's headcount changed as follows:

Per function	December 31, 2015	December 31, 2016	December 31, 2017
Senior management and support functions	50	29	26
Research and development	167	87	95
Sales & Marketing	74	42	44
Total	291	158	165

Per country (*)	December 31, 2015	December 31, 2016	December 31, 2017
France	*141*	*37*	*25*
Scotland	*41*	*31*	*32*
Netherlands	*37*	*37*	*37*
Finland	*28*	*28*	*34*
Singapore	*5*	*0*	*0*
South Korea	*5*	*2*	*2*
Taiwan	*7*	*6*	*5*
Japan	*4*	*4*	*5*
United States	*23*	*13*	*25*

(*) 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 and that an employee working for a subsidiary in the Netherlands conducts his activities in Sweden.

<u>Gender breakdown</u>

		December 31, 2017
Women	France	10
	Outside of France	16
Men	France	15
	Outside of France	124
Total		165

Based on an employee base of 165 employees as of December 31, 2017, the percentage of women was 15.76%. This gender distribution is mainly due to the types of professions represented within the Group, which historically have been dominated by the male population.

Breakdown by age bracket

	Less than 30 years	Between 30 and 40 years	Between 40 and 50 years	Over 50 years
France	2	8	12	3
Outside of France	8	30	67	35
Total	10	38	79	38

The Group's employees have an average age of 44.5 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 23%. In France as a whole, the rate stands at 12%.

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 12 persons as of December 31, 2015, 5 persons as of December 31, 2016, and 5 persons as of December 31, 2017.

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 28 persons in 2017, including 3 in France. Of all the employees who joined the Group in 2017, 78.6% of them were recruited with permanent "open term" employment contracts (*contrat à durée indéterminée*, or "CDI"). Five employees were hired on fixed-term contracts.

What's more, the Group completed two acquisitions of businesses and activities in 2017, which added 19 new employees to its headcount in 2017, which increased the number of additional jobs generated by Inside Secure's business activities to 47.

In addition, over the course of the 2017 fiscal year, 40 persons left the Group:

- 3 employees were transferred to the WISeKey group in connection with the sale of the semiconductor business (3 employees outside France, with the French employees transferred in 2016)
- 1 employee was dismissed under the *plan de sauvegarde de l'emploi* (redundancy plan) of 2016, with this employee's departure delayed until after the 2016 departures,
- 20 employees of the Group resigned,
- 7 employees were dismissed individually, and
- 9 mutually agreed employment contract terminations (*rupture conventionnelle*) took place in France.

Wages and salaries
Wages and salaries (social charges included) recorded by the Group in the 2017 fiscal year amounted to US$ 22,160 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 2017 fiscal year were based on reaching a target operating margin in the 2017 fiscal year and on reaching five targets linked to 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:

- an additional health insurance plan to the general social security plan. In 2012, the supplementary healthcare plan was overhauled. As a result, the Group's management incurred a larger portion of contributions to this plan;
- a plan protecting employees against life's mishaps: work interruption, disability, or death. 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 plan provides for capital payment to the beneficiary's spouse and an educational stipend for each dependent child;
- In order to help its employees buy a home, the Company became a member of the organization responsible for managing the 1% employer's contribution (employer loan offering employees a 1% interest rate for the acquisition or construction of a 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 earn 0.62 days of overtime per month, or a total of 6.82 days per year.

As of December 31, 2017, 9.15% of the Group's employees work part-time.

Skills management

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 classified each job and each contribution level in the organization. It highlights career paths within the sector and across sectors, horizontal and vertical, and between expertise and management. The approach covers all the Group's employees, excluding corporate officers. It is used for all job positions, in all countries. It 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 compensation 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, fair pay management, and market competitiveness. Although it is constantly changing as the company further develops, it provides the general guidelines for its compensation policy and employment benefits of the Group.

Absenteeism

Absenteeism is fairly low – below the national averages for the Group's business sector (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 2017, the aggregate absenteeism rate in Europe (including illness and work-related or traveling injuries) totaled 2.28%. In France it is equal to 2.82%. 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 consisting of 4 permanent members and 4 alternates. The most recent elections took place in September 2015 and interim elections took place in January 2017 to fill vacancies. All the elected members of the works council belong to the FO labor union.

Review of collective bargaining agreements

Over the course of the 2017 fiscal year, a collective bargaining agreement was signed with Inside Secure's employee representative bodies:

- *Avenant à l'accord d'intéressement du 22 juin 2015* (Amendment to the Incentive Agreement dated June 22, 2015 signed on June 26, 2017) – The purpose of this amendment is to define the terms and conditions for calculating the incentive-based compensation for the 2017 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 CHSCT members to comply with the requirement for and guarantee good working conditions for 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	
	2016	2017	2016	2017
Number of work-related injuries with lost time	0	0	0	0
Number of work-related injuries without lost time	1	0	1	0
Number of injuries while commuting	0	0	0	0
Number of cases of work-related illnesses		0	0	0
Frequency rate	5.39	0	5.59	0
Injury severity rate	0.03	0	0.03	0

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 specific requirements of the markets in which the Company is established. 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 top 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 2017, 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*) selected pursuant to calls for tenders. They then become true partners with which the Group works closely to help meet its knowledge acquisition and skills development needs. 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. That's why the Company intends to gradually implement a process enabling trainers to evaluate interns based on the knowledge they acquire.

Number of training hours

In Europe, over the course of the 2017 fiscal year, the Company offered 634 hours of external training.

Following the *plan de sauvegarde de l'emploi* (redundancy plan) implemented in France in 2016, the Company also paid for 3,464 hours of external training for these dismissed employees from 2016 to 2018.

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 to the same extent.

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, 2017 (does not include seniority bonuses):

Women		Men	
Executives	Non-executives	Executives	Non-executives
68,456	35,272	86,529*	35,595

** excludes compensation paid to the Chairman of the Management Board (corporate officer without an employment contract)*

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 Company's share capital awarded to the top ten employee beneficiaries who are not corporate officers, and stock options exercised by such beneficiaries

Over the course of the past three fiscal years and from January 1, 2018 to the filing date of this Registration Document, the Company granted 1,605,000 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 "Rights").

	2015		2016		2017		From January 1, 2018 through to the filing date of the Registration Document	
	Options	Free shares	Options	Free shares	Options	Free shares	Options	Free shares
Date of the Shareholders' Meeting		June 26, 2014	December 16, 2016	December 16, 2016	December 16, 2016	-	-	-
Date of the Management Board meeting		March 23, 2015	December 16, 2016	December 16, 2016	April 24, 2017 & October 19, 2017	-	-	-
Number of Rights awarded to the ten Group employees who received the highest number (aggregate number)		128,499	1,060,000	471,000	545,000	-	-	-
Total number of Rights exercised/taken up/acquired ten Group employees who exercised/taken up/acquired the highest number		12,500	0	10,533	73,394	-	-	-

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
Amedeo D'Angelo(2)	1,173,000	28,718 (2)	1,201,718
Richard Vacher Detournière(2)	171,199	210,584 (2)	381,783
Patrick Schwager Jones	4	0	4
Jean Schmitt	2,034	14,358 (2)	16,392
Muriel Barnéoud	0	0	0
Catherine Blanchet	4,200	0	4,200
Alain Blancquart	0		
Total	1,350,437	253,660	1,604,097

(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 for following the exercise of each of these securities or other rights granting access to the Company's share capital.

(2) Including conversion of the OCEANE bonds held at the filing date of the Registration Document.

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, 2017, the employee shareholding in the Company, calculated in accordance with the provisions of Article L. 225-102 of the French Commercial Code (i.e. any shares held under 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.

At the reporting date and to the best of the Company's knowledge, the employees and senior executives held 5.99% of the share capital following the definitive vesting of free shares.

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 Ownership of the share capital and voting rights

Please refer to the table in section 21.1.7.2. "*Changes in the ownership of the Company's share capital since December 31, 2015*" of this Registration Document.

18.2 Major shareholders not represented on the Supervisory Board

Please refer to the table in section 21.1.7.2. "*Changes in the ownership of the Company's share capital since December 31, 2015*" 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 no. 2014-384 dated March 29, 2014, aimed at "regaining control over the real economy", introduced a double voting right *ipso jure*, unless specified to the contrary in the Bylaws, for any fully paid-up shares held in registered form and under the name of the same shareholder 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 held in registered form and under the same name for at least two years.

18.4 Control of the Company

As of the filing date of this Registration Document, the Company does not have a controlling shareholder in the meaning of Article 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 Disclosures required under Article L. 225-103 of the French Commercial Code

18.7.1 Capital structure of the Company

Please refer to the table in section 21.1.7.2. "*Changes in the ownership of the Company's share capital since December 31, 2015*" of this Registration Document.

18.7.2 Restrictions in the Bylaws on the exercise of voting rights and share transfers or clauses disclosed to the Company pursuant to the terms of Article L. 233-11 of the French Commercial Code

None.

18.7.3 Directly or indirectly held interests in the Company of which the latter has knowledge, pursuant to the terms of Article L. 233-7 and Article L. 233-12 of the French Commercial Code

Please refer to the table in section 21.1.7.2. "*Changes in the ownership of the Company's share capital since December 31, 2015*" 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 Control procedures provided for in the event of a potential employee shareholding structure, when such control 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 control rights.

18.7.6 Agreements 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 "*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, the holders of bonds convertible into new shares and/or exchangeable for existing Inside Secure shares (OCEANE bonds) issued in June and September 2017 possess a surrender right in the event of a change in control of the Company according to the provisions laid down in the terms and conditions of said convertible bonds.

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

Recharging 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 recharge 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 33 to the Consolidated Financial Statements included in section 20.1 "*Historical Financial Information*" of this Registration Document.

In addition, a regulated agreement was authorized by the Supervisory Board on October 19, 2017 and amended on December 19, 2017 on the recommendation of the Nominations, Compensation, and Governance Committee with Catherine Blanchet Conseil, a company controlled by Catherine Blanchet, an independent member of the Company's Supervisory Board. The one-year agreement covers consulting services in financial communications and investor relations. In 2017, the amount invoiced came to EUR 14,000.

20. FINANCIAL INFORMATION

20.1 Historical financial information

Consolidated income statement

In thousands of US$	Note	Year ended December 31, 2017 (*)	2016
Revenue	**7**	**38,816**	**49,944**
Cost of sales		(3,262)	(8,951)
Gross profit		**35,554**	**40,993**
Research and development expenses	24	(12,674)	(15,257)
Selling and marketing expenses		(12,608)	(11,348)
General and administrative expenses		(7,270)	(8,058)
Other gains / (losses), net	25	(1,357)	(4,216)
Operating income		**1,645**	**2,114**
Finance income / (loss), net	28	(1,879)	(684)
Income / (loss) before income tax		**(234)**	**1,430**
Income tax expense	29	(564)	(1,695)
Net income/(loss) from continuing operations		(798)	(265)
Net income/(loss) from discontinued operations		(278)	12,609
Consolidated net income / (loss)		**(1,076)**	**12,344**
Attributable to:			
Equity holders of the Company		(1,076)	12,344
Non-controlling interest		-	-
Earnings per share (in US$)	**30**		
Basic earnings per share		(0.02)	0.30
Diluted earnings per share		(0.02)	0.30
Basic earnings from continuing operations per share		(0.02)	(0.01)
Diluted earnings from continuing operations per share		(0.02)	(0.01)
Basic earnings from discontinued operations per share		(0.01)	0.31
Diluted earnings from discontinued operations per share		(0.01)	0.31

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

Consolidated statement of comprehensive income

In thousands of US$	**Year ended December 31,**	
	2017 (*)	**2016**
Consolidated net income/(loss)	(1,076)	12,344
Actuarial gain / (loss) on retirement benefit obligations	(6)	(342)
Non-reclassifiable components of other comprehensive income	**(6)**	**(342)**
Financial instrument fair value changes	315	(68)
Currency translation differences	(165)	(2,920)
Reclassifiable components of other comprehensive income	**150**	**(2,988)**
Other comprehensive income / (loss) for the year, net of tax	145	(3,330)
Of which other comprehensive income related to discontinued activity	-	*(603)*
Total comprehensive income / (loss) for the year	**(931)**	**9,013**
Attributable to:		
Equity holders of the Company	(931)	9,013
Non-controlling interest	-	-
Total comprehensive income / (loss) for the year	**(931)**	**9,013**

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

Consolidated balance sheet – Assets

In thousands of US$	Note	December 31, 2017 (*)	December 31, 2016
Goodwill	8	29,563	18,773
Intangible assets	9	8,478	6,534
Property and equipment		1,269	1,523
Other receivables	14	1,676	5,361
Non-current assets		**40,986**	**32,191**
Inventories		219	65
Trade receivables	12	15,531	8,630
Other receivables	14	3,390	4,845
Bonds redeemable in shares	13	-	11,648
Derivative financial instruments	11	215	90
Cash and cash equivalents	15	45,874	27,081
Current assets		**65,230**	**52,358**
Total assets		**106,216**	**84,549**

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

Consolidated balance sheet – Equity and Liabilities

In thousands of US$	Note	December 31, 2017 (*)	December 31, 2016
Ordinary shares	18	22,056	22,023
Share premium	18	228,209	228,029
Other reserves	20	13,385	12,493
Retained earnings	20	(195,738)	(211,218)
Income / (loss) for the year		(1,076)	12,344
Equity attributable to equity holders of the Company		**66,836**	**63,670**
Non-controlling interests		-	-
Total equity		**66,836**	**63,670**
Financial instruments - Non-current portion	11	4,759	-
Convertible bonds - Long term	20	13,970	-
Financial debts - Long term	20	575	128
Other debts	5	3,000	-
Provisions for other liabilities and charges - Long term	25	284	336
Non-current liabilities		**22,589**	**464**
Financial instruments - Current portion	11	-	193
Trade and other payables	19	8,779	11,524
Financial debts - Short term	20	382	670
Provisions for other liabilities and charges - Short term	22	4,084	4,308
Deferred income	23	3,547	3,719
Current liabilities		**16,791**	**20,414**
Total liabilities		**39,380**	**20,878**
Total equity and liabilities		**106,216**	**84,549**

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

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, 2016	**18,218**	**226,518**	**15,250**	**(211,218)**	**48,767**	**-**	**48,767**
Profit / (loss) for the year	-	-		12,344	12,344	-	12,344
Total other comprehensive income	-	-	(3,330)		(3,330)	-	(3,330)
Share-based payments	-	-	627	-	627	-	627
Exercise of stock options and/or definitive allotment of shares	5	-	-	-	5	-	5
Treasury shares	-	-	(53)	-	(53)	-	(53)
Equity financing (note 17)	3,800	1,511	-	-	5,311	-	5,311
Balance at December 31, 2016	**22,023**	**228,029**	**12,493**	**(198,875)**	**63,670**	**-**	**63,670**
Balance at January 1, 2017	**22,023**	**228,029**	**12,494**	**(198,875)**	**63,670**	**-**	**63,670**
First implementation of IFRS15 (note 2.1.2)	-	-	-	3,137	3,137	-	3,137
Profit / (loss) for the year	-	-	-	(1,076)	(1,076)	-	(1,076)
Total other comprehensive income	-	-	145	-	145	-	145
Share-based payments	-	-	520	-	520	-	520
Exercise of stock options and/or definitive allotment of shares	32	180	-	-	212	-	212
Treasury shares	-	-	227	-	227	-	227
Balance at December 31, 2017 (*)	**22,055**	**228,209**	**13,385**	**(196,814)**	**66,835**	**-**	**66,835**

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

Consolidated cash flow statement

In thousands of US$	Notes	Year ended December 31, 2017 (*)	2016
Income / (Loss) for the year		**(1,076)**	**(265)**
Adjustments for:			
Amortization of intangible assets	9	3,292	3,997
Depreciation of tangible assets		194	1,189
Impairment of receivables	12	78	(136)
Finance income, net		1,879	684
Share-based payment expenses		520	627
Change in retirement benefit obligation		(172)	(793)
Income tax		564	1,694
Variation in provisions for risks	22	(131)	828
Cash generated by / (used in) continuing operations		**5,148**	**7,824**
Cash generated by / (used in) discontinued operations		**-**	**(3,766)**
Cash generated by / (used in) operations before changes in working capital		**5,148**	**4,058**
Changes in working capital:			
Inventories		(154)	41
Trade receivables	12	(2,251)	(1,557)
Other receivables	14	(648)	(194)
Research tax credit and grants	14	2,392	2,915
Trade and other payables	19	(1,312)	1,160
Other payables		(2,086)	(1,911)
Cash generated by / (used in) changes in working capital from continuing operations		**(4,059)**	**454**
Cash generated by / (used in) changes in working capital from discontinued operations		**2,500**	**6**
Cash generated by / (used in) changes in working capital		**(1,559)**	**460**
Cash generated by / (used in) operations		**3,589**	**4,518**
Interest received, net		(579)	(95)
Income tax paid		(533)	(194)
Net cash generated by / (used in) operating activities		**2,477**	**4,229**
Cash flows from investing activities			
Cash received in relation to the sale of the semi-conductor activity		11,202	-
Business acquisition, net of cash acquired - Meontrust	5	(4,814)	-
Business acquisition, net of cash acquired - SMI	5	(7,000)	-
Purchases of tangible assets		(250)	(164)
Purchases of intangible assets	9	-	(32)
Cash flows used in investing activities from discontinued operations		-	2,082
Net cash generated by / (used in) investing activities		**(862)**	**1,886**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	16	212	5,311
Convertible bonds	20	17,260	-
Repayable advances	20	(250)	(273)
Principal repayment under finance lease		-	(346)
Treasury shares		-	(54)
Net cash generated by financing activities		**17,222**	**4,638**
Net increase / (decrease) in cash and cash equivalents		**18,837**	**10,753**
Cash and cash equivalents at beginning of the year		27,081	16,434
Effect of exchange rate fluctuations		(44)	69
Effect of exchange rate fluctuations on discontinued operations		-	(175)
Cash, cash equivalents at end of the year		**45,874**	**27,081**

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

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") develop and sell embedded software and intellectual property components that provide security to transactions, content, and digital identity.

Shares in the Company are listed on the Euronext exchange main market in Paris 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 21, 2018.

Sale of the semiconductor business in 2016

On September 20, 2016, the Company completed the sale of its semi-conductor business. The scope of the transaction included the sale of certain products, technologies, customer agreements and certain patents. More generally, the scope corresponded to the semiconductor activity of Inside Secure based on the Internet of things, anti-counterfeiting, trademark protection, EMV smart payment cards and secured access.

In accordance with IFRS 5, this activity is presented within "discontinued operations".

Bonds convertible into WISeKey shares

As part of the sale of its semiconductor activity to WISeKey, the Company was granted as part of the sale price bonds redeemable in WISeKey International Holding LTD shares for an amount of 11.0 million Swiss francs (US$ 11.3 million). These bonds could be converted into WISeKey freely tradeable shares after a period of 2 months after their granting date, at a 10% discount on the volume weighted average price of the fifteen trading days prior to the date of conversion. During 2017 all bonds were converted into shares which were sold on the market for US$ 11.2 million (see note 13).

Bonds convertible into Inside Secure shares

On June 29 and September 5, 2017, in order to enhance its financial capacity and flexibility to contemplate acquisitions to further enrich its offer in terms of technology, productions and solutions related to software security, the Company issued bonds convertible into and/or exchangeable for new or existing Inside Secure shares (Convertible Bonds) for a nominal amount of US$ 17.5 million net of issuance costs (see note 20).

Acquisition of Meontrust

On August 28, 2017, the Group acquired 100% of the shares of Meontrust, a Finland-based cybersecurity emerging-growth company, for a price of € 4.0 million (US$ 4.8 million) settled in cash, with a possible contingent consideration that could reach up to € 1.0 million (US$ 1.2 million) (see note 5).

This acquisition is a significant step in accelerating the deployment of Inside Secure strategy:

- Meontrust's unique strong authentication technology reinforces and complements Inside Secure's comprehensive solutions in mobile banking & payment and digital content protection;

- It strengthens Inside Secure's portfolio of products to address the significant market opportunity of PSD2 (European Directive on payment services).

This acquisition offers short-term upselling opportunities with Inside Secure's current customers.

Acquisition of SypherMedia International's assets

On November 6, 2017, the Company acquired the assets of California-based company SypherMedia International, Inc. ("SMI") and took over its employees for a price of US$7.0 million settled in cash, with a possible contingent consideration that could reach up to US$3.0 million (see Note 5).

SypherMedia is a key player in embedded security from product design to product life cycle management. SypherMedia's secure provisioning solution, a critical piece of a robust root-of-trust solution, is used by many leading chipmakers and consumer electronics manufacturers to address the critical security needs in the automotive, IoT, mobile, and smart TV markets.

Today, SypherMedia serves more than sixty customers worldwide, based on a licensing model, a significant portion of the revenues being recurring.

This acquisition is a significant step in the execution of Inside Secure's growth strategy to bring security at the heart of its customer products and solutions. It brings in particular:

- A widely-deployed secure provisioning capability to enable managing the root of trust of a device through its entire life cycle, complementing existing portfolio of silicon IP cores;
- A unique, foundational, patent-protected chip anti-counterfeiting technology to address growing security challenges, in particular tampering, IP theft, reverse engineering and cloning;
- An extension of the company's security-as-a-service offerings across the complete value chain, from chip manufacturing, to device manufacturing, to in-field services; and
- Short-term upselling opportunities with Inside Secure's current customers.

2. Summary of significant accounting principles

The main 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

In accordance with IAS 21 § 38, the Group has elected to present its consolidated financial statements in US Dollars ("US$"). 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 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, 2016 and 2017:

Dollar / Euro	**2016**	**2017**
Closing	1.0541	1.1993
Average	1.1066	1.1293

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, 2017 are consistent with those of the previous financial year, except for the following:

Standards, amendments and interpretations which are not effective for the financial year beginning January 1, 2017 but which the Company elected to early adopt

- IFRS 15, Revenue from contracts with customers - Mandatory as of January 1, 2018

2017 revenue and net income were prepared in accordance with IFRS 15 "Revenue from contracts with customers", which is mandatory as of January 1, 2018. The Company elected to early adopt this standard, in particular so that its 2018 results would be directly comparable with those of 2017. As permitted by the standard, net income in 2016 has not been restated and is presented as published. The cumulative impact of the new application of the standard has been presented in equity as at January 1, 2017. The Company did not apply the simplification measures proposed by the standard related to the transition.

The impact of the first application of IFRS 15 on 2017 revenue and cost of sales and on equity as at January 1, 2017 can be analyzed as follows:

In thousands of US$	**Revenue 2017**	**Cost of sales 2017**	**Equity as at January 1, 2017**
Variable royalties based on sales made by customers	781	-	2,490
Fixed royalties	(40)	95	647
Software requiring specific development	(525)	130	-
Total	**216**	**225**	**3,137**

The implementation of IFRS 15 modified certain revenue recognition principles of the Company:

Royalties relate to revenue from technology licensed to certain customers of the Group, and can be fixed and/or variable. In accordance with IAS 18, 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 mostly relies on notifications received from customers, which are generally transmitted during the quarter following delivery of products or software by Inside Secure's customers. In accordance with IFRS 15, fixed royalties are recognized when the performance obligation has been achieved at the time of transfer of control, which corresponds to the transfer to the client of the right of use. In accordance with the standard, regarding variable royalties based on sales made by customers, revenue is recognized when the sale has been made by the customer. At each closing date, the Company assesses the sales volume and the royalties without waiting for the periodical confirmations sent by the customers.

In accordance with IAS 18, revenue corresponding to the sale of licenses for software that require specific development (less than 5% of revenue) 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 stage of progress towards completion is measured based on actual costs incurred relative to total estimated costs. In accordance with IFRS 15, revenue must be recognized based on the percentage of completion method if the contracts meet certain criteria, including a payment entitlement for services rendered at a given date. Otherwise, revenue is recognized upon completion. In light of the existing agreements with customers as at December 31, 2017, according to IFRS 15 revenue must be recognized upon completion (there were no ongoing contracts requiring specific developments as at December 31, 2017).

The implementation of IFRS 15 leads to an overall acceleration of revenue recognition when compared to IAS 18. Please note that these restatements had no effect on income tax, given the tax situation of the Company.

Had the Group elected to present its 2017 results in accordance with IAS 18, the income statement and the balance sheet would have been as follows:

In thousands of US$	Year ended December 31,		
	2017	2017	2016
	IFRS 15	IAS 18	reported
Revenue	**38,816**	**38,600**	**49,944**
Cost of sales	(3,262)	(3,487)	(8,951)
Gross profit	**35,554**	**35,113**	**40,993**
Operating income	**1,645**	**1,207**	**2,114**
Finance income / (loss), net	(1,879)	(1,879)	(684)
Income / (loss) before income tax	**(234)**	**(672)**	**1,430**
Income tax expense	(564)	(564)	(1,695)
Net income/(loss) from continuing operations	(798)	(1,236)	(265)
Net income/(loss) from discontinued operations	(278)	(278)	12,609
Consolidated net income/(loss)	**(1,076)**	**(1,514)**	**12,344**

	December 31,		
	2017	2017	2016
In thousands of US$	IFRS 15	IAS 18	reported
Total non-current assets	**40,986**	**40,986**	**32,191**
Inventories	219	89	65
Trade receivables	15,531	12,179	8,630
Other receivables	3,605	3,605	16,583
Cash and cash equivalents	45,874	45,882	27,081
Total current assets	**65,230**	**61,755**	**52,358**
Total assets	**106,216**	**102,741**	**84,549**

In thousands of US$	December 31, 2017 IFRS 15	2017 IAS18	2016 reported
Total Equity	**66,836**	**63,261**	**63,670**
Non-current liabilities	**22,589**	**22,589**	**464**
Trade and other payables	8,779	8,783	11,524
Other financial debts and provisions	4,465	4,465	5,171
Deferred income	3,547	3,643	3,719
Current liabilities	**16,791**	**16,891**	**20,414**
Total equity and liabilities	**106,216**	**102,741**	**84,549**

The impact on equity as at January 1, 2017 broken down by balance sheet accounts is as follows:

In thousands of US$	Equity as at January 1, 2017
Invoices to be issued - Variable royalties	2,490
Invoices to be issued - Fixed royalties	155
Deferred revenue - Fixed royalties	587
Trade payables - Fixed royalties	(95)
Total	**3,137**

Standards, amendments and interpretations which are not effective for the financial year beginning January 1, 2017 and which have not been early adopted by the Group:

- IFRS 9, Financial instruments – Mandatory as of January 1, 2018

The Group analyzed its financial assets and liabilities and concluded that (i) the transition to this new classification and the valuation of the model in accordance with IFRS 9 will have no significant impact, and that (ii) a limited impact could be observed on the valuation of accounts receivable. The impact of the new model of depreciation has not yet been calculated in detail. In terms of hedge accounting, the Group has yet to evaluate the advantages of adopting this new IFRS model, which could lower the volatility of gains on losses related to foreign currencies.

- IFRS 16, Leases – Mandatory as of January 1, 2019

The Group has not yet assessed the impact of IFRS 16. As a reminder, the commitments linked to leasing agreements amounted to US$ 3,765 thousand as at December 31, 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 one core business, formerly called "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

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 in a single operating segment 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 the single cash-generating unit for the purpose of impairment testing.

(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 items ''Cost of sales'' or "Research and development" depending upon the existence of a commercial activity at the date of acquisition.

(c) Acquired patented technologies

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 items ''Cost of sales'' or "Research and development" depending upon the existence of a commercial activity at the date of acquisition.

(d) Customer relationships

Customer relationships were acquired as part of a business combination (see Note 5). They are accounted for at their fair value at acquisition date and amortized on a straight-line basis according to the projected cash flows from the related contracts over their estimated useful lives.

(e) 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.

(f) 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.

2.7 Property and equipment

The Group rents premises in France, Europe, Asia and the United States under operating leases.

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 equipment	1 to 3 years
Production equipment and R&D	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.

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. Following these sale of its semiconductor activity, the Group is organized around one operating division (see Note 6) and has determined that this division 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 Classification

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

2.10 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 11. 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".

Derivative instruments which do not qualify as hedge accounting

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, 2017:

(In thousands of US$)	Level 1	Level 2	Level 3	Total
Assets				
Trading derivatives	-	-	-	-
Derivatives used for hedging	-	216	-	216
Total assets	**-**	**216**	**-**	**216**
Liabilities				
Derivative financial instruments	-	4,759	-	4,759
Total liabilities	**-**	**4,759**	**-**	**4,759**

The following table presents the Group's assets and liabilities measured at fair value as at December 31, 2016:

(In thousands of US$)	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging	-	19	71	90
Bonds redeemable in shares	-	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 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.

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.

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 and bonds redeemable in new or existing shares ("Convertible Bonds") issued by the Company in June and September 2017 for a total amount of € 16.1 million. The nominal amount of the Convertible Bonds has been determined on the basis of an issue premium of 30% above Inside Secure reference share price.

The issuance of shares corresponds to a maximal potential dilution of 10% of Inside Secure's share capital as at December 31, 2017.

The Convertible Bonds bear interest at an annual nominal rate of 6% payable semi-annually on June 29 and December 29 of each year starting December 29, 2017.

The Convertible Bonds will entitle their holders to receive new and/or existing Inside Secure shares at a ratio of one share per one Convertible Bond, subject to any potential subsequent adjustments. The convertible Bond may be redeemed prior to maturity at the option of the Company, under certain conditions.

The embedded conversion option of the convertible bond is accounted for separately under IFRS. As the Convertible Bonds are denominated in a currency other than the Company's functional currency, the exercise of the bonds' option will consist in the conversion of a variable amount of cash into a fixed number of shares. As such, according to IFRS, the option qualifies as a derivative financial liability and not as an equity instrument.

All the Convertible Bonds are recorded as liabilities on the balance sheet:

- A "derivative financial liability" component estimated at fair value through profit and loss (financial income or expense). This component was first evaluated based on the characteristics of the option. The main assumptions having an impact on the value of the options are:
  - Inside Secure's share price at valuation date,
  - The historical volatility of the share price: the reference period used to determine the volatility for the initial split accounting corresponds to the period following the sale of the semi-conductor business in September 2016.

  On these bases, the fair value of the derivative financial liability component was evaluated at US$ 4,761 thousand at issuance date of the convertible bonds. The change in fair value as at December 31, 2017 resulted in an expense amounting to US$ 73 thousand.

  The portion of issue costs allocated to the derivative financial liability on a pro rata basis was accounted for as a financial expense for US$ 259 thousand as at December 31, 2017.

- A financial debt component for which the currency exchange variations (calculated based on the spot price) are recorded as a financial income or expense. The fair value of this component corresponds to the difference between the fair value of the option and the issuance price of the bonds, i.e. US$ 12,959 thousand at issuance date net of the related portion of issuance costs. In accordance with IAS 39, this debt component is recorded at amortized cost using the effective interest rate which takes into account:
    - Interest coupons,
    - The allocated portion of issue costs,
    - The redemption value of the Convertible Bonds.

The portion of issue costs allocated to the financial debt component on a pro rata basis was accounted for as a financial expense for US$ 696 thousand as at June 30, 2017.

The value of this debt component on the balance sheet progressively increases to correspond to its redemption value at maturity date. The interest charge as at December 31, 2017 amounted to US$ 0.9 million.

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.

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.

2.21 Revenue recognition

The Group sells its customers a range of semiconductor platforms, intellectual property, software and services and, up to the sale of its semiconductor activity 2016, semiconductor platforms.

As described in Note 2.1.2, the Company elected to early adopt IFRS 15. As permitted by the standard, 2016 net income has not been restated and is presented as published in accordance with IAS 18 and not IFRS 15. Consequently, accounting principles for both IFRS 15 and IAS 18 are described hereinafter:

(a) Revenue recognition

Sale of licenses for software without specific developments

The Group sells fixed licenses (corresponding to the right to use the technology as it exists at the date the license is granted) that its customers incorporate directly in the design of their products, semiconductor platforms and/or software. Under both IFRS 15 and IAS 18, when licenses are sold without any specific development, the revenue is accounted for at the time of the sale of the right to use the license.

Sale of licenses for software with specific developments (less than 5% of revenue)

In accordance with IAS 18, revenue corresponding to the sale of licenses for software that do require specific developments 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.

In accordance with IFRS 15, the Group analyzes each of the relevant contracts in order to assess if a single performance obligation (sale of customized software to specifically address the needs and requirements of the customer) or separate performance obligations (sale of standard software and providing of services) exist. Revenue is accounted for based on a percentage of completion method when certain criteria are met, including the fact that the Group performs a specific development for a given customer, and benefits at each stage of the contract from a right to be paid for services performed at a given date. The percentage of completion is calculated based on costs actually incurred compared to the total estimated cost of the project. Losses on contracts are accounted for during the period they become probable and only if they can be measured reliably. If the criteria for the recognition are not met, the revenue is accounted for at the time of the transfer of rights, which corresponds to the acceptance date of the customized software by the customer.

Royalties

Royalties relate to revenue from technology licensed to certain customers of the Group, and can be fixed and / or variable.

In accordance with IAS 18, 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. Notifications are generally received from customers during the quarter following delivery of goods.

In accordance with IFRS 15, fixed royalties are recognized when the performance obligation has been achieved at the time of transfer of control, which corresponds to the transfer to the client of the right of use. In accordance with the standard, regarding variable royalties based on sales made by customers, revenue is recognized when the sale has been made by the customer. At each closing, the Company assesses the sales volume without waiting for the periodical confirmations sent by the customer. Regarding variable royalties based on sales made by customers, the Group assesses the royalties based on (i) the history of confirmations received during the previous quarters and (ii) information from the marketing department.

Maintenance

As a general rule, the sales of software licenses are coupled with a maintenance contract that includes the providing of technical assistance. Under both IAS 18 and IFRS 15, revenue related to maintenance activities is recognized on a straight-line basis over the contractual period to the extent that the services have been provided continually. When the maintenance contract is sold with the license, the portion of the price attributable to the maintenance service is assessed taking into account observable prices on renewals of maintenance contracts and prices usually observed in the industry.

Sale of products semiconductor platforms (activity sold in 2016)

Up to 2016, the Group's products were generally sold based upon contracts or purchase orders with the customer that included fixed and determinable prices and that did not include right of return, other similar provisions or other significant post-delivery obligations except for customary warranty terms. Revenue was recognized for products upon delivery when title and risk passed, the price was fixed and determinable and collectability was reasonably assured.

(b) 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.

(c) Deferred and unbilled revenue

Deferred revenue includes amounts that have been billed as per contractual terms but have not been recognized as income.

(d) Cost of contracts

The Company applies the simplification measure proposed by IFRS 15 and accounts for the costs of obtaining contracts as incurred if their amortization period had been less than 12 months, which is generally the case. As at December 31, 2017, no costs had been capitalized.

2.22 Cost of sales

Cost of sales is primarily composed of the cost of technology royalties paid to third parties, the cost of services, sales commissions for the sale of licenses and to a lesser extent other direct attributable costs.

2.23 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.

2.24 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.

(a) Sensitivity to US 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 US 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 1.0164 US Dollar / Euro instead of the 2017 effective average rate of 1.293 US Dollar / Euro (an assumption whereby the Dollar increased by 10% in relation to the Euro).

	Year ended December 31, 2017		
In thousands of US$	**At year average exchange rate**	**At year average exchange rate (- 10%) ***	**Variance due to exchange rate**
Revenue	38,816	38,533	(283)
Gross profit	**35,554**	**35,271**	**(283)**
Research and development expenses	(12,674)	(11,731)	(943)
Selling and marketing expenses	(12,608)	(11,930)	(678)
General and administrative expenses	(7,270)	(6,747)	(524)
Other gains / (losses), net	(1,357)	(1,347)	(10)
Operating income / (loss)	**1,645**	**3,516**	**(2,437)**

** 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$ 2,437 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$ 2,437 thousand.

The exposure of the balance sheet to foreign exchange risks is considered as non-significant, except for the subordinated convertible loan denominated in euros. Had the dollar decreased by 10% in relation to the euro, the Company would have recorded an exchange loss of $1.4 million.

(b) 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

(c) 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 December 2016 and May 2017, the Group financed its research tax credit receivable, which enabled virtually all of the risks and rewards attached to these receivables to be transferred to the assignee. The risk of tax adjustment that has not been transferred is considered marginal.

(d) Risks on bonds

The conversion option on the redeemable bonds has been qualified as a derivative liability, of which the fair value varies based on the price of the Company's shares.

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.

(a) Revenue recognition

The Group derives its revenue principally from licenses and royalties. The timing of revenue recognition and the amount of revenue actually recognized depends upon the specific terms of each arrangement with customers and the nature of the Company's deliverables and obligations. For variable royalties based on sales made by customers, the Group assesses the royalties based on (i) the history of confirmations received during previous quarters and (ii) information from the marketing department (see note 2.21).

(b) Intangible assets

Intangible assets include acquired or investments in patented technologies, the recognition of above market royalty-based intellectual property license agreements and the recognition of customer relationships. 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) Impairment of non-current assets and goodwill

As described in note 2.8, non-current assets are grouped in the CGU previously described and tested based on their fair value.

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 the business plan over a three-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 10.5% in 2017 (11.5% in 2016). Cash flows beyond three years were extrapolated using a 2% growth rate. As at December 31, 2017, 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 revenue over the duration of the business plan would lead to the recognition of an impairment in the Group's consolidated financial statements as at 31 December 2017. These analyzes did not show any risk of depreciation for the CGU.

(d) 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.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, redeemable bonds and over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select appropriate methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(f) 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. No deferred tax asset has been recognized as at December 31, 2017

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

5.1 Acquisition of Meontrust

On August 28, 2017, the Group acquired 100% of the shares of Meontrust for a price of € 4,056,000 (US$ 4,837,000). The price could be increased by a possible contingent consideration of up to €1 million payable if the Company meets certain targets in terms of revenue in 2018, 2019 and 2020. In view of the existing business plan, at the date hereof management is of the opinion that no contingent consideration will be due.

The provisional allocation of the purchase price is as follows:

	In thousands of US$
Base price for shares at closing	2,807
Contingent consideration	-
Liabilities assumed	2,030
Purchase price consideration (i)	**4,837**
	Fair value
Intangible assets (1)	1,825
Fixed assets	9
Other assets	18
Cash and cash equivalents	23
Other liabilities	(912)
Deferred income	(28)
Net assets acquired and liabilities assumed (ii)	**935**
Provisional goodwill (i) - (ii)	**3,902**

(1) This amount has been valued using the discounted royalty cash flow method based on an estimated useful life of 5 years for the technologies concerned and a royalty rate of 8%. This asset will be amortized on a straight line basis over its estimated useful life and amortization expenses will be shown under the line item "R&D". The impact of the amortization of technology during fiscal year 2017 amounts to US$ 119,000.

The provisional goodwill is primarily attributable to the assembled workforce to be transferred and the expected synergies resulting from the combination. Since the acquisition and up to December 31, 2017, the contribution of the acquired activity to Group's revenue and net income has been marginal.

5.2 Acquisition of SMI

On November 6, 2017, the Company acquired the assets of California-based company SypherMedia International, Inc. ("SMI") and took over its employees for a price of US$ 7.0 million settled in cash.

The price could be increased by a possible contingent consideration of up to US$ 3.0 million payable if the Company meets certain targets in terms of revenue in 2018, 2019 and 2020 (US$ 1 million per year). In view of the existing business plan of the acquired activity, management is of the opinion that the full contingent consideration will be due (the impact of the present value of this amount has been considered non-significant).

The provisional allocation of the purchase price is as follows:

	In thousands of US$
Base price for shares at closing	7,000
Contingent consideration	3,000
Purchase price consideration (i)	**10,000**

	Fair value
Intangible assets (1)	2,211
Customer relationships (2)	1,224
Fixed assets	46
Other assets	273
Net assets acquired and liabilities assumed (ii)	**3,754**
Provisional goodwill (i) - (ii)	**6,246**

(1) Intangible assets mainly correspond to the patented licenses and the intellectual property. This amount has been valued using the discounted royalty cash flow method based on an estimated useful life of 5 years for technologies concerned and a royalty rate of 10%. This asset will be amortized on a straight line basis over its estimated useful life and amortization expenses will be shown under the line item "R&D". The amortization of this intangible for fiscal year 2017 amounts to US $119,000.

(2) Customer relationships:

- This amount has been valued using the excess earnings method, based on expected future sales with existing customers over a period of 7 years and considering an attrition rate of 10% in fiscal year 2018, increasing each year up to 95% in 2024. The amortization of this intangible asset for the year ended December 31, 2017 amounted to US$ 37,000.

The provisional goodwill is primarily attributable to the assembled workforce to be transferred and the expected synergies resulting from the combination. Since the acquisition and up to December 31, 2017, the contribution of the acquired activity to Group revenue and net income has been marginal.

Costs related to these two acquisitions amounted to US$ 595 thousand and were recorded on the line item "Other income / (expense)" in operational income.

6. Operating segment information

Following the sale of the semiconductor business in September 2016, which was one of the two operating segments, the Group operates only under one segment.

It 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.

(In thousands of US$) **As at December 31, 2017**	**Core** **Business (*)**	**Common** **unallocated (**)**	**Total**
Revenue	38,816	-	38,816
Adjusted gross profit	37,624	(576)	37,048
Adjusted operating income / (loss)	8,290	(576)	7,714
EBITDA	8,773	-	8,773

(In thousands of US$) **As at December 31, 2016**	**Core** **Business (*)**	**Common** **unallocated (**)**	**Total**
Revenue	35,754	14,190	49,944
Adjusted gross profit	34,701	9,822	44,523
Adjusted operating income / (loss)	1,234	9,661	10,895
EBITDA	2,040	10,224	12,264

(*) Security software and technology licenses
(**) The unallocated portion corresponds to the historical NFC patent portfolio of the Company, which generates non-recurring revenue from licenses (see note 7).

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 margin is defined as gross margin before (i) amortization of intangible assets relating to business combinations, (ii) potential impairment of goodwill, (iii) expenses linked to share-based payments and (iv) non-recurring costs associated with restructuring and business combinations and divestiture carried out by the Company.

Adjusted gross profit is defined as gross profit before (i) amortization of intangible assets related to business combinations, (ii) any potential goodwill impairment, (iii) expenses linked to share-based payments and (iv) non-recurring costs associated with restructuring and business combinations and divestiture carried out by the Company, including the accelerated depreciation of interests relating to the financing of the Research Tax Credit.

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

Adjusted gross margin, adjusted gross profit and EBITDA might not be directly comparable to similar indicators presented by other companies.

The reconciliation from Company reporting to audited consolidated IFRS reporting is as follows:

As of December 31, (In thousands of US$)	2017 (*)	2,016
Gross profit as per IFRS	**35,554**	**40,993**
Amortization and depreciation of acquired assets	1,494	3,529
Share based payments	-	1
Adjusted gross profit	**37,048**	**44,523**

As of December 31, (in thousands of US$)	2017 (*)	2016
Operating income as per IFRS	**1,645**	**2,114**
Amortization and depreciation of acquired assets	2,426	3,818
Share based payments	521	632
Accelerated amortization of prepaid costs related to research tax financing	169	482
Non recurring costs related to the reorganization	2,137	3,849
Non recurring costs related to the acquisitions	816	-
Adjusted operating income`	**7,714**	**10,895**
Depreciation and amortization of tangible and intangible assets which are not related to the acquisition of business	1,059	1,369
Adjusted EBITDA	**8,773**	**12,264**

(*) The Group early adopted IFRS 15 as of January 1, 2017. As permitted by the standard, the cumulative impact of the first application was recorded on January 1, 2017 without restating the 2016 published financial statements (see note 2.1.2).

The revenue by geographical region for the years ended December 31, 2017 and 2016 is as follows:

(In thousands of US$)	Asia	Europe, Middle East, Africa, Latin America	North America	Total
2017	6,531	9,279	23,006	**38,816**
2016	20,496	7,742	21,706	**49,944**

During the year ended December 31, 2017, the revenue realized in the United States of America amounted to US$ 21,697 thousand, i.e. 55.9% of total revenue (US$ 20,308 thousand, i.e. 50.7% of total revenue in 2016). In France, in 2017 the Group achieved sales of US$ 945 thousand, i.e. 2.4% of total revenue (US$ 368 thousand i.e. 0.7% of total revenue in 2017).

The top ten customers of the Group represented 57% of its consolidated revenue in 2017 and 71% of revenue in 2016.

The customers representing more than 10% of the total consolidated revenue in 2017 and 2016 were as follows:

As of December 31, 2017 **(In thousands of US$)**	**Invoiced amount**	**As a % of revenue**
Customer A	10,146	26%

As of December 31, 2016 **(In thousands of US$)**	**Invoiced amount**	**As a % of revenue**
Customer B	14,190	28%
Customer A	11,798	24%

7. Revenue

Revenue for the years 2017 and 2016 breaks down as follows:

	Year ended December 31,	
(In thousands of US$)	**2017**	**2016**
Licenses	9,013	6,573
Royalties	23,861	24,160
Maintenance, development agreements, and other	5,942	5,021
Core business revenue	**38,816**	**35,754**
Common unallocated revenue (*)	-	14,190
Total revenue	**38,816**	**49,944**

(*) The unallocated portion corresponds to non-recurring license revenue from the historical NFC patent portfolio of the Company managed by France Brevets. In 2016, France Brevets entered into three license agreements (Sony, Samsung and HTC); no license agreements were concluded in 2017.

As at December 31, 2017, the Group has no performance obligations yet to be achieved, save for revenue from specific developments for which the recognition revenue criteria were not met. Total revenue corresponding to these agreements will amount to US$ 965,000 and will be fully recognized in 2018. Services invoiced relating to ongoing agreements yet to be entered are presented in note 23.

Information relating to receivables and agreement assets and liabilities at the beginning and end of the year are presented in notes 12 and 23, respectively.

8. Goodwill

Goodwill breaks down as follows:

(In thousands of US$)	**2017**	**2016**
Goodwill as at January 1st	18,773	20,873
SMI acquisition	6,246	-
Meontrust acquisition	3,902	-
Effect of exchange rate fluctuations and other variations	641	(2,100)
Goodwill as at December 31	**29,563**	**18,773**

The foreign exchange impact recorded in 2016 was mainly due to the share of goodwill denominated in Sterling which had changed significantly during the year.

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".

9. Intangible assets

Intangible assets break down as follows:

(In thousands of US$)	Patented technologies	Software licenses	Royalties on intellectual property	Customer relationships	Technologies in development	Total
Year ended December 31, 2016						
Opening net book amount	**7,327**	**451**	**3,464**	**-**	**4,519**	**15,760**
Acquisitions	-	166	-	-	-	**166**
Exchange differences	(377)	135	-	-	-	**(242)**
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**
Year ended December 31, 2017						
Opening net book amount	**4,986**	**619**	**930**	**-**	**-**	**6,535**
Acquisition of businesses	3,986	51	-	1,224	-	**5,261**
Exchange differences	-	2	-	-	-	**2**
Disposals (net book amount)	-	(27)	-	-	-	**(27)**
Amortization charge	(2,302)	(23)	(930)	(37)	-	**(3,292)**
Closing net book amount	**6,670**	**622**	**-**	**1,187**	**-**	**8,478**
At December 31, 2017						
Cost or valuation	14,172	4,626	31,576	1,224	-	**51,598**
Accumulated amortization and impairment	(7,502)	(4,004)	(31,576)	(37)	-	**(43,120)**
Net book amount	**6,670**	**622**	**-**	**1,187**	**-**	**8,478**

Amortization expenses of US$ 3,292 thousand were recorded in 2017 within research and development, selling and marketing, and general administration expenses according to the assets' allocation (US$ 4,604 thousand in 2016).

As part of the sale of the semiconductor business on September 20, 2016, the Group sold software dedicated to this activity as well as the technologies under development corresponding to projects financed by repayable advances.

10. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

December 31, 2017 Assets	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total
Derivative financial instruments	-	-	216	-	216
Trade and other receivables and other assets	20,597	-	-	-	20,597
Cash and marketable securities	45,874	-	-	-	45,874
Total	**66,471**	**-**	**216**	**-**	**66,687**

Liabilities	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Derivative financial instruments	4,759	-	-	4,759
Convertible bonds	-	-	13,971	13,971
Trade and other payables	-	-	8,799	8,799
Total	**4,759**	**-**	**22,770**	**27,529**

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
Trade and other receivables	18,835	11,648	-	-	30,484
Cash and marketable securities	27,081	-	-	-	27,081
Total	**45,916**	**11,648**	**90**	**-**	**57,654**

Liabilities	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Derivative financial instruments	54	139	-	193
Trade and other payables	-	-	11,524	11,524
Total	**54**	**139**	**11,524**	**11,717**

11. Derivative financial instruments

Derivative financial instruments break down as follows:

(In thousands of US$)	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts - cash flow hedges	216	-	19	98
Currency forward contracts - held for trading	-	-	-	-
Currency options - cash flow hedges	-	-	71	40
Currency options - held for trading	-	-	-	54
Derivative liabilities	-	4,759	-	-
Total	**216**	**4,759**	**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.

(a) Currency forward contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2017 were US$ 9,700 thousand (US$ 4,500 thousand in 2016).

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, 2017 will be 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, 2017 was nil (US$ 4,000 thousand in 2016).

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, 2017 will be 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.

12. Trade receivables

Net trade receivables break down as follows:

(In thousands of US$)	2017	2016
Trade receivables	15,751	8,682
Less: provision for impairment of trade receivables	(220)	(52)
Trade receivables, net	**15,531**	**8,630**

Trade receivables break down as follows:

(In thousands of US$)	2017	2016
Trade receivables invoiced	10,575	7,422
Trade receivables accrued invoices	5,176	1,628
Credit notes to be issued	-	(368)
Trade receivables	**15,751**	**8,682**

Included in unbilled revenue are variable royalties based on sales made by customers during the last quarter of 2017 for US$ 3,271 thousand. These royalties to be received were accounted for based on consumption reports received at the date of preparation of these accounts for US$ 2,323 thousand and based on estimates for the rest. The corresponding invoices will be issued during the first quarter of 2018. The restatements on the balance as at January 1, 2017 are detailed in Note 2.1.2. Had IFRS 15 been applied as at January 1, 2017, the opening balance of unbilled revenue would have amounted to US$ 4,273 thousand.

As at December 31, 2017, trade receivables of US$ 2,379 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 trade receivables is as follows:

(In thousands of US$)	Total	Not past due	1 to 30 days	30 to 60 days	60 to 90 days	90 to 120 days	Above 120
2016	7,422	5,301	550	1,027	91	0	453
2017	10,575	8,196	336	1,322	301	31	388

The variations of the provision for impairment of receivables are no significant.

Allowances and reversals of provisions for receivables impaired have been included in the line item "Selling and marketing expenses" in the income statement.

As at December 31, 2017, 94% of the carrying amounts of the Group's trade and other receivables are denominated in US Dollars (71% as at December 31, 2016).

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. Bonds redeemable in WISeKey shares

As part of the sale of its semiconductor business to WISeKey in September 2016, Inside Secure received bonds redeemable in WISeKey shares, listed on the Zurich Stock Exchange, for an amount of 11 million Swiss francs. (US$ 11.3 million). The bonds could 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.

The bonds were valued at their fair value as at December 31, 2017 for US$ 11,648 thousand. During 2017, the Company converted the totality of the bonds into shares and sold these shares on the market for US$ 11,202 thousand.

The variation of the fair value between December 31, 2016 and 2017 can be analyzed as follows:

(In thousands of US$)	
Bonds redeemable in shares as at December 31, 2016	11,648
Treasury received from sale of WISeKey shares	(11,202)
Fair value variation and effect of exchange rate fluctuations	(446)
Bonds redeemable in shares as at December 31, 2017	**-**

14. Other receivables

Other receivables break down as follows:

(In thousands of US$)	**2017**	**2016**
Deposits	576	314
Research tax credit	1,050	3,174
VAT and tax receivables	-	350
Receivables of more than 1 year	-	1,458
Other receivables	50	66
Non-current assets	**1,676**	**5,361**
Research tax credit	660	655
Prepaid expenses	959	1,094
VAT and tax receivables	807	699
Receivables from discontinued operations	-	2,202
Other receivables	1,002	196
Current assets	**3,428**	**4,845**
Other receivables	**5,103**	**10,206**

In December 2016 and May 2017, the Group financed the Research Tax Credit claims. This transaction enabled virtually all of the risks and benefits attached to these receivables to be transferred to the assignee, the risk of tax adjustment remaining at Group level Group being considered marginal. The receivables sold were therefore derecognized for an amount of US$ 15,776 thousand in 2016 and US$ 1,981 thousand in 2017. A receivable in respect of the transferee credit institution was recognized for an amount of US$ 976 thousand (US$ 1,609 thousand in 2016), corresponding in substance to a guarantee holdback, and which, taking into account its size and the terms of reimbursement to the Group, does not call into question the transfer to the assignee of all risks and rewards of the receivables transferred. The Group recorded an amount of US$ 169,000 as operating expenses (research and development expenses) in 2017 (no expenses in 2016), corresponding to the cost of transferring these receivables.

In accordance with generally accepted accounting principles, the RTC receivable has not been discounted.

15. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(In thousands of US$)	2017	2016
Cash at bank and on hand	45,766	27,081
Short term securities	116	-
Cash and cash equivalents	**45,882**	**27,081**

As at December 31, 2017 and 2016, cash and cash equivalents denominated in US dollars represent approximately 96% and 92%, respectively, of the total cash and cash equivalents.

Cash and cash equivalents and short-term investments are placed with top-tier financial institutions, mainly in France. 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.

16. 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, 2016	**34,771,348**	**18,218**	**226,518**	**244,736**
Equity financing	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**
Exercise of stock options	73,394	32	180	212
As at December 31, 2017	**43,200,393**	**22,055**	**228,209**	**250,264**

Year ended December 31, 2016

During the year, the Company increased its capital as follows:

- 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, amounted 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 amounted to US$ 5,311 thousand).
- The definitive acquisition of free shares for an amount of US$ 5 thousand.

Year ended December 31, 2017

During the year, the Company increased its capital through the exercise of stock options for US$ 32 thousand.

17. Share-based payments

Share options, free shares and, as the case may be, stock purchase warrants are granted to management, employees and third parties (service providers).

As at December 31, 2017 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
Warrants 2007-02	30/08/2007	7.06	3 years - graded vesting	2,205	04/06/2019
Warrants 2007-4 (second tranche)	18/12/2008	7.06	1 year - graded vesting	750	04/05/2019
Warrants 2007-3	21/09/2007	7.06	2 years - graded vesting	1,000	13/06/2018
Warrants 2007-3 (second tranche)	21/09/2007	7.06	2 years - graded vesting	1,000	03/07/2018
Warrants 2007-5	21/12/2007	10.06	2 years - graded vesting	2,000	22/08/2018
Warrants 8	02/10/2008	10.06	3 years - graded vesting	3,200	24/03/2019
Stock options	26/07/2012	3.07	10 years - graded vesting	15,266	26/02/2022
Stock options	20/02/2013	2.89	10 years - graded vesting	15,801	20/02/2022
Stock options	20/02/2013	2.89	10 years - graded vesting	79,004	20/02/2023
Stock options	27/08/2013	2.45	10 years - graded vesting	47,409	27/08/2023
Stock options	27/08/2013	2.45	10 years - graded vesting	15,803	27/02/2023
Stock options	23/04/2014	3.66	4 years - graded vesting	15,800	23/04/2024
Stock options	22/07/2014	4.54	4 years - graded vesting	242,264	22/01/2024
Stock options	22/07/2014	4.54	4 years - graded vesting	73,736	22/07/2024
Stock options	28/08/2014	4.21	3 years - graded vesting	47,400	28/08/2024
Stock options - US Residents	16/12/2016	2.34	3 years - graded vesting	394,000	16/12/2026
Stock options - US Residents	16/12/2016	2.01	3 years - graded vesting	761,000	16/12/2026
Stock options - Residents out of US	24/04/2017	3.43	3 years - graded vesting	45,000	24/04/2027
Stock options - US Residents	19/10/2017	3.43	3 years - graded vesting	500,000	19/10/2027
Free shares	23/03/2015	-	3 years - graded vesting - French residents	152,873	NA
Free shares	23/03/2015	-	5 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:

	2017		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	8.9	11	7.8	16
Granted	-	-	-	-
Void	8.0	(1)	4.2	(5)
Exercised	-	-	-	-
Expired	-	-	-	-
As at December 31	**8.9**	**10**	**8.9**	**11**

No stock purchase warrants were exercised in 2017, and 750 became void in 2017.

The evolution of the number of options outstanding and their weighted average exercise price are as follows:

	2017		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	3.0	1,817	5.0	891
Granted	3.4	545	2.2	1,200
Void	3.5	(873)	4.6	(275)
Exercised	2.6	(73)	-	-
As at December 31	**3.1**	**1,416**	**3.0**	**1,817**

The evolution of the number of free shares is as follows:

	2017	2016
	Number of financial instruments (in thousands)	
As at January 1	1,696	272
Granted	-	1,684
Definitive allotment	-	(11)
Void	(44)	(249)
As at December 31	**1,653**	**1,696**

The expense recognized in 2017 amounted to US$ 520 thousand (US$ 627 thousand during 2016).

18. Retained earnings and other reserves

Retained earnings and other reserves break down as follows:

(In thousands of US$)	2017	2016
As at January 1	**(186,382)**	**(195,969)**
Profit / (loss) for the year	(1,076)	12,344
First implementation of IFRS 15	3,137	627
Share based payment expense	520	-
Actuarial loss on retirement benefit obligations	(6)	(342)
Financial instruments at fair value	315	(68)
Contribution to restricted reserve	-	-
Currency translation differences	(165)	(2,920)
Treasury shares	227	(53)
As at December 31,	**(183,429)**	**(186,382)**
Of which:		
Retained earnings	(196,814)	(198,875)
Legal reserve	-	-
Restricted reserves	2,618	2,618
Other comprehensive income / (loss)	155	(154)
Share based payments	12,911	12,391
Currency translation differences	(2,023)	(1,857)
Treasury shares	(277)	(504)
As at December 31,	**(183,429)**	**(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.

19. Trade payables

Trade and other payables break down as follows:

(In thousands of US$)	2017	2016
Trade payables	3,424	4,297
Accrued expenses	1,581	2,196
Social security and other taxes	3,663	4,481
Advances from customers	111	549
Total	**8,779**	**11,524**

20. Financial debts

Financial debts break down as follows:

(In thousands of US$)	2016	Cash flow	Reclassification of derivative portion	Variation with no cash impact		2017
				Scope	Exchange rate	
Financial debts - long term	128	-	-	429	18	575
Bonds redeemable in shares	-	17,260	(3,561)	-	272	13,971
Financial debts - short term	670	(369)	-	107	(26)	382
Financial debts	**798**	**16,891**	**(3,561)**	**536**	**264**	**14,927**

Convertible bonds

Convertible Bonds (see note 2.15) bear interest at an annual nominal rate of 6%, payable semi-annually on June 29 and December 29 of each year starting December 29, 2017. The Convertible Bonds were issued at par on June 29, 2017 and September 5, 2017 and will be reimbursed at par on June 29, 2022.

The Convertible Bonds entitle their holders to receive new and/or existing Inside Secure shares at a ratio of one share per one Convertible Bond. The Convertible Bonds may be redeemed prior to maturity at the option of the Company, under certain conditions.

The embedded conversion option of the convertible bond is accounted for separately under IFRS. As the Convertible Bonds are denominated in a currency other than the Company's functional currency, the exercise of the bonds' option will consist in the conversion of a variable amount of cash into a fixed number of shares. As such, according to IFRS, the option qualifies as a derivative financial liability and not as an equity instrument.

All the Convertible Bonds are recorded as liabilities on the balance sheet:

- A "derivative financial liability" component estimated at fair value through profit and loss (financial income or expense). This component was first evaluated based on the characteristics of the option. The main assumptions having an impact on the value of the options are:
    - Inside Secure's share price at valuation date,

- The historical volatility of the share price: the reference period used to determine the volatility for the initial split accounting corresponds to the period following the sale of the semi-conductor business in September 2016.

On these bases, the fair value of the derivative financial liability component amounted to US$ 4,759 thousand as at December 31, 2017. The portion of issue costs allocated to the derivative financial liability on a pro rata basis was accounted for as a financial expense for US$ 245 thousand as at December 31, 2017.

- A financial debt component for which the currency exchange variations (calculated based on the spot price) are recorded as a financial income or expense. The fair value of this component corresponds to the difference between the fair value of the option and the issuance price of the bonds, i.e. US$ 12,666 thousand at issuance date. In accordance with IAS 39, this debt component is recorded at amortized cost using the effective interest rate which takes into account:
    - Interest coupons,
    - The allocated portion of issue costs,
    - The redemption value of the Convertible Bonds.

The value of this debt component on the balance sheet progressively increases to correspond to its redemption value at maturity date. The interest charge as at December 31, 2017 amounted to US$ 989 thousand.

21. 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.

22. Provisions for other liabilities and charges

Provisions for other liabilities and charges break down as follows:

(In thousands of US$)	Onerous contracts	Customer claims	Employee related litigations	Retirement	Others provisions and risks	Total
As at January 1, 2017	**193**	**1,655**	**2,460**	**336**	**-**	**4,644**
Charges / (credited) to the income statement:						
- Additional provisions	278	250	117	40	358	**1,043**
- Unused amounts reversed	(64)	-	-	(222)	(72)	**(358)**
- Used during the year	(160)	-	(987)	-	-	**(1,147)**
Exchange differences	19	-	148	10	9	**186**
As at December 31, 2017	**266**	**1,905**	**1,738**	**164**	**296**	**4,369**

Customer claims

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.

Employee related litigation

The provision of US$ 1,738 thousand as at December 31, 2017 corresponds to labor court proceedings ongoing at closing date.

23. Deferred income

Deferred income breaks down as follows:

(In thousands of US$)	2017	2016
Maintenance	2,362	2,419
Licenses	446	308
Royalties	565	992
Other	173	-
As at December 31,	**3,547**	**3,719**

Deferred income mainly comprises maintenance invoices recognized using the straight line method over the duration of the agreement. The balance of deferred income as at December 31, 2016, including the impact of the application of IFRS 15 (see note 2.1.2), has been recognized as revenue during 2017 without any significant variation.

24. Research and development expenses

Research and development expenses break down as follows:

(In thousands of US$)	2017	2016
Research and development expenses	12,686	16,274
Amortization and depreciation of acquired assets	894	904
Share based payments	52	134
Research tax credit	(958)	(2,055)
Total	**12,674**	**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 and the country in which the work is performed.

25. Other gains / (losses) net

Other gains / (losses), net break down as follows:

	Year ended December 31,	
(In thousands of US$)	2017	2016
Non-recurring costs related to the reorganization	(2,137)	(3,849)
Non-recurring costs related to the acquisition of businesses	(532)	-
Foreign exchange gain / (losses) on operating activities	947	(367)
Other	365	-
Total	**(1,357)**	**(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

26. Expenses by nature

Expenses by nature break down as follows:

(In thousands of US$)	2017	2016
Wafer purchases, services in production (including inventory management)	(73)	-
Depreciation, amortization, impairment charges and write off	1,059	1,369
Employees and compensation benefits	20,678	22,097
Amortization and depreciation of acquired assets	2,426	3,818
Subcontracting and temporary work force	293	1,663
External services	4,497	5,486
Travel expenses and entertainment	1,913	1,398
Buildings and office leases	785	1,387
Advertising, promotion and trade shows	782	771
Fees, commissions and royalties	4,047	7,680
Grants and research tax credit	(958)	(2,055)
Non-recurring costs related to the reorganization	2,137	3,849
Non-recurring costs related to the acquisition of businesses	532	-
Operational exchange gains and losses	(947)	367
Total	**37,171**	**47,830**

27. Employee benefit expenses

Employee benefit expenses break down as follows:

(In thousands of US$)	2017	2016
Wages and salaries including termination benefits	15,803	16,694
Social security costs	4,451	4,660
Share based payments	521	631
Retirement benefit obligation	(97)	112
Total	**20,678**	**22,097**

As at December 31, 2017, the Group had 165 employees.

28. Finance income and expense

Finance income and expenses break down as follows:

(In thousands of US$)	2017	2016
Foreign exchange gain / (loss), net	1	162
Interest expense	(989)	(402)
Conversion option issuance costs of the convertible bonds	(259)	-
Fair value variation of the derivative liability of bonds redeemable in shares	(73)	-
Fair value variation of bonds and proceeds from sale of WISeKey shares	(573)	(706)
Interest income	14	261
Finance income	**(1,879)**	**(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.

29. Income tax expense

The income tax expense breaks down as follows:

(In thousands of US$)	2017	2016
Tax calculated at domestic tax rates applicable to profits in the respective countries:		
- France	(297)	(1,577)
- Holland	(97)	(54)
- United States	(113)	(3)
- Japan	-	(9)
- Finland	(56)	(52)
Total	**(564)**	**(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$)	2017	2016
Profit / (Loss) before income tax	(798)	1,430
Theoretical income tax (tax rate of 34.43%)	230	(492)
Effect of different tax rates	(158)	(49)
Unrecognized (used) tax losses during the period	(440)	477
Research tax credit not liable to income tax	306	708
Share based payments	(179)	(216)
Withholding taxes	(250)	(1,264)
Other permanent differences	(73)	(859)
Effective income tax	**(564)**	**(1,695)**

Tax losses of French entities carried 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 US$ 232 million as at December 31, 2017 (US$ 202 million as at December 31, 2016).

30. 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:

	2017	2016
Profit / (Loss) attributable to equity holders of the Company (in thousand dollars)	(1,076)	12,344
Weighted average number of ordinary shares in issue	43,168,566	40,557,879
Basic profit (loss) per share ($ per share)	**(0.02)**	**0.30**
Basic earnings from continuing operations per share ($ per share)	(0.02)	(0.01)
Basic earnings from discontinued operations per share ($ per share)	(0.01)	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 four categories of dilutive potential financial instruments: free shares, warrants, stock options and convertible bonds.

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.

31. 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$)	2017	2016
Gross finance lease liabilities - minimum lease payment	-	-
No later than 1 year	1,625	1,593
Later than 1 year and no later than 5 years	2,140	2,579
Later than 5 years	-	-
Total	**3,765**	**4,172**

In August 2012, the Company entered into an operating lease contract for a building which now serves as its head office. The initial duration of the lease is 6 years. The future lease payments are included in the table above.

32. Related party transactions

(a) Transactions with related companies

The Group purchases audit and consulting services from the company Leyton & Associés which shares a common shareholder with the Company in the investment firm GIMV. These services were negotiated on an arm's length basis, without the involvement of the common shareholder. No service was rendered in 2017. The services amounted to US$ 107 thousand in 2016.

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. 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 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.

A regulated agreement with Catherine Blanchet Conseil, a company controlled by Catherine Blanchet, an independent member of the Supervisory Board of the Company, was authorized by the Supervisory Board on October 19, 2017 and amended on December 19, 2017. The one-year agreement is for services pertaining to financial communication and investor relations. The amount invoiced during 2017 was € 14,000.

(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$)	**2017**	**2016**
Salaries	1,047	852
Share based compensation expenses	272	301
Total	**1,319**	**1,153**

Expenses related to share-base payments correspond to the cost of allocating stock options or free shares. No new allocations were carried out in 2017.

33. Events after the reporting period

None.

34. Audit fees

In thousands of Euros	PwC	Expertea
Audit of the consolidated financial statements	100	30
Other services	9	2
Total	**109**	**32**

35. Consolidated entities

The consolidated financial statements as at December 31, 2017 include the accounts of the Company and of the following entities:

Country	Entity	Holding percentage 2017	Holding percentage 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
United Kingdom	Inside Secure UK (ex.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
Finland	Meontrust Oy	100%	-	2017	Full	Acquisition
Japan	Inside Secure K.K	100%	100%	2013	Full	Creation
United Kingdom	Metaforic Ltd	100%	100%	2014	Full	Acquisition

20.2 Verification of the historical financial information

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

Expertea Audit
60 boulevard Jean Labro
13016 Marseille

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the 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, 2017

To the annual general meeting of shareholders
Inside Secure
Rue de la Carrière de Bachasson
13590 Meyreuil

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Inside Secure for the year ended December 31, 2017.

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 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenue

Description of risk:

As described in the notes to the consolidated financial statements, Inside Secure sells software, intellectual property rights and services. The accounting policies applicable to each stream of revenue are described in Note 2.21 to the consolidated financial statements.

As revenue derives from intangible products and services, controls over proof of delivery and, more generally, cut-off procedures, could be more easily circumvented or defective. As such, in our view, there is a risk that revenue could be recorded incorrectly, or in the inappropriate accounting period.

Revenue also represents a significant line item in the consolidated income statement: since there is no related cost of sales, an error in revenue recognition would have a direct and full impact on the net income/(loss) for the period.

In view of the sensitivity of Inside Secure's financial communications to the appropriate recognition of revenue and its materiality in the consolidated financial statements, we deemed this risk to be a key audit matter.

How our audit addressed this risk:

We evaluated the design and tested the effectiveness of the controls over the revenue recognition process implemented by Inside Secure to determine whether they are capable of preventing material adjustments.

We tested a sample of transactions for each revenue stream by examining agreements, invoices, customer payments, internal confirmations of license download information sent to customers, notifications of acceptance by customers (when required as per agreement) and confirmations sent by customers in relation to license fees, to ensure that revenue was recognized in line with the accounting policies described in the notes to the consolidated financial statements.

We tested the transactions made at either side of the balance sheet date to verify that revenue was recognized in the correct period.

We obtained external confirmations from those customers with the most significant accounts receivable and compared the information received with the accounting data, with a view to verifying the revenue amounts and the period during which they were recognized.

Transition to IFRS 15

Description of risk:

As described in the notes to consolidated financial statements, Inside Secure has elected to early adopt the new IFRS 15 "Revenue from contracts with customers", which impact its consolidated revenue. The main consequences of this change in accounting policy are described in Note 2.1.2 to the consolidated financial statements.

The new IFRS 15 sets out a conceptual framework. Inside Secure thus needed to exercise judgment to interpret that framework and adjust it to the specific characteristics of its business activities and to define its new accounting policies for recognizing revenue.

Adopting this new standard has required an in-depth analysis of existing customer contracts and, more generally, significant investigative work combining expertise in accounting standards and experience with Inside Secure's operations in order to (i) identify the performance obligations attached to the contracts, and (ii) put in place procedures for estimating expected fees without waiting to receive confirmations from customers, as was previously the case (confirmations were generally received in the quarter following completion of the sales).

We therefore deemed the first-time application of IFRS 15 to be a key audit matter due to the complexity of its implementation and the significant judgment exercised by management to implement this standard.

<u>How our audit addressed this risk:</u>

We carried out the following procedures:

- interviews with Inside Secure's management to identify the issues specific to each type of contract;
- in association with our IFRS 15 experts, a critical assessment of Inside Secure's analyses of contracts considered representative in order to evaluate the judgments made with regard to:
  - the number of performance obligations identified,
  - the transaction price allocation in the event of multiple obligations relating to a given customer contract,
  - the timing of revenue recognition for each performance obligation identified;
- verification of the representativeness of the contracts reviewed in relation to the previous point based on our past knowledge of Inside Secure's business;
- assessment of the reasonableness of the estimate preparation methods used by Inside Secure for revenue from variable fees through:
  - meetings with operational staff and financial management in order to understand the process of reporting and validating sales information held by the sales department,
  - controls of the estimate models used (relevance and accuracy of the calculations),
  - comparison of the estimates with the amounts actually billed in the following quarter (upon receipt of the customer's confirmation) on the basis of a sample of transactions;
- reconciliation of the financial accounting data with the 2017 revenue restatement file prepared by Inside Secure in order to comply with IFRS 15;
- verification of the appropriateness of the disclosures provided in Notes 2.1.2 and 2.21 in respect of IFRS 15 requirements.

Measurement of goodwill

<u>Description of risk:</u>

As part of its development, Inside Secure carried out targeted external growth operations over the period and thus recognized goodwill. Goodwill corresponds to the excess of cost over fair value of the assets acquired and liabilities assumed.

In each financial year, management ensures that the carrying amount of goodwill (USD 29,563 thousand) is not greater than the recoverable amount and does not represent a risk of impairment. The assumptions used in determining the recoverable value of goodwill and the sensitivity analysis performed are described in Note 4(c) to the consolidated financial statements.

The recoverable amount is based on cash projections. Given its size, its limited customer base and the nature of its business, it could be difficult for Inside Secure to make reliable projections, and real data could vary significantly from the objectives set (any change in the assumption concerning revenue generated from a given customer could have a significant impact on the overall projections).

We therefore deemed the measurement of goodwill to be a key audit matter in view of the degree of judgment required from management in terms of determining the recoverable amount.

How our audit addressed this risk:

We performed a critical assessment of the impairment tests carried out, looking in particular at:

- The reliability of the estimation process by examining the budget process and the causes of variations between forecasts and achievements;
- The consistency of the projected cash flows with the latest management estimates as presented to the Supervisory Board as part of the budget process;
- The consistency of the main assumptions identified as against Inside Secure's past performance;
- The analysis of the sensitivity of the recoverable amount to the main assumptions used;
- The reasonableness of the discount rate applied in relation to the return expected by market participants for the activity (procedure performed by our valuation department).

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the management board.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Inside Secure by the annual general meeting held on June 19, 2007 for PricewaterhouseCoopers Audit and on June 14, 2017 for Expertea Audit.

As at December 31, 2017, PricewaterhouseCoopers Audit and Expertea Audit were in the 11th year and 1st year of total uninterrupted engagement, which are the 6th year and 1st year since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the management board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of thics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Signed at Neuilly-sur-Seine and Aix en Provence, on March 28, 2018

The statutory auditors

PricewaterhouseCoopers Audit	Audit Expertea Audit
Didier Cavanié Partner	Jérôme Magnan Partner

20.3 Date of most recent financial information

The most recent financial information available dates from December 31, 2017.

20.4 Interim financial information

Not Applicable.

20.5 Dividend distribution policy

20.5.1 Dividends paid out in the past three fiscal years

None.

20.5.2 Dividend distribution policy

There is no short-term plan to introduce a dividend distribution policy.

20.6 Court and arbitration proceedings

The Group may occasionally be exposed to the filing of observations against certain of its patent applications or to opposition proceedings against some of its patents, in particular its European patents before the European Patent Office. The Group is also exposed to actions for invalidation, before national courts, of certain of its national patents. These proceedings 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 the accused components to said industrial players.

Three industrial players, in particular, have initiated proceedings. The first player aimed to obtain the invalidation of the German part of a European patent containing claims reading on the NFC standard as defined by the NFC Forum (action filed in December 2013), and also the revocation of a European patent application by way of opposition (the Opposition Division of the European Patent Office rejected the revocation request in December 2015, and this decision is now final). The second industrial player sought both the invalidation of the German parts of two European patents (actions filed in June 2014, and one of the two invalidation actions was rejected by a competent court of first instance in January 2016), and the revocation of a European patent application by way of opposition (procedure filed in January 2015). The third industrial player sought to obtain the invalidation of the German part of a European patent and the revocation of a European patent application by way of opposition.

The first industrial player obtained, by a decision of first instance dated June 2016, the invalidation of the German part of the European patent, which contained claims pertaining to the NFC standard as defined by the NFC Forum. The Company appealed this decision to the German Bundesgerichthof. The appeal procedure is currently pending.

The actions and proceedings initiated by the second and the third industrial players were withdrawn as a result of settlements entered into in favor of the Group in 2016. However, the European Patent Office maintained the procedure initiated by the second player for the revocation of a European patent application by opposition. The European Patent Office upheld this patent as amended during the opposition proceedings, by a decision rendered in July 2017.

In addition, the second industrial player initiated three inter partes review procedures in 2014 before the Patent Trial and Appeal Board of the US 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. To date, these proceedings have resulted in three decisions, one of which invalidated two claims of the first patent in February 2016, and the other, also in February 2016, invalidated all claims of the second patent. The current owner of the said US patents has filed an appeal against these invalidation decisions before the Court of Appeals for the Federal Circuit. As the US Patent Office intervened in the proceedings, these actions are currently pending, despite the withdrawal of the second industrial player.

In 2016, another industrial player initiated five other applications for inter partes review before the Patent Trial and Appeal Board of the US Patent and Trademark Office against, on the one hand, the US 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 US patent belonging to the patent family that includes the German part of the European patent for which the favorable decision was rendered by a competent court of first instance. In September 2016, the Patent Trial and Appeal Board has consolidated these applications into two proceedings and instituted a trial to consider them. The Patent Trial and Appeal Board handed down its decisions in these cases in August 2017, invalidating the first patent referred to above. These decisions have been appealed. To date, only the appeal procedure initiated by the industrial player is pending. The appeal against the invalidation decision of the first patent referred to above has been withdrawn.

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 the possibility that these actions could be onerous and time-consuming for its management.

Lastly, in the normal course of its business activities, the Group is exposed to various other claims and litigation, including claims by current or former employees.

As of the filing date of this Registration Document, the Group considers that the potential losses it may incur in connection with these pending claims and litigation, would not individually have a significant adverse impact on its financial condition or profitability, and believes that it has provisioned, when deemed necessary, a 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, which are pending or of which it is threatened, likely to have or have had, over the past twelve months, a significant impact on the Company's or Group's financial condition or profitability.

20.7 Significant change in the financial or commercial position

Not Applicable.

20.8 Expenses not deductible for tax purposes

Pursuant to Article 223 *quater* of the French General Tax Code, the amount of extravagant expenditure and expenses not deductible for tax purposes falling within the purview of Article 39-4 of the Code amounted to EUR 2,406 in the financial statements for the fiscal year ended December 31, 2016.

20.9 Proposed appropriation of the Company's net income/(loss)- Dividends

We propose appropriating the Company's loss for the fiscal year ended December 31, 2017 amounting to EUR 372,829 to the retained earnings account, increasing its debit balance to EUR 131,433,284.

The Company has not paid out a dividend in respect of its three most recent fiscal years.

21. ADDITIONAL INFORMATION

21.1 Share capital

21.1.1.1 Amount of share capital

As of the filing date of this Registration Document, the Company's share capital totals EUR 17,647,664.80, split up into 44,119,162 fully paid-up common shares of par value EUR 0.4 each.

21.1.1.2 Non-equity securities

None.

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 Article 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 Company's shares, 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 granting 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 2017 fiscal year

Under the liquidity agreement, over the course of the 2017 fiscal year,
- 998,406 shares were purchased at the average price of EUR 2.81537, and
- 1,036,834 shares were sold at the average price of EUR 2.83234.

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, 2017.

Based on the acquisitions and sales completed over the course of the 2017 fiscal year, the balance of the liquidity agreement was equal to 32,474 shares as of December 31, 2017. As of that date, the value of the portfolio of own shares was equal to EUR 95,473.56, based on the closing price on December 31, 2017, or EUR 2.94.

Notwithstanding the shares purchased under 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, 21.1.4.3, and 21.1.4.4. The exercise of all these securities and financial instruments and the vesting of all free shares would result in the issuance of an additional 6,235,866 common shares in the Company:

Type of the securities	Benchmark	Number of potential shares (1)
Share warrants (*Bons de souscription d'actions*)	Section 21.1.4.1	42,752
Free share grants	Section 21.1.4.2	580,446
Stock options	Section 21.1.4.3	1,299,543
OCEANE bonds	Section 21.1.4.4	4,313,125
Total		6,235,866

(1) If only new shares were allotted, rather than a combination of new and existing shares

A shareholder who owns 1% of the share capital of Inside Secure would see his or her ownership go down to 0.876% in the event of the exercise or vesting of all stock options, share warrants and free shares.

21.1.4.1 Share 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.

Description of the warrants[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	exercisable in full	June 4, 2019
BSA 2007-3	September 21, 2007 September 21, 2007	1,000 1,000	4,210 4,210	€6.698 €6.698	exercisable in full exercisable in full	June 13, 2018 July 3, 2018
BSA 2007-4	December 18, 2008	750	3,157	€6.698	exercisable in full	May 4, 2019
BSA 2007-5	December 21, 2007	2,000	8,420	€9.5438	exercisable in full	August 22, 2018
BSA 8	December 18, 2008	3,200	13,472	€9.5438	exercisable in full	March 24, 2019
		10,155	42,752			

(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 ratio and the subscription price of a single share derived from a BSA were adjusted in accordance with applicable legal and regulatory provisions.

The Company arranged an equity line of financing with Kepler Cheuvreux in 2015. Kepler Cheuvreux undertook to subscribe for 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 Cheuvreux subscribed for 400,000 new shares in 2015 and no new shares in either 2016 or as of the filing date of this Registration Document. Following the expiration of the agreement in February 2017, no more new shares may be subscribed for under this equity line of financing, which is now null and void.

As of the filing date of this Registration Document, the members of the Management Board and Supervisory Board do not hold any BSAs.

21.1.4.2 Free share grants

As of the filing date of this Registration Document, the Management Board of the Company had granted a total of 4,229,290 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, 2,642,795 shares have definitively vested, 1,006,049 shares have become null and void, and 580,446 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 21,016	23,046 0	69,138 21,016	0 0	March 6, 2012 July 28, 2007	2 years 2 years
June 16, 2005	July 28, 2005	112,600 25,664	112,600 0	0 25,664	0	n/a July 28, 2007	n/a 2 years
October 20, 2005	February 17, 2006	83,092	6,088	44,840 16,192 15,972	0	February 17, 2008 February 17, 2009 February 17, 2010	2 years 2 years 2 years
October 20, 2005	February 17, 2006	56,264 12,832	56,264 0	0 12,832	0 0	n/a February 17, 2008	n/a 2 years
October 20, 2005	June 2, 2006	76,096	0	38,048 19,024 19,024	0	June 2, 2008 June 2, 2009 June 2, 2010	2 years 2 years 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	1,116,000 110,000	0 0	1,116,000 110,000	0 0	December 16, 2012 December 16, 2014	2 years 2 years
January 20, 2012	April 6, 2012	151,370 64,100	151,370 64,100	0 0	0 0	n/a n/a	n/a n/a
June 29, 2012	July 26, 2012	2,200 4,000 63,510	2,200 4,000 0	0 0 63,510	0 0 0	n/a n/a July 26, 2014	n/a n/a 2 years
June 29, 2012	October 17, 2012	160,533	30,000	80,000 40,000 10,533	0 0 0	October 17, 2014 October 17, 2015 October 17, 2016	2 years 2 years 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	249,768	49,502	0	March 23, 2018 [2]	2 years
June 26, 2014	March 23, 2015	64,426	39,297	0	25,129	March 23, 2020 [3]	n/a
February 2, 2016	February 2, 2016	864,000	0	864,000	0	February 2, 2018	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	96,000	0	504,000	December 16, 2019 (6)	n/a
		4,229,290	1,006,049	2,642,795	580,446		

(1) The holding period begins on the vesting date of the free shares.

(2) The free share plan of March 23, 2015 was subject to two conditions: (i) a condition of continued employment with the Group for the three years following the grant date, 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). Using the option provided for in the plan, the Management Board decided on March 22, 2018, after obtaining the prior authorization of the Supervisory Board at its meeting on March 21, 2018, to waive the aforementioned market condition for certain grantees.

(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) 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 60 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 60 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.

(5) 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's share price recorded during the 60 trading days preceding December 16, 2019 is 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.

(6) 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 capital increase of 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[3].

First name and surname[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	864,000	0	February 2 2018	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 31,599 0	0 0 0 100,000	November 3, 2010 December 16, 2012 March 23, 2018 December 16, 2019 (2)	2 years 2 years 2 years 2 years	10% 10% 10% 10%
			1,121,599	1,021,599	100,000			

(1) The free shares granted to corporate officers having left the Group are not documented above.

(2) 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's share price recorded during the 60 trading days preceding December 16, 2019 is 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.

(3) 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 capital increase of April 26, 2016.

21.1.4.3 Stock options

As of the filing date of this Registration Document, the Management Board of the Company has granted a total of 4,228,937 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, 210,997 stock options have been exercised by their holders, 2,718,397 stock options have become null and void, and 1,299,543 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 for[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, 2011	June 2, 2016
Options 2006-1	February 2, 2007	12,324	12,324	0	0	€6.698		February 2, 2011	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	64041	0	0	€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
Options 2008-1	November 3, 2008	30,000	30,000	0	0	€10.0525		November 3, 2012	June 30, 2018
Options July 2012	July 26, 2012	2,277	0	0	2,277	€2.9146	exercisable in full	July 26, 2016	July 26, 2022
Options July 2012	July 26, 2012	12,989	0	0	12,989	€2.9146	exercisable in full	July 26, 2016	January 26, 2022
Options February 2013	February 20, 2013	195,872	122,135	31,601	42,136	€2.7438	exercisable in full[2][2]	n/a	February 20, 2023
Options February 2013	February 20, 2013	41,869	26,068	10,534	5,267	€2.7438	exercisable in full[2][2]	n/a	August 20, 2022
Options February 2013	May 3, 2013	100,000	75,000	25,000	0	€2.54		n/a	May 3, 2023
Options June 2013	June 20, 2013	20,000	20,000	0	0	€2.85		n/a	December 22, 2022

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 for(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 June 2013	August 27, 2013	108,479	57151	17,932	33,396	€2.326	Exercisable in full (2)(2)	n/a	August 27, 2023
Options June 2013	August 27, 2013	36,603	24,381	6,954	5,268	€2.326	exercisable in full(2)	n/a	February 27, 2023
Options January 2014	January 17, 2014	100,000	100,000	0	0	€2.11		n/a	January 17, 2024
Options January 2014	April 23, 2014	15,800	0	0	15,800	€3.4748	11,850 exercisable(2) (2) 3,950 on April 23, 2018(2)	n/a	April 23, 2024
Options June 2014	July 22, 2014	242,264	242,264	0	0	€4.3103		n/a	January 22, 2024
Options June 2014	July 22, 2014	73,736	42,136	0	31,600	€4.3103	21,067 exercisable(2) 10,533 on July 22, 2018(2)	n/a	July 22, 2024
Options June 2014	August 28, 2014	82,934	35,534	0	47,400	€3,997	31,286 exercisable(2) 16,114 on August 28, 2017(2)	n/a	August 28, 2024
Options December 2016 NR	December 16, 2016	394,000	46,450	19,140	328,410	€1.91	109,470 exercisable(2) 109,470 December 16, 2018(2) 109,470 December 16, 2019(2)	n/a	December 16, 2026
Options December 2016 US	December 16, 2016	761,000	531,000		230,000	€2.22	76,666 exercisable (2)(2) 76,666 on December 16; 76,668 on December 16, 2019(2)	n/a	June 16, 2026
Options December 2016 US	April 24, 2017	45,000	0	0	45,000	€3.04	15,000 on April 24, 2018(2) 15,000 on April 24, 2019(2) 15,000 on April 24, 2019(2)	n/a	April 24, 2027
Options December 2016 US	October 19, 2017	250,000	0	0	250,000	€2.99	80,333 on October 19, 2018(2) 80,333 on October 19, 2019(2) 80,334 on October 19, 2020(2)	n/a	October 19, 2027
Options December 2016 NR	October 19, 2017	250,000	0	0	250,000	€2.99	80,333 on October 19, 2018(2) 80,333 on October 19, 2019(2) 80,334 on October 19, 2020(2)	n/a	October 19, 2027
		4,228,937	2,718,397	210,997	1,299,543				

(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 capital increase of April 26, 2016.

The main terms and conditions of the stock options granted to the members of the Management Board of the Company are described in the following table[(4)].

Corporate officers[(2)].	Name of the plan	Date of grant	Number of granted stock options[(3)]	Maximum number of shares which can be subscribed for[(3)]	Subscription price per unit[(3)]	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 June 2014	August 28, 2014	36,866	36,866	€3,997	Exercisable in full [(2)(1)]	n/a	10%	August 28, 2024
	Options December 2016	December 16, 2016	45,000	45,000	€1.91	15,000 exercisable[(1)] 15,000 on December 16, 2018[(1)] 15,000 on December 16, 2019[(1)]	n/a	10%	December 16, 2026
			81,866	81,866					

(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 stated 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 capital increase of April 26, 2016.
(4) Only those grants that are currently active are listed above.

21.1.4.4 OCEANE bonds

In a private placement, the Company issued on June 29 and September 5, 2017 4,313,125 bonds convertible into new shares and/or exchangeable for existing Inside Secure shares ("*OCEANE bonds*") for a total amount of EUR 16,087,956.25. The nominal value per unit of the OCEANE bonds was set based on an issue premium of 30% to the reference price of Inside Secure shares. The issue on June 29, 2017 was closed at a price of EUR 3.73 per bond, with a further issue on September 5, 2017 at a price of EUR 3.90 per bond. Since the OCEANE bonds were issued on the same terms, except for the issue price, the OCEANE bonds issued on September 5, 2017 are fungible with and appear on the same line as the original OCEANE bonds. The OCEANE bonds can be traded on Euronext Access (Euronext's over the counter market in Paris) under the ISIN code FR0013265527.

The OCEANE bonds carry interest at an annual nominal rate of 6% payable semi-annually in arrears on June 29 and December 29 each year effect from December 29, 2017. The OCEANE bonds carry the right to be allotted new and/or existing Inside Secure shares based on a ratio of one share for one OCEANE bond. The OCEANE bonds may be redeemed early at the Company's initiative subject to certain conditions. The OCEANE bonds are due to mature on June 29, 2022.

The conversion of all the OCEANE bonds could lead to the creation of a maximum number of 4,313,125 new shares if the Company decided to issue only new shares.

21.1.5 Authorized share capital

The delegations and authorizations granted to the Management Board at the General Shareholders' Meetings dated of December 16, 2016 and June 14, 2017, currently valid at the date of this Registration Document, are summarized below. To use these authorizations, the Management Board must request prior approval from the Supervisory Board:

	Period of validity	Maximum nominal amount (in EUR)	Maximum nominal amount in common (in EUR)	Date and arrangements for use by the Management Board
Delegations and authorizations granted at the General Shareholders' Meeting on December 16, 2016				
Authorization granted to the Management Board to grant stock options	38 months with effect from December 16, 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 with effect from December 16, 2016	328,000		Refer to the Management Board's Special Report
Delegations and authorizations granted at the General Shareholders' Meeting on June 14, 2017				
Authorization to be granted to the Management Board to reduce the share capital via the cancellation of shares in connection with the authorization granted to the Company to buy back its own shares	18 months with effect from June 14, 2017	not to exceed 10% of the share capital per 24-month period		None
Delegation of authority to be granted to the Management Board to increase the share capital by issuing common shares or any negotiable securities granting access to the share capital, with preferential subscription rights	26 months with effect from June 14, 2017	8,636,250.40	8,636,250.40	None
Delegation of authority to be granted to the Management Board to increase the share capital by issuing common shares and/or any negotiable securities, without preferential subscription rights for shareholders via a public offering	26 months with effect from June 14, 2017	1,725,250		None
Delegation of authority to be granted to the Management Board to increase the share capital by issuing common shares and/or any negotiable securities, without preferential subscription rights for	26 months with effect from June 14, 2017	1,725,250, not to exceed 20% of the share capital per 12-month period		None

shareholders via a public offering, for the benefit of qualified investors or a category of investors as provided for in II of Article L. 411-2 of the French Monetary and Financial Code.				
Delegation of powers to be granted to the Management Board to increase the share capital by issuing common shares and/or any negotiable securities without shareholders' preferential subscription rights, for the benefit of a category of persons in connection with an equity line of financing	18 months with effect from June 14, 2017	1,725,250		None
Delegation of powers 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	26 months with effect from June 14, 2017	not to exceed 15% of the initial amount issued		None
Delegation of powers to the Management Board to issue common shares or negotiable securities granting access to the Company's share capital, in the event of a public offer including an exchange component initiated by the Company	26 months with effect from June 14, 2017	1,725,250		None
Delegation of powers to be granted to the Management Board to increase the share capital, up to a maximum percentage of 10%, in order to provide consideration for contributions in kind of shares or negotiable securities granting access to the share capital of third-party companies, other than during a public exchange offer	26 months with effect from June 14, 2017	not to exceed 10% of the share capital as it stands on the date of the considered transaction		None
Delegation of powers to the Management Board to increase the share capital by incorporating premiums, reserves, profits or other	26 months with effect from June 14, 2017	2,000,000		None
Delegation of powers to the Management Board to increase the share capital via the issuance of shares and securities granting access to the Company's share capital for the benefit of employees who are members of a group savings plan (*plan d'épargne de groupe*)	18 months with effect from June 14, 2017	517,000		None

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 Company's share capital to zero and then to increase it to EUR 1,005,865.60 through 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 of the transaction	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of total share capital (in Euros)	Total number of 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 through a cash contribution(1)	628,666	1,005,865.60	0	1,005,865.60	628,666	1.60
November 14, 2005	Capital increase through a cash contribution(2)	380,472	608,755.20	5,391,288.24	1,614,620.80	1,009,138	1.60
March 3, 2006	Capital increase through a cash contribution(2)	13,733	21,972.80	194,596.61	1,636,593.60	1,022,871	1.60
March 31, 2006	Capital increase through a cash contribution (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 through a contribution 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 through a cash contribution (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 through a cash contribution(5)	465,390	744,624.00	12,388,681.80	2,753,852.80	1,721,158	1.60
July 28, 2007	Capital increase through the definitive vesting of free shares(4)	11,670	18,672.00	0	2,772,524.80	1,732,828	1.60
September 4, 2007	Capital increase through a cash contribution (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 through a cash contribution(7)	411,638	658,620.80	15,893,343.18	3,803,457.60	2,377,161	1.60
December 28, 2007	Capital increase through a cash contribution(7)	164,220	262,752.00	6,340,534.20	4,066,209.60	2,541,381	1.60
February 5, 2008	Capital increase through a cash contribution(7)	45,878	73,404.80	1,771,349.58	4,139,614.40	2,587,259	1.60
February 17, 2008	Capital increase through the definitive vesting of free shares(4)	14,418	23,068.80	0	4,162,683.20	2,601,677	1.60
June 2, 2008	Capital increase through the definitive vesting of free shares(4)	9,512	15,219.20	0	4,177,902.40	2,611,189	1.60
August 20, 2008	Capital increase through a cash contribution(7)	66,595	106,552.00	2,571,232.95	4,284,454.40	2,677,784	1.60
December 17, 2008	Capital increase through a cash contribution(7)	99,478	159,164.80	3,840,845.58	4,443,619.20	2,777,262	1.60

Date of the transaction	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of total share capital (in Euros)	Total number of outstanding shares	Par value (in Euros)
February 17, 2009	Capital increase through the definitive vesting of free shares(4)	4,048	6,476.80	0	4,450,096.00	2,781,310	1.60
June 2, 2009	Capital increase through the definitive vesting of free shares(4)	4,756	7,609.60	0	4,457,705.60	2,786,066	1.60
July 29, 2009	Capital increase through a cash contribution (exercise of warrants)(4)	12,392	19,827.20	0	4,477,532.80	2,798,458	1.60
February 17, 2010	Capital increase through the definitive vesting of free shares(4)	3,993	6,388.80	0	4,483,921.60	2,802,451	1.60
June 2, 2010	Capital increase through the definitive vesting of free shares(4)	4,756	7,609.60	0	4,491,531.20	2,807,207	1.60
September 29, 2010	Capital increase through a cash contribution(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 through a cash contribution (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 through the definitive vesting of free shares(4)	5,000	8,000.00	0	8,381,494.40	5,238,434	1.60
November 8, 2010	Capital increase through a cash contribution(8)	73,077	116,923.20	1,271,539.80	8,498,417.60	5,311,511	1.60
November 30, 2010	Capital increase through a cash contribution(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 through a cash contribution (exercise of warrants)	46,704	18,681.60	165,448.90	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
February 22, 2012	Capital increase through a cash contribution (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 through a cash contribution (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 through a cash contribution (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 through the definitive vesting of free shares	69,138	27,655.20	-	13,137,329.20	32,843,323	0.40
December 20, 2012	Capital increase through the definitive vesting of free shares	1,116,000	446,400.00	-	13,583,729.20	33,959,323	0.40
December 20, 2012	Capital increase through a cash contribution (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 through a cash contribution (exercise of stock options)	24,276	9,710.40	85,997.73	13,607,135.20	34,017,838	0.40

Date of the transaction	Operation	Number of shares issued or canceled	Par value (in Euros)	Issuance or contribution premium (in Euros)	Par value of total share capital (in Euros)	Total number of outstanding shares	Par value (in Euros)
August 25, 2014	Capital increase through the definitive vesting of free shares	63,510	25,404.00	-	13,632,539.20	34,081,348	0.40
August 25, 2014	Capital increase through a cash contribution (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 through a cash contribution (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 through the definitive vesting of free shares	80,000	32,000.00	-	13,685,539.20	34,213,848	0.40
December 17, 2014	Capital increase through the definitive vesting of free shares	110,000	44,000.00	-	13,729,539.20	34,323,848	0.40
December 20, 2014	Capital increase through the definitive vesting of free shares	5,000	2,000.00	-	13,731,539.20	34,328,848	0.40
May 11, 2015	Capital increase through a cash contribution (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 through the definitive vesting of free shares	40,000	16,000.00	-	13,907,539.20	34,768,848	0; 40
December 21, 2015	Capital increase through the definitive vesting of free shares	2,500	1,000.00	-	13,908,539.20	34,771,348	0 ;40
April 26, 2016	Capital increase through a cash contribution	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 through the definitive vesting of free shares	10,533	4,213.00	-	17,250,799.60	43,126,999	0.40
April 11, 2017	Capital increase through a cash contribution (exercise of stock options)	54,254	21,701.60	-	17,272,501.20	43,181,253	0.40
January 31, 2018	Capital increase through a cash contribution (exercise of stock options)	19,140	7,656.00	-	17,280,157.20	43,200,393	0.40
February 13, 2018	Capital increase through a cash contribution (exercise of stock options)	5,267	2,106.80	-	17,282,264.00	43,205,660	0.40
February 13, 2018	Capital increase through the definitive vesting of free shares	864,000	345,600.00	-	17,627,864.00	44,069,660	0.40
March 23, 2018	Capital increase through the definitive vesting of free shares	49,502	19,800.80	-	17,647,664.80	44,119,162	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 for Class A preferred shares.
(3) Class A preferred shares.
(4) Common shares.
(5) Class B preferred shares carrying the right to subscribe for 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 ownership of the Company's share capital since December 31, 2015

To the Company's knowledge, the Company's share capital distribution has changed in the following way since December 31, 2015:

	Situation as of December 31, 2015		**Situation as of December 31, 2016**		**Situation as of December 31, 2017**		**Situation as of the filing date of the Registration Document**	
	Number of shares	**% of share capital**	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**	**Number of shares**	**% of share capital**
Members of the Management Board	**210,551**	**0.61%**	**448,600**	**1.04%**	**448,600**	**1.04%**	**1,344,199**	**3.05%**
Amedeo D'Angelo	0	0.00%	309,000	0.72%	309,000	0.72%	1,173,000	2.66%
Richard Vacher Detournière	112,582	0.32%	139,600	0.32%	139,600	0.32%	171,199	0.39%
Members of the Supervisory Board	**2,042**	**0.01%**	**6,242**	**0.01%**	**6,242**	**0.01%**	**6,242**	**0.01%**
Patrick Schwager Jones	4	0.00%	4	0.00%	4	0.00%	4	0.00%
Jean Schmitt	2,034	0.01%	2,034	0.00%	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%	4,200	0.01%
Gimv(1)	**4,254,171**	**12.23%**	**5,275,167**	**12.23%**	**3,503,970**	**8.11%**	**2,979,534**	**6.75%**
Jolt Capital	-	-	**3,757,413**	**8.71%**	**2,447,297**	**5.66%**	**2,447,297**	**5.55%**
Bpifrance Participations	**2,423,991**	**6.97%**	**2,423,991**	**5.62%**	**2,423,991**	**5.61%**	**2,423,991**	**5.49%**
Other shareholders(2)	**24,424,690**	**80.14%**	**31,215,586**	**72.38%**	**34,370,293**	**79.56%**	**34,917,899**	**79.14%**
Total	**34,771,348**	**100.00%**	**43,126,999**	**100.00%**	**43,200,393**	**100.00%**	**44,119,162**	**100.00%**

(1) In a letter to the AMF received on June 21, 2017, Gimv NV, a public limited company registered in Belgium, declared that it had crossed below on June 15, 2017, directly and indirectly, via Adviesbeheer Gimv Technology 2004 NV, a company that it controls, the 10% thresholds of the share capital and voting rights of Inside Secure and held, directly and indirectly, 4,238,885 Inside Secure shares at that date. This crossing of the notification thresholds occurred as the result of a sale of Inside Secure shares on the market.

(2) In a letter to the AMF received on January 16, 2018, Palladio Holding SpA declared that it had crossed above on January 15, 2018 the 5% thresholds of the share capital and voting rights of Inside Secure and held 2,213,626 Inside Secure shares at that date. This crossing of the notification thresholds occurred as the result of an acquisition of Inside Secure shares on the market.

21.1.7.3 Change in value of the share – Risk of price fluctuations

Inside Secure's shares are publicly traded in France on the Euronext Paris market (ISIN code: FR0010291245, ticker symbol: INSD).

On April 6, 2018, the Inside Secure's share price at the market close was EUR 2.44 and market capitalization totaled EUR 108 million.

Price of Inside Secure shares and transaction volumes

Change in the share 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 2017	3.35	2.32	7,313,145	3.17	20,614,410	3.23
March 2017	3.78	3.01	5,555,067	3.46	19,086,020	3.44
April 2017	3.47	2.61	5,572,280	2.94	16,625,330	2.94
May 2017	3.15	2.82	3,138,153	2.98	9,381,042	3.00
June 2017	3.2	2.81	2,972,439	3.04	8,992,094	3.01
July 2017	3.14	2.61	1,928,145	2.64	5,686,506	2.69
August 2017	3.14	2.13	3,880,844	2.79	10,105,270	2.80
September 2017	3.08	2.65	1,845,819	2.81	5,372,105	2.84
October 2017	3.10	2.61	2,398,557	2.69	6,946,942	2.71
November 2017	2.89	2.51	1,898,502	2.67	5,100,585	2.73
December 2017	3.06	2.51	1,524,307	2.94	4,212,733	2.96
January 2018	3.12	2.73	2,924,294	2.97	8,689,069	2.98
February 2018	3.05	2.54	2,346,652	2.81	6,440,365	2.78

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 location specified by the person calling the meeting. Meetings may be convened by all available means, 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 may be appointed as a member of the Supervisory Board only 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 deemed to have resigned 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, have a majority of independent members. The independence criteria applied by the Company and the other provisions of the Supervisory Board's internal charter 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 convene its members to a meeting. The notice 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 may be convened to a meeting of the Board by letter, facsimile, or email, which must provide a description of the meeting's agenda and be sent to each member of the Board no later than eight days before the date set for the meeting. However, the Board may be convened by all available means, 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 charter 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 held in registered form and under the same name for at least two years.

21.2.3.2 Rights to dividends and profits

Each share carries an entitlement to a share of corporate assets and a share of earnings proportional to the number of shares outstanding, taking into account the par value of shares and the rights attached to different share classes.

21.2.3.3 Time frame for claiming dividends

Dividends that have not been claimed within a period of five 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 number 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.

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 make amendments to 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 the crossing of notification thresholds

None.

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

At the date of this Registration Document, the Group has not pledged any shares or assets.

22. KEY CONTRACTS

Apart from 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 in the event 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, effective as from June 16, 2014, relating to the NFC technology owned by the Company. This agreement replaced an initial agreement dated August 23, 2011. This agreement and the ancillary agreements were granted in consideration for the payment of $ 19,200,000 to the Company.

This new agreement broadens the scope of the license rights initially granted to Intel and, more specifically, extends the initial worldwide and perpetual license into a broader license allowing Intel to freely use Inside's MRv5 technology, without any recurring fees. In consideration for this license, Intel paid a one-time license fee to the Company upon completion of this new agreement. While retaining ownership of most of the intellectual property rights and titles underlying the above-mentioned license, the Company transferred to Intel of 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 related thereto, including certain 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 agrees 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 the rights associated with 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 to use these 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

As part 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 to the latter on September 20, 2016, the following contracts, previously included in the "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 (N.B. 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" entered into 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.

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 as defined in the AMF's General Regulations is also available on the Company's website (www.insidesecure-finance.com).

Provisional calendar of the financial publication for 2018:

- First-quarter 2018 revenue:	April 19, 2018
- First-half 2018 results:	July 26, 2018
- Third-quarter 2018 revenue:	October 18, 2018

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 35 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 condition, 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.
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.
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.
Cloud computing:	concept of relocating to remote 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.
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 a 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 of tender in the United States.

DRM *(Digital Rights 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.
EMV (*Europay Mastercard Visa*):	international security and interoperability standard for payment cards, in force since 1995.
ESS	Embedded Security Solutions
Fabless:	business model for a semiconductor company consisting in 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.
Firmware:	software program embedded in a chip.
Foundry:	company specializing in the manufacturing of semiconductor wafers for third-party companies.
HCE ***(Host Card Emulation):***	virtual representation of a smart card via software installed on the electronic equipment's main processor.
Internet of Things (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 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:	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.
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:	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.

Operators: 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.

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).

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 the hardware components, human procedures and software needed to manage the life cycle of digital or electronic certificates.

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.

Protocol: set of rules for establishing a communication between two entities or two systems.

Communication protocol: system of communication rules between two software layers on the same machine or between two machines.

Provisioning and personalization: injection of keys, credentials, data, tokens into a personalized device either at manufacturing, or in the field or Over-The-Air to enable secure applications and services.

PSD2: PSD2 (Payment Services Directive) was approved by the European Parliament and is coming into effect in 2018 with the main objectives of securing e-payments and expanding the financial services ecosystem within the EU and for global companies operating into and out of the EU. The PSD2 mandates the use of Strong Customer Authentication (SCA) to manage transactions between banks and new financial institutions, ensuring consumers' data and finances remains secure while opening financial markets to innovation and new services.

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.

Rooting: 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.

Root of Trust: Root of trust (or RoT) is the foundation for the trustworthiness of a device or a system. Roots of trust are hardware/software components that are inherently trusted. RoT is a set of functions that constitutes a common trust anchor recognized by operating systems.

Security as a Service (SECaaS): business model in which a service provider integrates their security offering into a corporate infrastructure on a subscription basis or "pay-per-use" more cost effectively than most individuals or corporations can provide on their own, when total cost of ownership is considered.

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.

Short Message Service *(SMS)*: mobile telephony standard enabling users to exchange and view text-based messages on their phones.

Operating system: set of programs on an electronic device providing an interface between hardware and application software.

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.

Dual interface technology: technology delivering contact and contactless applications on a single chip.

Terminal: electronic device capable of reading data from a payment card, recording a transaction and communicating with a remote authentication secure server.

Mobile devices: mobile handsets, tablets and laptops.

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".

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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