



## **INSIDE Secure to acquire Embedded Security Solutions (ESS), a security specialist in the mobile and networking markets**

- **Reinforces INSIDE Secure's leadership as a key player in the fast-growing security solutions market**
- **Cross-selling opportunities with complementary portfolio of solutions**
- **Good fit with INSIDE Secure's Mobile NFC and Digital Security businesses**
- **Transaction valued at up to USD48 million, paid in cash**
- **Transaction expected to be accretive to 2013 adjusted<sup>1</sup> operating and net results**

**Aix-en-Provence, France, 19 November 2012** – INSIDE Secure (NYSE Euronext INSD.PA) today announced that it has entered into an agreement to purchase Embedded Security Solutions (ESS), a high expertise business which designs and develops encryption-related security hardware intellectual property (IP) and software for a variety of industries, including the mobile and networking markets. The transaction is expected to close before the end of 2012 subject to certain customary closing conditions. The Supervisory Board of INSIDE Secure has unanimously approved the transaction.

This strategic acquisition will enable INSIDE Secure to reinforce its position as a key player in the fast-growing security solutions market:

- ESS brings to INSIDE Secure complementary offerings for a complete security architecture, as well as additional solutions for securing both content (Digital Rights Management or "DRM") and data exchange (Virtual Private Network or "VPN");
- ESS complements INSIDE Secure's know-how with a talented team of 79 highly qualified employees located in Europe, Asia and in the US, as well as its extensive and highly regarded security intellectual property and technology portfolio, which aligns with INSIDE's long-term strategy to generate its own IP licensing revenue;
- This acquisition will allow INSIDE Secure to access a wider customer base in the mobile, content provider and network industries that serve a variety of application markets (smart grids, automotive, gaming and others); and
- By leveraging the strong capabilities of INSIDE Secure's existing Mobile NFC and Digital Security businesses, the combined offer should lead to additional sales in high growth markets.

At closing, INSIDE Secure will pay USD38 million in cash subject to a working capital adjustment, and up to an additional USD10 million subject to completion of certain post-closing transactions. The transaction is expected to be accretive to INSIDE Secure's 2013 adjusted operating and net results, and to enhance INSIDE Secure's gross margin.

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<sup>1</sup> INSIDE Secure uses performance indicators that are not strictly accounting measures (adjusted operating result, and adjusted income /(loss)). These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the group's financial performance. They should be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of strict accounting nature, as presented in the Group's Consolidated Financial Statements and the corresponding notes. The Group uses these indicators because it believes they are useful measures of its operating performance and of its operating cash flow generation.

Commenting on this announcement, Rémy de Tonnac, chief executive officer of INSIDE Secure, said: *“This transaction is an important opportunity to extend our position in the security value chain and reinforce our global offer in high-end security solutions. It will enable us to complement our product and solution portfolio in Mobile NFC and Digital Security and enhance our customer offerings in fast-growing markets. The talented ESS team who will be joining will contribute their know-how and expertise to advancing our innovative technologies, and help us address new security markets.”*

### **Overview of ESS know-how, products and expertise**

ESS designs, develops and sells a range of embedded security solutions, encompassing hardware IP and software. It offers a host of security solutions tailored for businesses and consumers on the move.

The ESS portfolio offer includes a comprehensive suite of embedded security solutions which include semiconductor IP, security toolkits and DRM solutions that address both client- and server-side security.

The solutions are centered on the use of encryption algorithms and security blocks to protect data and ensure confidentiality, integrity and availability. ESS offers three product lines: a Content Protection product line, a Security Toolkit product line and a Semiconductor IP product line.

ESS products are used in hundreds of millions of mobile and networking products to ensure data privacy for businesses and individuals, and are sold to a variety of tier-one brand name customers, such as Alcatel-Lucent, Cisco, HBO, LG, Motorola, Nokia, Samsung, Sky and Texas Instruments.

ESS recorded<sup>2</sup> net revenue of USD25.3 million in 2011, with gross margins exceeding 90 percent and operating income of USD6.3 million. For the first nine months of 2012, the net revenue was USD21.4 million and the operating income USD6.2 million.

### **Conference call details**

Rémy de Tonnac, Chief Executive Officer of INSIDE Secure, jointly with Richard Vacher Detournière, General Manager and Chief Financial Officer, will comment on the acquisition of ESS and will be available to answer questions during a conference call to be held on 19 November 2012 at 3pm CET / 2pm GMT / 9am EST. The call will be held in English.

To participate in the conference call, you may call the following numbers prior to the scheduled start time: +33 (0) 1 70 77 09 40 (France) or +44 203 367 9453 (United Kingdom) or + (1) 866 907 5923 (USA).

This press release and other presentation materials will be available on INSIDE Secure's website: [www.insidesecond.com](http://www.insidesecond.com).

A replay of the conference call will also be available approximately two hours following the conference call and for 90 days on the Group's website.

### **Press and investor contacts**

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**About INSIDE Secure**

INSIDE Secure (NYSE Euronext Paris FR0010291245 – INSD.PA) is a leading designer, developer and supplier of semiconductors, embedded software and platforms for secure transactions and digital security. INSIDE mobile NFC, secure payment and digital security products provide security for a wide range of information processing, storage and transmission applications. The company's customers are found in a wide range of markets, including mobile payment, identification documents, access control, transit, electronic device manufacturing, pay television and mobile service operators. For more information, visit [www.insidesecond.com](http://www.insidesecond.com).

**Forward-looking statements**

This press release contains certain forward-looking statements concerning the INSIDE Secure group. Although INSIDE Secure believes its expectations to be based on reasonable assumptions, they do not constitute guarantees of future performance. The group's actual results may accordingly differ materially from those anticipated in these forward-looking statements owing to a number of risks and uncertainties. For a more detailed description of these risks and uncertainties, please refer to the "Risk Factors" section of the annual financial report of 27 April 2012, available on [www.insidesecond.com](http://www.insidesecond.com).