



INSIDE Secure third-quarter 2013 revenue

- **Third-quarter 2013 consolidated revenue of \$44.4 million, up 55% year-on-year (up 27% on a normalized¹ basis) due to high but non-recurring deliveries to BlackBerry**
- **Consolidated revenue for the first 9 months of 2013 at \$115.2 million (up 27% Y-o-Y)**
- **Group refocused around two business divisions, in line with strategic shift towards security solutions for mobile and connected devices**

Aix-en-Provence, France, October 24, 2013 – INSIDE Secure (NYSE Euronext Paris: INSD), a leader in embedded security solutions for mobile and connected devices, today reports consolidated revenue of \$44.4 million for the third quarter of 2013. Revenue rose by 21% relative to the second quarter of 2013 and by 55% relative to the third quarter of 2012. Consolidated revenue in the first nine months of the year totalled \$115.2 million, up 27% year-on-year.

Third quarter 2013 consolidated (IFRS) revenue:

(in thousands of US\$)	Q3-2013	Q3-2012	% Y-o-Y	% Y-o-Y normalized	9 month 2013	9 month 2012	% Y-o-Y	% Y-o-Y normalized
Mobile NFC	21 041	9 043	133%	133%	35 077	31 649	11%	11%
Secure payment	5 118	8 157	-37%	-37%	22 874	23 023	-1%	-1%
Digital security	11 303	11 383	-1%	-1%	37 468	36 111	4%	4%
Embedded security solutions	6 980	-	-	12%	19 787	-	-	1%
Total	44 442	28 583	55%	27%	115 207	90 783	27%	4%

On a normalized basis, revenue for the 3rd quarter of 2013 was \$44.8 million, up 27% relative to the 3rd quarter of 2012 and up 20% relative to the 2nd quarter of 2013. Normalized revenue in the first nine months of the year totalled \$117.1 million, up 4% year-on-year.

The high-margin revenue generated by licences, royalties, maintenance and other services, totalled \$20.2 million in the first 9 months of 2013 (18% of total revenue), sharply higher than in 2012 (4% of revenue). Product revenue amounted to \$95.0 million in the first 9 months of 2013.

Commenting on these results, Rémy de Tonnac, Chief Executive Officer of INSIDE Secure, declared:
"INSIDE Secure record edits best revenue in the last 8 quarters despite a changing market environment. The integration of ESS increased our focus towards the market of embedded security solutions for mobile and connected devices, widening our technologies portfolio across the entire security architecture chain. The organization plan launched in March is now completed, with targeted yearly savings expected to start in the fourth quarter. Moving forward, the Group concludes this strategic shift by refocusing its activities around two unique business divisions: Mobile Security and Secure Transactions, to better address changing environment and keep leadership positions on well targeted growing markets."

¹Normalized revenue is defined as the combined revenue from the activities of INSIDE Secure and ESS as if the acquisition of ESS had been effective from January 1, 2012 and without taking into account the accounting impact of the purchase price allocation.

Business segment analysis

Mobile NFC

After having experienced a strong sequential growth in the second quarter of 2013, revenue of Mobile NFC segment amounted to \$21.0 million in the third quarter of 2013, more than doubling relative to the previous quarter, and essentially driven by continued deliveries to BlackBerry. This performance needs however to be qualified since the competitive challenges BlackBerry is facing and the existence of large inventories in the supply and distribution chains should lead to a significant reduction in revenue from shipment of NFC microcontrollers to this customer in the coming quarters.

In accordance with its strategy, INSIDE Secure intends to be a key player in the deployment of mobile payment solutions, thanks to its embedded secure element, VaultSEcure™, among other products. As a recent example, the Group signed a successful partnership with the U.S. company LoopPay that provides mobile commerce platforms and developed a very innovative mobile wallet solution.

In addition, the company is actively pursuing its strategy to license its NFC IP technology and patent portfolio.

Secure Payment

Secure Payment revenue for the 3rd quarter of 2013 declined substantially to \$5.1 million. The revenue of this business division was mainly generated by sales of contactless chips. As expected, revenue from older generation of microcontrollers to bank card manufacturers in Europe have continued to decline, while sales of payment solutions to the U.S. market in the context of the introduction of EMV standard started modestly.

In anticipation of the migration of the U.S. market to the EMV standard, INSIDE Secure's new "dual interface" products that allow both contact and contactless secure payments are in their final stages of certification, while "contact" products are in the process of being qualified by some U.S. banks and service bureau.

Digital Security

The Digital Security business segment generated revenue of \$11.3 million in the 3rd quarter of 2013, flat relative to the previous year, but down 19% relative to the 2nd quarter of 2013. Revenue in the first nine months of the year totalled \$37,5 million, up 4% year-on-year. During the third quarter of 2013, the Group recorded several design-ins on applications aimed at securing transactions between connected machines.

Embedded Security Solutions (ESS)

ESS segment achieved a satisfying performance during the third quarter of 2013, with consolidated revenue of \$7.0 million (\$7.3 million on a normalized basis), up 12 % relative to the previous quarter. This increase was mainly driven by a strong performance in the two key sources of revenue, licenses and royalties, with leading handset manufacturers and semiconductor companies. Deliveries of the Group's VPN client hit a record quarter too. INSIDE Secure also recorded significant new designs-ins for several categories of strategic products (DRM, VPN, HDCP² and DAR³) both with leading players and emerging companies.

²High-bandwidth Digital Content Protection

³Data At Rest

Update on strategy roadmap: refocus on two business divisions

INSIDE Secure has been working on the past months on adapting its cost model and shifting its business model, so as to better address the new challenges of the business environment. Some important milestones of this strategic shift have now been completed, with ESS fully integrated delivering promising results and the completion of the reorganisation plan launched in March 2013.

Moving forward, INSIDE Secure intends to achieve another step of its strategy roadmap by refocusing its offer and business efforts through two business divisions, Security and Secure Transactions, which replace the previous business organization within the firm.

This decision is in line with the Group's strategy of focusing on high added value embedded security solutions for mobile devices and connected devices.

- The **Mobile Security** division gathers the company's expertise in all mobile communication matters, to provide a comprehensive suite of embedded security solutions for all mobile devices.

The offer includes IPs, hardware and software solutions, 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 this addressable market of about \$300 million in 2012 growing 25% per year on average⁴, INSIDE Secure is the only player able to cover the whole security architecture chain.

This new business division is headed by Simon Blake-Wilson, formerly Executive Vice-President of the recently acquired ESS business.

- The **Secure Transactions** division unites the Group's expertise dedicated to address high security issues for smart cards, ID, payments but also all transactions involved in the M2M and Internet of Things universe, an addressable market of \$700 million in 2012, expected to grow 10% per year in average⁵.

This new business division builds tailored solutions based on secure microcontrollers, with embedded secure firmware and associated services, and is headed by Bernard Vian, who joined INSIDE Secure in 2002 and was until now EVP for the Secure Payment division.

- **Both divisions are supported by** common R&D, technologies, intellectual property rights and operations platforms for better efficiency.

Finally, the company has decided to globally unite the sales force under the unique supervision of Simon Blake-Wilson, who acts as Chief Sales Officer.

Conference call

On the occasion of the publication of revenue for the 3rd quarter of 2013, the company will hold a conference call on October 24, 2013 at 11:00am (Paris). Access to the call will be by dialling one of the following numbers: +33 1 70 77 09 35 (France), +44 20 33 67 94 56 (UK) or +1 866 907 59 25 (USA). The presentation will be available on our website: www.insidesecond.com. An audio webcast of the presentation and the Q&A session will be available on the INSIDE Secure website approximately three hours after the end of the presentation and will remain posted there for one year.

Financial calendar

- Publication of full-year 2013 consolidated results: 20 February 2014 (after trading).

⁴Source : ABI Research and INSIDE Secure estimates

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Press and investor contacts

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About INSIDE Secure

INSIDE Secure (NYSE Euronext Paris FR0010291245 – INSD) provides comprehensive embedded security solutions. World-leading companies rely on INSIDE Secure's mobile security and secure transaction offerings to protect critical assets including connected devices, content, services, identity and transactions. Unmatched security expertise combined with a comprehensive range of IP, semiconductors, software and associated services gives INSIDE Secure customers a single source for advanced solutions and superior investment protection. For more information, visit www.insidesecure.com.

Supplementary non-IFRS financial information

The supplementary non-IFRS financial information presented in this press release (normalised revenue) is defined within the press release. 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 a strictly 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 activity. These indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently to the Group, even though they use similar terms.

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 April 24, 2013, available on www.insidesecure.com.