



INSIDE Secure - 2013 Annual Results

- Full-year consolidated revenue of \$154.6 million, up 27% compared with the previous year (growth of 5% on a normalized basis¹), on the back of robust Q4 revenue
- Strong growth in the adjusted gross margin from 25.8% to 39.0% between 2012 and 2013, with gross profit doubling to \$60.3 million
- Significant benefits in the results from the Group's strategic repositioning and restructuring:
 - First profitable half-year, at \$3.4 million adjusted operating profit² in the second half of 2013, trimming the full-year loss to \$3.0 million (compared with a loss of \$30.1 million in 2012).
 - Strong improvement in EBITDA for the first time positive on a full year basis at + \$2.8 million in 2013 (from a loss of \$25.1 million in 2012).

Aix-en-Provence, France, February 20, 2014 – INSIDE Secure (NYSE Euronext: INSD), a leader in embedded security solutions for mobile and connected devices, is today reporting its audited consolidated results for the financial year to December 31, 2013. These results were prepared by the Management Board and reviewed by the Supervisory Board on February 19, 2014.

Financial results for the full year 2013 – Key figures

(in thousands of US\$)	Adjusted		IFRS	
	12 months 2013	12 months 2012	12 months 2013	12 months 2012
Revenue	154 623	122 047	154 623	122 047
Gross profit	60 260	31 439	48 235	28 543
As a % of revenue	39,0%	25,8%	31,2%	23,4%
Operating income	-2 952	-30 095	-27 766	-37 278
As a % of revenue	-1,9%	-24,7%	-18,0%	-30,5%
Net income	-	-	-27 560	-37 485
As a % of revenue	-	-	-17,8%	-30,7%
EBITDA	2 793	-25 123	-	-
As a % of revenue	1,8%	-20,6%	-	-

Commenting on these results, Rémy de Tonnac, Chief Executive Officer of INSIDE Secure, said: *“2013 was a year of transformation for INSIDE Secure with the integration of ESS³, the implementation of a broad-ranging reorganization and the strategic realignment of the Group around two business divisions, namely Mobile Security and Secure Transactions. These initiatives did rebuild our offering around a higher margin product mix and lower our cost base, paving the way for the Group to record positive operating income⁴ in the second half of 2013. Looking ahead to 2014, the Group will further pursue its repositioning strategy, seizing on the opportunities arising in these fast-moving sectors. The objective is notably to leverage its security IP, technology and expertise and pursue the strategy of monetizing its NFC technology and patent portfolio.”*

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

² Some financial measures and performance indicators are presented on an adjusted basis as defined in Appendix 2 of this press release. They should be considered as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the consolidated financial statements in Appendix 1.

³ *Embedded Security Solutions*, a business acquired in December 2012

⁴ In terms of EBITDA and adjusted operating income.

Fourth-quarter, second-half and full-year 2013 figures

Fourth-quarter 2013 and full-year 2013 revenue

(in thousands of US\$)	Q4-2013	Q4-2012	2013 vs. 2012	2013 vs. 2012 normalized	12 months 2013	12 months 2012	2013 vs. 2012	2013 vs. 2012 normalized
Mobile Security	19 668	12 180	61%	11%	73 797	43 828	68%	7%
Secure Transactions	19 748	19 084	3%	3%	80 827	78 219	3%	3%
Total	39 416	31 264	26%	7%	154 623	122 047	27%	5%

Consolidated revenue grew by 26% to \$39.4 million in the fourth quarter of 2013 compared with the same period of the previous year and by 7% on a normalized basis. Revenue was down 11% sequentially, given that the third quarter of 2013 experienced the strongest level of revenue in the previous eight quarters.

INSIDE Secure recorded a very encouraging performance in the fourth quarter, with the Mobile Security division displaying strong momentum and the Secure Transactions division faring well, too. As anticipated, revenue from BlackBerry (\$6.2 million) posted a significant decline compared with the previous quarter. It should be noted that performance during the quarter was also boosted by the following significant items:

- The Group sold two NFC patents for \$4.5 million, in line with its strategy of monetizing its intellectual property rights.
- The Group benefited from \$4.1 million in early revenue from product ordered and delivered to enable customers to proactively build buffer inventories to manage the impact of one of the Group's suppliers ceasing trading.

The INSIDE Secure group's full-year 2013 consolidated revenue totaled \$154.6 million, representing an increase of 27% on the previous year (growth of 5% on a normalized basis).

High-margin revenue deriving from software and technology licenses, royalties and maintenance came to \$32.7 million in 2013 (i.e. 21% of revenue), representing a steep increase on the previous year (\$6.9 million, i.e. 6% of 2012 revenue):

(in thousands of US\$)	12 months 2013	12 months 2012	2013 vs. 2012	2013 vs. 2012	2013 vs. 2012 normalized
Revenue from sale of products	121 877	115 120	6 758	6%	5%
Revenue from development and license agreements	11 396	6 336	5 060	-	-28%
Royalties and sale of patents (*)	17 765	293	17 471	-	61%
Maintenance	3 585	298	3 288	-	11%
Total	154 623	122 047	32 576	27%	5%

(*) In 2013, the majority of royalties were for software and patent sales were \$4.5m

Adjusted operating income

(in thousands of US\$)	12 months 2013	12 months 2012	H2-2013	H1-2013	H2-2012
Revenue	154 623	122 047	83 858	70 765	59 847
Adjusted gross profit	60 260	31 439	33 410	26 850	15 823
As a % of revenue	39,0%	25,8%	39,8%	37,9%	26,4%
Research and development expenses	(31 903)	(33 218)	(13 796)	(18 107)	(14 922)
<i>As a % of revenue</i>	<i>-20,6%</i>	<i>-27,2%</i>	<i>-16,5%</i>	<i>-25,6%</i>	<i>-24,9%</i>
Selling and marketing expenses	(20 477)	(17 511)	(9 832)	(10 646)	(8 730)
<i>As a % of revenue</i>	<i>-13,2%</i>	<i>-14,3%</i>	<i>-11,7%</i>	<i>-15,0%</i>	<i>-14,6%</i>
General and administrative expenses	(10 570)	(8 780)	(5 633)	(4 937)	(4 499)
<i>As a % of revenue</i>	<i>-6,8%</i>	<i>-7,2%</i>	<i>-6,7%</i>	<i>-7,0%</i>	<i>-7,5%</i>
Other gains / (losses), net	(261)	(2 025)	(788)	527	(2 025)
Adjusted operating expenses	(63 212)	(61 534)	(30 049)	(33 163)	(29 739)
<i>As a % of revenue</i>	<i>-40,9%</i>	<i>-50,4%</i>	<i>-35,8%</i>	<i>-46,9%</i>	<i>-49,7%</i>
Adjusted operating income / (loss)	(2 952)	(30 095)	3 361	(6 313)	(13 917)
As a % of revenue	-1,9%	-24,7%	4,0%	-8,9%	-23,3%

Adjusted gross profit almost doubled (rising from \$31.4 million to \$60.3 million between 2012 and 2013) and the gross margin also recorded a significant progress, widening from 25.8% of 2012 revenue to 39.0% of 2013 revenue. The gross margin was boosted by the favorable shift in the product mix, especially thanks to the successful integration of ESS, efforts to cut costs and improve selling prices on the Group's other product ranges.

Adjusted gross margin trend by segment:

(as a % of revenue)	12 months 2013	12 months 2012	H2-2013	H1-2013
Mobile Security	49,4%	28,9%	48,3%	51,4%
<i>Mobile Security, excluding ESS product line</i>	<i>27,6%</i>	<i>25,3%</i>	<i>28,9%</i>	<i>26,1%</i>
Secure Transactions	32,6%	26,8%	32,2%	32,9%
Total	39,0%	25,8%	39,8%	37,9%

The Group's operating expenses increased only modestly in 2013 (up 2.7%), with the natural increase resulting from the integration of the ESS team (around 80 staff worldwide) offset partially by the initial benefits of the Group's restructuring plan carried out in 2013.

INSIDE Secure's recovery made further progress, with the Group posting \$3.4 million in adjusted operating income in the second half of 2013, compared with a loss of \$13.9 million one year earlier and a loss of \$6.3 million in the first half of 2013.

Over 2013 as a whole, the Group was able to keep its operating loss down to \$3.0 million, compared with a loss of \$30.1 million in 2012.

(in thousands of US\$)	12 months 2013	12 months 2012	2013 vs. 2012
EBITDA	2 793	(25 122)	27 915
Amortization and depreciation of assets (*)	5 745	4 972	773
Adjusted operating income	(2 952)	(30 095)	27 143
Business combinations	(14 421)	(5 071)	(9 350)
Restructuring expenses	(9 838)	(232)	(9 606)
Share based payments	(555)	(1 880)	1 325
Operating income	(27 766)	(37 278)	9 512
Finance income / (losses), net	790	(258)	1 048
Income tax expense	(584)	51	(635)
Net income	(27 560)	(37 485)	9 925

() excluding amortization and depreciation of assets acquired through business combinations*

EBITDA

The Group's 2013 EBITDA totaled \$2.8 million, compared with a loss of \$25.1 million in 2012. During the second half of 2013, EBITDA came to \$6.4 million (7.6% of consolidated revenue), compared with a loss of \$3.5 million in the first half of 2013 (and a loss of \$11.3 million in the second half of 2012).

Net financial items

In the year to December 31, 2013, net financial income totaled \$0.8 million, compared with net financial expense of \$0.3 million in the year to December 31, 2012, with the difference deriving primarily from fluctuations in the euro/dollar exchange rate and income from the Group's cash investments.

Consolidated net income

The consolidated net loss (IFRS) for 2013 came to \$27.6 million, down from \$37.5 million in 2012.

The business reorganization plan announced on March 6, 2013 and completed during the year led to the recognition of a \$9.8 million non-recurring expense⁵.

In addition, the bottom line was depressed by a sharp increase in amortization related to intangible assets (non-cash items) arising from the acquisition of ESS (\$10.9 million in 2013).

⁵ Corresponds essentially to the impairment of certain assets at the facilities affected by the plan (\$1.1 million), the expenses related to a workforce reduction finalized in 2013 (\$7.1 million) and a provision for restructuring costs related to the departure in January 2014 of the last employees affected by the plan (\$1.6 million).

Business segment analysis

(in thousands of US\$)	Mobile Security	Secure Transactions	Unallocated (*)	Total 12 months 2013
Revenue	73 797	80 826	-	154 623
<i>Contribution to revenue</i>	47,7%	52,3%	-	100%
Adjusted gross profit	36 459	26 336	(2 535)	60 260
<i>As a % of revenue</i>	49,4%	32,6%	-	39,0%
Adjusted operating income	(6 676)	5 895	(2 171)	(2 952)
<i>As a % of revenue</i>	-9,0%	7,3%	-	-1,9%
EBITDA	(5 652)	10 616	(2 171)	2 793
<i>As a % of revenue</i>	-7,7%	13,1%	-	1,8%

(in thousands of US\$)	Mobile Security	Secure Transactions	Unallocated (*)	Total 12 months 2012
Revenue	43 828	78 219	-	122 047
<i>Contribution to revenue</i>	35,9%	64,1%	-	100%
Adjusted gross profit	12 680	20 995	(2 237)	31 439
<i>As a % of revenue</i>	28,9%	26,8%	-	25,8%
Adjusted operating income	(30 920)	3 062	(2 237)	(30 095)
<i>As a % of revenue</i>	-70,5%	3,9%	-	-24,7%
EBITDA	(28 985)	6 099	(2 237)	(25 123)
<i>As a % of revenue</i>	-66,1%	7,8%	-	-20,6%

(*) unallocated expenses correspond mainly to unused capacity not allocated to business segments

Mobile Security

The Mobile Security division encompasses the Group's expertise in security solutions for mobile platforms. The main applications targeted are: mobile payment, content protection and enterprise security.

The division's revenue predominantly derives from sales of microcontrollers and from licenses and royalties on software and patents. Its 2013 revenue came to \$73.8 million, representing an increase of 68.4% on the previous year (and growth of 7% on a normalized basis).

Revenue from royalties reached a high level during the fourth quarter, recording growth of 18% during 2013 compared with the previous year.

The steep improvement in the adjusted gross margin between 2012 (28.9% of revenue) and 2013 (49.4%) was largely attributable to the integration of the ESS product lines and to improved gross margins on NFC semiconductors (owing to the shift in the product mix), and also to the initial revenues from the NFC patent portfolio in line with the Group's strategy of monetizing its NFC technology and related patent portfolio.

Even so, during the second half of 2013, the Group had to write down the value of its inventories of NFC microcontrollers by \$3.6 million as a direct result of the difficulties facing the Group's main customer in this segment. Based on the information available, the Group believes it has fully covered the inventory risk related to this customer.

The adjusted operating loss was four times smaller in 2013 than in 2012 (\$6.7 million in 2013 vs. \$30.9 million in 2012). The integration of ESS to a large extent and the reduction of non-ESS operating costs (down 39%) made a highly significant contribution to the increase in operating income. Moreover, the division recorded a profit (adjusted operating income) in the second half of 2013.

Secure Transactions

The Secure Transactions division encompasses the Group's expertise dedicated to address high security applications for smart cards (payment, identity, and conditional access), identification and authentication solutions, connected devices and the internet of things.

This business division builds and markets tailored solutions based on secure microcontrollers, secure firmware and related services. Its 2013 revenue came to \$80.8 million, growing 3.3% on the previous year.

The segment's adjusted gross margin advanced significantly, rising from 26.8% in 2012 to 32.6% in 2013, as a result of a richer product/customer mix and cost-cutting efforts.

Adjusted operating income almost doubled in 2013 to \$5.9 million (from \$3.1 million in 2012) or 7.3% of divisional revenue. Revenue growth and the significant increase in the gross margin more than offset the rise in R&D and in selling and marketing costs.

Full-year 2013 EBITDA totaled \$10.6 million (compared with \$6.1 million in 2012), representing 13.1% of divisional revenue.

Impact of the reorganization plan

The reorganization plan implemented during 2013 prompted the recognition of the following expenses and outlays:

- A \$9.8 million charge, including an impairment of certain assets related to the sites concerned by the plan (\$ 1.1 million), expenses related to workforce reductions completed in 2013 (\$ 7.1 million) and a provision for restructuring costs to cover the departures of employees affected by the plan (\$1.6 million).
- An outlay of around \$7.4 million, of which \$5.2 million had been paid out during the second half of 2013.

The Group consider that it has broadly achieved its objective, announced at the beginning of 2013, of around \$13 million in operating cost reductions (cutbacks in SG&A costs, refocusing of R&D and operational efficiency improvements) on an annual basis, effective from the fourth quarter of 2013.

Cash and other key figures

At December 31, 2013, the Group's available cash stood at \$40.2 million, down from \$41.8 million at June 30, 2013 and \$66.3 million at December 31, 2012.

The Group's cash remained broadly unchanged during the second half of 2013, in spite of significant but non-recurring items, thanks to the cash generated by operating activities (excluding restructuring costs) and very tight management of the working capital requirement.

The \$1.7 million in net cash used during the second half of 2013 broke down as follows:

- On-going operations generated \$10.6 million in cash,
- restructuring triggered a cash outflow of \$5.2 million,
- the working capital requirement, including the financing of research tax credit, increased by \$0.6 million, and
- purchase of property, plant & equipment and intangible assets and other investing activities rose by \$6.5 million.

Over 2013 as a whole, the following non-recurring cash-outs also had an impact on the Group's cash position:

- \$7.4 million in restructuring costs (the remainder of \$1.6 million to be paid out during the 1st quarter of 2014)
- a \$5.2 million earn-out payment arising from the acquisition of ESS,

- investments related to the transfer to the new head office in France, which helped to reduce the number of facilities from three to one,
- the build-up of “strategic” inventories to address the difficulties affecting one of its wafer suppliers that ceased trading and entered liquidation. At December 31, 2013, these inventories amounted to \$4.7 million and they should allow covering the needs of the Group’s current customers during 2014 and 2015.

At December 31, 2013, the Group’s net cash⁶ stood at \$39.7 million, compared with \$59.6 million at December 31, 2012 and \$40.7 million at June 30, 2013.

Purchases of property, plant and equipment and intangible assets increased in 2013 (to \$5.7 million compared with \$4.8 million in 2012), owing in particular to investments in connection with the pooling of operations from three facilities at a single site in the Aix-en-Provence (France) region.

As anticipated, the Group arranged a \$6.8 million line of financing covering 80% of the research tax credit (“CIR”) in respect of 2012 with Bpifrance during the second half of 2013, which helped to finance the working capital requirement, in line with the Group’s policy of monetizing its CIR receivables. Excluding this asset-backed financing, the Group did not arrange any significant debt in 2013.

The Group has maintained a robust financial structure, with consolidated equity totaling \$95.9 million at December 31, 2013.

Outlook for 2014

Mobile Security

Over the past 15 months, the Group has strengthened its position in the embedded security market for mobile devices, extending its range of solutions to all applications from mobile payment through to content protection via data security.

The Group sees a few key applications as strong drivers for mobile security: entertainment and especially OTT (Over The Top) content delivery, enterprise driven by the BYOD move (Bring Your Own Device), and financial in the field of mobile payment and eWallets. It continues to position itself as the unique supplier with products and solutions targeting all these fast growing applications. Mobile security in general is experiencing significant growth as a result of the focus brought by high-profile cybersecurity and hackers attacks over last few quarters.

In parallel, the company is actively pursuing its strategy of monetizing its NFC technology and patent portfolio.

Given BlackBerry’s weak market position and substantial supply chain inventories, no NFC component sales to this customer are anticipated for the next two quarters. As a result, the Mobile Security division is expected to post a sequential decline in its first-quarter 2014 revenues.

Secure Transactions

The Group intends to continue investing in the internet of things and anti-counterfeiting solutions (internet of secure objects).

As previously announced, the Group anticipates a further decline in its longstanding EMV activities in Europe and is looking to capitalize on the roll-out of the EMV standard in the United States, with its launch well on track for 2014. In the United States, recent security breaches that have affected on a large-scale holders of magnetic stripe cards seem to push all market

⁶ Net cash consists of cash at hand, cash equivalents and short-term investments, the net amount of derivatives, less finance lease liabilities, bank overdrafts and bank loans, and deferred payments due in connection with business combinations. Debts related to the financing of research tax credit (CIR) receivables are not taken into account since they are intended to be extinguished upon repayment by tax authorities of CIR claims.

participants to accelerate the adoption of EMV certified banking cards (smart cards). This enhances opportunities for INSIDE Secure and the recent certification by VISA of its dual interface EMV chip (contact and contactless) completes the certification program of its EMV product offer so that INSIDE Secure can now offer U.S. banks all versions of its chips currently being evaluated by issuers.

With the development in its refocused core businesses, the Group intends to continue to improve its overall gross margin owing to a supportive product mix and continued efforts on the cost and selling price fronts.

Conference call

To accompany the publication of its full-year 2013 results, the company will hold a conference call at 11.00am (Paris time) on February 21, 2014. Access to the call will be by dialing one of the following numbers: +33 (0)1 70 77 09 34 (France), +44 20 33 67 94 56 (UK) or +1 855 402 7761 (USA). The presentation will be available online at 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 first-quarter 2014 revenue: April 24, 2014 (after the market closes)
- Annual General Meeting: June 26, 2014
- Publication of consolidated first-half 2014 results: July 31, 2014 (after the market closes)
- Publication of third-quarter 2014 revenue: October 27, 2014 (after the market closes)

Press and investor contacts

**INSIDE Secure
communication corporate**
Géraldine Saunière
Marcom Director
+33 (0) 4 42 39 33 01
gsauniere@insidefr.com

**Brunswick
communication financière**
Jérôme Biscay, Mathilde Rodié
+33 (0) 1 53 96 83 83
INSIDE@brunswickgroup.com

**INSIDE Secure
relations investisseurs**
Richard Vacher Detournière
Directeur général - finances
rvacherdetourniere@insidefr.com

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.insidesecond.com.

Supplementary non-IFRS financial information

The supplementary non-IFRS financial information presented in this press release are 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. Although they are widely used by companies operating in the same industry around the world, 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.insidesecond.com.

Appendix 1 - Consolidated income statement, balance sheet and cash flow statement (IFRS)

The following tables are an integral part of the annual consolidated financial statements prepared in accordance with IFRS, which are available on the Company's web site.

Consolidated income statement

In thousands of US\$	as at December 31,	
	2012	2013
Revenue	122 047	154 623
Cost of sales	(93 504)	(106 389)
Gross profit	28 543	48 235
Research and development expenses	(35 370)	(33 953)
Selling and marketing expenses	(18 010)	(20 648)
General and administrative expenses	(9 630)	(10 702)
Other gains / (losses), net	(2 811)	(10 698)
Operating loss	(37 278)	(27 766)
Finance income / (loss), net	(258)	790
Loss before income tax	(37 536)	(26 976)
Income tax expense	51	(584)
Loss for the period	(37 485)	(27 560)
Attributable to:		
Equity holders of the Company	(37 485)	(27 560)
Non-controlling interests	-	-
Earnings per share:		
Basic earnings per share	(1,19)	(0,81)
Diluted earnings per share	(1,19)	(0,81)

Consolidated balance sheet

	Assets	
In thousands of US\$	December 31, 2012	December 31, 2013
Goodwill	15 152	15 287
Intangible assets	42 052	32 720
Property and equipment	12 810	10 411
Other receivables	16 163	24 863
Non-current assets	86 177	83 282
Inventories	17 350	14 830
Trade receivables	16 462	17 521
Other receivables	6 669	7 652
Derivative financial instruments	145	587
Cash and cash equivalents	66 321	40 213
Current assets	106 946	80 804
Total assets	193 124	164 086
	Liabilities and stockholders' equity	
In thousands of US\$	December 31, 2012	December 31, 2013
Ordinary shares	17 822	17 822
Share premium	225 570	225 599
Other reserves	12 386	14 140
Retained earnings	(96 568)	(134 053)
Income / (loss) for the period	(37 485)	(27 560)
Equity attributable to equity holders	121 725	95 947
Non-controlling interests	-	-
Total stockholders' equity	121 725	95 947
Intangible liabilities - Non-current portion	10 635	7 962
Borrowings	6 902	6 862
Repayable advances	3 443	3 592
Retirement benefit obligations	1 749	1 596
Non-current liabilities	22 729	20 012
Intangible liabilities - Current portion	1 583	3 011
Financial instruments	179	215
Trade and other payables	28 335	32 525
Additional payment on ESS acquisition	5 188	-
Borrowings	808	7 386
Provisions for other liabilities and charges	754	2 312
Unearned revenues	11 822	2 678
Current liabilities	48 669	48 127
Total liabilities	71 399	68 138
Total liabilities and stockholders' equity	193 124	164 086

Consolidated cash flow statement

In thousands of US\$	December 31, 2012	December 31, 2013
Loss for the year	(37 485)	(27 560)
Adjustments for:		
Depreciation of tangible assets	6 797	5 428
Amortization of intangible assets	2 538	13 865
Impairment of assets acquired as part of acquisition of business	-	1 511
Impairment of receivables	664	414
Impairment of inventories	151	3 100
(Profit) / loss on disposal of property and equipment	(13)	(231)
Share-based payment	1 880	555
Change in retirement benefit obligation	144	231
Finance income, net	18	-
Income tax	(51)	584
Variation in provisions for risks	421	1 563
Cash used in operations before changes in working capital	(24 936)	(541)
Changes in working capital		
Inventories	5 873	(580)
Trade receivables	2 243	5 041
Trade receivables transferred	1 714	(8 106)
Other receivables	(368)	(384)
Research tax credit and grants	(2 878)	(9 193)
Trade and other payables	(4 189)	(1 745)
Non refundable advance on order backlog	6 460	-
Other payables	3 036	(1 703)
Cash used in changes in working capital	11 891	(16 670)
Cash used in operations	(13 046)	(17 210)
Interest received, net	612	235
Income tax paid	(74)	(106)
Net cash used in operating activities	(12 508)	(17 081)
Cash flows from investing activities		
Acquisition of business, net of cash acquired	(41 635)	(5 188)
Purchases of property and equipment	(2 119)	(4 556)
Purchases of intangible assets	(2 718)	(1 101)
Research and development capitalized costs	(973)	(3 402)
Payments corresponding to intangible liabilities	(1 064)	(1 125)
Disposal of assets	-	297
Net cash used in investing activities	(48 509)	(15 075)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	104 950	28
Direct costs paid related to the IPO	(5 840)	-
Repayable advance	2 491	-
Proceeds from / (Repayment of) borrowings, net of issuance costs	5 852	6 676
Principal repayment under finance lease	(463)	(407)
Treasury shares	(501)	87
Settlement of foreign exchange hedging instruments	(161)	(83)
Bank overdraft	276	(276)
Net cash generated by / (used) in financing activities	106 604	6 026
Net increase / (decrease) in cash and cash equivalents	45 587	(26 131)
Cash and cash equivalents at beginning of the year	20 940	66 321
Effect of exchange rate fluctuations	(206)	23
Cash, cash equivalents at end of the year	66 321	40 213

Appendix 2 - Non-GAAP measures - Reconciliation of IFRS results with adjusted results

The performance indicators presented in this press release that are not strictly accounting measures are defined below. 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 as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the Group's consolidated financial statements and their related notes. The Group uses these indicators because it believes they are useful measures of its recurring operating performance and its operating cash flows. Although they are widely used by companies operating in the same industry around the world, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently than the Group, even though they use similar terms.

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

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

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

The following tables show the reconciliation between consolidated income statements and adjusted financial indicators, as defined above, for the years ended December 31, 2012 and 2013:

(in thousands of US\$)	12 months 2013 IFRS	Business combinations	Share-based payment	Other non- recurring costs (*)	12 months 2013 Adjusted
Revenues	154 623	-	-	-	154 623
Cost of sales	(106 389)	11 953	71	-	(94 364)
Gross profit	48 235	11 953	71	-	60 259
<i>As a % of revenue</i>	<i>31,2%</i>				<i>39,0%</i>
R&D expenses	(33 953)	1 869	181	-	(31 903)
Selling & marketing expenses	(20 648)	-	171	-	(20 477)
General & administrative expenses	(10 702)	-	132	-	(10 570)
Other (losses)/gains, net	(10 698)	599	-	9 838	(261)
Operating income / (loss)	(27 766)	14 421	555	9 838	(2 952)
<i>As a % of revenue</i>	<i>-18,0%</i>				<i>-1,9%</i>
Amortization and depreciation of assets (**)	-	-	-	-	5 745
EBITDA					2 793
<i>As a % of revenue</i>					<i>1,8%</i>

(in thousands of US\$)	12 months 2012 IFRS	Business combinations	Share-based payment	Other non- recurring costs	12 months 2012 Adjusted
Revenue	122 047	-	-	-	122 047
Cost of sales	(93 504)	2 734	163	-	(90 607)
Gross profit	28 543	2 734	163	-	31 439
<i>As a % of revenue</i>	<i>23,4%</i>				<i>25,8%</i>
R&D expenses	(35 370)	1 783	369	-	(33 218)
Selling & marketing expenses	(18 010)	-	499	-	(17 511)
General & administrative expenses	(9 630)	-	850	-	(8 780)
Other (losses)/gains, net	(2 811)	554	-	232	(2 025)
Operating income / (loss)	(37 278)	5 071	1 880	232	(30 095)
<i>As a % of revenue</i>	<i>-30,5%</i>				<i>-24,7%</i>
Amortization and depreciation of assets (**)	-	-	-	-	4 972
EBITDA					(25 123)
<i>As a % of revenue</i>					<i>-20,6%</i>

(*) the amount corresponds mainly to restructuring expenses

(**) excluding amortization and depreciation of assets acquired through business combinations