



First quarter 2014 revenue of INSIDE Secure

- **First quarter consolidated revenue of \$23.4 million**
- **Sequential revenue decrease mostly due to large non-recurring items in Q4 2013**
- **Significant progress in the execution of the strategic refocus of the group, in particular thanks to the NFC license project with Intel and the acquisition of Metaforic**

Aix-en-Provence, France, April 24, 2014 – INSIDE Secure (NYSE Euronext: INSD), a leader in embedded security solutions for mobile and connected devices, is today reporting consolidated revenue for the first quarter ended March 31, 2014. Revenue amounted to \$23.4 million, down 31% relative to the first quarter of 2013 and down 41% relative to the fourth quarter of 2013.

Q1 2014 revenue does not include that of Metaforic, which was acquired on April 5, 2014 and is being consolidated from the second quarter of 2014.

Consolidated revenue (IFRS) for the first quarter of 2014:

(in thousands of US\$)	Q1-2014	Q1-2013	Q4-2013	Q1-2014 vs. Q1-2013	Q1-2014 vs. Q4-2013
Mobile Security	7 073	10 842	19 668	-35%	-64%
Secure Transactions	16 325	23 197	19 748	-30%	-17%
Total	23 399	34 039	39 416	-31%	-41%

High-margin revenue from software and technology licences, services and maintenance totalled \$6.6 million in the first quarter of 2014, making up 28% of the company's total revenue as opposed to 23% in the first quarter of 2013:

(in thousands of US\$)	Q1-2014	Q1-2013	Q4-2013	Q1-2014 vs. Q1-2013	Q1-2014 vs. Q4-2013
Revenue from sale of products	16 818	26 380	26 891	-36%	-37%
Revenue from development and license agreements	2 533	3 768	3 491	-33%	-27%
Royalties and sale of patents	3 066	3 179	8 064	-4%	-62%
Maintenance	981	712	970	38%	1%
Total	23 399	34 039	39 416	-31%	-41%

Commenting on these results, Rémy de Tonnac, Chief Executive Officer of INSIDE Secure, said: *"INSIDE Secure confirms its new strategic positioning, strengthening its offering on high-value add security solutions. The targeted acquisition of Metaforic brings to the group technologies related to cloud based payment solutions, and the agreement with Intel confirms INSIDE Secure's program of licensing and monetization of the group's expertise on NFC technology. This transition which began several months ago should bear fruit in the second half of this year."*

Business segment analysis

Mobile Security

First-quarter revenue showed a sequential decline, for the following reasons:

- As expected, there were no sales of NFC components to BlackBerry, and this is likely to remain the case in Q2, confirming the end of the Group's exposure to this customer. As a reminder, in Q4 2013, these sales amounted to \$6.2 million. As previously announced, appropriate reserves were set aside to cover inventory risks relating to this customer in Q4 2013.
- Q4 2013 also benefited from substantial revenue arising from the sale of two NFC patents for \$4.5 million. This revenue is consistent with the Group's strategy of monetizing NFC-related technology and patent portfolio, but is irregular by nature.

In the first quarter of 2014, the Group signed five new licences relating to its DRM¹ offering, which should contribute to revenue in the coming quarters. It also signed two new licences relating to its content protection (HDCP²) offering, contributing to Q1 revenue and confirming the momentum in this product line.

Secure Transactions

Revenue in the Secure Transactions division decreased relative to Q4 2013, to \$16.3 million. As previously announced, this was due to an ongoing decline in the Group's traditional EMV business in Europe (sales of EMV chips) and pending the take-off of the EMV market in the USA. In addition, in Q4 2013, the Group benefited from \$4.1 million in early revenue from certain products ordered and delivered to enable some customers to proactively build buffer inventories to manage the impact of one of the Group's suppliers ceasing trading.

Excluding these items, Q1 2014 revenue from the division's other product lines (identification, authentication, internet of things) was stable sequentially.

Recent developments

In the last few weeks, INSIDE Secure has announced two major transactions consistent with its repositioning strategy.

NFC licensing agreement with Intel

On March 31, 2014, INSIDE Secure announced it was to sign a new licensing agreement with Intel Corporation, building on the relationship initiated in 2011 and confirming the Group's strategy of monetizing its NFC-related technology and patent portfolio.

This agreement should be completed in the second quarter of 2014 and is expected to be strongly accretive to INSIDE Secure's earnings in 2014, both thanks to the license revenue and on-going reduction in operating expense.

In 2014, the Group plans to continue refocusing on high-value-added embedded security solutions, and on building its position in the NFC market through licensing programs, although visibility on such programs is limited and they are essentially irregular.

Acquisition of Metaforic

On April 7, 2014, INSIDE Secure announced the acquisition of Metaforic, a leader in the development of technologies that are critical to securing Host Card Emulation (HCE)-based mobile payments, mobile wallets and mobile banking applications. This strategic acquisition will enable INSIDE Secure

¹ Digital Rights Management

² High-bandwidth Digital Content Protection

to offer a more comprehensive range of security solutions for mobile devices, not just for the secure element but also for the main processor of smartphones.

This acquisition makes INSIDE Secure the only company capable of providing the full range of security solutions for the three key market drivers in mobile security, i.e. enterprise secure access, digital entertainment and financial services. It also provides a number of opportunities to achieve synergies with INSIDE Secure's existing portfolio of technologies and software solutions.

Metaforic has been integrated within INSIDE Secure's Mobile Security division and consolidated as from April 5, 2014, date at which the transaction was completed.

2013 financial report

INSIDE Secure will file its 2013 annual financial report ("rapport financier annuel") with the Autorité des Marchés Financiers on April 28, 2014 and will make it available to the public on the same date.

Financial calendar

- Annual General Meeting: June 26, 2014
- Publication of consolidated first-half 2014 results: July 31, 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.

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.