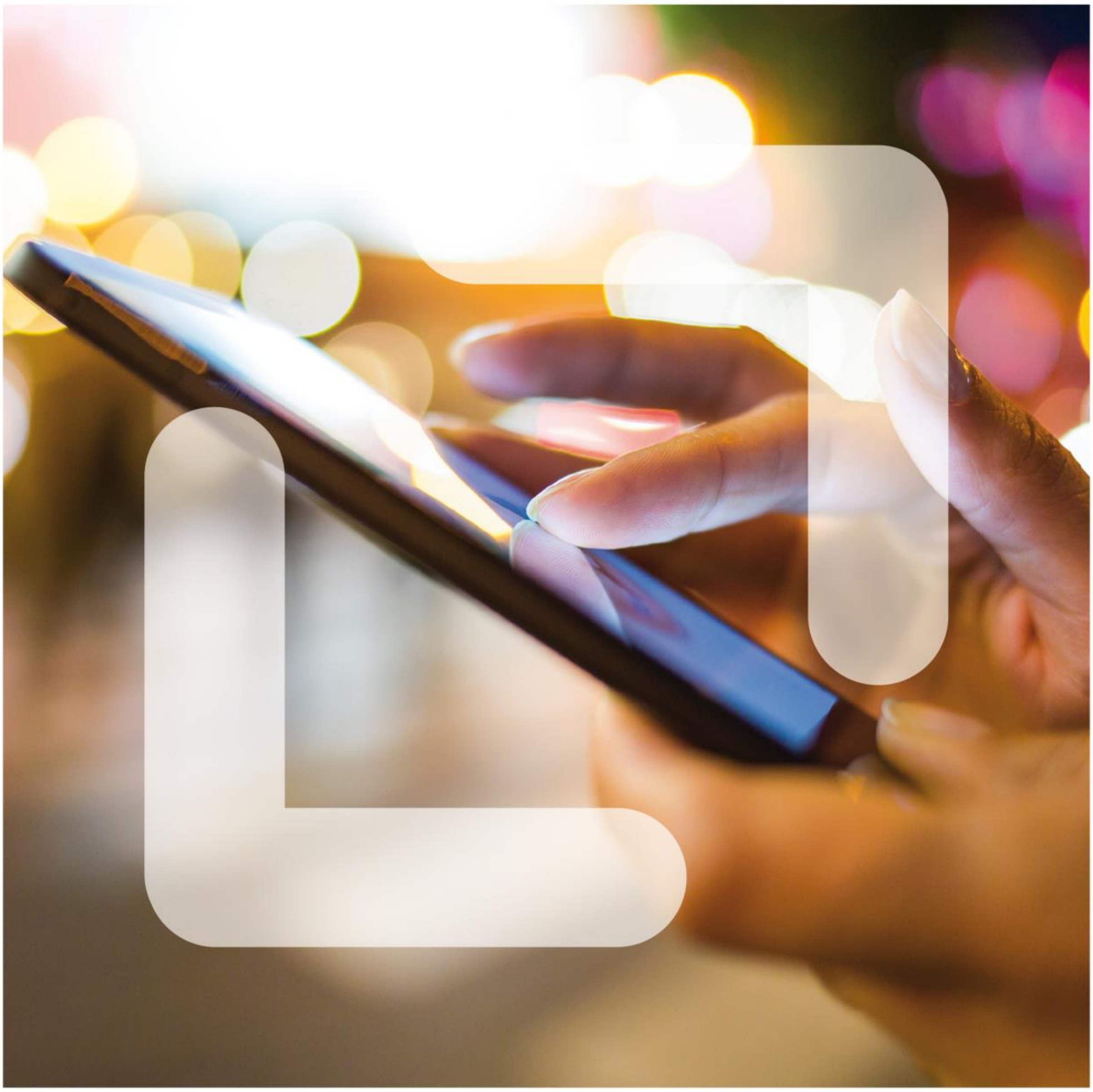

Half year financial report

June 30, 2016

Driving Trust
www.insidesecure.com

Driving Trust inside SECURE

1. Management report for the six month period ending June 30, 2016

1.1. Summary presentation of INSIDE Secure

INSIDE Secure (the "Company" and, together with its subsidiaries, the "Group") provide embedded security solutions and technology licensing for mobile and connected devices, in order to secure digital identity, content, applications and transactions. The Group also develops and markets a semiconductor activity relying on a fabless business model. This business is held for sale (see note 2).

1.2. Accounting policies, presentation of financial statements

The consolidated interim financial statements (see Section 2 of this report) have been prepared in accordance with IAS 34, 'Interim financial reporting'. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS. Main accounting policies are detailed in note 3 of the notes to the interim consolidated financial statements as of June 30, 2016 and critical accounting estimates and judgments are detailed in note 4 of the notes.

Discontinued operations

Pursuant to INSIDE Secure's decision to exit from 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, EBITDA and net income. Accordingly, results from continuing operations reflect the performance of the Mobile Security division, the NFC patent licensing program and corporate costs not intended to be 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 the first half of 2015 have been restated in a similar manner to allow comparisons with the corresponding first-half 2016 figures.

Presentation currency of the consolidated financial statements

The Group has elected the U.S. dollar as presentation currency of its consolidated financial statements. The U.S. dollar is the functional currency of the Company, 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 semiconductor industry in transactions between clients and suppliers.

The exchange rates for the euro, the Group's second most employed currency after the U.S. dollar, for the six month periods ended June 30, 2015 and 2016 and December 31, 2015, are as follows:

Euro/ US Dollar	June, 30 2015	December 31, 2015	June 30, 2016
Closing Rate	1,1189	1,0887	1,1102
Mean Rate	1,1159	1,1096	1,1229

Scope of consolidation

The Group's scope of consolidation as of June 30, 2016 is detailed in the notes to the interim consolidated financial statements (note 29). It did not change during the first six month period ending June 30, 2016.

Complementatry non-GAAP measures

The Groupe uses performance indicators that are not strictly accounting measures and that 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 Company.

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 Company.

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

The reconciliation from adjusted financial measures to consolidated IFRS reporting can be found in appendix to this report.

1.3. Review of the consolidated interim financial statements

The condensed consolidated interim financial statements presented herein were prepared by the Management Board and examined by the Supervisory Board. They have been subject to a limited review by auditors. It should be recalled that the Group's half-year results are not representative of all of the fiscal year.

Financial information for the 1st half of 2016

Q2 2016 and H1 2016 revenue

(in thousands of US$)	Q2-2016	Q2-2015	Q1-2016	Q2-2016 vs. Q2-2015	Q2-2016 vs. Q1-2016	H1-2016	H1-2015	H1-2016 vs. H1-2015
Mobile Security	7,694	6,020	6,138	28%	25%	13,831	10,765	28%
Unallocated (*)	12,577	68	1,290	-	-	13,868	337	-
Total	**20,271**	**6,088**	**7,428**	**230%**	**173%**	**27,699**	**11,102**	**149%**

(*) unallocated amounts correspond mainly to non-recurring revenue, including patent licenses

Consolidated revenue in the second quarter of 2016 was $20.3 million showing a strong growth both sequentially and year-on-year. Second-quarter revenue was boosted by the software business' strong performance (+25% vs. Q1 2016 and +28% vs. Q2 2015), as detailed in the Business Segment Analysis in Appendix 2 hereof, and by France Brevets' NFC patent licensing agreement with Samsung.

N.B. Including revenue from the semiconductor business, the company total revenue came to $32.3 million in the second quarter of 2016 (+74% and +51% compared with the first quarter of 2016 and second quarter of 2015 respectively). First-half 2016 revenue totaled $53.6 million (+56% compared with the first half of 2015).

Adjusted operating income from continuing operations

(in thousands of US$)	**H1 2016**	**H1 2015**
Revenue	27,699	11,102
Adjusted gross profit	**23,051**	**9,963**
As a % of revenue	*83.2%*	*89.7%*
Research and development expenses	(6,907)	(5,005)
Selling and marketing expenses	(5,922)	(5,079)
General and administrative expenses	(5,091)	(4,840)
Other gains / (losses), net	(434)	(1,445)
Total adjusted operating expenses	**(18,353)**	**(16,370)**
Adjusted operating income from continuing operations	**4,698**	**(6,407)**
As a % of revenue	17.0%	-57.7%

Note: Sums may not equal totals due to rounding.

The adjusted gross profit increased significantly in the first half of 2016 as a result of growth in software revenue and the NFC patent license agreements entered into by France Brevets with Sony in March and Samsung in May 2016. The decrease in gross margin is only due to the product mix (the contribution from the NFC patent licensing being impacted by the licensing agent fee paid to France Brevets).

The increase in operating expenses in 2016 was primarily driven by the reallocation of certain company's resources (mainly research and development) to the core software and technology license business and by an increase in sales and marketing expense (including sales commissions).

Adjusted operating income from continuing operations came to $4.7 million in the first half of 2016 as a result of higher revenue (vs. loss of $6.4 million in the first half of 2015).

INSIDE Secure's first-half 2016 showed the expected benefits of the reduction in the workforce under the restructuring plan only to a very limited extent, since half the relevant employees did not leave the company until the end of June, consistent with the plan announced in February 2016.

(in thousands of US$)	H1 2016	H1 2015	2016 vs. 2015
EBITDA from continuing operations	**5,320**	**(6,218)**	**11,537**
Amortization and depreciation of assets (*)	622	189	433
Adjusted operating income from continuing operations	**4,698**	**(6,407)**	**11,105**
Business combinations (**)	(1,915)	(5,792)	3,877
Other non recurring costs (***)	(2,400)	-	(2,400)
Share based payments	(363)	(289)	(74)
Operating income from continuing operations	**20**	**(12,488)**	**12,508**
Finance income / (losses), net	386	1,321	(935)
Income tax expense	(1,413)	43	(1,456)
Net income/(loss) from continuing operations (i)	**(1,007)**	**(11,124)**	**10,117**
Net income/(loss) from discontinued operations (ii)	**332**	**(8,599)**	**8,931**
Net income/(loss) (i) + (ii)	**(675)**	**(19,723)**	**19,048**

(*) 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.

(***) Restructuring expenses.

Sums may not equal totals due to rounding.

EBITDA from continuing operations

First-half 2016 EBITDA came to $5.3 million, compared with a loss of $6.2 million at EBITDA level in the first half of 2015.

Operating income from continuing operations (IFRS)

Operating income from continuing operations was breakeven (+$20 thousand) in the first half of 2016 compared with a loss of $12.5 million in the first half of 2015. H2 2016 operating income was impacted by:

- The recognition of a $2.4 million net non-recurring charge arising from the Company's restructuring[1];
- The still significant, yet declining burden of (non-cash) amortization expense related to assets arising upon the Company's acquisitions in recent years (ESS in 2012 and Metaforic in 2014), which came to $1.9 million in the first half of 2016 (compared with $5.8 million in the first half of 2015).

Financial income

As at June 30, 2016, net financial income was $0.4 million (vs. $1.3 million as at June 30, 2015), primarily reflecting the impact of fluctuations in the euro/dollar exchange rate.

Consolidated net income from continuing operations (IFRS)

The consolidated net loss from continuing operations in the first half of 2016 greatly decreased but remained in negative at -$1 million (vs. -$11.1 million in the first half of 2015).

[1] Overall (i.e. including discontinued operation), INSIDE Secure recorded a restructuring charge of $5.5 million. The remaining provision at June 30, 2016 amounted to $2.7 million. This amount is intended to cover costs arising from loss-making contracts (multi-year or underutilized agreements), the cost of the remaining employee departures scheduled in the third quarter and support measures for employees made redundant.

Consolidated net income (IFRS)

The discontinued semiconductor business recorded first-half 2016 net income of $0.3 million (vs. loss of $8.6 million in 2015) due to revenue growth and lower operating expenses (see Business Segment Analysis in Appendix 2 hereof), despite the burden of restructuring charges.

Consolidated net income, reflecting the combined performance of the continuing and discontinued operations, showed a limited loss of $0.7 million in the first half of 2016 (vs. loss of $19.7 million in the first half of 2015).

Cash

At June 30, 2016, the Company's available cash stood at $20.4 million, up from $16.4 million at December 31, 2015 and down from $23.8 million at June 30, 2015.

At June 30, 2016, the Company's net cash[2] stood at $16.0 million, compared with $12.5 million at December 31, 2015 and $16.6 million at June 30, 2015. The increase in net cash position in 2016 reflects the improved operating performance and the $5.4 million capital increase completed in April 2016.

The main factors affecting the company's consolidated cash position in the first half of 2016 were as follows:

Cash generated by operating activities

INSIDE Secure significantly reduced its cash consumption from operating activities in the first half of 2016. Cash used by operating activities (including financing for the research tax credit) were limited to $1.4 million (vs. $11.8 million in the first half of 2015); in particular:

- Continuing activities operations, excluding change in working capital, generated $3.9 million in cash in the first half of 2016 (compared with -$5.0 million in the first half of 2015);
- Change in working capital from continuing activities (including financing for the research tax credit) absorbed $2 million (compared with -$2.2 million in the first half of 2015);
- Operations from discontinued activities, including working capital, absorbed $3.2 million in the first half of 2016 (compared with -$4.5 million in the first half of 2015).

The restructuring plan triggered a cash outflow of $3.4 million in the first six months of the year.

Investments

Capital expenditure was again very low in the first half of 2016 ($0.2 million, including $0.2 million from continuing activities).

Financing

In April 2016, INSIDE Secure completed a capital increase with preferential subscription rights for shareholders. It amounted to $5.4 million, issue premium included and after deduction of the associated costs.

In July 2016, INSIDE Secure terminated its factoring agreement, as this type of financing had become marginal and was no longer relevant to the company's software and technology licensing business.

[2] Net cash consists of cash on hand, cash equivalents and short-term investments, the net amount of derivatives, less obligations under finance leases, bank overdrafts, bank loans, cash received in return for the assignment of receivables under factoring agreements, and any earnout payments due in connection with business combinations. Debt related to the financing of research tax credit claims is not taken into account because it will be extinguished when the research tax credit claims are repaid by the French government.

INSIDE Secure's strategic transformation

INSIDE Secure is implementing its strategic transformation projects in line with the objectives and timetable set:

- $5.4 million April 2016 capital increase completed successfully, providing a strengthened liquidity and reinforced financial position;
- Restructuring plan and reduction in the operating cost base finalized in the second quarter;
- Sale of the semiconductor business to be completed by the end of the third quarter.

Business segment analysis

Until the sale of the semiconductor business is completed, the Company remains organized in two operating divisions and will continue to track the financial performance of these two divisions exactly as it has done in the past.

Under the reorganization launched in February 2016, the Mobile Security division's residual chip design business was transferred to the Secure Transactions division, which now encompasses all the company's semiconductor-related products and solutions. The NFC patent licensing program managed by France Brevets was reassigned from the Mobile Security division to the corporate unit because it has highly individual characteristics and is unrelated to the strategic embedded security business. The first-half 2015 figures have been restated in a similar manner to allow comparisons with the 2016 performance.

A reconciliation of financial measures per management segment reporting with IFRS reporting for the continuing operations is set out at the end of this section.

as at June 30, 2016

(in thousands of US$)	**Mobile Security**	**Secure Transactions**
Revenue	13,831	25,903
Contribution to revenue	*25.8%*	*48.3%*
Adjusted gross profit	13,176	11,597
As a % of revenue	*95.3%*	*44.8%*
Adjusted operating income	(1,112)	(72)
As a % of revenue	*-8.0%*	*-0.3%*
EBITDA	(1,103)	(13)
As a % of revenue	*-8.0%*	*-0.1%*

as at June 30, 2015

(in thousands of US$)	**Mobile Security**	**Secure Transactions**
Revenue	10,765	23,163
Contribution to revenue	*30.8%*	*66.2%*
Adjusted gross profit	10,102	5,757
As a % of revenue	*93.8%*	*24.9%*
Adjusted operating income	51	(8,922)
As a % of revenue	*0.5%*	*-38.5%*
EBITDA	240	(6,900)
As a % of revenue	*2.2%*	*-29.8%*

Sums may not equal totals due to rounding.

Mobile Security

The Mobile Security division's second-quarter 2016 revenue totaled $7.7 million, a 25% growth compared with the first quarter of 2016 (+28% vs. Q2 2015).

The division's first-half 2016 revenue was $13.8 million. The key revenue trends were:
- a strong performance by the secure intellectual property components product line marketed to semiconductors companies, including a high level of royalties, and
- significant growth in sales to banks of software licenses for the protection of mobile applications and HCE mobile payments, in particular the agreement entered into in June with a large European bank.

The division's adjusted gross margin was stable from the previous year at 95.3% of revenue in the first half of 2016, reflecting the favorable product mix consisting largely of licenses, royalties and maintenance revenue.

The Mobile Security division reported an adjusted operating loss of $1.1 million in the first half of 2016 (vs. a breakeven performance in the first half of 2015) due to a significant increase in operating expenses (including a 50% rise in research and development expenses, mainly as a result of a reallocation of resources), which was not fully offset by revenue growth.

The division posted a $1.1 million loss at the EBITDA level in the first half of 2016 (vs. +$0.2 million in 2015).

Secure Transactions

The Secure Transactions division's second-quarter 2016 revenue totaled $12.0 million. This represented a decrease of 4% from the first quarter of 2016, in line with expectations.

The division's first-half 2016 revenue totaled $25.9 million, up 12% compared with the first half of the previous year. Key business trends included growth in sales of EMV chips, chiefly in Asia and the Middle East, and the grant of a new production license to one of the company's longstanding customers.

The segment's adjusted gross margin improved substantially in the first six months of 2016, up from 24.9% in the first half of 2015 to 44.8% in the first half of 2016 on the back of the production license and, more generally, a rich product mix. In the first six months of 2015, gross margin was dragged down by a $1.8 million provision on inventories set aside to cover excess inventories as a result of the delays experienced by the company in the US EMV card market (the provision was partially written back in 2016).

In the first half of 2016, the division significantly reduced the adjusted operating loss, which was nearly at breakeven (-$0.1 million), compared with a loss of $8.9 million in 2015, mainly thanks to the improvement in gross margin and the reduction in operating expenses. First-half 2016 EBITDA was at breakeven point (-$13,000) compared with a loss of $6.9 million in 2015.

Reconciliation of financial measures per management segment reporting with IFRS reporting for the continuing operations

As at June 30, 2016

(in thousands of US$)	Mobile Security (segment reporting)	Unallocated (segment reporting)	Additionnal expenses from continuing operations (*)	Total continuing operations
Revenue	13 831	13 868	-	27 699
Adjusted operating income	(1 113)	9 280	(3 469)	4 698
EBITDA	(1 102)	9 892	(3 470)	5 320

(*) proportional allocation of "Corporate" expenses transferred to the division Secure Transactions

As at June 30, 2015

(in thousands of US$)	Mobile Security (segment reporting)	Unallocated (segment reporting)	Additionnal expenses from continuing operations (*)	Total continuing operations
Revenue	10 765	1 037	(700)	11 102
Adjusted operating income	51	(1 942)	(4 516)	(6 407)
EBITDA	240	(1 942)	(4 516)	(6 218)

(*) proportional allocation of "Corporate" expenses transferred from the division Secure Transactions

1.4. Significant events of the period

- Q2 2016 revenue from core business (excluding semiconductors and NFC patent licensing): $7.7 million (+25% quarter-to-quarter and +28% year-on-year), driven by strong trends in mobile payment and mobile banking markets ($13.8 million for H1 2016, +28% vs. H1 2015)
- Adjusted operating income[3] from continuing operations: $4.7 million (17% of revenue) compared with a loss of $6.4 million H1 2015
- EBITDA from continuing operations: $5.3 million (vs. loss of $6.2 million in H1 2015)
- Net loss from continuing operations (IFRS): $1.0 million (vs. loss of $11.2 million in H1 2015)
- Execution of strategic transformation projects in line with the objectives and timetable:
  - Success of April 2016 capital increase ($5.4 million)
  - Restructuring plan and reduction in the operating cost base finalized in the second quarter
  - Sale of the semiconductor business to be completed by the end of the third quarter
- Strengthened liquidity and solid financial position ($20.4 million cash as at June 30, 2016) thanks to improved operating performance and completion of capital increase

This past quarter has been significant for the Company as it has demonstrated concrete progress on the major milestones of its transformation. First of all, the sale of its semiconductor business is progressing well and should be finalized by the end of the third quarter. Secondly, the increased efficiency in its operations coupled with the successful capital increase provide the Company with robust and flexible finances to grow its business. Lastly, the Company's sharpened focus on its core businesses of security software and technology licensing positions it very well to take advantage of the strong momentum encountered in the markets it serves, particularly in mobile payment and banking, bringing increasing opportunities for revenue growth and margin expansion.

[3] Some financial measures and performance indicators are presented on an adjusted basis as defined in Appendix 3 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, including the income statement set out in Appendix 1.

1.5. Risk factors

Risk factors are similar in nature to those outlined in section 4 of the registration document ("Document de référence") dated March 30, 2016 (R. 16-014). They show no significant changes in the first half of 2016 and are still valid. The matters relating to financial risks at June 30, 2016 are set out in note 5 of the notes to the condensed consolidated interim financial statements included in this report.

1.6. Related parties transactions

Transactions with related parties are described in note 27 to the consolidated interim financial statements.

1.7. Outlook

2016 remains a transition year due to the implementation of strategic transformation initiatives, a large portion of which have now been completed. Accordingly the company will soon be focused exclusively on its activities related to software security and embedded security technology licensing and aims to generate profitable growth over time.

1.8. Events after the reporting period

Significant events that occurred between June 30, 2016 and the date at which the consolidated interim financial statements were prepared are described in note 28 to the consolidated interim financial statements.

2. Condensed consolidated interim financial statements

Interim consolidated income statement

In thousands of US$	Note	Six-month period ended June 30, 2015 (*)	June 30, 2016
Revenue	9	11 102	27 699
Cost of sales		(5 514)	(6 413)
Gross profit		**5 589**	**21 286**
Research and development expenses	21	(6 453)	(7 130)
Selling and marketing expenses		(5 203)	(6 060)
General and administrative expenses		(4 975)	(5 241)
Other gains / (losses), net	22	(1 445)	(2 834)
Operating profit / (loss)		**(12 488)**	**22**
Finance income / (loss), net	23	1 321	386
Profit / (loss) before income tax		**(11 166)**	**407**
Income tax expense		43	(1 413)
Income / (loss) from continuing operations		(11 124)	(1 005)
Income / (loss) from discontinued operations		(8 599)	329
Profit / (loss) for the period		**(19 723)**	**(676)**
Attributable to:			
Owners of the parent		(19 723)	(676)
Non-controlling interests		-	-
Earnings per share (in US$)			
Basic earnings per share		(0,572)	(0,018)
Diluted earnings per share		(0,572)	(0,018)
Basic earnings from continuing operations per share		(0,323)	(0,026)
Diluted earnings from continuing operations per share		(0,323)	(0,026)
Basic earnings from discontinued operations per share		(0,249)	0,009
Diluted earnings from discontinued operations per share		(0,249)	0,008

(*) The net income for the six month period ended June 30, 2016 of semi-conductor business held for sale (see note 2) is presented in accordance with IFRS 5 in the line item "income / (loss) from discontinued operations". The interim consolidated income statement for the six month period ended June 30, 2015 has been re-classified in the same way in order to allow comparisons between the two accounting periods.

Interim consolidated statement of comprehensive income

In thousands of US$	Six-month period ended June 30, 2015 (*)	June 30, 2016
Income / (loss) for the period	(19 723)	(676)
Actuarial gain / (loss) on retirement benefit obligations	(19)	(91)
Non-reclassifiable components of other comprehensive income	(19)	(91)
Financial instrument fair value changes	298	4
Currency translation differences	(494)	(1 409)
Reclassifiable components of other comprehensive income	(196)	(1 405)
Other comprehensive income / (loss), net of tax	(215)	(1 496)
Other comprehensive income / (loss) from discontinued operations, net of tax	(231)	(18)
Total comprehensive (loss) for the period	**(20 169)**	**(2 190)**
Attributable to:		
Owners of the parent	(20 169)	(2 190)
Non-controlling interests	-	-
Total comprehensive (loss) for the period	**(20 169)**	**(2 190)**

(*) The comprehensive income for the six month period ended June 30, 2016 of semi-conductor business held for sale (see note 2) is presented in accordance with IFRS 5 in the line item "other comprehensive income from discontinued operations". The interim consolidated income statement for the six month period ended June 30, 2015 has been re-classified in the same way in order to allow comparisons between the two accounting periods.

Interim consolidated balance sheet – Assets

In thousands of US$	**Note**	**December 31, 2015**	**June 30, 2016**
Goodwill	7	20 873	19 494
Intangible assets	10	15 760	8 779
Property and equipment	11	1 744	1 762
Other receivables	14	19 022	12 356
Non-current assets		**57 399**	**42 391**
Inventories	12	7 943	67
Trade receivables	13	8 282	14 813
Other receivables	14	12 765	12 611
Derivative financial instruments		275	52
Cash and cash equivalents	15	16 434	20 420
Current assets		**45 699**	**47 963**
Assets classified as held for sale	25	-	16 172
Total assets		**103 097**	**106 526**

Interim consolidated balance sheet – Equity and liabilities

In thousands of US$	Note	December 31, 2015	June 30, 2016
Ordinary shares	16	18 218	22 019
Share premium	16	226 518	228 093
Other reserves		15 250	14 174
Retained earnings		(166 635)	(211 218)
Income / (loss) for the period		(44 583)	(676)
Equity attributable to equity holders of the Company		**48 767**	**52 391**
Non-controlling interests		-	-
Total equity		**48 767**	**52 391**
License agreement liabilities and transferred activities - long term portion	7, 17	1 907	-
Financial debt - long term portion	18	11 806	9 476
Repayable advances	19	5 056	-
Retirement benefit obligations		993	281
Non-current liabilities		**19 762**	**9 757**
License agreement liabilities and transferred activities - short term portion	7, 17	6 486	-
Financial debt - short term portion	18	6 558	8 274
Derivative instruments		324	49
Trade and other payables		17 232	15 320
Provisions for other liabilities and charges	20	689	3 026
Deferred income		3 278	2 504
Current liabilities		**34 568**	**29 173**
Liabilities directly associated with assets classified as held for sale	25	-	15 204
Total liabilities		**54 330**	**38 930**
Total equity and liabilities		**103 097**	**106 526**

Interim consolidated statement of changes in equity

In thousands of US$	Attributable to owners of the parent					Non controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at January 1, 2015	**18 020**	**225 820**	**13 493**	**(166 613)**	**90 720**	**-**	**90 720**
Loss for the period	-	-	-	(19 723)	(19 723)	-	(19 723)
Actuarial loss on retirement benefit obligations	-	-	(19)	-	(19)	-	(19)
Financial instruments at fair value	-	-	298	-	298	-	298
Currency translation differences	-	-	(494)	-	(494)	-	(494)
Total other comprehensive income	**-**	**-**	**(215)**	**(19 723)**	**(19 938)**	**-**	**(19 938)**
Equity financing (Note 16)	175	702	(24)	-	854	-	854
Employees share option scheme :							
Share-based payments	-	-	289	-	289	-	289
Treasury shares	-	-	(155)	-	(155)	-	(155)
Balance as at June 30, 2015	**18 195**	**226 522**	**13 388**	**(186 336)**	**71 769**	**-**	**71 769**
Balance at January 1, 2016	**18 218**	**226 518**	**15 250**	**(211 218)**	**48 768**	**-**	**48 768**
Loss for the period	-	-	-	(676)	(676)	-	(676)
Actuarial loss on retirement benefit obligations	-	-	(91)	-	(91)	-	(91)
Financial instruments at fair value	-	-	4	-	4	-	4
Currency translation differences	-	-	(1 409)	-	(1 409)	-	(1 409)
Total other comprehensive income	**-**	**-**	**(1 496)**	**(676)**	**(2 172)**	**-**	**(2 172)**
Share capital increase (Note 16)	3 800	1 575	-	-	5 375	-	5 375
Employees share option scheme :							
Share-based payments	-	-	363	-	363	-	363
Treasury shares	-	-	58	-	58	-	58
Balance as at June 30, 2016	**22 019**	**228 093**	**14 174**	**(211 894)**	**52 391**	**-**	**52 391**

Interim consolidated statement of cash flow

In thousands of US$	Notes	Six-month period ended June 30, 2015 (*)	June 30, 2016
Income / (loss) for the period from continuing operations		**(11 124)**	**(1 005)**
Adjustments for:			
Depreciation of tangible assets and Amortization of intangible assets	10, 11	4 848	2 639
Impairment of assets		444	-
Impairment of receivables		(220)	(188)
Impairment of inventories	12	(0)	(0)
Financial result		544	(386)
Profit / (loss) on disposal of assets		121	(245)
Share-based payments		289	363
Change in retirement benefit obligation		(66)	(103)
Income tax		115	1 209
Variation in provisions for risks	20	(39)	1 598
Cash generated by / (used in) continuing operations		**(5 088)**	**3 883**
Cash generated by / (used in) discontinued operations		(3 753)	(792)
Cash generated by / (used in) operations before changes in working capital		**(8 841)**	**3 091**
Changes in working capital			
Inventories	12	45	41
Trade receivables		(413)	(13 673)
Trade receivables transferred or derecognized		(698)	3 141
Other receivables		(2 023)	94
Research tax credit and grants		(2 232)	(2 265)
Trade and other payables		642	3 586
Other payables		(3 246)	1 243
Cash generated by / (used in) changes in working capital from discontinued operations	25	(642)	(2 428)
Cash generated by / (used in) changes in working capital		**(8 569)**	**(10 259)**
Cash generated by / (used in) operations		**(17 409)**	**(7 168)**
Interest received, net		(12)	(26)
Income tax paid		(115)	-
Net cash used in operating activities		**(17 536)**	**(7 194)**
Cash flows from investing activities			
Purchases of property and equipment	11	(133)	(129)
Purchases of intangible assets	10	(59)	-
Cash flows used in investing activites from discontinued operations	25	(560)	(102)
Cash flows used in investing activities		**(752)**	**(231)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	16	878	5 375
Repayable advance	19	(262)	-
Financing of the research tax credit	18	5 700	5 833
Principal repayment under finance lease		(226)	(58)
Treasury shares		(156)	58
Cash flows from financing activities from discontinued operations	25	-	-
Cash flows from financing activities		**5 934**	**11 207**
Net increase / (decrease) in cash and cash equivalents		**(12 354)**	**3 782**
Cash and cash equivalents at beginning of the period		36 315	16 434
Effect of exchange rate fluctuations		(551)	154
Effect of exchange rate fluctuations on discontinued operations		360	50
Cash and cash equivalents at end of the period	15	**23 770**	**20 420**

(*) The cash flow for the six month period ended June 30, 2016 of semi-conductor business held for sale (see note 2) is presented in line items "cash generated from discontinued operations", "cash flow used in investing activities from discontinued operations", and "cash flow from financing activities from discontinued operations" according to their nature. The consolidated cash flow table for the six month period ended June 30, 2015 has been reclassified in the same way in order to allow comparisons between the two accounting periods.

Notes to the interim consolidated financial statements

Notes to the interim consolidated financial statements

1. General information and significant events of the period

INSIDE Secure ("the Company") and its subsidiaries (together "the Group") provide embedded security solutions and technology licensing for mobile and connected devices, in order to secure digital identity, content, applications and transactions.

The Group also develops and markets a semiconductor activity relying on a fabless business model. This business is held for sale (see note 2).

Shares in the Company are listed on the Euronext Paris exchange 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.

Reorganization and restructuring project:

On February 25, 2016, the Company announced its decision to leave the semiconductor business as well as a rightsizing of its operations through a restructuring plan. This restructuring included the downsizing of INSIDE Secure, in France as well as in different countries where the Group is present in around 15% of the global workforce. On June 30, 2016, the majority of this plan was implemented and should be completely finalized by year end 2016. The cost of the restructuring plan and the amount of the expenditure still to be incurred are described in note 20.

Share capital increase:

In April, 2016, INSIDE Secure completed a share capital increase with shareholders' preferential subscription right for an amount of $5,375 thousand, issue premium included, net of costs (see note 16).

Sale of the semiconductor business:

On August 2, 2016, subsequent to the period end, the Company announced the signing of an agreement to sell its semiconductor business to WISeKey International Holding Ltd, a cybersecurity company listed on the Zurich stock exchange (Six Swiss Stock Exchange: WIHN), following on the project announced on May 19, 2016. The terms and conditions of the transaction are consistent with those announced on May 19, 2016 (see note 2). The completion of this transaction remains subject to customary closing conditions as well as the approval from the French Ministry of Finance regarding foreign investment in France on sensitive activity.

The interim consolidated financial statements of the Group as at June 30, 2016 were authorized for issue by the Management Board on August 31, 2016. Interim consolidated financial statements were the subject of a limited review by the statutory auditors.

2. Basis of preparation

These interim condensed consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34, `Interim financial reporting'.

The interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS.

IFRS 5 Discontinued operations and changes to previous issued financial statements

As indicated above, on May 19, 2016, INSIDE Secure announced it is about to reach an agreement to sale most of its semiconductor business to WISeKey International Holding Ltd. Subsequent to the balance sheet date, on August 2, 2016, INSIDE Secure announced having signed an agreement to sell this business for a total of CHF 13 million (US$ 13.2 million), net of cash transferred. The closing of the transaction remains subject to certain conditions precedent.

The scope of the transaction includes the transfer of products, technology, customer agreements and certain patents. More generally, it also includes the transfer of assets related to development and sale of secure integrated circuits, as well as a complete team dedicated to this business (R&D, sales, marketing and support functions). This largely comprises the semiconductor activities of INSIDE Secure for the “Internet of Things”, anti-counterfeiting and brand protection, EMV payment card and secure access.

Upon the announcement on May 19, 2016, the Company considered that all conditions of discontinued operations were met in accordance with IFRS, in particular the materiality of the business concerned and the fact that the transaction is highly probable. From this date onwards and in accordance with IFRS 5, these corresponding assets and liabilities are presented separately from the other assets and liabilities on specific lines within the balance sheet, and the result of this business has been disclosed as a single amount on the line item "Net profit/(loss) from discontinued operations". The income statement, the statement of comprehensive income and the statement of cash flow for the six months ended June 30, 2015 have been restated in the same way to allow comparison of two accounting periods.

Presentation currency

The Group has elected to present its consolidated financial statements in US Dollars. 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, for the six months ended June 30, 2016 and 2015 and the year ended December 31, 2015 are as follows:

Euro/ US Dollar	**June, 30 2015**	**December 31, 2015**	**June 30, 2016**
Closing Rate	1,1189	1,0887	1,1102
Mean Rate	1,1159	1,1096	1,1229

3. Accounting policies

The accounting policies adopted by the Group in the interim consolidated financial statements as at June 30, 2016 are consistent with those of the previous financial year as at December 31, 2015, except for taxes on income in interim periods which are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Standards, amendments and interpretations whose application is mandatory from January 1, 2016 are as follows:

- IFRIC 14 – Regulatory deferral accounts
- Improvements in 2012-2014 IFRS Cycle
- Amendments to IAS 16 - Property, plant and equipment, and IAS 38 - intangible assets: Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 1 – Presentation of financial statements: details on its content and materiality

The standards, amendments and interpretations whose application is mandatory from January 1, 2016 do not have a significant impact on the interim consolidated financial statements for the six months ended June 30, 2016.

Standards, amendments and interpretations whose application is not mandatory from January 1, 2016 but which could be early adopted are as follows:

- IFRS 9, Financial Instruments – Classification of financial assets and liabilities
- IFRS 15, Revenue from contracts with customers
- IFRS 16, Leases

The Group chose not to early adopt these standards, amendments and interpretations in the interim consolidated financial statements for the six months ended June 30, 2016. The potential impact of these standards, amendments and interpretations on its results or financial situation is still being evaluated by the Group.

4. Significant judgments and estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015, with the exception of changes in estimates that are required in determining the provision for income taxes (see note 3) and the impact of IFRS 5 regarding discontinued operations (see note 2).

5. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2015.

There have been no changes in the risk management policies since December 31, 2015.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from transactions denominated in currencies other than the US dollar, the Company’s functional and presentation currency.

Given that almost all revenue is generated in Dollars, currency exchange fluctuations have no significant effect on revenue. However, a significant portion research and development costs, selling and marketing expenses, and general and administrative expenses are denominated in Euros. The operating result, equity and Group cash are therefore subject to currency fluctuations and, essentially, to fluctuations in the Euro / Dollar exchange rate.

The Group mitigates its exposure to foreign currency fluctuations by matching its cash inflows and outflows denominated in the same currency to the extent possible, resulting in a natural hedge. The Group also uses derivative financial instruments such as currency forward contracts and options to hedge against foreign currency fluctuations.

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.

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.

6. Seasonality

The analysis of the data relating to the period ended December 31, 2015 and the period ended June 30, 2016 does not show any clear patterns in terms of seasonality aside from a slight structural overweighting in the second half of the year compared to the first. As such, the financial information relating to the interim periods presented are not necessarily representative of those which are expected for the whole year.

7. Business combinations

Metaforic

On April 5, 2014, the Group acquired 100% of the shares in the company Metaforic Ltd., specializing in the development of software obfuscation technologies and encryption-related security, its main focus being on mobile payment and mobile banking markets.

The purchase consideration amounted to US$ 13,176 thousand taking into account price adjustments dependent on various sales objectives fixed for 2014.

Goodwill, which represents the excess of the purchase price over the fair value of the identified assets and liabilities being transferred, amounted to US$ 7,277 thousand and was primarily attributable to the assembled workforce being transferred and the expected synergies resulting from the combination of activities. This goodwill has been fully allocated to the "Mobile security" division.

The impact of these adjustments on the various line items in the June 30, 2015 and 2016 income statements breaks down as follows:

Item (In thousands of Euros)	Income statement line item	6-month period ended June, 2015	6-month period ended June, 2016
Amortization of licensed technologies	Cost of sales	(671)	(640)
Impact on operating income / (loss)		**(671)**	**(640)**
Impact on income / (loss) for the period		**(671)**	**(640)**

Embedded Security Solutions

On December 1, 2012, the Group acquired Embedded Security Solutions (''ESS''). ESS designs and develops encryption-related security hardware intellectual property (IP) and software for a variety of industries, including the mobile and networking markets. Revenue is generated through licenses, royalties, services and maintenance fees.

The purchase price amounted to US$ 47,940 thousand. The goodwill corresponding to the excess of the purchase price consideration compared to the combined total of the fair value of the assets acquired, the identifiable intangible assets and the liabilities assumed, amounted to US$ 12,217 thousand, and was mainly attributable to the expertise of the assembled workforce and the expected synergies that will result from the combination of activities. This goodwill is allocated to the ''Mobile Security'' operating segment.

The impact of these adjustments on the various line items in the June 30, 2015 and 2016 income statements breaks down as follows:

Item (In thousands of US$)	Income statement line item	6-month period ended June, 2015	6-month period ended June, 2016
Amortization of intellectual property licensing royalties	Cost of sales	(3 841)	(1 267)
Amortization of internally developed software	Cost of sales	(259)	-
Amortization of internally developed software	Research and development expenses	(129)	-
Impact on income / (loss) for the period		**(4 229)**	**(1 267)**

Secure Microcontroller Solutions

On September 30, 2010 the Group acquired Secure Microcontroller Solutions ("SMS") from Atmel Corporation. This business designs and markets microcontroller products and solutions that protect data contained in embedded memories against a wide variety of attacks and offers firmware and turnkey solutions to customers with no security expertise.

Goodwill recognized at the date of the transaction amounting to US$ 2,993 thousand was assigned in its entirety to "Secured Transactions". The Group carried out impairment testing as at closing December 31, 2015 and this goodwill was fully depreciated.

Regarding the allocation of the price of acquisition, the Group recognized a certain number of tangible and intangible assets, including; those linked to technology patents, a backlog of orders to be delivered and masks. Furthermore the Group recognized a liability corresponding to an unfavorable licensing agreement.

The impact of the related depreciation and amortization of identifiable tangible and intangible assets and reversals related to licensing agreement liability on the income statement for the six months ended June 30, 2015 and June 30, 2016 can be analyzed as follows:

Item (In thousands of US$)	**Income statement line item**	**6-month period ended June, 2015**	**6-month period ended June, 2016**
Depreciation of masks	Cost of sales	(271)	-
Depreciation of masks	Research and development expenses	(81)	-
Amortization of patented technologies	Research and development expenses	(538)	-
Reversal of unused provision for intangible liabilities	Other gains / (losses), net	385	379
Impact on operating income / (loss)		**(505)**	**379**
Undiscounting of intangible liabilities	Finance income / (loss), net	1 814	(47)
Impact on income / (loss) for the period		**1 309**	**332**

As described in note 2, the results of semiconductor operations are directly referred to in a single line item labelled "Net result / (loss) of discontinued operations".

8. Operating segment information

Management has determined the operating segments based on the reports reviewed by the Management Board that are used to make strategic decisions.

Until the completion of the sale of the semiconductor business, the Group continues to focus on two operational divisions and monitor the financial performance of these two divisions according to the historical practice of the Group:

- Mobile security: this division gathers the Group's offer in all mobile communication matters, to provide a suite of embedded security solutions for mobile and connected devices. The offer includes IPs 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.

- Secure transactions: this division unites the Group's offer dedicated to address high security issues for smart cards, ID, payments but also all transactions involved in the M2M and Internet of Things universe. This division builds tailored solutions based on secure microcontrollers, with embedded secure firmware and associated services.

It is worth noting that under the restructuring in February 2016, the residual activity of semiconductor design for Mobile Security division was transferred to the Secure Transactions division, which therefore includes all of the Group's semiconductor activity. The NFC patent licensing program managed by France Brevets was, for its part, associated with the corporate side and not the Mobile Security division, due to its very specific nature which is not related to the strategic embedded security solutions activity. The results of the first half of 2015 have been restated in order to allow comparisons with 2016.

The segment information provided to the Management Board for the reportable segments for the period ended June 30, 2015 and 2016 breaks down as follows:

(In thousands of US$) **As at June 30, 2015**	**Mobile security**	**Secure transactions**	**Unallocated (*)**	**Total per management reporting**	**IFRS 5 reclassification**	**Consolidated IFRS reporting**
Revenue	10 765	23 163	1 037	34 965	(23 863)	11 102
Adjusted gross profit	10 102	5 757	563	16 422	-	Not IFRS measures
Operating result	(10 545)	(9 765)	(778)	(21 089)	8 601	(12 488)
Adjusted operating result	51	(8 922)	(1 942)	(10 813)		Not IFRS measures
EBITDA	240	(6 900)	(1 942)	(8 602)		Not IFRS measures
Finance income / (loss), net			1 321	1 321	-	1 321
Income tax expense			43	43	-	43
Net loss				**(19 725)**	**8 601**	**(11 124)**

* Unallocated amount mainly corresponds to non-recurring revenue (US$ 650 thousand) and to losses related to exchange hedges (US$ 1,463 thousand)

(In thousands of US$) **As at June 30, 2016**	**Mobile security**	**Secure transactions**	**Unallocated (*)**	**Total per management reporting**	**IFRS 5 reclassification**	**Consolidated IFRS reporting**
Revenue	13 831	25 903	13 868	53 602	(25 903)	27 699
Adjusted gross profit	13 176	11 597	9 876	34 649	-	Not IFRS measures
Operating result	(3 178)	(284)	3 813	351	(329)	22
Adjusted operating result	(1 112)	(72)	9 280	8 097	-	Not IFRS measures
EBITDA	(1 103)	(13)	9 892	8 776	-	Not IFRS measures
Finance income / (loss), net			386	386	-	386
Income tax expense			(1 413)	(1 413)	-	(1 413)
Net loss				**(676)**	**(329)**	**(1 005)**

*Unallocated amount mainly corresponds to non-recurring revenue (US$ 13,868 thousand) and to withholding tax on non-recurring revenue (US$ 1,413 thousand)

The adjusted gross margin, adjusted operating result and adjusted EBITDA are not measures of operating performance or liquidity under IFRS.

Adjusted gross margin is defined as gross profit before (i) amortization of intangible assets relating to business combinations and depreciation of masks acquired as part of a business combination, (ii) potential impairment of goodwill, (iii) expense linked to share-based payments and (iv) non-recurring costs relating to restructuring programs and acquisitions by the Group.

Adjusted operating result is defined as operating result before (i) amortization of intangible assets relating to business combinations and depreciation of masks acquired as part of a business combination, (ii) potential impairment of goodwill, (iii) expense linked to share-based payments and (iv) non-recurring costs relating to restructuring programs and acquisitions by the Group.

Adjusted EBITDA is defined as operating result before amortization and depreciation expenses not relating to business combinations.

Adjusted gross margin, adjusted operating result and adjusted EBITDA as presented may not be strictly comparable to measures with similar names as presented by other companies.

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

(In thousands of US$)	**6-month period ended June 30, 2015**	**6-month period ended June 30, 2016**
Gross profit from continuing operations	5 589	21 286
Gross profit from discontinued operations	5 947	11 598
Gross profit as per IFRS	**11 535**	**32 884**
Share based payments	3	-
Amortization and depreciation of acquired assets from SMS	271	1
Amortization and depreciation of acquired assets from ESS	4 100	1 267
Amortization and depreciation of acquired assets from Metaforic	510	497
Adjusted gross profit	**16 420**	**34 649**

(In thousands of US$)	**6-month period ended June 30, 2015**	**6-month period ended June 30, 2016**
Operating result from continuing operations	(12 488)	22
Operating result from discontinued operations	(8 601)	329
IFRS operating result	**(21 089)**	**351**
Charges related to share based payments	289	363
Amortization and depreciation of acquired assets from SMS	891	-
Amortization and depreciation of acquired assets from ESS	4 229	1 267
Amortization and depreciation of acquired assets from Metaforic	671	650
Net impact on the result of the transfer of activity to Presto Engineering	4 189	(843)
External costs related to the acquisition of Metaforic	23	-
Impairment of assets due to restructuring of SMS	-	-
Restructuring expenses	(18)	6 308
Adjusted operating income / (loss)	**(10 813)**	**8 096**
Depreciation and amortization of tangible and intangible assets which are not related to the acquisition of business	2 210	678
EBITDA	**(8 603)**	**8 776**

The distribution of the Group's total revenue (including discontinued operations) by geographical area for the six months ended June 30, 2015 and 2016 is as follows:

(In thousands of US$)	Asia	Europe, Middle East Africa, Latin America	North America	Total
6-month period ended June 30, 2015	3 695	19 153	12 117	34 966
6-month period ended June 30, 2016	4 833	31 605	17 165	53 602

Geographically, management has allocated revenue based on the location where the goods are delivered or the services are rendered, except for the sales with three major customers of the semiconductor business, which were allocated based on the location of their head offices.

The top ten customers represented 71% of the total revenue for the Groupe (including discontinued operations) for the period ended June 30, 2016, and 58% of revenue for the period ended June 30, 2015.

Customers individually representing more than 10% of the total consolidated turnover for these two periods break down as follows:

6-month period ended June 30, 2015 (In thousands of US$)	Invoiced amount	Segment
Customer 1	7 834	Secure transactions
Customer 2	3 960	Secure transactions

6-month period ended June 30, 2016 (In thousands of US$)	Invoiced amount	Segment
Customer 1	13 868	Unallocated
Customer 2	9 950	Secure transactions

9. Revenue

Excluding revenues from the sale of integrated circuits, which have been reclassified as discontinued operations, the consolidated revenue corresponds exclusively to income from licenses, royalties, development agreements, maintenance and other services.

The Group relies on its expertise in research and development, on intellectual property developed internally and on its patents to generate revenue from licenses, royalties and services (mainly maintenance and development agreements).

10. Intangible assets

Intangible assets break down as follows:

(In thousands of US$)	Patented technologies	Software licenses	Royalties on intellectual property	Internally developed software	Technologies in development	Total
As at December 31, 2015						
Opening net book amount	**10 545**	**1 047**	**11 146**	**712**	**5 003**	**28 453**
Acquisitions	-	98	-	-	-	98
Exchange differences	(80)	(163)	-	-		(243)
Impairment	-	-	-	-	(484)	(484)
Amortization charge	-	(82)	-	-	-	(82)
Disposal - amortization	(3 138)	(449)	(7 682)	(712)	-	(11 982)
Closing net book amount	**7 327**	**451**	**3 464**	**0**	**4 519**	**15 760**
As at December 31, 2015						
Gross value	16 218	9 977	31 576	2 330	5 487	65 588
Accumulated amortization and impairment	(8 891)	(9 526)	(28 113)	(2 330)	(969)	(49 828)
Net book amount as at December 31, 2015	**7 327**	**451**	**3 464**	**-**	**4 519**	**15 760**

(In thousands of US$)	Patented technologies	Software licenses	Royalties on intellectual property	Internally developed software	Technologies in development	Total
6-month period ended June 30, 2016						
Opening net book amount	**7 327**	**451**	**3 464**	**-**	**4 519**	**15 760**
Exchange differences	(107)	(0)	-	-	-	(107)
Impairment	-	-	-	-	-	-
Disposal (net book value)	-	(17)	-	-	-	(17)
Amortization charge	(638)	(392)	(1 267)	-	-	(2 298)
IFRS 5 reclassification		(41)			(4 519)	(4 560)
Closing net book amount	**6 582**	**1**	**2 196**	**-**	**-**	**8 779**
As at June 30, 2016						
Gross value	16 070	8 887	31 576	2 330	4 519	63 381
Accumulated amortization and impairment	(9 488)	(8 844)	(29 379)	(2 330)	-	(50 042)
IFRS 5 reclassification	-	(41)	-	-	(4 519)	(4 560)
Net book amount as at June 30, 2016	**6 582**	**1**	**2 196**	**-**	**-**	**8 779**

Finance leases included in intangible assets break down as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Gross book value	917	126
Accumulated amortization	(917)	(34)
Net book value	**-**	**92**

Finance leases are only related to continuing operations.

11. Property and equipment

Property and equipment break down as follows:

(In thousands of US$)	Fixtures and fittings	Equipment	Furniture and other office equipment	Masks	Total
As at December 31, 2015					
Opening net book amount	**1 984**	**2 025**	**520**	**1 474**	**6 003**
Additions	89	645	450	-	**1 183**
Exchange differences	(1)	7	(10)	(150)	**(154)**
Impairment	(975)	(330)	(47)	(638)	**(1 989)**
Disposals (net book amount)	(307)	(1 170)	243	-	**(1 233)**
Work in progress	493	(194)	-	-	**299**
Depreciation charge	(242)	(901)	(536)	(688)	**(2 366)**
Closing net book amount	**1 041**	**83**	**620**	**-**	**1 744**
As at December 31, 2015					
Gross value	2 258	1 313	1 203	946	**5 721**
Accumulated depreciation	(1 217)	(1 231)	(583)	(946)	**(3 977)**
Net book value as at December 31, 2015	**1 041**	**83**	**620**	**-**	**1 744**

	Agencements et aménagements	Equipements	Matériel de bureau et informatique	Masques	Total
As at June 30, 2016					
Opening net book amount	**1 041**	**83**	**620**	**-**	**1 744**
Additions	-	44	79	50	**173**
Exchange differences	(6)	(8)	(2)	-	**(16)**
Disposal net book value	8	142	(4)	-	**146**
Reclassification	(329)	329	-	-	**-**
Work in progress	160	-	-	-	**160**
Depreciation charge	(80)	(78)	(185)	-	**(343)**
IFRS 5 reclassification	-	(8)	(67)	(27)	**(102)**
Closing net book amount	**794**	**505**	**441**	**23**	**1 762**
As at June 30, 2016					
Gross value	2 023	1 129	1 227	996	**5 375**
Accumulated depreciation	(1 229)	(616)	(720)	(947)	**(3 512)**
IFRS 5 reclassification	-	(8)	(67)	(27)	**(102)**
Net book value as at June 30, 2016	**794**	**505**	**440**	**23**	**1 762**

Depreciation expenses of US$ 343 thousand have been recognized on the lines “cost of sales”, “research and development expenses”, “selling and marketing expenses”, and “general and administrative expenses” according to the corresponding assets’ allocation” (US$ 1,469 thousand for the six months ended June 30, 2015).

Finance leases included in property and equipment above are as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Gross book value	1 901	-
Accumulated depreciation	(1 356)	-
Net book value	**545**	**-**

Finance leases are related to discontinued operations only. As at December 31, 2015, the requirements of discontinued operations in accordance with IFRS 5 standards had not been met.

12. Inventories

Inventories break down as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Semi-finished and finished goods	14 747	67
Less: provision for impairment of obsolete items	(6 805)	-
	7 943	**67**

As at December 31, 2015, the requirements of discontinued operations in accordance with IFRS 5 had not been met. The inventories therefore included corresponding semiconductor products for the Group's semiconductor operations. On June 30, 2016, these inventories were reclassified as line item "Assets classified as held for sale".

13. Trade receivables

Net Trade receivables, break down as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Trade receivables	8 469	15 252
Less: provision for impairment of trade receivables	(188)	(439)
Trade receivables, net	**8 282**	**14 813**

In 2011, the Group entered into factoring agreements whereby it transferred certain receivables in Euros and Dollars to Natixis Factor, including a deposit and backed by a credit insurance contract. Since the risk of non-recoverability and delays in payment has been transferred to the bank, the receivables transferred under these contracts are no longer recorded in the balance sheet. From July 1, 2016, the Group decided to stop the use of factoring agreements. The transfer on June 30, 2016 was the last transfer made under this agreement.

The amount of receivables transferred with maturities later than June 30, for which substantially all of the risks and rewards have been transferred and which are therefore no longer recorded in the balance sheet within accounts receivable are as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Trade receivables transferred	4 039	7 180
Factoring reserve	(230)	(186)
Cash received as at December 31,	**3 809**	**6 994**

On June 30, 2016, according to IFRS 5, receivables and accounts relating to discontinued operations were reclassified to the line item "Assets classified as held for sale", for a net amount of US$ 2,693 thousand.

14. Other assets

Other assets can be analyzed as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Deposits	334	352
Research tax credit	24 736	17 850
Prepaid expenses	1 786	2 165
VAT receivables	330	677
Other receivables	230	823
Pre-payments	1 701	307
Factor current account	2 442	2 793
Credit notes to be received	228	-
Other receivables	**31 786**	**24 967**
Other receivables - Non-current portion	*19 022*	*12 356*
Other receivables - Current portion	*12 765*	*12 611*

The repayment of research tax credit receivables (RTC) is due three years after the date of their declaration, unless they are offset against corporation tax. As a result, in "Other assets - non-current portion" the Group recorded research tax credit receivables acquired in 2014, 2015 and 2016 and in “Other assets – current portion” the recorded research tax credit acquired in 2013.

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

Financing has been obtained and put in place with banking partners. It is recognized in financial liabilities in accordance with the IAS 39 and relates to RTC receivables for 2013, 2014, 2015.

At the end of the sixth month period ending June 30, 2016, the RTC debt acquired with respect to fiscal year 2012 has been repaid.

On June 30, 2016, according to IFRS 5, the other assets related to discontinued operations were reclassified in the line “Assets classified as held for sale”, for an amount US$ 8,142 thousand.

15. Cash and cash equivalents

The line items for cash and cash equivalents break down as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Cash at bank and on hand	16 274	20 420
Marketable securities	160	-
Cash and cash equivalents	**16 434**	**20 420**

Marketable securities correspond to investments in mutual funds measured at fair value against profit and loss. These securities are considered as cash equivalents as they are highly liquid, have sensitivity to interest rates of less than 0.25, have a volatility of almost 0 and are part of an investment strategy which excludes stocks.

16. Share capital and premium

Variations in the number of shares, the share capital and the share premium are as follows:

(In thousands of US$ except number of shares)	Number of shares	Ordinary shares	Share premium	Total
As at January 1, 2015	**34 328 848**	**18 020**	**225 820**	**243 840**
Equity financing	400 000	175	702	877
As at June 30, 2015	**34 728 848**	**18 195**	**226 522**	**244 717**
As at January 1, 20156	**34 771 348**	**18 218**	**226 518**	**243 840**
Share capital increase	8 345 118	3 800	1 575	5 375
As at June 30, 2016	**43 116 466**	**22 019**	**228 093**	**249 215**

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, amounts 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 amounts to US$ 5,375 thousand).

17. License agreement liabilities

The line item "License agreement liabilities" breaks down as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
License agreement liabilities	1 544	-
Provision for onerous contracts- Presto Engineering	6 850	-
Total	**8 394**	**-**
Including:		
Long term portion	1 908	-
Short term portion	6 486	-

The Group had recorded a liability relating to the license agreement entered into in the context of the acquisition of the SMS business in September 2010, and a provision for onerous contracts relating to the transfer of industrialization activities and supply chain management activities for INSIDE Secure's semiconductor components to the company Presto Engineering Inc. in 2015. These contracts are to be transferred as part of the sale of the semiconductor business; the corresponding liabilities and provisions are presented on June 30, 2016 under line item "Liabilities directly associated with assets classified as held for sale" for a total amounting to US$ 6,153 thousand.

There is no such liability for the continuing operations as at June 30, 2016.

18. Financial debts

Financial debts break down as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Non-current		
Research tax credit financing	11 311	9 063
Obligations under finance lease	174	99
Other borrowings	321	314
	11 806	**9 476**
Current		
Research tax credit financing	6 157	8 014
Obligations under finance lease	148	-
Other borrowings	253	261
	6 558	**8 274**
Total	**18 365**	**17 750**

As mentioned above, the Group entered into factoring contracts with financial institutions for the research tax credit receivable for the years ended December 31, 2013, 2014 and 2015. This financing amounting to US$ 17,007 thousand corresponds to 90% of the research tax credit receivable in years 2013 and 2014 and 92.5% of research tax receivable in 2015. The balance will be paid to the Group upon maturity of the contracts and the debt will be reimbursed. Interest and commissions have been recognized in prepaid expenses and are spread over the duration of the contract. Given that the financing of the RTC is denominated in Euros, the amount presented on the balance sheet can be affected by exchange rate fluctuations. The different terms of the contracts are detailed as follows:

- RTC receivable 2013: US$ 5,590 in June 2017
- RTC receivable 2014: US$ 4,830 in July 2018
- RTC receivable 2015: US$ 4,545 in July 2019

Obligations under finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

19. Repayable advances

The repayable advances are presented as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Bpifrance repayable advances	5 056	-
Total	**5 056**	**-**
Other liabilities - Non-current portion	5 056	-
Other liabilities - Current portion	-	-

The Group benefits from repayable advances from French institution Bpifrance for research and innovation programs. These advances are repayable if and only if the contractually defined commercial objectives are achieved. The repayment of these advances is subject to revenue objectives being achieved on the related projects. Repayable advances are accounted for at nominal value and are non-interest-bearing. They are also recorded in Euros, thus the total amount recorded on the balance sheet may be affected by fluctuations in the exchange rate. On June 30, 2016, repayable advances corresponding to discontinued operations were reclassified under line item “Liabilities directly associated with assets classified as held for sale”.

There is no such liability for the continuing operations as at June 30, 2016.

20. Provisions for other liabilities and charges

Provisions for other liabilities and charges break down as follows:

(In thousands of US$)	Employee related litigations	Customer claims	Restructuring	Others	Total
As at January 1, 2016	**40**	**475**	**-**	**175**	**689**
Charges / (credited) to the income statement:		-	-	-	
- Additional provisions	-	-	2 668	-	**2 668**
- Unused amounts reversed	-		-	-	-
- Used during the period	-	(338)	-	-	**(338)**
Exchange differences	-	6	-	-	**6**
IFRS 5 reclassification	-	-	-	-	-
As at June 30, 2016	**40**	**143**	**2 668**	**175**	**3 025**

Employee related litigation

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.

Restructuring provision

On February 25, 2016, the Company announced its decision to exit the semiconductor business as well as a rightsizing of its operations through a restructuring plan. This restructuring plan included a reduction in the INSIDE Secure workforce, in France and in different countries where the company is operating, for about 15% of the global workforce. On June 30, 2016, the majority of the plan was executed and should be completely finalized by the end of 2016. The provision for an amount of 2,668 thousand dollars represents the remaining costs related to this restructuring.

21. Research and development expenses

Research and development expenses break down as follows:

	6-month period ended	
(In thousands of US$)	June 30, 2015	June 30, 2016
Research and development expense	6 887	8 314
Research tax credit	(434)	(1 184)
Total	**6 453**	**7 130**

The research and development costs corresponding to semiconductor activities are presented as line item entitled “profit / (loss) from discontinued operations”. Research and development expenses for the six month period ended June 30, 2015 have been reclassified in the same way in order to allow a comparison between the two periods.

22. Other (losses)/ gains, net

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

	6-month period ended	
(In thousands of US$)	**June 30, 2015**	**June 30, 2016**
External costs relating to the acquisition of Metaforic	(23)	-
Variation in the provision for restructuring	9	(2 400)
Foreign exchange gains/ (losses) on operating activities	(1 463)	(434)
Other	32	-
Total	**(1 445)**	**(2 834)**

Other operating gains and losses of semiconductor activities are presented in the line item “profit / (loss) from discontinued operations”. Other operating gains and losses for the six month period ended June 30, 2015 have been reclassified in the same way in order to allow a comparison of the two periods.

Operating exchange gains and losses relate to exchange differences affecting revenue and operating expenses concluded during the period as well as the impact of the translation at closing rates of operating assets and liabilities denominated in currencies other than the functional currency of the consolidated companies.

23. Finance income and expense

Finance income and expense breaks down as follows:

	6-month period ended	
(In thousands of US$)	**June 30, 2015**	**June 30, 2016**
Foreign exchange (loss)	(2 077)	(1 811)
Interest expense	(355)	(254)
Finance costs	**(2 432)**	**(2 065)**
Foreign exchange gain	1 902	2 443
Interest income	37	8
Income from license agreement liabilities	1 814	-
Finance income	**3 753**	**2 451**
Finance income / (loss), net	**1 321**	**386**

Foreign exchange gains and losses relating to financial transactions settled during the period, as well as the impact of the translation at closing rates of cash denominated in Euros into US Dollars, are recognized as finance income or expenses.

24. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	6-month period ended	
	June 30, 2015	June 30, 2016
Loss attributable to equity holders of the Company (in thousand dollars)	(19 723)	(676)
Weighted average number of ordinary shares in issue	34 465 515	37 952 636
Basic loss per share (US$ per share)	**(0,572)**	**(0,018)**
Basic loss from continuing operations per share (US$ per share)	(0,323)	(0,026)
Basic income / (loss) from discontinued operations per share (US$ per share)	(0,249)	0,009

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 three categories of dilutive potential financial instruments: free shares, warrants, and stock options.

The number of shares calculated is then compared with the number of shares that would have been issued assuming the exercising of the dilutive instruments:

	6-month period ended	
	June 30, 2015	June 30, 2016
Weighted average number of ordinary shares in issue	34 465 515	37 952 636
Adjustments for:		
- Free shares	276 469	1 071 168
- Warrants	-	-
- Stock options	-	-
Adjustments for treasury method	-	-
Weighted average number of ordinary shares for diluted earnings per share	34 741 984	39 023 805
Diluted loss per share (US$ per share)	**(0,572)**	**(0,018)**
Diluted loss from continuing operations per share (US$ per share)	(0,323)	(0,026)
Diluted income / (loss) from discontinued operations per share (US$ per share	(0,249)	0,008

Warrants and stock options related to on-going plans have an exercise price exceeding the share price as at June 30, 2015 and have therefore not been taken into account for the calculation of the diluted earnings per share.

For the purposes of the table above, warrants and stock options are included in the diluted earnings per share calculation through the treasury stock method. The treasury stock method assumes that the proceeds from the exercise of warrants and stock options are used to repurchase common stock.

For accounting purposes, when dilutive instruments have the result that the dilutive loss per share is less than the basic loss per share, the impact of dilutive instruments is not taken into account.

25. Assets classified as held for sale and liabilities directly associated and discontinued operations

The sale of the semiconductor business has led the group to isolate the corresponding assets and liabilities directly associated on specific lines on the balance sheet and the net result for the period on the line "profit / (loss) from discontinued operations". Indeed, (i) the carrying amount will be recovered principally through a sale transaction rather than through continuing use, (ii) the business is available for immediate sale and (iii) the sale is highly probable.

These assets, net of liabilities were measured on June 30, 2016 at the lower of their carrying amount and fair value less costs to sell. Upon the issuance date of these financial statements, the sale is subject to the achievement of certain preceding conditions which neither seller nor purchaser have control of. The net book value on May 19, 2016 has thus not been adjusted to take into account potential gain which is not yet certain.

The profit / (loss) from discontinued operations are as follows:

	6-month period ended	
In thousands of US$	**June 30, 2015**	**June 30, 2016**
Revenue	23 864	25 903
Cost of sales	(17 917)	(14 306)
Gross profit	**5 947**	**11 597**
Research and development expenses	(6 939)	(3 942)
Selling and marketing expenses	(3 292)	(3 761)
General and administrative expenses	(121)	(785)
Other gains / (losses), net	(4 195)	(2 780)
Operating profit / (loss) from discontinued operations	**(8 601)**	**329**
Finance income / (loss), net	-	-
Income tax expense	-	-
Profit / (loss) from discontinued operations	**(8 601)**	**329**

Similarly, the lines "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" in the consolidated balance sheet are as follows:

In thousands of US$	**June 30, 2016**
Assets held for sale	
Intangible assets	4 560
Property and equipment	102
Other non-current assets	2 729
Current assets held for sale	**7 391**
Inventories	3 468
Trade receivables	2 693
Other receivables	2 620
Non-current assets held for sale	**8 781**
Total assets classified as held for sale	**16 172**
Liabilities held for sale	
License agreement liabilities and transferred activities - Long term portion	1 525
Repayable advances	4 058
Retirement benefit obligations	713
Current liabilities directly associated with assets classified as held for sale	**6 296**
License agreement liabilities and transferred activities - Short term portion	4 628
Trade and other payables	4 280
Non-current liabilities directly associated with assets classified as held for sale	**8 908**
Liabilities directly associated with assets classified as held for sale	**15 204**

The lines "cash generated by (used in) discontinued operations", "cash generated by (used in) changes in working capital from discontinued operations" and "cash flow used in investing activities from discontinued operations" are as follows:

In thousands of US$	6-month period ended June 30, 2015	June 30, 2016
Profit / loss for the period	**(8 601)**	**329**
Depreciation of tangible assets	1 360	-
Amortization of intangible assets	1 438	(42)
(Profit) / loss on disposal of assets	(160)	(600)
Reversal of unused provision on intangible asset - SMS	(1 814)	-
Transfer of activities to Presto Engineering - Portion with no impact on cash	4 085	-
Change in retirement benefit obligation	(181)	97
Variation in provisions for risks	119	(576)
Cash generated by / (used in) operations before changes in working capital	**(3 753)**	**(792)**
Changes in working capital		
Inventories	(2 074)	4 368
Trade receivables	8 202	13
Other receivables	(1 262)	(2 930)
Trade and other payables	(5 508)	(3 879)
Cash generated by / (used in) changes in working capital	**(642)**	**(2 428)**
Net cash used in operating activities	**(4 395)**	**(3 220)**
Cash flows from investing activities		
Purchases of intangible assets	(560)	(102)
Cash flows used in investing activities	**(560)**	**(102)**

26. Commitments

The Group leases offices under non-cancellable operating lease agreements. The majority of these leases are renewable at the end of the lease period at market prices. The Group also leases certain cancellable rental equipment.

Minimum future payments for non-cancellable leases for the continuing operations are as follows:

(In thousands of US$)	December 31, 2015	June 30, 2016
Gross finance lease liabilities - minimum lease payment		
No later than 1 period	1 391	1 408
Later than 1 period and no later than 5 periods	2 000	2 402
Later than 5 periods	-	-
Total	**3 391**	**3 810**

In August 2012, the Group entered into a lease agreement on a building that houses its headquarters. The initial term of this lease is six years. Future rent payments with respect to these six years are included in the table above.

The off-balance sheet commitments are only related to continuing operations.

27. Related party transactions

The Group buys consulting and audit services from Leyton & Associés, of which the Group and Leyton & Associés share a common shareholder (investment company GIMV). These services have been negotiated on arm's length basis, without the involvement of the common shareholder, and amounted to US$ 60 thousand and US$ 150 thousand for six months ended June 30, 2015 and 2016, respectively.

28. Events subsequent to the balance sheet

Subsequent to the period end, on August 2, 2016, INSIDE Secure announced the signing of an agreement to sale its semiconductor business to WISeKey International Holding Ltd, a specialist cybersecurity company listed on the Zurich stock exchange (Six Swiss Stock Exchange: WIHN), following on the project announced on May 19, 2016. The terms and conditions of the transaction are consistent with those announced on May 19, 2016 (see note 2). The completion of this transaction remains subject to customary closing conditions as well as the approval from the French Ministry of Finance.

29. Scope of Consolidation

The consolidated financial statements as at June 30, 2016 include the accounts from INSIDE Secure, the parent company, as well as those of the following entities:

Country	Entity	Holding percentage		First consolidation	Consolidation method	Acquisition/ creation
		December 31, 2015	June 30, 2016			
France	Inside Secure France	100%	100%	2012	Global	Creation
USA	INSIDE Secure Corporation	100%	100%	2002	Global	Creation
Singapore	INSIDE Secure (Asia) Pte Ltd	100%	100%	2007	Global	Creation
France	Vault-IC France SAS	100%	100%	2010	Global	Acquisition
UK	Vault-IC UK Ltd	100%	100%	2010	Global	Acquisition
Netherlands	INSIDE Secure B.V	100%	100%	2012	Global	Acquisition
Netherlands	INSIDE Secure Amsterdam B.V	100%	100%	2012	Global	Acquisition
Finland	INSIDE Secure Oy	100%	100%	2012	Global	Acquisition
Japan	INSIDE Secure K.K	100%	100%	2013	Global	Creation
USA	Metaforic Corp	100%	100%	2014	Global	Acquisition
UK	Metaforic Ltd	100%	100%	2014	Global	Acquisition

The scope of consolidation remained unchanged for the six-month period ended June 30, 2016.

3. Statutory Auditors’ review report on the interim consolidated financial information

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

Antoine OLANDA
38 parc du Golf
13856 Aix-en-Provence

This is a free translation into English of the Statutory Auditors’ review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders
INSIDE Secure
Rue de la Carrière de Bachasson - Bâtiment A
13590 Meyreuil, France

In compliance with the assignment entrusted to us by your general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*) , we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of INSIDE Secure, for the six months ended June 30, 2016;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the management board. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Aix-en-Provence, August 31, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit
Didier Cavanié
Partner

Antoine OLANDA

4. CEO attestation

I certify, to my knowledge, the condensed consolidated financial statements for the half year are prepared in accordance with applicable accounting standards and present fairly the assets, financial condition and results of the Company and the undertakings included in the consolidation, and that this interim management report includes a fair review of significant events occurring during the first six months of the year, their impact on the interim financial statements, the main transactions between related parties and a description of the main risks and uncertainties for the remaining six months of the year.

Aix-en-Provence, August 31, 2016

Amedeo D’Angelo
President & CEO

Appendix

Non-GAAP measures – Reconciliation of adjusted financial measures with IFRS results (continuing operations)

The following tables show the reconciliation of the adjusted financial measures, as defined above, to the consolidated income statements of the continuing operations for the six-month periods to June 30, 2016 and 2015 respectively:

(in thousands of US$)	2016 adjusted	Business combinations	Share-based payment	Other non-recurring costs (*)	2016 IFRS
Revenue	27,699	-	-	-	27,699
Cost of sales	(4,648)	(1,764)	(1)	-	(6,413)
Gross profit	**23,051**	**(1,764)**	**(1)**	**-**	**21,286**
As a % of revenue	*83.2%*				*76.8%*
R&D expenses	(6,907)	(151)	(74)	-	(7,132)
Selling & marketing expenses	(5,922)	-	(138)	-	(6,060)
General & administrative expenses	(5,091)	-	(150)	-	(5,241)
Other gains/(losses), net	(434)	-	-	(2,400)	(2,834)
Operating income from continuing operations	**4,698**	**(1,915)**	**(363)**	**(2,400)**	**20**
Amortization and depreciation of assets (**)	622	-	-	-	-
EBITDA	**5,320**				

(in thousands of US$)	2015 adjusted	Business combinations	Share-based payment	Other non-recurring costs (*)	2015 IFRS
Revenue	11,102	-	-	-	11,102
Cost of sales	(1,139)	(4,371)	(3)	-	(5,513)
Gross profit	**9,963**	**(4,371)**	**(3)**	**-**	**5,589**
As a % of revenue	*59.3%*				*50.3%*
R&D expenses	(5,005)	(1,420)	(106)	-	(6,531)
Selling & marketing expenses	(5,079)	-	(119)	-	(5,199)
General & administrative expenses	(4,840)	-	(61)	-	(4,902)
Other gains/(losses), net	(1,445)	-	-	-	(1,445)
Operating loss from continuing operations	**(6,407)**	**(5,791)**	**(290)**	**-**	**(12,488)**
Amortization and depreciation of assets (**)	189	-	-	-	-
EBITDA	**(6,218)**				

(*) the amounts correspond mainly to restructuring expenses.
(**) excluding amortization and depreciation of assets acquired through business combinations.
Sums may not equal totals due to rounding.

Forward-looking statements

This report contains certain forward-looking statements concerning the INSIDE Secure. 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 differ materially from those anticipated in these 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 registration document dated March 30, 2016 (R. 16-014), available on www.insidesecure.com.

Complementary note

This document is an English language translation of INSIDE Secure's 2016 Half-Year Financial Report ("rapport financier semestriel") as filed with the Autorité des Marchés Financiers (the "AMF") on September 1, 2016. This translation has been provided for your convenience only. In the event there are any discrepancies or differences between this translation and the French language 2016 Half-Year Financial Report, only the French language original document will be considered the official text. INSIDE Secure makes no representations or warranties about the accuracy or completeness of this English translation and assumes no liability for any errors, omissions or inaccuracies in this English translation.

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