INSIDE Secure announces full year 2015 results along with Company repositioning and restructuring

- **Consolidated revenue for FY2015 of $70.1 million; $15.8 million in Q4 2015**
- **Adjusted[1] operating loss of $21.0 million in FY2015**
- **Secure Transactions division: Exit from the semiconductor business in the context of a project to sell the business, with an exclusivity granted to a potential buyer**
- **Mobile Security division: completion of the process to reposition the Company in software security and technology licensing, with leaner operating costs that match current business levels**
- **Rightsizing of the operations through the launch of a restructuring plan[2] impacting about 15% of the global workforce**
- **Launch of a project of two successive capital increases for a total amount of 7 million euros**
    - **Launch in the coming weeks of a 5 million euros capital increase with preferential subscription rights granted to existing shareholders including a commitment received to subscribe for 75% of the issue**
    - **Subsequent launch of a capital increase without preferential subscription rights for an aggregate amount of 2 million euros at the price of 0.75 euro per share**

Aix-en-Provence, France, February 25, 2016 – INSIDE Secure (Euronext Paris: INSD), a leader in embedded security solutions for mobile and connected devices, is today reporting its consolidated results[3] for the financial year 2015 and announcing its new strategic plan and a reorganization plan of its worldwide activities.

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

[2] Implementation of this plan is subject to prior information and consultation of the relevant employee representative bodies.

[3] The consolidated financial statements were prepared by the Management Board, reviewed by the Supervisory Board and audited by the Statutory Auditors.

2015 Financial Results – Key Figures

(in thousands of US$)	**Adjusted** 12 months 2015	**Adjusted** 12 months 2014	IFRS 12 months 2015	IFRS 12 months 2014
Revenue	**70 106**	**125 362**	70 106	125 362
Gross profit	**32 843**	**74 399**	23 284	62 424
As a % of revenue	***46,8%***	***59,3%***	*33,2%*	*49,8%*
Operating income	**(20 951)**	**8 121**	(43 265)	(2 089)
As a % of revenue	***-29,9%***	***6,5%***	*-61,7%*	*-1,7%*
Net income	-	-	(44 583)	(5 022)
As a % of revenue	-	-	*-63,6%*	*-4,0%*
EBITDA	**-17 584**	**12 880**	-	-
As a % of revenue	***-25,1%***	***10,3%***	-	-

Commenting on these results, Amedeo D'Angelo, President and Chief Executive Officer of INSIDE Secure, stated:

"Since taking the leadership of INSIDE Secure in October of 2015, my team and I have conducted an in-depth strategic review of our business lines within the current competitive environment. It is clear to us that our company's key strengths and advantages lie in our core software and intellectual property security and technologies, which addresses the rapidly growing mobile payment & banking and Internet of Things, as well as developing and marketing our differentiated embedded security technologies. We will aggressively move to extend our leadership in these markets.

"We have also determined that we do not have the sufficient scale or financial capacity today to successfully sustain our semiconductor business. Consequently, we are taking the difficult decision to discontinue these efforts. We have entered into exclusive negotiations with a potential acquirer for the semiconductor business to ensure continuity for our customers. In addition, we will further streamline our operations as needed to better align with the size of the business.

"Our goal is to focus all of our energy where we can expand our market leadership, support our customers and return quickly to profitable growth. With our deep expertise and strong capabilities, I am confident we will succeed."

Details on the Company's strategic repositioning

1. Secure Transactions division: Exit from the semiconductor business

Exclusive negotiations commenced with a view to selling the semiconductor business

INSIDE Secure has entered into exclusive negotiations with a potential acquirer with a view to selling its semiconductor business. The scope of the transaction would include products, technology, customer agreements, certain patents and, more generally, the assets related to the development and sale of secure microcontroller-based integrated circuits, as well as a complete team (R&D, sales, marketing, support). This scope largely comprises the semiconductor activities of INSIDE Secure centered around the Internet of Things, anti-counterfeiting and brand protection, EMV payment card and secure access.

At the same time, INSIDE Secure is working with one of its strategic customers on the transfer under license of a line of semiconductor products developed specifically for this customer, together with the associated resources.

These projects follow on from the outsourcing agreement entered into in June 2015 with Presto Engineering covering the engineering of the integrated circuits and the supply chain management activities.

In combination, they should provide INSIDE Secure's customers with an ongoing solution both for their development projects and for the sourcing of existing products.

Restructuring plan[4] for the residual semiconductor activities and, more broadly, the Company's worldwide organization

In parallel to the sale of the semiconductor business to a third party, the Company plans to launch a restructuring. The aim is to tailor the Company's resources to fit its future size and to pave the way for it to reach and then move beyond its operational breakeven point. The plan also aims to reduce and adapt selling, general & administrative costs, refocus the research and development activities and improve its sales and, more generally, its operational efficiency.

This restructuring could potentially lead to a reduction in INSIDE Secure's workforce in France and the other countries where it operates (around 15% of its current global staff). This plan will be implemented in accordance with the laws and regulations of all the relevant territories, and will, in France, be subject to an information and consultation procedure for the Works Council.

The Company aims to achieve its target organization by the beginning of the third quarter of 2016.

The Company estimates the reorganization is likely to lead to a restructuring expense of around $4 million in 2016. INSIDE Secure is targeting a reduction in its operating costs of around $4.6 million on an annualized basis upon completion of this reorganization.

2. Mobile Security division: completion of repositioning of the Company in software security and embedded security technology licensing

INSIDE Secure's exit from the semiconductor activity would help to concentrate all its efforts on its core software security business serving the expanding payment and mobile banking markets, as well as embedded security technologies.

This business would then have a leaner cost base as a result of the envisaged restructuring plan, and it would be able to call on two well-known and expanding strategic offerings:

- The software and application protection product lines, providing software solutions securing all banking transactions and mobile payments, as well as for any secure exchange between fixed and connected devices, a technology that lies at the heart of the Internet of Things.
- DRM (Digital Right Management) solutions enabling secure content access and protecting rights anywhere, at anytime, and from any device and allowing broadcasters, content owners, mobile operators to provide a variety of purchasing and consumption models for premium multimedia content to consumers. Secure communication solutions (VPN or Virtual Private Network) helping enterprises and governments secure access to critical information for employees from anywhere, addressing demand for mobility such as bring-your-own-device through certified cryptography, authentication and secure protocols.
- An intellectual property offering (IP blocks or components) that customers can integrate directly in the design of their semiconductor platforms. For example, an IP component can be added to the core of application processors and SoC (Systems-on-Chip) chips, introducing an optimum level of security for smartphones and connected objects.

In addition, the NFC patent licensing program managed by France Brevets will be handled at corporate level rather than being handed over to the Mobile Security division because of the specifics of this program and the fact that it is not strategic for the embedded security market,

3. Launch of a project of two successive capital increases

To increase its financial flexibility and its financial strength, support the development of its software and technology licensing activities and better serve its customers, the Company has announced its decision to launch soon two successive capital increases for a total amount of approximatively 7 million euros (issue premium included).

[4] Implementation of this plan is subject to prior information and consultation of the relevant employee representative bodies.

The Company will launch first a capital increase with preferential subscription rights granted to existing shareholders for an amount of approximatively 5 million euros (issue premium included). This capital increase should be carried out in the next few weeks, subject to market conditions and the visa of the Autorité des marchés financiers on the prospectus relating to this operation. This issue will have the backing of Jolt Capital, a fund investing in medium-sized technology companies in Europe, which has undertaken to subscribe for 75% of the shares to ensure the success of the issue.

The Company will also propose by 30 June 2016, a capital increase without preferential subscription rights for the benefit of Jolt Capital for an amount of approximately 2 million euros (issue premium included) at the price of 0.75 euro per share to a vote at the Extraordinary Shareholder's Meeting. Bpifrance, shareholder of the Company, has committed to vote in favour of this transaction.

Fourth-quarter and full-year 2015 financial highlights

Fourth-quarter and full-year 2015 revenue

Revenue by operating segment:

(in thousands of US$)	Q4-2015	Q4-2014	Q3-2015	Q4-2015 vs. Q-4 2014	Q4-2015 vs. Q-3 2015	2015	2014	2015 vs. 2014
Mobile Security	6 077	12 222	9 805	-50%	-38%	27 035	57 938	-53%
Secure Transactions	9 706	22 730	9 553	-57%	2%	42 422	65 391	-35%
Unallocated	0	320	0	-	-	650	2 033	-68%
Total	**15 783**	**35 272**	**19 357**	**-55%**	**-18%**	**70 106**	**125 362**	**-44%**

Revenue by category:

(in thousands of US$)	Q4-2015	Q4-2014	Q3-2015	Q4-2015 vs. Q4-2014	Q4-2015 vs. Q3-2015	2015	2014	2015 vs. 2014
Revenue from sale of products	9 700	21 573	9 613	-55%	1%	42 794	66 592	-36%
Revenue from licenses, royalties, developement agreements, maintenance	6 083	13 700	9 744	-56%	-38%	27 313	58 770	-54%
Total	**15 783**	**35 272**	**19 357**	**-55%**	**-18%**	**70 106**	**125 362**	**-44%**

Consolidated revenue in the fourth quarter of 2015 amounted to $15.8 million, representing a decline on both the third quarter of 2015 and the fourth quarter of 2014. The Company did not achieve the expected increase in the second half of the year, despite the surge in revenue from the application protection software product line.

Adjusted operating income

(in thousands of US$)	12 months 2015	12 months 2014	H2-2015	H1-2015	H2-2014
Revenue	70 106	125 362	35 140	34 966	61 115
Adjusted gross profit	**32 843**	**74 399**	**16 423**	**16 420**	**36 577**
Research and development expenses	(22 810)	(33 201)	(10 435)	(12 375)	(15 068)
Selling and marketing expenses	(17 916)	(20 530)	(9 539)	(8 377)	(9 961)
General and administrative expenses	(10 604)	(12 419)	(5 568)	(5 036)	(6 056)
Other gains / (losses), net	(2 465)	(128)	(1 020)	(1 445)	(610)
Total adjusted operating expenses	**(53 794)**	**(66 278)**	**(26 563)**	**(27 232)**	**(31 695)**
Adjusted operating income / (loss)	**(20 951)**	**8 121**	**(10 139)**	**(10 813)**	**4 882**

Note: Sums may not equal totals due to rounding.

Adjusted gross profit amounted to $32.8 million (46.8% of revenue) in 2015, down from $74.4 million in 2014 (59.3% of revenue), which included non-recurring high-margin revenues in relation with NFC technology and patent license to Intel and NFC patent license under the partnership with France Brevets.

The Company's adjusted operating expenses amounted to $53.8 million in 2015, down 19% on the previous year. In the second half of 2015, adjusted operating expenses totalled $26.6 million, representing a small decline compared to the first half of 2015 and a steep fall in comparison to the second half of the 2014.

The decrease in operating expenses in 2015 compared with 2014 reflected the shift in INSIDE Secure's business model towards higher value-added security activities, including the impact of:

- The June 2014 licensing agreement with Intel, under which an R&D team was transferred to Intel from the second half of 2014 onwards, and
- The outsourcing of the engineering and supply chain management activities to Presto Engineering on June 30, 2015, including the transfer of a team of about 40 people.

The decrease in operating expense was also due to the appreciation in the US dollar against the euro[5], which, as anticipated, had a positive impact on adjusted operating expenses in 2015, for $4.2 million.

As a result of a lower revenue and despite a significant decrease in operating expenses, INSIDE Secure recorded an adjusted operating loss of $21.0 million for 2015 (vs. income of $8.1 million in 2014).

(in thousands of US$)	**12 months 2015**	**12 months 2014**	**2015 vs. 2014**
EBITDA	**(17 584)**	**12 880**	**(30 464)**
Amortization and depreciation of assets (*)	3 367	4 759	(1 392)
Adjusted operating income	**(20 951)**	**8 121**	**(29 072)**
Business combinations (**)	(11 340)	(14 082)	2 742
Other non recurring expenses (***)	(10 496)	4 429	(14 925)
Share based payments	(478)	(557)	79
Operating income	**(43 265)**	**(2 089)**	**(41 176)**
Finance income / (losses), net	(983)	(1 703)	720
Income tax expense	(335)	(1 229)	894
Net income	**(44 583)**	**(5 022)**	**(39 561)**

(*) excluding amortization and depreciation of assets acquired through business combinations. Items with no cash impact.

(**) amortization and depreciation of assets acquired through business combinations and acquisition related external expenses. Items with no cash impact.

(***) restructuring expense (net) and, for 2015, disposal of an activity.

Sums may not equal totals due to rounding.

EBITDA

In 2015, EBITDA showed a loss $17.6 million (compared with income of $12.9 million in 2014) as a result of the adjusted operating loss, while the depreciation expense was $1.4 million lower in 2015 than in 2014.

Financial items

Net financial income was - $1.0 million in 2015 (against -1.7 million dollars in 2014) consisting mainly of the impact of the evolution of the EUR / USD exchange rates and interest expense on asset-backed financing (R&D tax credit).

[5] The Company adopted the US dollar as the reporting currency for its consolidated financial statements; the US dollar is the currency in which the majority of its transactions are denominated, contributing almost all of its revenue. The majority of its operating expenses are denominated in euros. This leaves the Company with exposure to trends in the euro against the US dollar.

Consolidated net income

The group's share of the consolidated net loss (IFRS) was $44.6 million in 2015, representing a significant deterioration on the loss of $5.0 million recorded in 2014. In addition to the adjusted operating loss of $21.0 million, the consolidated net loss can be explained by:

- The still significant burden of (non-cash) amortization expense related to intangible assets arising from the Company's acquisitions in past years (SMS in 2010, ESS in 2012, and Metaforic in 2014), which amounted to $11.3 million in 2015[6] (compared with $13.7 million in 2014);

- A non-recurring, non-cash impact of $2.7 million for the impairment of long-term assets, net of the reversal of accrued liabilities, related to the semiconductor business; and

- The recognition of a $7.0 million charge in connection with the implementation of the partnership agreement for the outsourcing of INSIDE Secure's engineering and semiconductor supply chain activities to Presto Engineering Inc. on June 30, 2015, and with the anticipated outlook for the semiconductor activity.

Business segment analysis

as at December 31, 2015

(in thousands of US$)	Mobile Security	Secure Transactions	Unallocated (*)	Total 2015
Revenue	27 035	42 422	650	70 106
Contribution to revenue	*38,6%*	*60,5%*	-	*100%*
Adjusted gross profit	23 498	8 695	650	32 843
As a % of revenue	*86,9%*	*20,5%*	-	*46,8%*
Adjusted operating income	(8 458)	(10 678)	(1 814)	(20 951)
As a % of revenue	*-31,3%*	*-25,2%*	-	*-29,9%*
EBITDA	(7 682)	(8 886)	(1 017)	(17 584)
As a % of revenue	*-28,4%*	*-20,9%*	-	*-25,1%*

as at December 31, 2014

(in thousands of US$)	Mobile Security	Secure Transactions	Unallocated (**)	Total 2014
Revenue	57 938	65 391	2 033	125 362
Contribution to revenue	*46,2%*	*52,2%*	-	*100%*
Adjusted gross profit	51 672	20 695	2 033	74 399
As a % of revenue	*89,2%*	*31,6%*	-	*59,3%*
Adjusted operating income	11 525	(5 309)	1 905	8 121
As a % of revenue	*19,9%*	*-8,1%*	-	*6,5%*
EBITDA	12 427	(1 451)	1 905	12 880
As a % of revenue	*21,4%*	*-2,2%*	-	*10,3%*

(*) unallocated amounts correspond mainly to non-recurring revenue
(**) unallocated expenses correspond mainly to unused capacity not allocated to business segments

Mobile Security

The division's revenue amounted to $27.0 million in 2015. This reflected a disappointing performance by the embedded security solutions product line (largely owing to lower-than-expected royalty payments from certain customers, also lower than in the previous year) and the lack of any revenue from France Brevets' licensing program for INSIDE Secure's NFC patents.

[6] In 2016, amortization charges resulting from acquisitions should, barring any impairment charges, be significantly lower, with amortization of the assets purchased from ESS (2012) largely complete and assets related to the SMS acquisition (2010) fully amortized and/or impaired.

The software protection and HCE mobile payment product line continued to experience strong momentum. In particular, INSIDE Secure executed a multi-million dollar software protection licensing agreement with one of the three largest banks in the U.S. to enhance the security of mobile applications provided by the bank to its employees and customers. Revenue from this deal was recognized in the third quarter of 2015. This contract joins the licensing agreements sealed with a major U.S. retailer and, in the second quarter, with one of the leading US healthcare insurance providers, demonstrating the potential of INSIDE Secure's security offering in the field of mobile applications for the financial and retail industries in particular. Accordingly, this product line generated revenue amounting to several million US dollars in 2015.

The division's adjusted gross margin amounted to 86.9% of revenue in 2015, reflecting the favourable product mix consisting almost solely of licenses, royalties and maintenance revenue.

The Mobile Security division recorded an adjusted operating loss of $8.5 million in 2015 (vs. operating income of $11.5 million in 2014) as a result of:

- Lower revenue in 2015 (revenue recognized under the licensing deal with Intel and licenses to NFC patents in 2014), and
- An expense related to the development and marketing of INSIDE Secure's embedded secure element, which did not generate any significant business volumes in 2015. Company anticipates to significantly reduce the 2016 corresponding expenses in the context of the reorganization plan described above.

The division recorded a $7.7 million loss at EBITDA level in 2015 (vs. EBITDA of $12.4 million in positive territory in 2014).

Save the embedded secure element related operating expense, the Mobile Security division remained significantly profitable in 2015, both in terms of adjusted operating income and EBITDA.

Secure Transactions

The Secure Transactions division's revenue totalled $42.4 million in 2015, down 35% on the previous year. As stated in previous quarters, sales of INSIDE Secure's chips and modules for the US market as it transitions to the EMV standard remained disappointing, confirming the issues the Company faces in generating a satisfying market share in this business. The secure access (excluding 2014 revenue from a one-time, non-recurring order of chips together with a licensing agreement from a longstanding customer) and secure modules product lines recorded revenue growth in 2015.

The division's adjusted gross margin deteriorated again in 2015, slipping from 31.6% in 2014 to 20.5% in 2015, largely as a result of provisions for excess inventories.

The adjusted operating loss widened in 2015 ($10.7 million, up from $5.3 million in 2014) owing to the decline in revenue, despite the reduction in operating expenses. EBITDA in 2015 showed a loss of $8.9 million (compared with a loss of $1.5 million in 2014).

Cash

At December 31, 2015, the Company's consolidated available cash stood at $16.4 million, down from $36.3 million at December 31, 2014 and $23.8 million at June 30, 2015.

Net cash[7] stood at $12.5 million at December 31, 2015, compared with $25.3 million at December 31, 2014 and $22.5 million at June 30, 2015.

[7] 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 trade receivables under factoring agreements, and any deferred 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.

Cash generated by operating activities

INSIDE Secure used significantly less cash in the second half of 2015, compared with the first half. In the second half of 2015, cash used by operating activities (including financing for the research tax credit) amounted to $7.0 million, down from $11.8 million used in the first half of 2015 owing mainly to a reduction in the working capital requirement (down $3.1 million in the second half after a $4.9 million rise in the first half). The working capital requirement was cut primarily through inventory reductions ($7.9 million at December 31, 2015, compared with $11.9 million at June 30, 2015 and $9.9 million at December 31, 2014).

Over 2015 as a whole, cash used by operating activities (including financing for the research tax credit) amounted to $18.8 million, compared with $13.6 million in 2014.

Investments

Capital expenditure was very modest in the second half of 2015 and it remained low on a full year basis ($1.1 million).

Financing

At December 31, 2015, consolidated shareholders' equity amounted to $ 48.8 million. The Company did not carry out any financing transactions in the second half of 2015.

In April 2015, INSIDE Secure set up an equity line with Kepler Cheuvreux, pursuant to which Kepler Cheuvreux has undertaken to subscribe for new shares over a period of two years up to a maximum allocation of 3,400,000 shares, provided that the conditions laid down by the parties are satisfied. In April and May 2015, 400,000 new shares were issued under this agreement (for a total of 870 thousand dollars, share premium included). No further shares were issued under this equity line in the second half of 2015. INSIDE Secure retains the option of issuing an additional 3,000,000 by April 2017. However, the program was put on hold in the context of the rights issue plan described above, so as, among other reasons, to limit maximum dilution.

Outlook for 2016

2016 will be a transition year due to the implementation of the strategic transformation initiatives announced today. Through these actions, INSIDE Secure intends to focus exclusively on its activities related to software security and embedded security technology licensing and aims to generate profitable growth over time.

Conference call

In the context of this press release, the company will hold a conference call at 1.30pm (Paris time) on February 25, 2016. Access to the call will be by dial-in on one of the following numbers: +33 (0)1 70 77 09 47 (France), +44 20 33 67 94 62 (UK) or +1 866 907 5925 (USA). The presentation will be available online at www.insidesecure.com. An audio webcast of the presentation and the Q&A session will be available on the INSIDE Secure website approximately three hours after the end of the presentation and will remain posted there for one year.

Financial calendar

First-quarter 2016 revenue: April 21, 2016 (after market closing)

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About INSIDE Secure

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

Disclaimer

This press release and the information it contains are not intended to constitute, and should not be construed as an offer to sell or a solicitation to buy or subscribe to any INSIDE Secure securities, in any jurisdiction. Any public offering of INSIDE Secure securities would be made by means of a prospectus previously approved by the AMF that contains detailed information about INSIDE Secure.

The disclosure, distribution and publication of this press release may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and comply with any such restrictions. INSIDE Secure takes no responsibility for any violation of any restrictions by any person.

Forward-Looking Statements

This press release contains certain forward-looking statements relating to the business of INSIDE Secure, which shall not be considered per se as historical facts, including the ability to manufacture, market, commercialize and achieve market acceptance for specific projects developed by INSIDE Secure, estimates for future performance and estimates regarding anticipated operating losses, future revenues, capital requirements, needs for additional financing. In addition, even if the actual results or development of INSIDE Secure are consistent with the forward-looking statements contained in this press release, those results or developments of INSIDE Secure may not be indicative of their in the future.

In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," "aims," "targets," or similar words. Although the management of INSIDE Secure believes that these forward-looking statements are reasonably made, they are based largely on the current expectations of INSIDE Secure as of the date of this press release and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the expectations of INSIDE Secure could be affected by, among other things, uncertainties involved in unexpected regulatory actions or delays related notably to building and operating permits and renewable support policies, competition in general or any other risk and uncertainties developed or identified in any public documents filed by INSIDE Secure with the AMF, included those listed in chapter 4 “Risk factors” of the 2014 “document de reference” approved by the French financial market authority (the Autorité des marchés financiers – the “AMF”) on April 30, 2015 under number R.15-030. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this press release will in fact be realized. Notwithstanding the compliance with article 223-1 of the General Regulation of the AMF (the information disclosed must be “accurate, precise and fairly presented“), INSIDE Secure is providing the information in these materials as of this press release, and disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Supplementary non-IFRS financial information

The supplementary non-IFRS financial information presented in this press release are defined within the press release. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the Company's financial performance. They should be considered in addition to, and not as a substitute for, any other operating and financial performance indicator of a strictly accounting nature, as presented in the Company's Consolidated Financial Statements and the corresponding notes. The Company uses these indicators because it believes they are useful measures of its activity. Although they are widely used by companies operating in the same industry around the world, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently to the Company, even though they use similar terms.

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

The following tables are an integral part of the consolidated financial statements prepared in accordance with IFRS.

Consolidated income statement

(In thousands of US$)	Year ended December 31, 2014	2015
Revenue	**125 362**	**70 106**
Cost of sales	(62 938)	(46 822)
Gross profit	**62 424**	**23 284**
Research and development expenses	(35 095)	(24 780)
Selling and marketing expenses	(20 813)	(18 057)
General and administrative expenses	(12 527)	(10 730)
Other gains / (losses), net	3 921	(12 983)
Operating loss	**(2 089)**	**(43 265)**
Finance income / (loss), net	(1 703)	(983)
Loss before income tax	**(3 792)**	**(44 248)**
Income tax expense	(1 229)	(335)
Loss for the period	**(5 022)**	**(44 583)**
Attributable to:		
Equity holders of the Company	(5 022)	(44 583)
Non-controlling interests	-	-
Earnings per share:		
Basic earnings per share	(0,15)	(1,29)
Diluted earnings per share	(0,15)	(1,27)

Consolidated balance sheet

Assets

In thousands of US$	December 31, 2014	December 31, 2015
Goodwill	24 623	20 873
Intangible assets	28 453	15 760
Property and equipment	6 001	1 744
Other receivables	23 437	19 022
Non-current assets	**82 514**	**57 399**
Inventories	9 919	7 943
Trade receivables	13 580	8 282
Other receivables	12 893	12 765
Derivative financial instruments	93	275
Cash and cash equivalents	36 315	16 434
Current assets	**72 801**	**45 699**
Total assets	**155 315**	**103 097**

Equity and liabilities

In thousands of US$	December 31, 2014	December 31, 2015
Ordinary shares	18 020	18 218
Share premium	225 820	226 518
Other reserves	13 494	15 250
Retained earnings	(161 613)	(166 635)
Income / (loss) for the period	(5 022)	(44 583)
Equity attributable to equity holders of the Company	**90 698**	**48 767**
Non-controlling interests	-	-
Total equity	**90 698**	**48 767**
Intangible liabilities - Non-current portion	3 460	1 907
Borrowings	6 472	11 806
Repayable advances	5 820	5 056
Retirement benefit obligations	1 503	993
Non-current liabilities	**17 255**	**19 762**
Intangible liabilities - Current portion	1 076	6 486
Financial instruments	1 055	324
Trade and other payables	29 756	17 232
Additional conditional payment	-	-
Borrowings	12 572	6 558
Provisions for other liabilities and charges	273	689
Unearned revenues	2 630	3 278
Current liabilities	**47 362**	**34 568**
Total liabilities	**64 617**	**54 330**
Total equity and liabilities	**155 315**	**103 097**

Consolidated cash flow statement

In thousands of US$	December 31, 2014	December 31, 2015
Loss for the year	**(5 022)**	**(44 583)**
Adjustments for:		
Depreciation of tangible assets	3 442	2 366
Amortization of intangible assets	14 534	12 466
Impairment of fixed assets	2 168	5 064
Reversal of unused amount related to intangible liabilities	(6 404)	(2 403)
Impairment of receivables	(629)	(311)
Impairment of inventories	(410)	(76)
Financial result	(20)	1 233
(Profit) / loss on disposal of property and equipment	557	478
Share-based payment	(33)	(450)
Change in retirement benefit obligation	(459)	983
Income tax	1 229	335
Variation in provisions for risks	(2 010)	7 622
Cash generated by / (used in) operations before changes in working capital	**6 944**	**(17 276)**
Changes in working capital		
Inventories	5 321	2 053
Trade receivables	(1 186)	11 933
Trade receivables transferred	5 656	(6 278)
Other receivables	1 101	695
Research tax credit and grants	(7 552)	(5 460)
Trade and other payables	4 090	(7 541)
Non refundable advance on order backlog	(2 683)	-
Other payables	(4 583)	(3 177)
Cash generated by / (used in) changes in working capital	**164**	**(7 773)**
Cash generated by / (used in) operations	**7 108**	**(25 049)**
Interest received, net	(88)	(32)
Income tax paid	(1 013)	(18)
Net cash used in operating activities	**6 007**	**(25 099)**
Cash flows from investing activities		
Acquisition of business, net of cash acquired	(12 951)	(225)
Investments accounted for under the equity method	(969)	165
Purchases of property and equipment	(1 157)	(1 029)
Purchases of intangible assets	(4 321)	(98)
Research and development capitalized costs	-	-
Disposal of fixed assets	129	-
Net cash used in investing activities	**(19 269)**	**(1 187)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	216	870
Repayable advance	2 228	-
Proceeds from / (Repayment of) borrowings, net of issuance costs	7 624	(263)
Principal repayment under finance lease	(550)	5 946
Treasury shares	(64)	(330)
Bank overdraft	-	28
Net cash generated by / (used in) financing activities	**9 454**	**6 252**
Net decrease in cash and cash equivalents	**(3 809)**	**(20 035)**
Cash and cash equivalents at beginning of the year	40 213	36 315
Effect of exchange rate fluctuations	(89)	150
Cash, cash equivalents at end of the period	**36 315**	**16 430**

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

The performance indicators presented in this press release that are not strictly accounting measures are defined below. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the Company'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 Company's consolidated financial statements and their related notes. The Company 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 Company, 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) nonrecurring 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 following tables show the reconciliation between the consolidated income statements and the adjusted financial indicators, as defined above, for the years ended December 31, 2015 and 2014 respectively:

(in thousands of US$)	2015 adjusted	Business combinations	Share-based payment	Other non-recurring costs (*)	2015 IFRS
Revenue	70 106	-	-	-	70 106
Cost of sales	(37 264)	(9 557)	(1)	-	(46 822)
Gross profit	**32 843**	**(9 557)**	**(1)**	**-**	**23 284**
As a % of revenue	*46,8%*				*33,2%*
R&D expenses	(22 810)	(1 759)	(210)	-	(24 779)
Selling & marketing expenses	(17 916)	-	(141)	-	(18 057)
Genaral & administrative expenses	(10 604)	-	(126)	-	(10 730)
Other gains/(losses), net	(2 465)	(23)	-	(10 496)	(12 983)
Operating income / (loss)	**(20 951)**	**(11 340)**	**(478)**	**(10 496)**	**(43 265)**
Amortization and depreciation of assets (**)	3 367	-	-	-	-
EBITDA	**(17 584)**				

(in thousands of US$)	2014 adjusted	Business combinations	Share-based payment	Other non-recurring costs (*)	2014 IFRS
Revenue	125 362	-	-	-	125 362
Cost of sales	(50 963)	(11 932)	(43)	-	(62 938)
Gross profit	**74 399**	**(11 932)**	**(43)**	**-**	**62 424**
As a % of revenue	*59,3%*				*49,8%*
R&D expenses	(33 201)	(1 770)	(123)	-	(35 095)
Selling & marketing expenses	(20 530)	-	(283)	-	(20 813)
Genaral & administrative expenses	(12 419)	-	(108)	-	(12 527)
Other gains/(losses), net	(128)	(380)	-	4 429	3 921
Operating income / (loss)	**8 121**	**(14 082)**	**(557)**	**4 429**	**(2 089)**
Amortization and depreciation of assets (**)	4 759	-	-	-	-
EBITDA	**12 880**				

(*) amounts correspond mainly to restructuring expenses, and, in 2015, to the impact of the disposal of an activity

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

Note: Sums may not equal totals due to rounding.