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Gemalto to acquire 3M’s Identity Management Business
Transaction includes 3M Cogent Inc., Document Reader and Secure Materials Businesses
December 9, 2016

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Basis of preparation

Segment information
The Mobile segment reports on businesses associated with mobile cellular technologies including Machine-to-Machine, mobile secure elements (SIM, embedded secure element) and mobile Platform & Services. The Payment & Identity segment reports on businesses associated with secure personal interactions including Payment, Government Programs and Enterprise. The SafeNet acquisition is part of the Enterprise business.
In addition to this segment information the Company also reports revenues of Mobile and Payment & Identity by type of activity: Embedded software & Products (E&P) and Platforms & Services (P&S).

Adjusted income statement and profit from operations (PFO)
PFO is a non-GAAP measure defined as IFRS operating profit adjusted for (i) the amortization and depreciation of intangibles resulting from acquisitions, (ii) restructuring and acquisition-related expenses, (iii) all equity-based compensation charges and associated costs; and (iv) fair value adjustments upon business acquisitions.
In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing, General and Administrative expenses, and Other income (expense) net.
Return on capital employed (ROCE) is defined as after-tax PFO divided by capital employed.

Currency exchange rates
In this presentation, revenue variations are at constant exchange rates, and all other figures are at historical exchange rates, except where otherwise noted.
Gemalto announces an agreement to acquire 3M’s Identity Management Business, leader in biometric solutions for civil identifications, border control and law enforcement.
Strategic Rationale

- Integrating 3M’s Identity Management Business, Gemalto takes a leading position in biometric identification.

- Uniquely positioned to accelerate its offerings in public services and expand the use of trusted identities in the commercial realm.

  - **Public services:** End-to-end offer to manage the enrolment, identification of individuals, flow of passengers and border control.

  - **Commercial services:** As online and mobile transactions grow, new forms of multi-factor authentication and identification are needed to complement physical ID documents.
3M’s Identity Management Business offers end-to-end Identity Management solutions to enable identity verification and authentication.

Proven **biometrics matching algorithms** (finger, face, iris, etc.)

At the forefront of innovation with the latest **multi-modal biometric solutions**

3M’s Identity Management business is headquartered in the United States with approximately 450 employees worldwide.

Businesses include 3M Cogent Inc., Document Reader and Secure Materials.

Trusted partner to governments and law enforcement agencies for 30+ years.

Experienced technical and business leadership team.

Gemalto to acquire 3M’s Identity Management Business

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3M’s Identity Management Business Lines

<table>
<thead>
<tr>
<th>BIOMETRICS</th>
<th>DOCUMENT READERS</th>
<th>SECURE MATERIALS</th>
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<tbody>
<tr>
<td>Full spectrum of biometric solutions with a focus in law enforcement, border control and civil identification</td>
<td>End-to-end suite of solutions to capture and authenticate various types of civil IDs and documents</td>
<td>High security documents and components, related proprietary software that are difficult to forge/counterfeit</td>
</tr>
<tr>
<td>▪ Large scale identification system</td>
<td>▪ Kiosk and desktop readers</td>
<td>▪ Passport and cards laminates</td>
</tr>
<tr>
<td>▪ Biometric algorithms: finger, face, iris matching</td>
<td>▪ Document authentication software</td>
<td>▪ Security features for cards and passports</td>
</tr>
<tr>
<td>▪ Biometric scanners and mobile devices</td>
<td>▪ Swipe readers / full page readers</td>
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<table>
<thead>
<tr>
<th></th>
<th>61% of sales</th>
<th>13% of sales</th>
<th>26% of sales</th>
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Example of Biometric Identification

**DATA CAPTURE**
- Images are captured with specialized scanners, cameras, or other equipment
- Data is provided to a centralized database, stored locally or discarded after feature extraction

**FEATURE EXTRACTION**
- Biometric features are extracted from the captured images
- Stored in proprietary or standardized templates in verification or identification systems

**COMPARISON & MATCHING**
- New records are searched and compared against databases
- Biometric images are matched using proprietary algorithms with unparalleled speed and accuracy

**STATS OF A DEPLOYED CLIENT SOLUTION**
- 200 million records in database
- 6 second watch list response time
- 200,000 search transactions daily
- 99.7% accuracy

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Gemalto and 3M’s Identity Management are complementary

Building on a unique asset

**Authenticating** and **Identifying** individuals in a fast and reliable way through the use of unique biological characteristics will enable consumers to have seamless access to services.

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3M’s Identity Management Business financial profile

<table>
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<tr>
<th>Annual Profit &amp; Loss*</th>
<th>Sales by region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue $215m</td>
<td>Americas 54%</td>
</tr>
<tr>
<td>Gross profit $100m 46%</td>
<td>EMEA 32%</td>
</tr>
<tr>
<td>Profit from operations $58m</td>
<td>Asia 14%</td>
</tr>
</tbody>
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*Source: Proforma carve-out unaudited financials based on due diligence - 12 months ending June 2016
Integration with Gemalto and reporting

- 3M’s Identity Management business will join Gemalto’s Government Programs business
- Similar long term contract profiles

- 60% to 65% of 3M’s Identity Management business revenue will be reported as Platforms & Services.

Government Programs business would have represented around 18% of 2015 Company revenue on a pro forma basis.

Increasing by +2 percentage points the contribution of the Platforms & Services activity in 2015 Company revenue on a pro forma basis.
Impact on the Company financials

- Accretive to adjusted EPS upon completion
- In 2017, contribution to financials expected to be limited to the second semester
- As part of our long term strategy and the development of this core technology across all our businesses,
  - The acquired business revenue is expected to grow at a +10% CAGR
  - With EBITDA margins above 20% by 2020
Transaction details

- Entered into agreements to acquire 3M’s Identity Management Business
- Enterprise value of $850 million
- Subject to anti-trust, government approvals and employee consultation where necessary
- Deal expected to close in the first half of 2017
Gemalto’s strong financial structure is preserved

- The US$850 million will be provided by cash and existing long term credit facilities

- **As of 2017**, assuming transaction closes
  - Net debt/adj. EBITDA ratio < 1.5
  - Under current market conditions, incremental interest cost < €10 million per annum
  - Strong liquidity profile maintained

- **Through 2017**: Unchanged financial policies
  - On average, capex below 5% of sales
Gemalto takes a leading position in biometric identification

Perfect fit of complementary technologies, adding biometric identification to Gemalto core technology to develop across all its businesses

Solid financial structure maintained

Closing expected in H1 2017
Gemalto
Enabling trust in the digital world

- World Leader in Digital Security
- Markets in Strong Development
- Unique Technology Portfolio
- Blue Chip Customers
- Large Free Float and Robust Financials
- A Business Model with Strong Leverage on Growth