First semester 2017 results

September 1, 2017

Philippe VALLEE, CEO
Jacques TIERNY, CFO
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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 Platforms & Services. The Payment & Identity segment reports on businesses associated with secure personal interactions including Payment, Government Programs and Enterprise. The acquisition of 3M’s Identity Management business in May 2017 is part of the Government Programs 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 impairment 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.

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.

Net debt and net cash
Net debt is a non IFRS measure defined as total borrowings net of cash and cash equivalents. Net cash is a non IFRS measure defined as cash and cash equivalents net of total borrowings.
Philippe VALLEE - CEO

Overview
First semester 2017 Highlights

- Revenue of €1.4 billion, lower by (8%) at constant exchange rates and (7%) at historical exchange rates

- Government Programs and Machine-to-Machine acceleration in the second quarter after a slow start

- Acquisition of 3M’s Identity Management Business well received by customers

- Profit from operations at €93 million, with €50 million of free cash flow

- €425 million goodwill impairment charge as a result of deteriorated prospects for the removable SIM market
### Key figures from H1 2017 financial results

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€1,393m</td>
<td>(8%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>€502m</td>
<td>36%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(€409m)</td>
<td>(29%)</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€93m</td>
<td>7%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>€0.44</td>
<td></td>
</tr>
</tbody>
</table>

- at historical rates (7%)
- Gross margin (3.2 ppt)
- OpEx ratio (1.6 ppt)
- PFO margin (4.8 ppt)

Extracts from the adjusted income statement
Jacques TIERNY - CFO

Financial results
Reconciliation from Adjusted financial information to IFRS

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>Adjusted financial information</th>
<th>Fair value adjustment upon acquisitions</th>
<th>Amortization and impairment of intangible assets</th>
<th>Equity based compensation</th>
<th>Restructuring and acquisitions related expenses</th>
<th>IFRS financial information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,393</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,393</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFRS operating profit</td>
<td>(1)</td>
<td>(468)</td>
<td>(20)</td>
<td>(37)</td>
<td></td>
<td>(433)</td>
</tr>
<tr>
<td><strong>H1 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,495</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,495</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>172</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>108</td>
</tr>
<tr>
<td>IFRS operating profit</td>
<td>(2)</td>
<td>(29)</td>
<td>(19)</td>
<td>(14)</td>
<td></td>
<td>108</td>
</tr>
</tbody>
</table>
Key items of the cash flow statement

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>First Semester 2017</th>
<th>First Semester 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated by operating activities before changes in working capital</td>
<td>121</td>
<td>177</td>
</tr>
<tr>
<td>Net change in working capital</td>
<td>(1)</td>
<td>(43)</td>
</tr>
<tr>
<td>Cash used in restructuring actions and acquisition related expenses</td>
<td>(23)</td>
<td>(16)</td>
</tr>
<tr>
<td>Time de-correlated hedging effect / (Prepaid derivatives)</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td><strong>Net cash generated by operating activities</strong></td>
<td><strong>118</strong></td>
<td><strong>139</strong></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(68)</td>
<td>(75)</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td><strong>50</strong></td>
<td><strong>64</strong></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(761)</td>
<td>(3)</td>
</tr>
<tr>
<td>Dividend paid to Gemalto shareholders</td>
<td>(45)</td>
<td>(42)</td>
</tr>
<tr>
<td>Net proceed (repayment) from/of financing instruments and others</td>
<td>334</td>
<td>(22)</td>
</tr>
<tr>
<td><strong>Net (debt) / cash, end of period</strong></td>
<td><strong>(838)</strong></td>
<td><strong>(334)</strong></td>
</tr>
</tbody>
</table>
Gemalto financial structure as of June 30th 2017

- No financial covenants in any of the documentations
- €600m of undrawn committed bilateral facilities
- FY 2017 Net debt/adj. EBITDA ratio expected to be between 1.5 and 2.0 taking into account the newly acquired Identity Management Business
Segment information
First semester revenue composition

Main segment revenues

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue (in million €)</th>
<th>% of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment</td>
<td>639</td>
<td>63%</td>
</tr>
<tr>
<td>Enterprise</td>
<td>363 (10% yoy)</td>
<td>37%</td>
</tr>
<tr>
<td>Government</td>
<td>225 (8% yoy)</td>
<td>24%</td>
</tr>
</tbody>
</table>

Activity revenues

- Platforms & Services: €453m (33% of total revenue)
- Embedded software & Products: €937m (67% of total revenue)

Gemalto first semester 2017 results

1 September 2017
Payment & Identity – key financial information

- **Revenue**
  - €875m (2016 H1: €937m)
  - (8%)

- **Gross Profit**
  - €333m (2016 H1: €374m)
  - (11%)

- **Gross Margin**
  - 38.0% (2016 H1: 39.9%)
  - (1.9ppt)

- **Profit from operations**
  - €81m (2016 H1: €118m)
  - (32%)

- **PFO Margin**
  - 9.2% (2016 H1: 12.6%)
  - (3.4ppt)

- **Embedded software & Products** were €532 million and Platforms & Services €343 million, lower by (8%) and (6%) respectively.

- **Payment business revenue** lower by (19%) year-on-year:
  - Sales in Americas down by (37%) versus +33% a year ago, due to on-going normalization of US EMV card inventory levels coupled with soft market in Latin America.
  - Gemalto is regrouping its Mobile Financial Services offers with its eBanking offers to better address opportunities of European Payment Service Directive 2.

- **Enterprise business revenue** at €217 million:
  - Data Encryption business line up 6%.
  - Authentication and Software Monetization fall due to shift to cloud and software services subscription model.

- **Government Programs revenue** at €243 million, up +11%:
  - Embedded software & Products up +15%.
  - Recently acquired Identity Management Business contribution in Q2 was €22 million and more than offset decrease in organic Government P&S that had grown +30% in H1 2016.

- **Gross margin** at 38%
Mobile – key financial information

**Revenue**
- €516m (10%) (2016 H1: €557m)

**Gross Profit**
- €168m (21%) (2016 H1: €212m)

**Gross Margin**
- 32.6% (5.5ppt) (2016 H1: 38.1%)

**Profit from operations**
- €16m (72%) (2016 H1: €59m)

**PFO Margin**
- 3.2% (7.4ppt) (2016 H1: 10.6%)

- SIM business down (17%) to €239 million
  - Lower market share in more competitive landscape and mobile network operators continue to shift investments from removable SIMs to focus on next generation connectivity
  - Soft demand in regions affected by stricter subscription registration processes
  - Machine-to-Machine up +15% in Q2, up +7% in H1 2017 at €166 million
  - New design wins will support further business acceleration in H2
  - Mobile Platforms & Services revenue lower by (12%) at €111 million
    - Sales decline mainly due to lower activity in Mobile Financial Services
    - Excluding Mobile Financial Services, Mobile Subscriber Services business line grew +2%
    - Significant progress with On-Demand-Connectivity project wins in both machine-to-machine and consumer markets with Microsoft, Lenovo Connect, AT&T and Telefónica

- Gross margin down to 32.6% due to operating leverage not being fully realized
Philippe VALLEE - CEO

Moving forward
Dynamics of EMV market

Our US customers continue to adjust their views on the normalized EMV market based on the latest feedback from their partner programs.

52%
2016 US EMV Chip Card adoption rate
Source: EMVCo

Worldwide smart payment card issuances (million units)

+5.7%
2017-2021 CAGR

Portfolio evolution

Dual interface
EMV card with fingerprint biometrics
Mobile issuance
Need for more security (Dynamic CVV)

Source: IHS Technology, EMVCo, Gemalto
Integrating biometrics into Gemalto’s end to end offer

- **Data Capture**
- **Feature Extraction**
- **Key management**
- **IDs & Document readers**
- **Comparison & Matching**

**eDocuments issuance (m Units)**

- 2017: 700
- 2021: 770 (7.1% CAGR)

**Fingerprint recognition Biometrics market for Government (bn US$)**

- 2020: 2250 (12.9% CAGR)

Source: ABI research, Gemalto H1 2017 results

Source: Market and Market, Gemalto H1 2017 results

**Gemalto first semester 2017 results**

1 September 2017
Key trends for H2 2017

- Removable SIM business continues to decline at double digit rates and the mobile ecosystem takes time to prepare for next generation connectivity
- Slow normalization of US EMV market demand and soft payment market in Latin America
- Integrate the newly acquired Identity Management Business
- Increasing demand for data protection while software monetization and authentication move towards a cloud model
- Continuing expansion of the Internet of Things
Outlook for 2017

Looking ahead, compared with the same period of last year, the second quarter double digit revenue decreases in Payment in Americas and the SIM business are anticipated to continue for the second semester. These reductions should be offset by the expected revenue acceleration in Enterprise, Machine-to-Machine and Government Programs including the acquired Identity Management Business, leading to stable Company revenue for the second semester year-on-year.

Taking into account these revenue trends, the operating leverage of Payment and SIM businesses will not be realized as expected. The effect of the transition plan announced in April will start contributing materially towards the end of the year. Gemalto estimates its 2017 second semester profit from operations to be between €200 million and €230 million, leading to an expected full year profit from operations between €293 million and €323 million.
Gemalto

Enabling trust in the digital world