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Full year 2016 results

March 3, 2017



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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.

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

Full year 2016 Highlights

- Full year revenue of €3.13 billion with an acceleration in fourth quarter revenue growth
- Platforms & Services revenue exceeded €1 billion, a year ahead of the current multi-year development plan
- Company gross margin increased by +155 basis points, to 40.5%
- Profit from operations grew to €453 million with strong free cash flow of €318 million, leading to net debt of €67 million

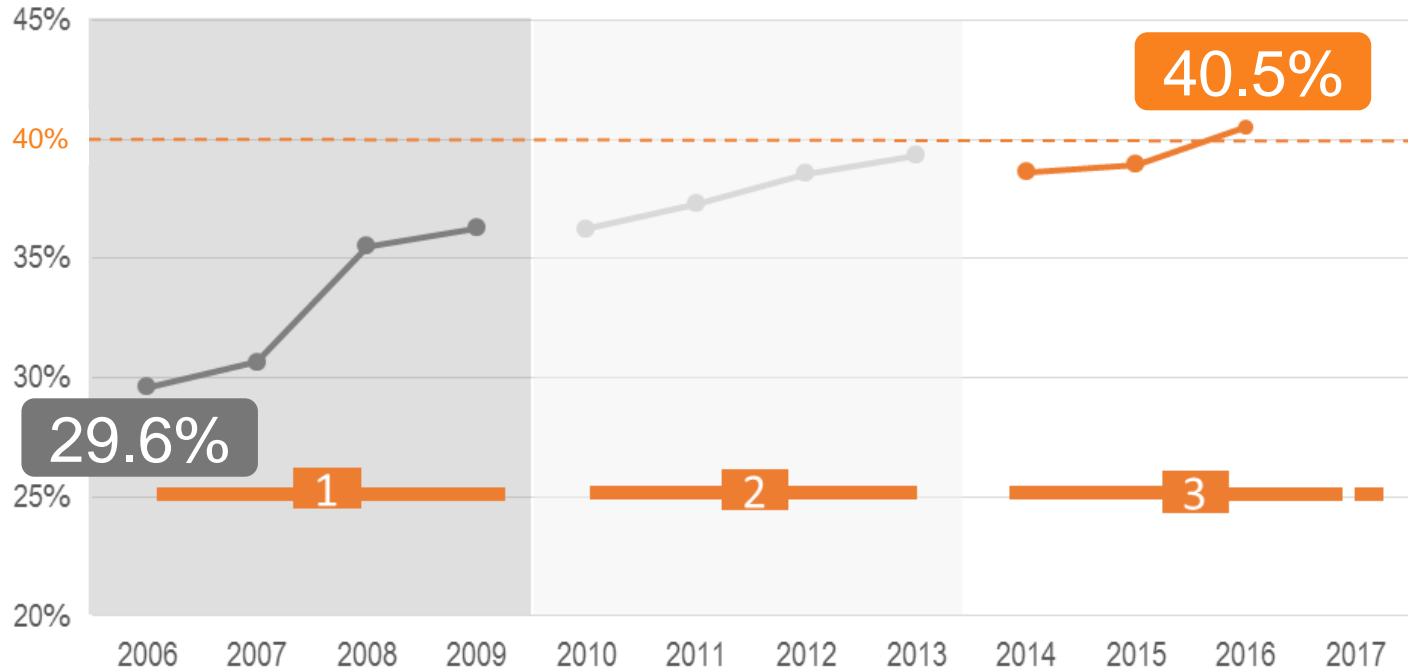
Revenue variations at constant exchange rate except where otherwise noted

Key figures from FY 2016 financial results

Revenue +1%	€3,127m		at historical rates =
Gross profit +4%	€1,266m	40.5%	Gross margin +155bp
Operating expenses +3%	(€814m)	(26.0%)	OpEx ratio (61bp)
Profit from operations +7%	€453m	14.5%	PFO margin +94bp
Earnings per share (13%)	€3.00	€2.09	IFRS Earnings per share +34%

Extracts from the adjusted income statement

Gross margin improvement



Jacques TIERNY - CFO

Financial results

Adjusted income statement and IFRS

€ in millions	Adjusted income statement					IFRS
	All operations	Fair value adjustment upon acquisitions	Amortization of intangible assets	Equity based compensation	Restructuring and acquisitions related expenses	
FY 2016						
Revenue	3,127					3,127
Profit from operations	453					
IFRS operating profit		(3)	(58)	(9)	(36)	347
FY 2015						
Revenue	3,122					3,122
Profit from operations	423					
IFRS operating profit		(71)	(61)	(39)	(49)	203

Key items of the cash flow statement

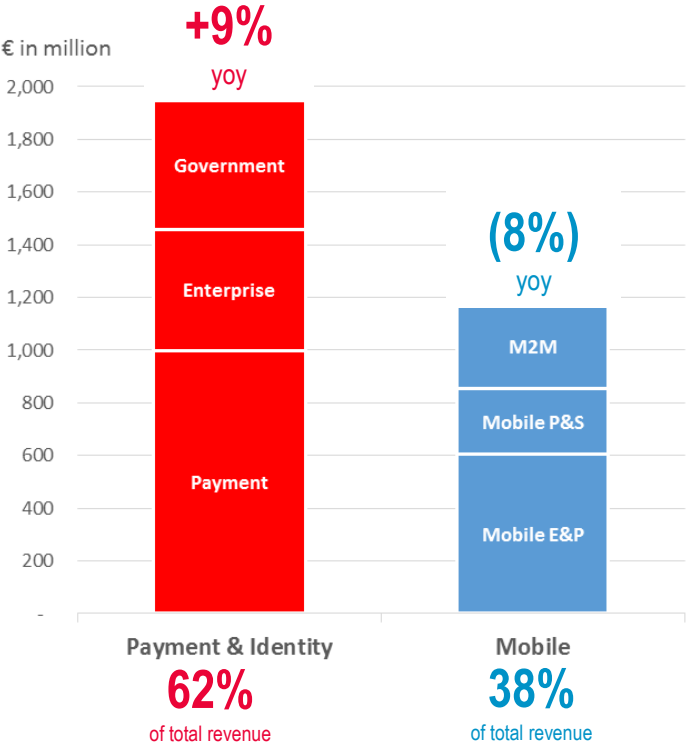
<i>€ in millions</i>	Full Year 2016	Full Year 2015
Cash generated by operating activities before changes in working capital	468	443
Net change in working capital	(23)	65
Cash used in restructuring actions and acquisition related expenses	(36)	(29)
Time de-correlated hedging effect / (Prepaid derivatives)	49	(124)
Net cash generated by operating activities	458	355
Capital expenditure and acquisition of intangibles	(140)	(185)
Free Cash Flow	318	170
Acquisitions	(3)	(897)
Dividend paid to Gemalto shareholders	(42)	(37)
Net proceeds from financing activities	(14)	117
Net cash (debt), at end of the period	(67)	(335)

Jacques TIERNY - CFO

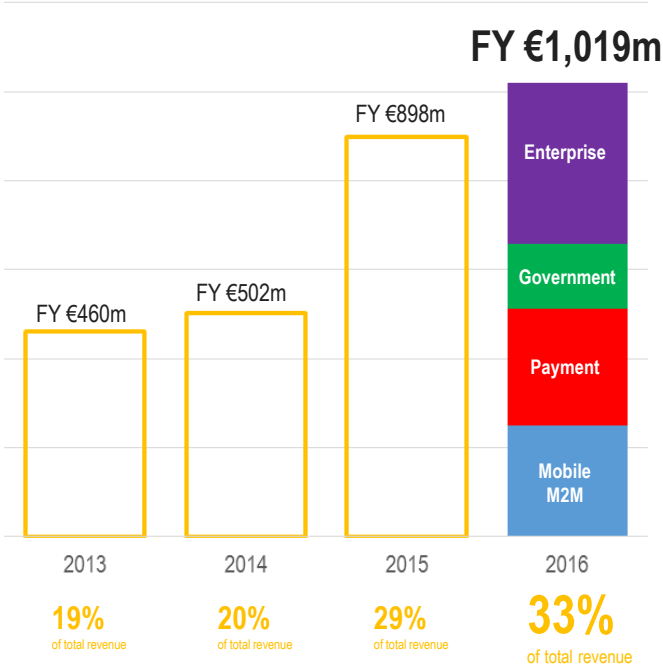
Segment information

FY 2016 revenue composition

Main segment revenues



Platforms & Services €1B revenue one year ahead



Payment & Identity – key financial information

Revenue
+9%
€ 1,948m
(2015 FY: € 1,818m)

Gross Profit
+14%
€ 793m
(2015 FY: € 698m)

Gross Margin
+233bp
40.7%
(2015 FY: 38.4%)

Profit from operations
+22%
€ 290m
(2015 FY: € 239m)

PFO Margin
+177bp
14.9%
(2015 FY: 13.1%)

- Embedded software & Products revenue was up +3% at €1,180 million. Platforms & Services revenue came in at €768 million, up +19% compared to 2015
- Payment revenue came in at € 998million, +2% year-on-year
 - Moderate growths in Americas and EMEA regions. The lower sales in China were fully offset by an increase in revenue from the rest of Asia
 - Contrasted performance between the semester with lower H2 year-on-year due to the high comparison basis in the United States related to EMV liability shift deadline in 2015
- Enterprise revenue came in at €462 million, up +10% year-on-year
 - The trend in revenue mix within the authentication business line continues to move towards a higher proportion of software and services
- Government Programs revenue came in at €488 million, up +26% year-on-year
 - Outstanding Q4 revenue with the completion of a large scale project and the conversion of a production facility
- Payment & Identity's gross margin improved to 40.7%, up +2.3 percentage points and PFO came in at €290 million, up +22%

Mobile – key financial information

Revenue
(8%)

€ 1,174m
(2015 FY: € 1,279m)

Gross Profit
(5%)

€ 471m
(2015 FY: € 495m)

Gross Margin
+144bp

40.1%
(2015 FY: 38.7%)

Profit from operations
(1%)

€ 171m
(2015 FY: € 172m)

PFO Margin
+112bp

14.6%
(2015 FY: 13.5%)

- Embedded software & Products came in at €924 million
 - SIM sales were lower by (19%) year-on-year. This was mainly due to the tail-end effect of the closure of a mobile payment venture in the United States, coupled with lower demand in Latin America and Africa
 - The Machine-to-Machine business continued to grow rapidly by +11% year-on-year, supported by the expanding global demand of connected devices and embedded secure elements for the Internet of Things (IoT)
- Platforms & Services revenue came in at €251 million, up +3%
 - Gemalto's Mobile Subscriber Services business reached important milestones with more than 20 references on embedded SIMs remote activation and management.
 - Gemalto is deeply involved in setting up the ecosystem, as device manufacturers and mobile network operators adopt the GSMA specifications for the consumer device market published in the fourth quarter of 2016.
- Overall gross margin for the Mobile segment increased to 40.1% from 38.7%
- PFO came in at €171 million, i.e. a 14.6% profit from operations margin

Philippe VALLEE - CEO

Moving forward

Leveraging our assets to address new sets of customers needs

Building on
a unique
combination
of assets

Gemalto Common Core Technologies



Authentication



Data
Protection



Key
Management



Secure
Issuance

Digital Drivers' License Pilot

In the United States



Turn your smartphone into a secure car key

Partnering with Valeo



ID Verification to strengthen fraud protection

Selected by Posten Norge



Key trends for 2017

- Slight improvement in the mobile environment
- Start of the equipment phase for On Demand Connectivity platforms based on the latest GSMA specifications
- Continuing expansion for the Internet of Things
- Slower migration of payment cards in the United States
- Solid demand for Government Programs
- Sustained demand for data protection, software monetization and cybersecurity solutions

Outlook for 2017

For 2017, Gemalto expects its profit from operations to be between €500 million and €520 million supported by positive trends in Government Programs, Machine-to-Machine, Enterprise and taking into account the adverse mobile environment and slower migration of payment cards in the United States.

The Company expects to finalize the 3M Identity Management business acquisition in the first semester of 2017 and will update its 2017 outlook after the closing.

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 ✧