As the global leader in digital security, Gemalto brings trust to an increasingly connected world.

2016 demonstrates the strength of Gemalto’s business model and ability to adapt. The structural transformation of the Company continued with Platforms & Services surpassing its annual revenue objective of €1 billion, a year ahead of the current multi-year development plan. The Company’s gross margin exceeded 40% for the first time in its history.

### Highlights

**Revenue**

€3,127m  
+1% at constant exchange rates

**Profit from operations**

€453m  
2015: €423m

**Cash generated from operations**

€533m  
2015: €425m

**Gross margin**

40.5%  
2015: 39.0%

**Profit margin from operations**

14.5%  
2015: 13.5%

**Return on Capital Employed (ROCE)**

11%  
2015: 12%

**Net debt**

€67m  
2015: €335m

**IFRS basic earnings per share**

€2.09  
2015: €1.56

**Cash dividend per share**

€0.50  
+6%

1 Adjusted financial information.
Chairman’s statement

Aligning leadership, plans and expertise

“The diversity of our offers allows us to balance out our challenges with our successes.”

Alex Mandl
Chairman

The Gemalto Board attaches particular importance to ensuring the quality of the Company’s leadership, strategic planning, and business growth (both organic and non-organic). In 2016 we saw major developments in all three areas.

In August, Olivier Plou retired from his role as CEO – having led the Company since it was formed in 2006 and built a strong platform for continued growth. Profound thanks are due to him for his passion, vision, superior execution and leadership; and we are glad to have access to his experience through his continuing Board membership as a non-executive Director.

Since its inception, Gemalto has maintained a robust succession planning process. Having reviewed both internal and external options, we were pleased to ensure continuity of leadership by appointing Philippe Vallée – formerly COO – to the CEO role. There is great advantage in being able to appoint someone who already has deep understanding of the business, and Philippe’s insight and experience will be crucial in staying ahead and serving our customers well in a fast-changing environment.

Defining – and meeting – our goals

The delivery of our current strategic development plan reflects the pace of change in our markets while the diversity of our offers allows us to balance out our challenges with our successes. As a result, we are on track to achieve many of the ambitions we set for ourselves. In particular, the anticipated “dematerialization” of our offer – with the focus shifting from manufactured products to platforms and services – has progressed even faster than we targeted.

In 2016 we began preparing our next multi-year strategic development plan. Understanding and reading the markets is crucial, so that we can anticipate what our customers’ needs will be and build our services around them. In our business, a lot can happen in the next four years, so flexibility and agility are key. We must plan not only to address anticipated demands, but also to respond quickly and effectively to those we cannot yet foresee.

Growing our expertise

M&A activity plays a part in this rapid-response strategy. In this environment it would be impossible to build all the capabilities we require organically: markets and technologies change too quickly. As gaps or opportunities emerge, we aim to move swiftly and incisively to build the necessary capability or capacity through acquisition. We did this in 2016 by entering into agreements to purchase 3M’s Identity Management business. We have built significant expertise through strategic acquisitions, and remain alert to opportunities that will help us serve customers more completely and effectively.

Together, these developments give the Board continued confidence that Gemalto will have the right leadership, planning and capabilities to satisfy both customer and investor expectations in the years ahead.

Alex Mandl
Chairman
“We have adapted well to fast-changing technologies and markets.”

Philippe Vallée
Chief Executive Officer

Gemalto maintained growth in 2016, demonstrating resilience in very mixed market conditions. We advanced particularly strongly in Government Programs, and also in Enterprise Security and the Internet of Things (IoT). In Payment and Mobile Communications our progress was constrained by weakness in some key markets.

After a strong H1, our Payment business suffered from a slowdown in US migration to EMV card technology in the second half. Mobile markets were also generally weak, although we anticipate renewed potential for development as our customers move from traditional SIM-based authentication to new eSIM technology.

Important groundwork for this transition was laid in 2016 with the publication of common industry standards and our participation in 18 eSIM deployments worldwide.

Regionally, our growth was led by Asia. In Europe we had significant wins in M2M, which will drive future growth, but conditions in Africa and Latin America were challenging due to the macro-economic situation.

Evolving with our customers
At the end of 2016 our business was better-balanced than ever across our different segments. We have adapted well to fast-changing technologies and markets, and in 2016 we continued to direct investment and resources towards the areas of greatest opportunity. By the year-end our Platforms and Services revenues reached the 2014-2017 multi-year plan target of €1 billion – one year early. This is a particularly welcome achievement, because Platforms and Services brings us into the heart of our customers’ security architecture, deepening our understanding of their businesses so that we are better placed to meet their needs.

One increasing need is biometric expertise. In 2016 we set out to augment our biometric resources, and succeeded by announcing an agreement with 3M to acquire their Identity Management business. Having this expertise in-house will strengthen our offer in government applications, where biometrics are becoming an indispensable way to enable authentication methods that are both strong and user-friendly. We also anticipate strong demand from commercial customers across all of our segments where biometrics can offer user-friendly authentication for a host of digital services.

Meeting change with agility
In developing our next multi-year strategic plan for 2018 onwards, it is clear that the Company must continue to evolve at least as fast as our markets do. While we maintain our focus on bringing trust to digital services, the balance of the business will continue to shift in favor of Platforms and Services as we develop end-to-end solutions for customers. So we are preparing our organization to adapt and evolve with agility and efficiency. We are also becoming more adept at cross-selling technologies across our different customer segments, leveraging common tools and processes.

In this, our people are key. I thank them for their part in bringing Gemalto this far, and for their continuing dedication in developing the way we partner with our customers.

Philippe Vallée
Chief Executive Officer

1 The closing of the transaction is expected in the first half of 2017, pending approval from relevant regulatory and anti-trust authorities and employee consultation where required.
What we do

We deliver technologies that both authenticate identities and protect data to a wide range of organizations, thereby bringing trust to the digital economy.

As online and mobile interactions grow around the globe, so do data breaches and identity theft. Businesses, governments, individuals – and even things – all need to reduce their exposure to these types of risks.

Our technologies have unmatched, proven effectiveness in mitigating digital breaches and fraud. Combining cryptography with the management of digital credentials, they protect the contents of, and secure access to, digital services.

This is how we enable billions of trusted exchanges, every day.

Innovation

Everything we do is backed by innovation. Maintaining our leadership means constantly researching and innovating to serve our customers with technologies that improve digital security to meet changing demands and new legislation.

We have an international team of over 3,000 digital scientists based in our worldwide network of 30 research centers, and in 2016 we invested over €249 million to maintain our market-leading position in digital security markets.
How our offer has diversified

Gemalto develops secure software. We embed it in devices or, increasingly, sell it as platforms or services. Our core technology has evolved over the years to serve new markets with better user experience while maintaining the right level of security.

The shift to Platforms & Services
Approximate revenues (%)

1996

2006

2016

Key
• Embedded Software & Products
• Platforms & Services

Market diversification
Approximate revenues (%)

1996

2016

Key
• Mobile Platforms & Services
• Mobile Embedded Software & Products
• Payment
• Government Programs
• Machine To Machine (Internet of Things)
• Enterprise Security
What our offer provides

We enable our clients to deliver a vast range of trusted digital services for billions of individuals and things across the globe.

Securing access to mobile banking and encrypting trillions of dollars of inter-bank fund transfers

Cutting identity fraud by checking whether official ID documents are genuine or fake
Providing software companies with licensing and protection solutions for their Intellectual Property (IP)

Delivering the hardware and software to connect cars and turn mobile phones into keys

Powering the contactless payment user experience from cards, mobile phones, wearables and more

Protecting valuable data for enterprises so that it is unusable in the event of a breach
How our technology creates value

Our technologies are based on two essential, interlocking processes: authenticating people and things, and protecting data by encrypting it.

Our technology...
- enables trusted exchanges
- develops secure software
- delivered as products, software and/or services
- sold as multiple models

We **authenticate** identities at the edge of networks
We **protect** data and software at the core of networks

- **Billions of people and things with unique, protected IDs**
- **Businesses and governments with digital assets**
- **Trusted devices and documents**
  Embedding secure software in smart devices and identity documents used to identify people and things – e.g. ePassports, Payment Cards, eSIMs, etc.
- **Identity Enrollment and Issuance**
  Enrolling people and things to services and issuing strong identities and keys across multiple channels (hardware, devices, mobiles, etc.) – e.g. National Identity programs, payment, transport ticketing, etc.
- **Identity Authentication**
  Hardware and software authenticators that allow access to network resources. Combined with platforms to authenticate them and grant access – e.g. eBanking, eGovernment, Enterprise network services, etc.
- **Data Protection**
  Encrypting data to ensure privacy, as well as creating value, even in shared environments like the cloud – e.g. Enterprise Security, Inter-bank fund transfers, Software licensing, etc.

Reducing digital fraud risk and creating value for shareholders and customers
Our strategy and objectives

Our strategy

Lead with innovation
We invest early and significantly in selected opportunities.

Replicate technologies worldwide
We use core technologies in different sectors that need security, replicating our experience over industries, geographies and time.
We build our offer around a common services infrastructure.

Retain our market neutrality
We offer and operate our solutions using a white label approach so that our clients can maintain a direct and trusted relationship with their customers.

Maintain operational flexibility
We invest in acquisitions in order to accelerate access to complementary businesses, new geographies and adjacent markets.
We maintain a robust financial structure with low debt ratios.

We reached **€1 billion** in Platforms & Services revenue, one year ahead of the current multi-year development plan.

Profit from operations

In October 2016, Gemalto announced that the 2017 profit from operations is expected to be between €500 million and €520 million. This outlook reflects a very adverse mobile environment and slower than anticipated migration of payment cards in 2017. It also takes into account plans for increased investments to capture growth beyond 2017.
Our main markets

Payment & Identity
The rapid proliferation of connected devices and online services is transforming the payment and identification landscape. New technologies, regulations and players are constantly emerging – increasing the need for more security to combat fraud and enable trusted, useful services between businesses, governments and the end-user.

Payment
Main market drivers
The payment ecosystem is undergoing a digital transformation, as new technologies, regulations and players lead to enhanced customer experiences and fresh customer expectations. A new generation of users are pushing service providers to develop multi-channel digital strategies that offer secure and seamless services in real-time.

At the same time, demand for EMV cards continues to grow, with 4.8 billion in circulation at the end of 2015. Further growth will come from markets that have yet to migrate to smart payment cards (both contact and contactless).

Our 2016 strategy in practice
Re-use our existing offer and experience to serve banks in regions newly adopting EMV.

Make usage of eBanking security solutions widely available across mobile devices.

Accompany domestic schemes willing to adopt EMV standards for their mobile offering.

Enterprise Security
Main market drivers
Since 2013, almost six billion personal and financial records have been compromised. As more information is being created, stored and shared across the cloud, big data, IoT and mobile environments, enterprises will need more than perimeter security to protect sensitive data and identities. In addition, new government regulations such as the EU’s General Data Protection Regulation are driving more stringent data privacy and security requirements.

More companies are therefore adopting encryption, key management and strong user authentication solutions in order to protect data wherever it is stored and verify the identities of the individuals who access it.

Our 2016 strategy in practice
Facilitate usage of strong authentication and data encryption to secure access to sensitive corporate resources in cloud environments.

Enable software-as-a-service providers to easily integrate license protection and advanced distribution models in their services.

Government Programs
Main market drivers
Citizens expect government transparency. They want a system that performs efficiently and protects people and their rights. It is up to governments to establish a digital framework of trust through which this modern day social bond can be maintained for the benefit of all citizens.

To meet these growing expectations and ensure the interoperability of the different activities they perform, governmental agencies must drastically reduce unnecessary bureaucracy, migrating from a paper-based culture to an electronic one. This essential evolution ensures that data, identities and frontiers are all secured.

Our 2016 strategy in practice
Leverage our existing offer in countries moving to secure ID documents and support the move to new types of identification such as mobile ID companion credentials.

Reinforce our presence in digital enrollment, border access control and eGovernment services.

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1 Source: EMVCo.

1 Source: Breach Level Index.
Mobile
A growing variety of mobile devices give us access to more and more services, wherever we go. Machines, too, are increasingly connected by the Internet of Things (IoT). And a new kind of mobile connectivity is rapidly expanding in markets such as automotive, where personal and machine communications converge.

Mobile Communications
Main market drivers
As customer demands grow, mobile operators must prioritize their Customer Experience Management (CEM) strategies to differentiate themselves from their competitors. Customers expect a better, more personalized experience, and select their mobile operator accordingly. At the same time, operators must deliver a robust network that supports the increasing number of on-the-go services customers use.

Similarly, mobile threats are also evolving. As the apps in people’s devices multiply – and reach into ever more sensitive areas of their lives – mobile software security technologies must adapt, to ensure every app and transaction can be trusted.

Our 2016 strategy in practice
Lead the development of a new generation of SIMs (eSIMs), pre-installed in consumer devices. Establish leadership in subscription distribution services associated to eSIMs. Renew security and SIM-related services on a large installed base of mobile handsets that require permanent updates to remain effective in managing fraud and optimizing network usage.

Machine-to-Machine (Internet of Things)
Industrial applications
Main market drivers
As the IoT continues its rapid expansion, new opportunities for things – such as medical devices or household appliances – to share and analyze data increases. In order to enhance the customer experience, improve operational excellence and generate new revenue streams, reliable connectivity, robust security and agile monetization are required. As the industry expands, the need to connect, monetize and secure IoT assets across a variety of wireless networks becomes more and more prominent.

It is believed that by 2026, there will be an estimated 32.5 billion IoT connections1, performing increasingly sophisticated roles.

Our 2016 strategy in practice
Leverage our security hardware and software expertise to bring packaged security solutions to the IoT market. Differentiate in the market of connectivity modules with plug-&-play solutions specific to key industry sectors and tight integration of complete connectivity solutions. Develop solutions for provisioning identities to IoT devices, regardless of the mode of connectivity.

Consumer electronics
Main market drivers
As mobile devices get smaller, lighter and more powerful, consumers tend to own more of them, and use them to access more and more services. All these devices need to be connected while the services they enable must be provisioned conveniently, on the move, and in complete security.

In turn, growing consumer trust and confidence are driving faster adoption and growing demand in areas such as contactless payments, authentication, ticketing and enterprise applications.

Our 2016 strategy in practice
Provide OEMs with ready-to-go technologies for securing and connecting consumer electronic devices to cellular networks.

3.4 connected eSIM devices per customer in 2020
Source: Mücke Sturm 2016

32.5 billion total number of IoT connections in 2026
Source: Berg Insight

501 million wearable device shipments by 2021
Source: ABI Research

7 billion in 2016

1 Source: Berg Insight.
Our global presence

Our clients are based in over 180 countries – so our global presence is a vital asset. We can share our international experience locally, provide solutions adapted to specific conditions and be on hand to offer a personalized service.

48 countries where we are based
112 offices worldwide
119 nationalities of our employees

Gemalto N.V. is the parent company of the Gemalto Group. For more information, see Our governance structure, pages 51-57, and for a list of subsidiaries, see Note 34 Consolidated entities, pages 107-108.