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Full year 2017 results

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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, Other income and Other expenses.

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 2017 Highlights

- Revenue at **€3 billion** with Platforms & Services at **€1 billion**. Second semester revenue up +1% year-on-year at constant exchange rates
- Profit From Operations (PFO) at **€310 million**
- Transition plan savings of **€15 million**
- Gemalto and Thales combination process **on track**

Virginie DUPERAT-VERGNE, CFO

Financial performance

Key figures from full year 2017 financial results

Revenue (4%)	€2,972m		<i>at historical rates</i> (5%)
Gross profit (13%)	€1,105m	37%	<i>Gross margin</i> (3.3 ppt)
Operating expenses (2%)	(€795m)	(27%)	<i>OpEx ratio</i> (0.7 ppt)
Profit from operations (32%)	€310m	10%	<i>PFO margin</i> (4.1 ppt)
Earnings per share (35%)	€1.96		

Extracts from the adjusted income statement

Payment & Identity – key financial information

Revenue
(2%)

€ 1,889m
(2016 FY: € 1,948m)

Gross Profit
(7%)

€ 736m
(2016 FY: € 793m)

Gross Margin
(1.8ppt)

38.9%
(2016 FY: 40.7%)

Profit from operations
(20%)

€ 233m
(2016 FY: € 290m)

PFO Margin
(2.6ppt)

12.3%
(2016 FY: 14.9%)

- Fourth Quarter revenue grew + 2%
 - Strong performance in Enterprise business
 - Government Programs grew single digit
 - Payment revenue erosion soften
- Full year revenue lower at (2%)
 - Government Programs revenue at €578 million, up +20%
 - Enterprise business revenue at €472 million
 - Payment business revenue lower by (15%) year-on-year
- Operating expenses were stable in 2017
 - Increased investments in Enterprise and the addition of Identity Management Business
 - Tightening of operating expenses in the Payment business
- Profit from operations came in at €233 million at 12.3%

Mobile – key financial information

Revenue
(7%)

€ 1,078m
(2016 FY: € 1,174m)

Gross Profit
(22%)

€ 366m
(2016 FY: € 471m)

Gross Margin
(6.1ppt)

34.0%
(2016 FY: 40.1%)

Profit from operations
(50%)

€ 86m
(2016 FY: € 171m)

PFO Margin
(6.6ppt)

8.0%
(2016 FY: 14.6%)

- Fourth Quarter revenue lower by (7%)
 - Machine-to-Machine solid double digit revenue growth
 - SIM and related services down double digits
- Full year revenue
 - Machine-to-Machine up +10% in 2017 at €348 million
 - SIM business down (15%) to €508 million
 - Mobile Platforms & Services revenue lower by (11%) at €222 million
- Operating expenses decreased by (€19) million
 - Sustained investments in Machine-to-Machine and next generation connectivity
 - Tightening of “cost to serve” SIM business and portfolio optimization
- PFO at €86 million

Transition plan on track



2017

Around

€15M

Positive PFO impact

Transition plan announcement in H1 2017

1. SIM and related services:

- ✓ Refocus on key geographical areas → adapt sales force
- ✓ Portfolio review in services → Marketing and delivery resource optimization / shut down of a sub business line

2. Payment:

- ✓ Footprint optimization → manufacturing rationalization (i.e. US, China)

On a full year basis

Above

€50M

Positive PFO impact

1. SIM and related services:

- ✓ Geographical refocus and portfolio review to continue

2. Payment:

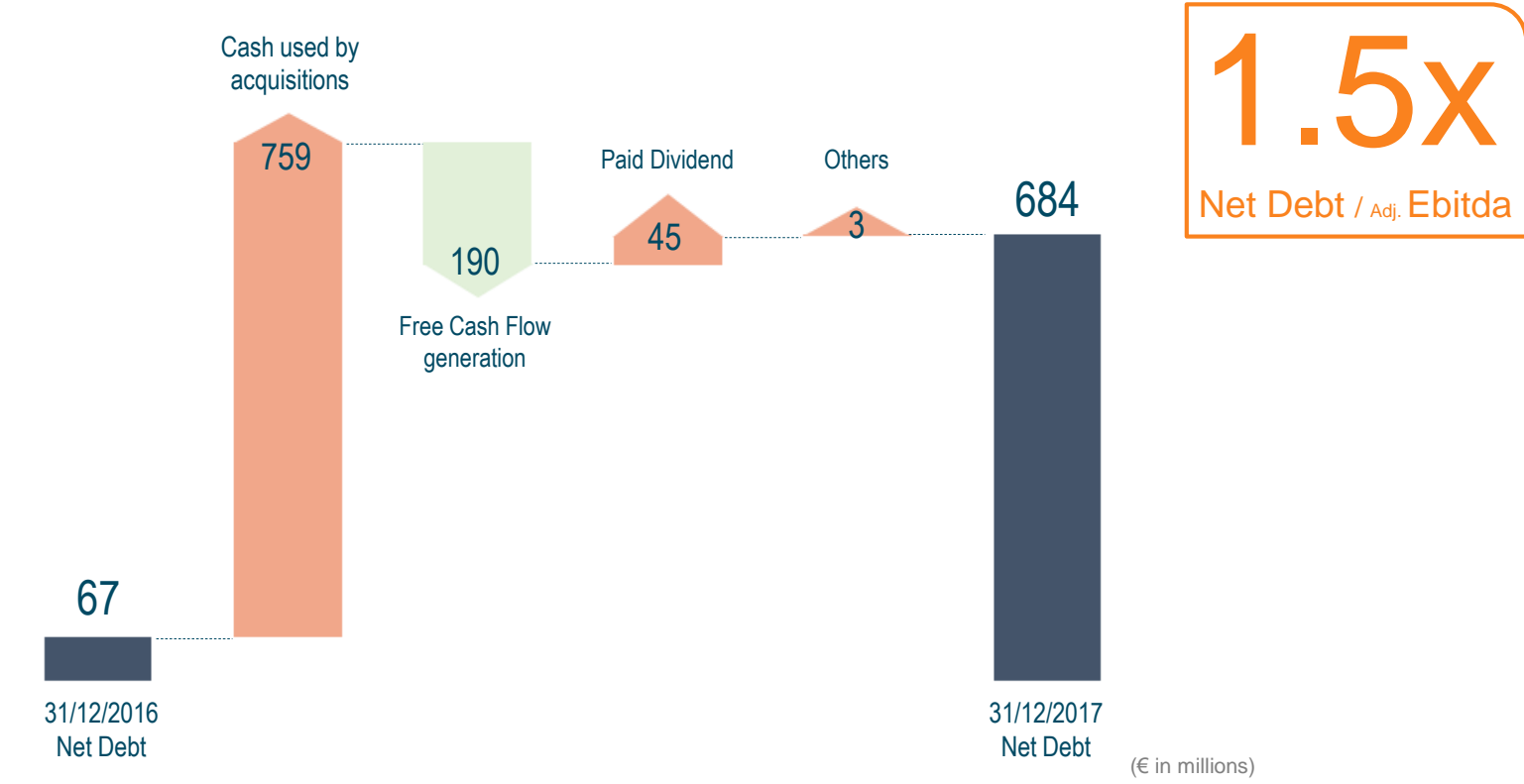
- ✓ Further footprint and capacity optimization
- ✓ Increase operating efficiency

3. Full effect of the measures launched in 2017

Reconciliation from adjusted financial information to IFRS

€ in millions	Adjusted financial information	Fair value adjustment upon acquisitions	Amortization and impairment of intangible assets	Equity based compensation	Restructuring and acquisitions related expenses	IFRS financial information
FY 2017						
Revenue	2,972					2,972
Profit from operations	310					
IFRS operating profit		(10)	(514)	(37)	(114)	(365)
FY 2016						
Revenue	3,127					3,127
Profit from operations	453					
IFRS operating profit		(3)	(58)	(9)	(36)	347

Healthy cash generation and strong balance sheet



Philippe VALLEE - CEO

Moving forward

Key market trends

- **Identity, IoT & Cybersecurity**

- Increased security at country borders
- Growing benefits of connected devices expanding across industries
- Rising level of cyber incidents and data breaches

- **Smartcards & Issuance**

- US EMV payment market normalization should come to an end in 2018
- SIM market is expected to remain under pressure as the next generation connectivity usage is modest

Gemalto Next-generation Digital Security



Digital privacy enabled

Key priorities

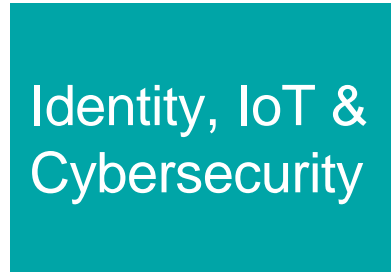
- **Reinforce leadership in Biometrics and Civil Identity**
- **#1 in Data Protection for the Cloud**
- **Integrate & strengthen IoT**

- **Lead market in digitalization**
- **Rightsize Operations**
- **Refocus portfolio**

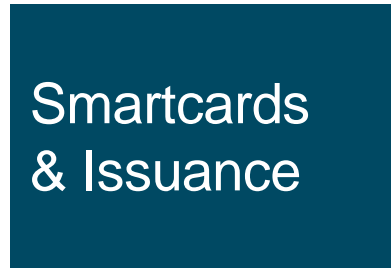
2018 onwards financial reporting reflecting our strategy

2014 - 2017

2018 and beyond

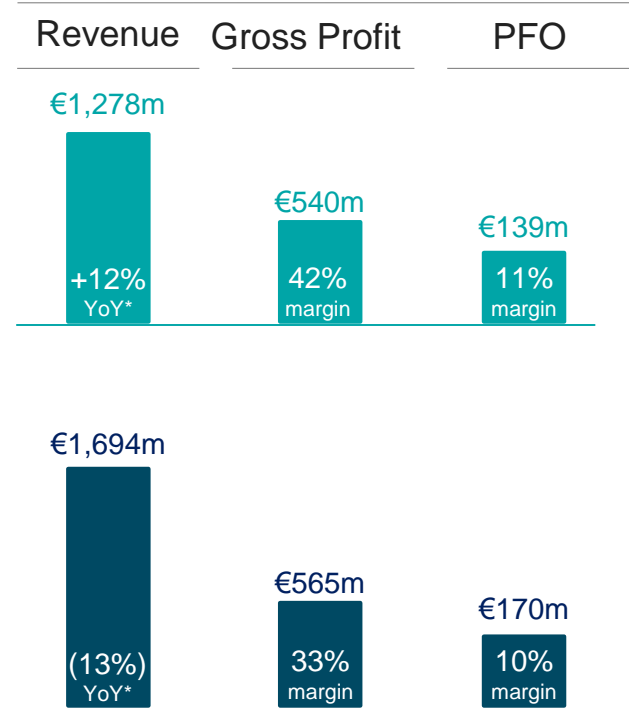


Government
Enterprise
IoT



Payment cards
SIM cards
Digital Issuance
Patent & Others

2017



*Revenue variations at constant exchanges rates

Outlook for 2018

- ✓ **Double digit revenue growth** expected in the Identity, IoT & Cybersecurity segment
- ✓ **Stable PFO margin** expected in the Smartcards & Issuance segment
- ✓ **Mid to High single digit growth** in profit from operations expected at Gemalto level

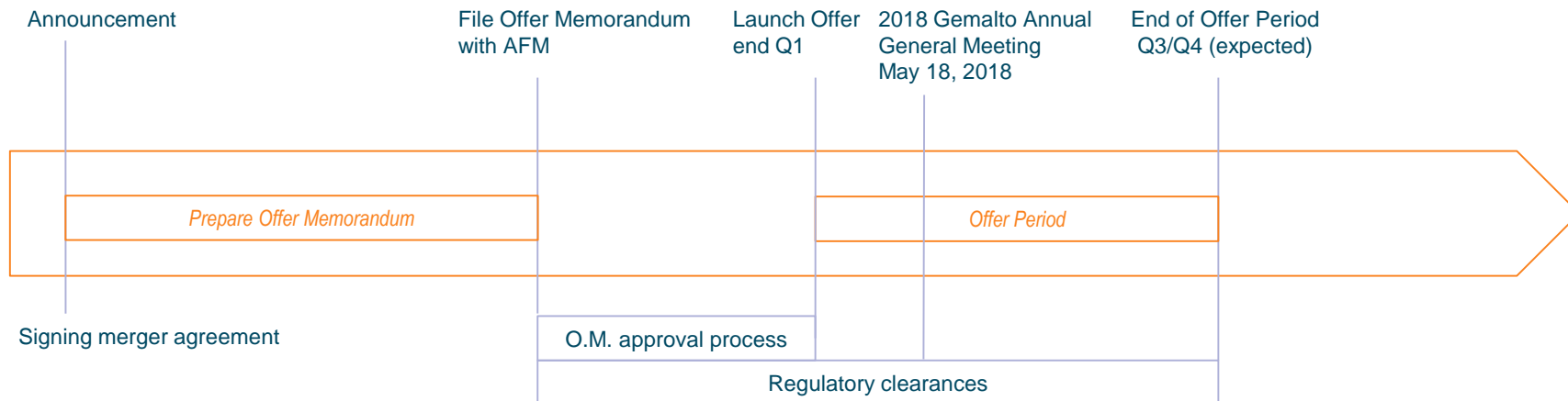
Thales offer expected calendar

Q1/Q2 2018

- Launch of the Offer and start Offer Period
- After Launch, regulatory clearances will be the key time driver
- End of Offer period will in practice be aligned with regulatory process

H2 2018

- Expected end of Offer Period
- Unconditional Date, press release announcing if offer conditions are met and offer declared unconditional
- Closing and settlement
- Commencement of 2 week post-acceptance period (if any)



Our plan will accelerate with **THALES**

Our mission



We grow and complement our technology portfolio



Gemalto

Enabling trust in the digital world