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First semester 2015 results

August 27, 2015



Olivier Piou, 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 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.

As of 2014, 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).

SafeNet acquisition and related pro forma figures

Following the acquisition of SafeNet and for a better understanding of the year-on-year evolution of the business, the Company presents the 2014 Gemalto segment and activity pro forma figures as if SafeNet had been consolidated for the full year 2014 period and year-on-year variations between these 2014 pro forma figures and 2015 figures as if SafeNet had been consolidated starting from January 1, 2015. The difference between 2015 actual figures and 2015 pro forma figures corresponds to the SafeNet contribution from January 1st, 2015 to January 7th, 2015, the actual transaction closing date. SafeNet's pro forma figures used in this document were translated into Euro using monthly currency conversion rates. Variations of pro forma revenue figures are at constant exchange rates and exclude the impact of currencies variation hedging program for 2014 and 2015.

Adjusted income statement and Profit from operations

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.

Olivier PLOU - CEO

Overview

First semester 2015 Highlights

- Revenue of €1.5 billion is up +32% at historical exchange rates and +20% at constant exchange rates
- Revenue growth in Payment +22%, Machine-to-Machine +23%, and Government Programs +17%, at constant exchange rates, largely exceeds lower SIM products and related services revenue
- Profit from operations of €160 million is up +33%

Extracts from the adjusted income statement, revenue variations at constant exchange rate.

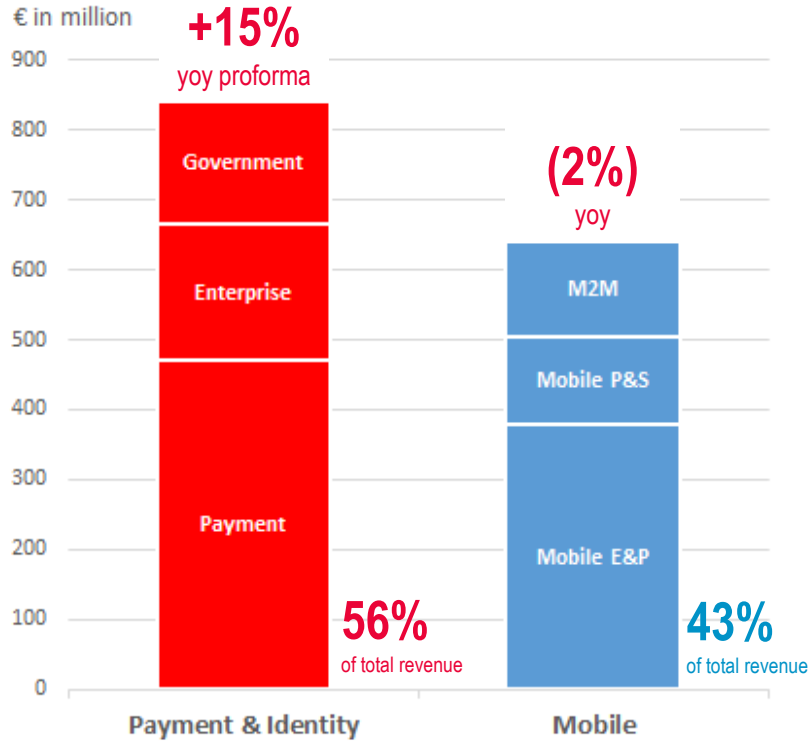
Key figures from H1 2015 financial results

Revenue +20%	€1,499m		at historical rates +32%
Gross profit +37%	€574m	38.3%	Gross margin +137bp
Operating expenses +39%	(€414m)	(27.6%)	OpEx ratio (134bp)
Profit from operations +33%	€160m	10.6%	PFO margin =
Earnings per share +9%	€1.21		

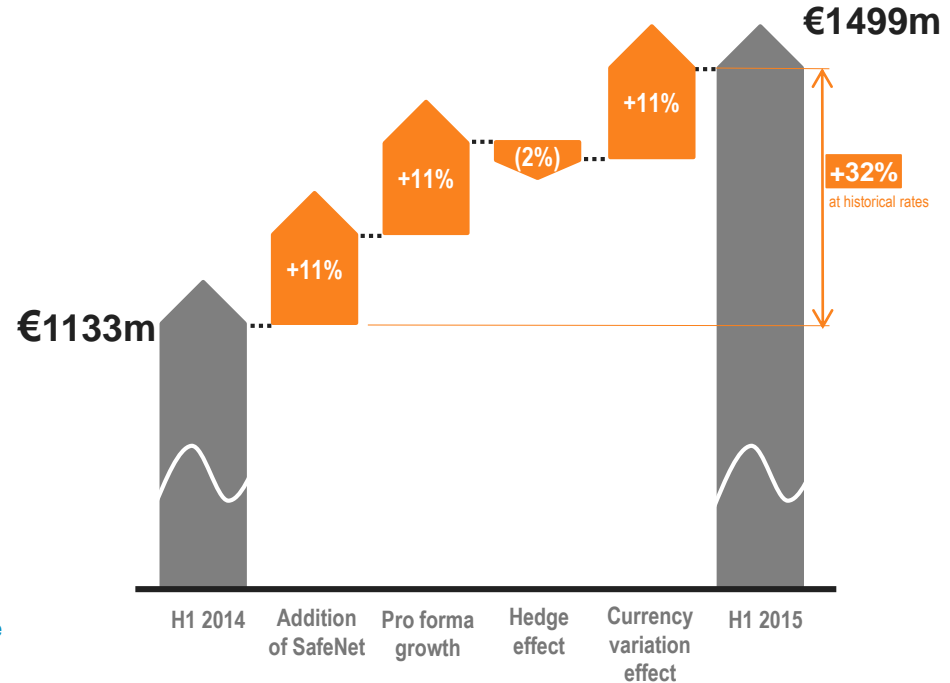
Extracts from the adjusted income statement for all operations

Key figures from first semester 2015

Main segment revenues



Year-on-year H1 revenue variations details



Pro forma figures include Safenet revenue for the full first quarter of 2014 and 2015

Jacques TIERNY - CFO

Financial results

Adjusted income statement and IFRS

Adjusted income statement

€ in millions	All operations	Fair value adjustment upon acquisitions	Amortization of intangible assets	Equity based compensation	Restructuring and acquisitions related expenses	IFRS
H1 2015						
Revenue	1,499					1,499
Profit from operations	160					
IFRS operating profit		(67)	(23)	(17)	(19)	33
H1 2014						
Revenue	1,133					1,133
Profit from operations	120					
IFRS operating profit		-	(11)	(27)	(21)	61

Payment & Identity – key financial information

Revenue
€ 840m
+43%
(2014 H1: € 537m)

Gross Profit
€ 311m
+81%
(2014 H1: € 172m)

Gross Margin
37.0%
+493bp
(2014 H1: 32.0%)

Profit from operations
€ 77m
+46%
(2014 H1: € 53m)

PFO Margin
9.2%
(67bp)
(2014 H1: 9.9%)

- Embedded software & Products sales were up by +16% at €553 million. Platform & Services sales more than doubled, at €287 million.
- The Payment business grew by +28% in the second quarter of 2015 year-on-year.
 - The Americas posted the largest growth, with revenue almost doubling on strong sales of EMV payment cards and rapid expansion of issuance services in the United States.
- Revenue from the Enterprise business came in at €195 million for H1 2015.
 - The integration of SafeNet is progressing well, with alignment of authentication portfolios between the previous Gemalto Identity Access Management business and SafeNet.
 - The Enterprise business revenue mix between authentication and data encryption is moving towards a higher proportion of software and services, and to gross profit increasing faster than revenue.
- Government Programs revenue came in at €175 million, up +17% year-on-year.
 - Beside Trüb's contribution which started in Q2, sales expansion came from delivery commencements of previously won projects; project backlog continued to expand.
- Overall, Payment & Identity's gross margin improved to 37%, up +4.9 percentage points year-on-year and PFO came in at €77 million, up +46% from the €53 million recorded in the first semester 2014.

Mobile – key financial information

Revenue
(2%)
€ 641m
(2014 H1: € 586m)

Gross Profit
+4%
€ 246m
(2014 H1: € 237m)

Gross Margin
(209bp)
38.4%
(2014 H1: 40.5%)

Profit from operations
+11%
€ 71m
(2014 H1: € 64m)

PFO Margin
+20bp
11.1%
(2014 H1: 10.9%)

- The segment posted a contrasted pattern of revenue growth
 - The first quarter of 2015 saw a +8% growth while the second quarter saw a (9%) reduction. This evolution was essentially related to the lower contribution to revenue of high-end SIMs and Mobile Platforms & Services sales in the second quarter due to Softcard mobile payment service closing in the US. This adverse comparison basis effect should remain noticeable for the next three quarters.
- The most significant revenue expansion came from the Machine-to-Machine business, with a +23% increase in sales.
 - Due to the increasing global demand of connected devices and embedded secure elements for the Internet of Things. Embedded secure elements sales extended their already strong dynamic, posting a +46% increase in revenue year-on-year at constant exchange rates.
- Important milestones reached in Mobile Platforms & Services
 - In Mobile Financial Services : Support for EMV tokenization layers for OEM's embedded secure elements (eSE), Trusted Execution Environment (TEE), and payment applications that are using Host Card Emulation (HCE) framework
 - In Mobile Subscriber Services: First to demonstrate the newly adopted GSMA common high-level architecture for remote SIM provisioning in the consumer market.

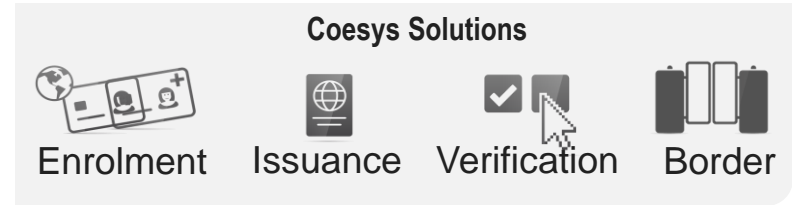
Key items of the cash flow statement

<i>€ in millions</i>	First Semester 2015	First Semester 2014
Cash generated by operating activities before changes in working capital	199	128
Net change in working capital	(57)	(75)
Cash used in restructuring actions and acquisition related expenses	(19)	(4)
Prepaid derivative	(84)	0
Net cash generated by operating activities	40	49
Capital expenditure and acquisition of intangibles	(104)	(50)
Acquisitions	(888)	(42)
Dividend paid to Gemalto shareholders	(37)	(33)
Net proceed from/of private placement, credit lines and others	177	6
Net cash (debt), at end of the period	(490)	363

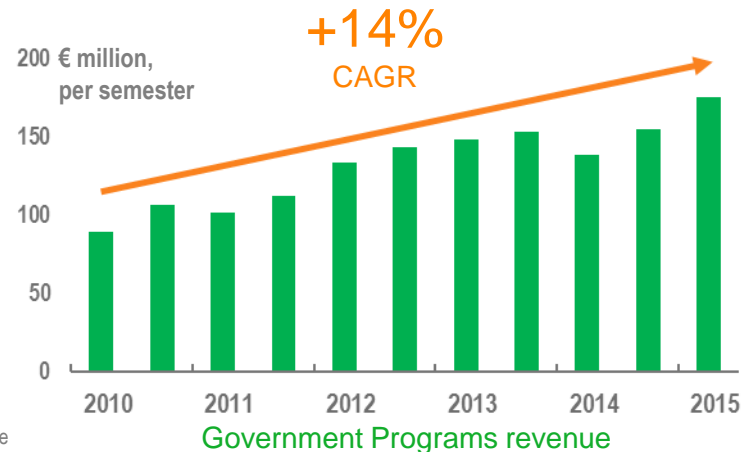
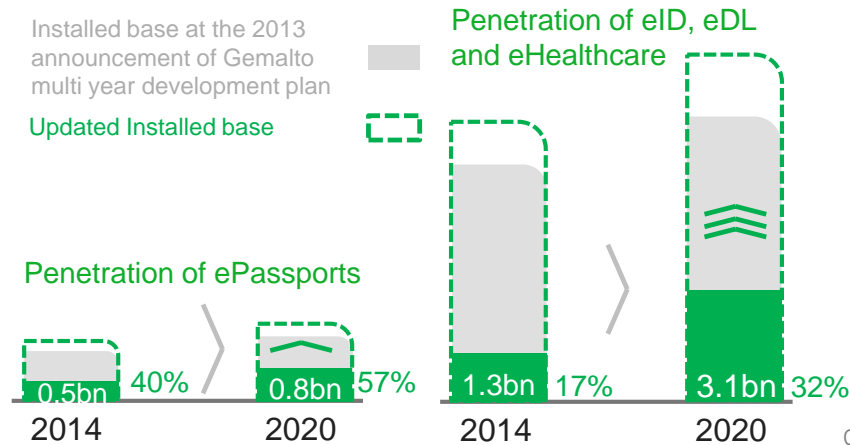
Olivier PIOU - CEO

Moving forward

Government Programs back to strong growth



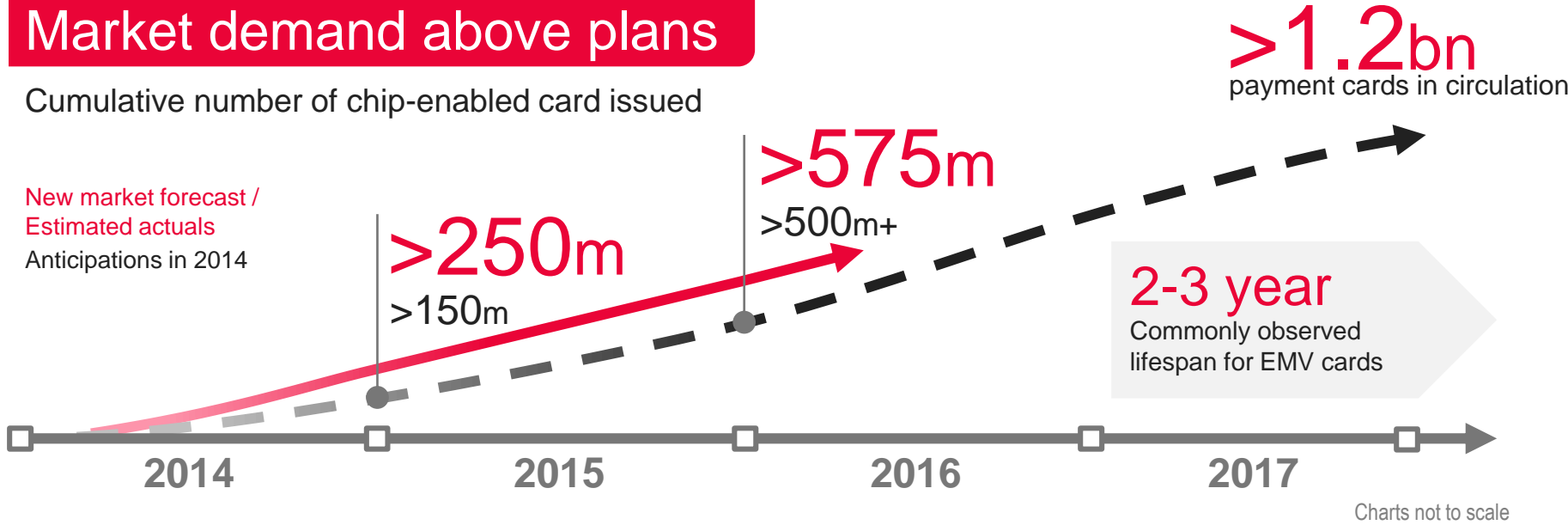
Backlog is at record high from solid win rate in a growing market



We have revised up our anticipations for the US EMV market

Market demand above plans

Cumulative number of chip-enabled card issued

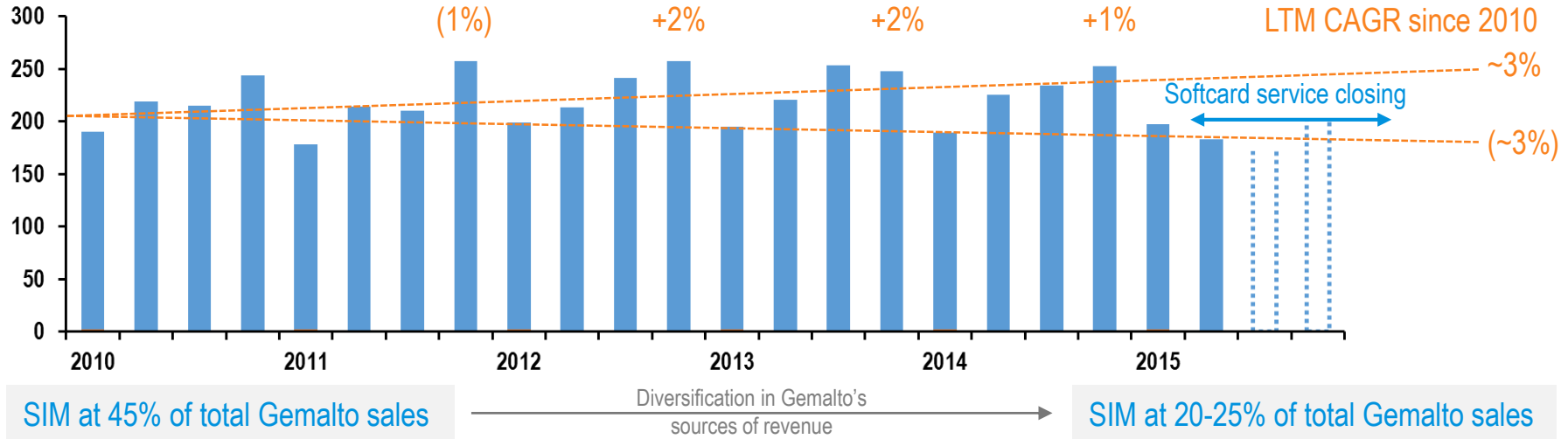


Market share progress above plans

Steady progression towards average global market share in electronic payment cards

SIM revenue trend over the last 5 years

Quarterly SIM revenue at constant exchange rates, excluding embedded Secure Elements



Last twelve month CAGR stable +/- a few percent since 2010
No major anticipated change in macro trend

SIMs and secure subscription management are changing, to protect a broader market

Machine to Machine

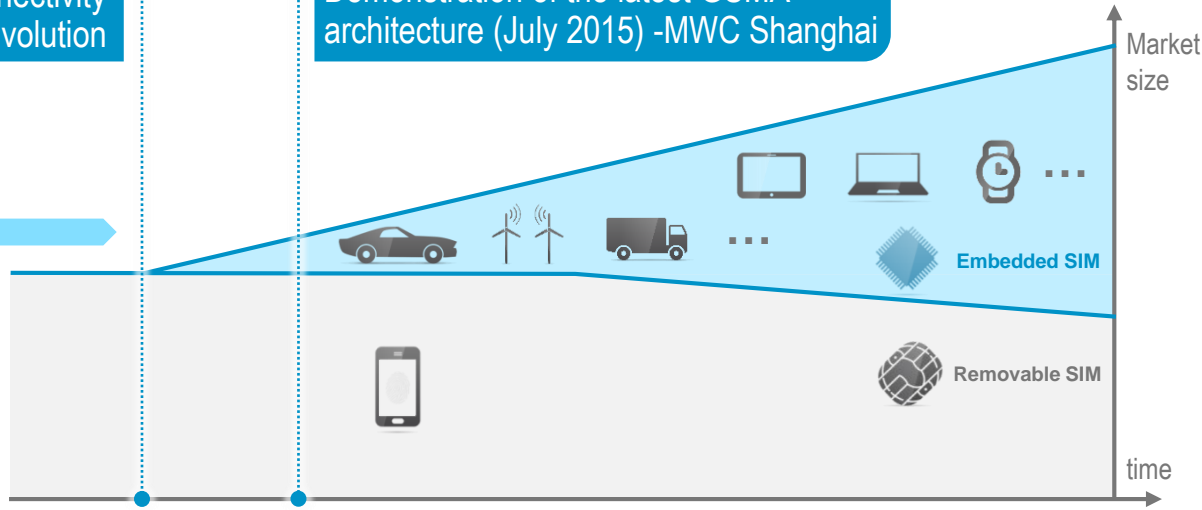
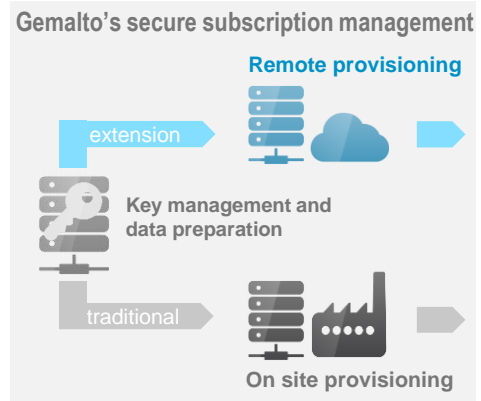
GSMA embedded SIM and remote subscription
Published in Oct 2014

Product of the Year Award
On Demand Connectivity
2015 IoT Evolution

Consumer Devices

GSMA high level architecture endorsed in July 2015
Detail specifications by the industry targeted end 2015

World First
Demonstration of the latest GSMA
architecture (July 2015) -MWC Shanghai



Key trends for H2 2015

- Stronger than expected growth in Payment as EMV continues to ramp up in the US
- Lower SIM sales due to the closure of US carriers' mobile payment service while other SIM based services benefiting from the most advanced software are under development
- Continuing expansion in the Internet of Things, including connectivity modules and embedded secure elements
- Growth acceleration and solid backlog in Government Programs
- Increase in demand for data protection and cybersecurity solutions supporting the Enterprise business performance

Outlook for 2015

For 2015, Gemalto anticipates another year of double digit growth in its profit from operations. In the second semester, the closure of the US mobile payment service Softcard will limit the Mobile segment year on year progress in comparison to the same period of 2014.

Accelerating pace in Payment, Machine-to-Machine, Enterprise and Government Programs will support the profit expansion of the Company towards its upgraded objective of over €660 million in 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 ✧