

Gemalto full year 2016 results

- 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

To better assess past and future performance, the income statement is presented on an adjusted basis and variations in revenue figures above and in this document are at constant exchange rates except where otherwise noted (see page 2 "Basis of preparation of financial information"). Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with the consolidated financial statements. Reconciliation with the IFRS income statement is presented in Appendix 1. The statement of financial position is prepared in accordance with IFRS, and the cash position variation schedule is derived from the IFRS cash flow statement. All figures in this press release are unaudited.

Amsterdam, March 3, 2017 at 12:00am - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the full year 2016.

Key figures of the adjusted income statement

(€ in millions)	Full year 2016	Full year 2015	Year-on-year variations	
			at historical exchange rates	at constant exchange rates
Revenue	3,127	3,122	=	+1%
Gross profit	1,266	1,216	+4%	
Operating expenses	(814)	(793)	+3%	
Profit from operations	453	423	+7%	
Profit margin	14.5%	13.5%	+94 bp	

Philippe Vallée, Chief Executive Officer, commented: "Gemalto's performance in 2016 demonstrates the strength of its business model and ability to adapt in a very adverse Mobile environment. The Payment activity grew slightly, Machine-to-Machine and Enterprise posted double-digit growth rates, and Government Programs recorded another strong performance. 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. Optimization efforts paid off in the Mobile and Payment & Identity segments resulting in the Company's gross margin exceeding 40% for the first time in its history and leading to an improvement in both profitability and cash generation. In 2017, Gemalto will focus its efforts on growing sales through an increase in cross-selling between businesses. Gemalto is currently working on its new multi-year development plan that will be presented towards the end of the year."

Basis of preparation of financial information

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 SafeNet acquisition in 2015 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).

Historical exchange rates and constant currency figures

The Company sells its products and services in a very large number of countries and is commonly remunerated in other currencies than the Euro. Fluctuations in these other currencies exchange rates against the Euro have in particular a translation impact on the reported Euro value of the Company revenues. Comparisons at constant exchange rates aim at eliminating the effect of currencies translation movements on the analysis of the Group revenue by translating prior-year revenues at the same average exchange rate as applied in the current year. Revenue variations are at constant exchange rates and include the impact of currencies variation hedging program, except where otherwise noted. All other figures in this press release are at historical exchange rates, except where otherwise noted.

Adjusted income statement and profit from operations (PFO) non-GAAP measure

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and with section 2:362(9) of the Netherlands Civil Code.

To better assess its past and future performance, the Company also prepares an adjusted income statement where the key metric used to evaluate the business and make operating decisions over the period 2010 to 2017 is the 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. These items are further explained as follows:

- Amortization and depreciation of intangibles resulting from acquisitions are defined as the amortization and depreciation expenses related to the intangibles recognized as part of the allocation of the excess purchase consideration over the share of net assets acquired.
- Restructuring and acquisitions-related expenses are defined as (i) restructuring expenses which are the costs incurred in connection with a restructuring as defined in accordance with the provisions of IAS 37 (e.g. sale or termination of a business, closure of a plant,...), and consequent costs; (ii) reorganization expenses defined as the costs incurred in connection with headcount reductions, consolidation of manufacturing and offices sites, as well as the rationalization and harmonization of the product and service portfolio, and the integration of IT systems, consequent to a business combination; and (iii) transaction costs (such as fees paid as part of the acquisition process).
- Equity-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Share Purchase plans; (ii) the amortization of the fair value of share options and restricted share units granted by the Board of Directors to employees, and the related costs.
- Fair value adjustments over net assets acquired are defined as the reversal, in the income statement, of the fair value adjustments recognized as a result of a business combination, as prescribed by IFRS3R. Those adjustments are mainly associated with (i) the amortization expense related to the step-up of the acquired work-in-progress and finished goods assumed at their realizable value and (ii) the amortization of the cancelled commercial margin related to deferred revenue balance acquired.

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with IFRS.

In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering expenses, Sales and Marketing expenses, General and Administrative expenses, and Other income (expense) net.

EBITDA is defined as PFO plus depreciation and amortization expenses, excluding the above amortization and depreciation of intangibles resulting from acquisitions.

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.

Adjusted financial information

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. To better assess its past and future performance, the Company also prepares an adjusted income statement.

Extract of the adjusted income statement	Full year 2016		Full year 2015		Year-on-year variations	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	3,126.5		3,121.6		=	+1.2%
Gross profit	1,266.2	40.5%	1,215.9	39.0%	+155 bp	
Operating expenses	(813.5)	(26.0%)	(793.3)	(25.4%)	(61 bp)	
EBITDA	593.5	19.0%	546.9	17.5%	+146 bp	
Profit from operations	452.7	14.5%	422.6	13.5%	+94 bp	
Net profit	266.9	8.5%	303.5	9.7%	(119 bp)	
Basic Earnings per share (€)	3.00		3.45		(13%)	
Diluted Earnings per share(€)	2.97		3.41		(13%)	

Total revenue for 2016 came in at €3,127 million, up +1.2% at constant exchange rates and stable at historical exchange rates.

In 2016, currency translation effects generated a (1) percentage point effect on revenue generation. The hedging program which aims at partially neutralizing the impact of currency variations on the Company's profit from operations, produced a 0.3 percentage point difference in revenue in comparison to last year.

Gross profit was up by €50 million, to €1,266 million, representing a gross margin of 40.5%, up +155 basis points year-on-year. The two main segments recorded gross margin improvement that more than offset the decrease in the Patents & Others segment.

Operating expenses were up by 61 basis points to 26% of revenue, at (€814) million. This increase came mainly from the investments made in the Enterprise business as mentioned in the first semester.

As a result, profit from operations was €453 million, up €30 million year-on-year. Profit margin from operations increased +94 basis points to 14.5% compared to 13.5% in 2015.

Gemalto's financial income was (€34) million compared to (€38) million for 2015. Interest expense and amortized costs on the public bond, private placements and credit lines facilities were (€0.2) million lower, at (€12) million in 2016 while foreign exchange transactions and other financial items amounted to (€20) million versus (€24) million a year ago, mainly due to currency variation impacts.

Share of profit in associates was €2 million for the full year 2016, stable compared to 2015. Net impairment of associates recorded (€21) million in 2016, versus nil in 2015, mainly due to the change in market capitalization of an associate.

As a result, adjusted profit before income tax and net impairment of associates came in at €420 million compared to €387 million the previous year, an increase of +9%.

Adjusted income tax expense increased to (€133) million, compared to (€83) million the previous year. This (€49) million expense increase mainly reflects the estimated non-cash deferred tax asset reduction following Gemalto's 2017 profit from operations outlook.

Excluding this non-recurring impact, the effective tax rate for the Company would have been 20% this year. This 2016 exceptional charge has no impact on the expected normative effective tax rate going forward.

As a result, the 2016 adjusted net profit for the Company was €267 million, leading to adjusted basic earnings per share of €3.00, and adjusted diluted earnings per share of €2.97 compared to adjusted basic earnings per share of €3.45, and adjusted diluted earnings per share of €3.41 in 2015.

IFRS results

Amortization and depreciation of intangibles resulting from acquisitions came in at (€58) million versus (€61) million in 2015. Restructuring and acquisition-related expenses decreased by €13 million to (€36) million, and came mainly from IT and facilities integration costs, implementation of a new information system (ERP) to harmonize finance and reporting systems, and optimization of data centers. The Gemalto equity-based compensation charge was markedly lower to (€9) million versus (€39) million for the same period of last year. This reflects mainly the lower estimated number of restricted share units to be delivered upon vesting based on the expectation of 2017 profit from operations. Fair value adjustments related mainly to the non-cash amortization of the IFRS revaluation of SafeNet's pre-acquisition deferred revenue accounted for (€3) million in 2016 compared to (€71) million in 2015.

As a result, Gemalto recorded an increase of €144 million in its IFRS operating profit (EBIT), at €347 million in 2016 compared to €203 million a year ago. This performance mainly reflects the increase in operating profitability, the marginal effect of the non-cash IFRS fair-value adjustments related to SafeNet's pre-acquisition deferred revenue in 2016 and the decrease in restructuring & acquisition-related expenses.

The income tax charge increased to (€107) million compared to (€31) million the previous year. This increase in expense mainly reflects the estimated non-cash deferred tax asset reduction following Gemalto's 2017 profit from operations outlook.

Consequently, IFRS net profit increased by +36% at €186 million for 2016 versus €137 million in 2015.

Overall, IFRS basic earnings per share and diluted earnings per share came in at €2.09, up +34% and €2.07, up +34% in 2016, compared to €1.56 and €1.54 respectively in 2015.

Statement of financial position and cash position variation schedule

For the full year 2016, operating activities generated a cash flow of €468 million before changes in working capital, up +6%, compared to the €443 million generated in 2015. Change in working capital reduced the cash flow generation by (€23) million in 2016 compared to a positive €65 million impact in 2015. Net trade and other payables reduced due to advance payments received from customers in 2015. Net trade receivables increased towards the end of the year with the growth in Government Programs, Machine-to-Machine and Enterprise.

Capital expenditure and acquisition of intangibles amounted to (€140) million, i.e. 4.5% of revenue compared to 5.9% in 2015. Property, Plant, and Equipment accounted for (€63) million in 2016, lower by (€35) million compared to the high level of 2015 that was related to initial investments made to support the strong start in payment business in the United States. Acquisition and capitalization of development expenses represented (€77) million, with capitalization of development expenses representing 2.0% of revenue in 2016.

As a result, in 2016 Gemalto generated strong free cash flow of €318 million increasing by +87% compared to €170 million in 2015.

Acquisitions used (€3) million in 2016 versus (€897) million in 2015 which had seen the closing of both the SafeNet and Trüb acquisitions.

Gemalto's share buy-back and liquidity programs generated a €1 million net cash inflow in 2016. As at December 31, 2016, the Company held 717,835 shares i.e. 0.8% of its own shares in treasury. The total number of shares issued increased by +920,930 in 2016 to 89,928,639 and, net of the 717,835 shares held in treasury, 89,210,804 shares were outstanding as at December 31, 2016. The average acquisition price of the shares repurchased on the market by the Company and held in treasury as at December 31, 2016 was €40.46.

On May 26, 2016, Gemalto paid a cash dividend of €0.47 per share in respect of the fiscal year 2015, up +12% on the dividend paid in 2015. This distribution used €42 million in cash.

Net proceeds from financing activities generated a (€14) million cash outflow, mainly coming from commercial paper repayment.

Cash in hand, net of bank overdrafts amounted to €663 million versus €405 million at the end of 2015.

Considering the €730 million total amount of borrowings as at December 31, 2016, Gemalto's net debt position was reduced to €67 million compared to a net debt position of €335 million at the end of 2015. This significant (€268) million variation is due to the strong free cash flow generated by the Company over the last twelve months. The Company net debt currently represents 0.1 times its EBITDA.

Segment information

Revenue variations are expressed at constant currency exchange rates unless otherwise noted.

Year-on-year variations and currencies impact (€ in millions)	Payment & Identity	Mobile	Total two main segments	Patents & Others	Total
Fourth quarter					
Revenue	544	332	876	2	878
At constant rates	+8%	(2%)	+4%	(74%)	+3%
At historical rates	+7%	(2%)	+3%	(74%)	+3%

During the fourth quarter, revenue expanded by +3% at constant exchange rates and historical exchange rates. The Payment & Identity segment grew by +8% in the fourth quarter. The strong performance of Enterprise and Government Programs during the fourth quarter more than offset lower sales in Payment. Mobile segment revenue was lower by (2%) in the fourth quarter compared to 2015. In that segment, the sales trend improved compared to the first nine months of 2016, with a slower decrease in SIM sales and +13% expansion in the Machine-to-Machine business as well as in the Mobile Platforms & Services activity.

Year-on-year variations and currencies impact (€ in millions)	Payment & Identity	Mobile	Total two main segments	Patents & Others	Total
Full year					
Revenue	1,948	1,174	3,123	4	3,127
At constant rates	+9%	(8%)	+2%	(85%)	+1%
At historical rates	+7%	(8%)	+1%	(85%)	=
As a percentage of total revenue	62%	38%	100%	0%	100%

Overall, the diversification of the Company has again been reinforced in 2016 with Payment & Identity now accounting for 62% of the Company revenue, compared to 58% last year.

Full year 2016	Embedded software & Products	Platforms & Services	Total two main activities	Patents & Others	Total
Revenue	2,104	1,019	3,123	4	3,127
Year-on-Year revenue growth	(3%)	+15%	+2%	(85%)	+1%
As a percentage of total revenue	67%	33%	100%	0%	100%

In 2016, Embedded software & Products revenue decreased by (3%) mainly due to lower SIM sales to mobile network operators and payment cards revenue in China. Platforms & Services exceeded the €1 billion mark one year ahead of the current multi-year development plan, to represent 33% of total Gemalto revenue in 2016. The expansion in the Platforms & Services activity has been supported by a double-digit growth in each of the Payment & Identity segment's businesses while the Mobile Platforms & Services activity grew by +3% over the year.

Profit from operations (€ in millions)	Total (including Patents & Others)	Payment & Identity	Mobile
Second semester	281	172	113
As a percentage of the full year profit from operations	62%	59%	66%
Year-on-year variation	+7%	+7%	+11%
Full year	453	290	171
Year-on-year variation	+7%	+22%	(1%)

Full year profit from operations increased by +7% year-on-year. In 2016, the Payment & Identity segment recorded a +22% increase in profit from operations and the Mobile segment profit from operations was lower by €1 million compared to 2015. This performance was driven by the gross margin improvement in the two main segments which largely offset the operating loss from the Patents & Others segment.

Payment & Identity

	Full year 2016		Full year 2015		Year-on-year variations	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	1,948.3		1,818.4		+7%	+9%
Gross profit	793.5	40.7%	698.3	38.4%	+2.3 ppt	
Operating expenses	(503.3)	(25.8%)	(459.6)	(25.3%)	(0.6 ppt)	
Profit from operations	290.2	14.9%	238.7	13.1%	+1.8 ppt	

Payment & Identity's full year revenue came in at €1,948 million, increasing by +9% at constant exchange rates compared to 2015. The segment's Embedded software & Products sales were up by +3% at €1,180 million and its Platforms & Services sales were up by +19% to €768 million.

The Payment business came in at €998 million, up by +2% in 2016 versus 2015 with moderate revenue growth in both the Americas and the Europe, Middle East & Africa regions. The lower sales in China were fully offset by an increase in revenue from the rest of Asia. In 2016, performance was contrasted between the semesters with second semester revenue lower year-on-year due to the high comparison basis in the United States related to the 2015 EMV liability shift deadline. Payment Embedded software & Products sales were lower by (4%) and Payment Platforms & Services revenue expanded by +24% compared to 2015.

Revenue from the Enterprise business came in at €462 million in 2016, up +10% when compared to 2015. The trend in revenue mix within the authentication business line continues to move towards a higher proportion of software and services. The Enterprise business increased its sales coverage expanding Gemalto's network of technology partners. It also accelerated investment in its R&D in order to strengthen the Company's offering to meet increasing market demand for cybersecurity solutions.

Revenue from the Government Programs business came in at €488 million, up +26% at constant exchange rates compared to 2015. Government Programs posted an outstanding fourth quarter revenue performance with the completion of a large scale project and increased deliveries from the finalized transformation of a production site. Government Programs Embedded software & Products revenue was up +21% and Government Programs Platforms & Services sales were up +39% in 2016 compared to 2015.

The Payment & Identity segment's gross margin improved to 40.7%, up +2.3 percentage points compared to 2015, with the optimization of the Payment business and the expansion of the Enterprise business.

Operating expenses grew to (€503) million in 2016, in large part due to investments made in the Enterprise business as well as the shift of internal resources to this segment in order to capture the market growth of Government Programs.

As a result, profit from operations in Payment & Identity came in at €290 million, up +22% from the €239 million recorded in 2015, leading to a 14.9% profit margin from operations, up +1.8 percentage points.

Mobile

	Full year 2016		Full year 2015		Year-on-year variations	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	1,174.4		1,278.5		(8%)	(8%)
Gross profit	471.2	40.1%	494.5	38.7%	+1.4 ppt	
Operating expenses	(299.7)	(25.5%)	(322.2)	(25.2%)	(0.3 ppt)	
Profit from operations	171.5	14.6%	172.4	13.5%	+1.1 ppt	

The Mobile segment recorded annual revenue of €1,174 million, (8%) lower year-on-year at constant exchange rates and historical exchange rates.

Embedded software & Products revenue for the segment came in at €924 million, (11%) lower compared to 2015 at constant exchange rates. SIM sales decreased by (19%) at €605 million for 2016. 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. Conversely, the Machine-to-Machine business continued to grow, by +11% year-on-year, at €319 million on the back of expanding global demand of connected devices and embedded secure elements for the Internet of Things (IoT).

Platforms & Services revenue for the segment came in at €251 million, up by +3%. In 2016, 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.

Gross margin for the Mobile segment was 40.1% in 2016, up by +1.4 percentage points compared to 2015. Operating expenses decreased to (€300) million from (€322) million in line with the trend observed in the first semester of 2016 due to the shift of part of the segment's resources to the growing Payment & Identity segment.

As a result, profit from operations came in at €171 million, i.e. a 14.6% profit margin from operations, up +1.1 percentage points on 2015.

Patents & Others

	Full year 2016		Full year 2015		Year-on-year variations	
	€ in millions	As a % of revenue	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	3.8		24.6		(85%)	(85%)
Gross profit	1.5	40.6%	23.1	93.6%	(53.0 ppt)	
Operating expenses	(10.6)	n.a.	(11.5)	(46.8%)	n.a.	
Profit from operations	(9.0)	n.a.	11.5	46.8%	n.a.	

The Patents & Others segment generated €4 million of revenue for the full year 2016 versus €25 million in 2015. Operating expenses were lower by (€0.9) million, and the segment posted an operating loss of (€9) million in 2016.

Additional information

Below is a highlight of new contracts and achievements published by the Company in 2016

Payment & Identity

January, 19 2016	Finland selects Gemalto for its new secure electronic passport and eID
February, 24 2016	Peru selects the Imprimerie Nationale Group and Gemalto for end-to-end ePassport program
April, 7 2016	Gemalto eBanking solution increases online security for BBVA Bancomer in Mexico
May, 10 2016	JETCO selects Gemalto to roll out secure Peer-to-Peer mobile payments in Hong Kong
May, 16 2016	Colorado partners with Gemalto for secure polycarbonate identity credentials
June, 7 2016	Colombia selects Gemalto's secure ePassport solution
July 13, 2016	Maryland unveils a new secure driver's license leveraging Gemalto's polycarbonate technology
September 1, 2016	Posten Norge selects Gemalto ID Verification to strengthen fraud protection for Norway
September 6, 2016	Gemalto significantly expands big data security offerings
September 20, 2016	Gemalto releases findings of first half 2016 Breach Level Index
October 11, 2016	Norway chooses Gemalto's fully integrated solution for eID and ePassport
November 14, 2016	Gemalto Wins U.S. Government Grant for Digital Driver's License Pilot in Four Jurisdictions
November 30, 2016	Paris Aéroport selects Gemalto to ease and secure passenger flow at border control
December 1, 2016	Le Groupement des Cartes Bancaires CB" selects Gemalto PURE technology to launch mobile payment
December 9, 2016	Gemalto to acquire 3M's Identity Management Business

Mobile

February 8, 2016	Verizon certifies Gemalto's first Cat. 1 LTE M2M Solution for IoT
February 23, 2016	Gemalto and Jasper Partner to Simplify the Global Deployment of IoT Devices
May 3, 2016	Verizon selects Gemalto to migrate to Advanced OTA technology for 4G LTE services
June 30, 2016	KDDI in Japan selects Gemalto's Connected cars and IoT solution
August 29, 2016	TIM and Samsung launch the first smartwatch in Italy with integrated eSIM, in collaboration with Gemalto
September 12, 2016	Carrefour payment cards go digital thanks to Gemalto's proven Trusted Service Hub
September 21, 2016	Gemalto and Valeo partner to turn your smartphone into a secure car key
September 27, 2016	Norwegian national payment scheme BankAxept trusts Gemalto to enable mobile financial services for banks
October 17, 2016	Alibaba and Gemalto work hand-in-hand to secure China's IoT market
October 18, 2016	PSA Group to equip millions of connected cars with Gemalto M2M solution
November 3, 2016	Gemalto pioneers SIM Reactivation solution to help operators reconnect with lapsed prepaid subscribers
November 21, 2016	Gemalto extends remote provisioning to all consumer devices with GSMA compliant solution
December 13, 2016	China Mobile enters the connected car market with Gemalto's remote subscription management solution

Industry Recognitions

January 6, 2016	Gemalto Cat 1 LTE connectivity solution wins Most Innovative Application Award
March 15, 2016	Gemalto Wins "Best Identity Management Platform" in GSN 2015 Homeland Security Awards
May 25, 2016	Gemalto Wins 2016 Cybersecurity Excellence Award for Best Multi-Factor Authentication Solution
October 4, 2016	Juniper Research recognizes Gemalto as an established leader in fast-growing IoT market
October 6, 2016	Gemalto wins innovation award at the Boursorama 2016 Investor Awards

Proposed dividend

The Board of Gemalto has decided to propose to the 2017 Annual General Meeting of Shareholders the payment of a cash dividend of €0.50 per share in 2017 in relation with the 2016 financial year, a +6% increase compared to the cash dividend of €0.47 per share paid in 2016 in relation with the 2015 financial year. If approved, the time schedule related to the dividend payment will be as follows:

May 22, 2017	Ex-dividend date (the date as of which shares are traded without the right to the 2016 dividend)
May 23, 2017	Dividend record date (the date on which shareholder positions are recorded as per close of business in order to be entitled to the 2016 dividend distribution)
May 24, 2017	Payment date of dividend

Gemalto shares will trade ex-dividend as from the beginning of the trading session on May 22, 2017. Holders of Gemalto shares on May 22, 2017 who would not have previously sold their shares will be able to freely trade their shares on the stock exchange as from such date and will not need to block their shares until the payment date of the dividend to benefit from such dividend.

Outlook

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

Live Audio Webcast and Conference call

Gemalto full year 2016 results presentation will be webcast in English today at 3pm Amsterdam and Paris time (2pm London time and 9am New York time).

This listen-only live audio webcast of the presentation and the Q&A session will be accessible from our Investor web site:

www.gemalto.com/investors

Questions will be taken by way of conference call. Investors and financial analysts wishing to ask questions should join the presentation by dialing:

(UK) +44 203 367 9454 or (US) +1 855 402 7763 or (FR) +33 1 7077 0940

The accompanying presentation slide set is also available for download on our Investor Relations web site.

Replays of the presentation and Q&A session will be available in webcast format on our Investor Relations web site approximately 3 hours after the conclusion of the presentation. Replays will be available for one year.

The annual report, including the financial statements as of December 31, 2016, is available on our Investor web site.

Reporting calendar

Financial reporting for the first three quarters of 2017 will be made before the opening of Euronext Amsterdam on the following dates:

April 28, 2017	Publication of 2017 first quarter revenue
September 1, 2017	Publication of 2017 first semester results
October 27, 2017	Publication of 2017 third quarter revenue

Gemalto N.V. will hold its 2017 Annual General Meeting of Shareholders (AGM) on Thursday, May 18, 2017. The persons entitled to attend and cast votes at the AGM will be those who are recorded as having such rights after the close of trading on the relevant Euronext stock exchange on April 20, 2017 (the "Record Date") in Gemalto's shareholders register, or in a register of a financial institution affiliated to Euroclear France S.A., regardless of whether they are shareholders at the time of the AGM.

The agenda of the AGM is scheduled to be published on March 16, 2017 on the Gemalto website. This agenda includes the proposed nomination of Ms. Jill D. Smith as independent, non-executive member of the Gemalto board for a term of four years.

The Annual General Meeting of Shareholders will be held at the Sheraton Amsterdam Airport Hotel & Conference Center, Schiphol Boulevard 101, 1118 BG Schiphol Airport, the Netherlands at 2:00 p.m. CET.

Stock Exchange Listing

Gemalto N.V. is dual listed on Euronext Amsterdam and Paris, in the compartment A (Large Caps).

Mnemonic:	GTO
Exchange	Dual listing on Euronext Amsterdam and Paris
Market of reference	Euronext Amsterdam
ISIN Code	NL0000400653
Reuters	GTO.AS
Bloomberg	GTO:NA

Gemalto has also established a sponsored Level I American Depository Receipt (ADR) Program in the United States since November 2009. Each Gemalto ordinary share is represented by two ADRs. Gemalto's ADRs trade in U.S. dollar and give access to the voting rights and to the dividends attached to the underlying Gemalto shares. The dividends are paid to investors in U.S. dollar, after being converted into U.S. dollar by the depository bank at the prevailing rate.

Structure	Sponsored Level I ADR
Exchange	OTC
Ratio (ORD:DR)	1:2
DR ISIN	US36863N2080
DR CUSIP	36863N 208

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This press release contains inside information as referred to in article 7 paragraph 1 of Regulation (EU) 596/2014 (Market Abuse Regulation).

About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the global leader in digital security, with 2016 annual revenues of €3.1 billion and customers in over 180 countries. We bring trust to an increasingly connected world.

Our technologies and services enable businesses and governments to authenticate identities and protect data so they stay safe and enable services in personal devices, connected objects, the cloud and in between.

Gemalto's solutions are at the heart of modern life, from payment to enterprise security and the internet of things. We authenticate people, transactions and objects, encrypt data and create value for software – enabling our clients to deliver secure digital services for billions of individuals and things.

Our 15,000+ employees operate out of 112 offices, 43 personalization and data centers, and 30 research and software development centers located in 48 countries.

For more information visit
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Appendix 1

Reconciliation from IFRS to Adjusted financial information

Full year 2016 (€ in millions)			Basic	Diluted	
Weighted average number of shares outstanding (in thousands)			88,703	89,649	
IFRS financial information			Excluding non-controlling interest	Basic EPS	Diluted EPS
	Operating profit	346,946			
	Financial income	(34,268)			
	Profit from Associates	2,059			
	Impairment of associates, net	(21,042)			
	Income tax	(107,497)			
IFRS	Net profit for the period	186,198	185,726	2.09	2.07
Reconciliation to adjusted financial information					
	Share-based compensation expense and associated costs	9,238			
	Fair value adjustment upon business acquisition	3,242			
	Restructuring and acquisition-related expenses	35,656			
	Amortization and depreciation of intangibles resulting from acquisitions	57,576			
	Income tax	(25,028)			
Adjusted	Net profit for the period	266,882	266,410	3.00	2.97

The full year 2016 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the twelve-month period ended December 31, 2016, i.e. 88,702,517 shares. The full year 2016 adjusted diluted earnings per share is determined by using 89,648,074 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding and considering that all outstanding share based instruments were exercised (1,784,347 instruments) and the proceeds received from the instruments exercised (€47,109,867) were used to buy-back shares at the average share price of the full year 2016 (838,790) shares at €56.16.

Full year 2015			Basic	Diluted
(€ in millions)				
Weighted average number of shares outstanding (in thousands)			87,812	89,077
IFRS financial information				
		Excluding non-controlling interest	Basic EPS	Diluted EPS
	Operating profit	203,347		
	Financial income	(37,963)		
	Share of profit of associates	2,058		
	Impairment of associates, net	0		
	Income tax	(30,571)		
IFRS	Net profit for the period	136,871	1.56	1.54
Reconciliation to adjusted financial information				
	Share-based compensation expense and associated costs	38,638		
	Fair value adjustment upon business acquisition	70,722		
	Restructuring and acquisition-related expenses	49,079		
	Amortization and depreciation of intangibles resulting from acquisitions	60,843		
	Income tax	(52,665)		
Adjusted	Net profit for the period	303,488	3.45	3.41

Appendix 2

Consolidated statement of financial position

(€ in millions)	December 31, 2016	December 31, 2015
Assets		
Non-current assets		
Property, plant and equipment, net	329,448	347,994
Goodwill, net	1,561,666	1,524,933
Intangible assets, net	564,588	592,597
Investments in associates	48,011	64,897
Deferred income tax assets	111,467	197,212
Other non-current assets	64,554	45,585
Derivative financial instruments	-	276
Total non-current assets	2,679,734	2,773,494
Current assets		
Inventories, net	244,962	273,564
Trade and other receivables, net	1,027,215	949,690
Derivative financial instruments	11,404	18,048
Cash and cash equivalents	663,517	407,659
Total current assets	1,947,098	1,648,961
Total assets	4,626,832	4,422,455
Equity		
Share capital	89,929	89,008
Share premium	1,291,795	1,240,241
Treasury shares	(29,042)	(36,329)
Fair value and other reserves	(59,872)	(8,135)
Cumulative translation adjustments	74,265	39,505
Retained earnings	1,303,176	1,158,525
Capital and reserves attributable to the owners of the Company	2,670,251	2,482,815
Non-controlling interests	5,196	6,716
Total equity	2,675,447	2,489,531
Liabilities		
Non-current liabilities		
Borrowings	557,518	549,758
Deferred income tax liabilities	120,109	122,817
Employee benefit obligations	133,136	121,958
Provisions and other liabilities	121,480	145,335
Derivative financial instruments	12,604	5,966
Total non-current liabilities	944,847	945,834
Current liabilities		
Borrowings	173,088	192,579
Trade and other payables	715,767	718,585
Current income tax liabilities	31,383	33,799
Provisions and other liabilities	17,332	19,366
Derivative financial instruments	68,968	22,761
Total current liabilities	1,006,538	987,090
Total liabilities	1,951,385	1,932,924
Total equity and liabilities	4,626,832	4,422,455

Appendix 3

Cash position variation schedule

<i>€ in millions</i>	Year ended December 31	
	2016	2015
Cash and bank overdrafts, beginning of period	405	1,057
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)
Net cash generated by operating activities before Time de-correlated hedging effect/(Prepaid derivatives)	409	479
Time-decorrelated hedging effect/(Prepaid derivatives)	49	(124)
Net cash generated by operating activities	458	355
Capital expenditure and acquisitions of intangibles	(140)	(185)
Free cash flow	318	170
Interest received	3	3
Cash used by acquisitions	(3)	(897)
Other cash provided by investing activities	4	0
Currency translation adjustments	3	5
Cash generated (used) by operating and investing activities	325	(719)
Cash generated (used) by the liquidity and share buy-back programs	1	(3)
Dividend paid to Gemalto shareholders	(42)	(37)
Net proceed (repayment) from/of financing instruments	(14)	117
Interest paid	(15)	(13)
Other cash provided (used) by financing activities	3	2
Cash and bank overdrafts, end of period	663	405
Current and non-current borrowings excluding bank overdrafts, end of period	(730)	(740)
Net (debt), cash, end of period	(67)	(335)

Appendix 4

Platforms & Services

Full year revenue Platforms & Services activities (€ in millions)	2016	2015	Year-on-year variations at constant exchange rates	Year-on-year variations at historical exchange rates
Mobile	251	248	+3%	+1%
Payment & Identity	768	650	+19%	+18%
Total	1,019	898	+15%	+13%

Appendix 5

Revenue by region

Full year € in millions	Full year 2016	Full year 2015	Year-on-year variations	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	1,366	1,378	=	(1%)
Americas	1,178	1,189	=	(1%)
Asia	583	554	6%	5%
Total revenue	3,127	3,122	1%	0%

Fourth quarter € in millions	Fourth quarter 2016	Fourth quarter 2015	Year-on-year variations	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	402	394	4%	2%
Americas	301	313	(5%)	(4%)
Asia	175	147	18%	19%
Total revenue	878	854	3%	3%

Appendix 6

Average exchange rates between the Euro and the US dollar

EUR/USD	2016	2015
First quarter	1.10	1.16
Second quarter	1.13	1.09
First half	1.11	1.13
Third quarter	1.11	1.11
Fourth quarter	1.09	1.09
Second half	1.10	1.10
Full year	1.11	1.11