

Gemalto first semester 2017 results

- Revenue of €1.4 billion, lower by (8%) at constant exchange rates and (7%) at historical exchange rates
- Government Programs and Machine-to-Machine acceleration in the second quarter after a slow start
- Acquisition of 3M's Identity Management Business well received by customers
- Profit from operations at €93 million, with €50 million of free cash flow
- €425 million goodwill impairment charge as a result of deteriorated prospects for the removable SIM market

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, September 1, 2017, at 12:00am - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester 2017.

Key figures of the adjusted income statement

(€ in millions)	First semester 2017	First semester 2016	Year-on-year variations	
			at historical exchange rates	at constant exchange rates
Revenue	1,393	1,495	(7%)	(8%)
Gross profit	502	586	(14%)	
Operating expenses	(409)	(415)	(1%)	
Profit from operations	93	172	(46%)	
Profit margin	6.7%	11.5%	(4.8 ppt)	

Philippe Vallée, Chief Executive Officer, commented: "In the second quarter, Gemalto's year-on-year base of comparison in the US Payment business was at its most challenging level, reflecting the on-going adjustments in US EMV demand. In addition the removable SIM business deteriorated faster than we expected. As a result, the Company's first semester results were disappointing. Looking ahead, Gemalto expects to generate year-on-year stable revenue in the second semester supported by an acceleration in its Enterprise, Government Programs and Machine-to-Machine businesses leading to the outlook announced in July. The priorities that I have set for the teams are to rapidly integrate the newly acquired Identity Management Business, successfully execute the first actions of the transition plan and focus our investments on offers that are key to our clients' digital transformation."

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 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).

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 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. These items are further explained as follows:

- Amortization, and impairment of intangibles resulting from acquisitions are defined as the amortization, and impairment expenses related to intangibles assets and goodwill 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 an acquisition process).
- Equity-based compensation charges are defined as (i) the discount granted to employees acquiring Gemalto shares under Gemalto Employee Stock Purchase plans; (ii) the amortization of the fair value of stock 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 impairment 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 interim condensed 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	First semester 2017		First semester 2016		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	1,392.8		1,495.2		(7%)	(8%)
Gross profit	501.9	36.0%	586.3	39.2%	(3.2 ppt)	
Operating expenses	(409.1)	(29.4%)	(414.6)	(27.7%)	(1.6 ppt)	
EBITDA	163.3	11.7%	239.3	16.0%	(4.3 ppt)	
Profit from operations	92.8	6.7%	171.7	11.5%	(4.8 ppt)	
Net profit (excl. non-controlling interests)	39.4	2.8%	106.4	7.1%	(4.3 ppt)	
Basic Earnings per share (€)	0.44		1.20		(64%)	
Diluted Earnings per share (€)	0.44		1.19		(63%)	

Total revenue for the first semester 2017 came in at €1,393 million, lower by (7%) at historical exchange rates and (8%) at constant exchange rates.

Gross profit was lower by €84 million, at €502 million. The reduction in gross profit for the Payment, SIM and related services was partially offset by the increase from the other businesses. Gross margin was 36%, lower by 3 percentage points year-on-year, as the operating leverage of Payment business and Mobile segment were not fully realized during the semester.

Operating expenses were down, by (€5) million, at (€409) million through tight control of expenses in Payment and SIM businesses while the Company continued to invest in the growing businesses. As a result, profit from operations was €93 million. The acquired Identity Management Business contributed €1.5 million in profit from operations since May 1.

Gemalto's financial income was (€11) million compared to (€23) million in the first semester of 2016. This €11 million improvement came mainly from a non-cash currency impact related to the change in classification of equity securities. Impairment of associates was a positive €10 million due to a change in the market capitalization of an associate. As a result, adjusted profit before income tax came in at €93 million.

Adjusted income tax expense was (€54) million in the first semester of 2017 compared with (€29) million one year ago. This (€26) million expense increase mainly reflects the estimated non-cash deferred tax asset reduction following Gemalto's 2017 profit from operations outlook revision. Excluding this non-recurring impact, the adjusted income tax expense would have been (€12) million and the adjusted income tax rate would have been 13% for the first semester. This exceptional charge has no impact on the expected normative adjusted effective tax rate going forward.

Overall, the adjusted net profit of the Company was €39 million. Consequently, adjusted basic earnings per share and adjusted diluted earnings per share came in at €0.44. Excluding the non-recurring tax asset reduction, the adjusted basic earnings per share and adjusted diluted earnings per share came in at €0.91 and €0.90 respectively.

IFRS results

Amortization and impairment of intangibles resulting from acquisitions increased by (€439) million to (€468) million. Most of this increase came from the previously announced (€425) million one-off non-cash impairment, resulting from the deteriorated prospects for the removable SIM market, mainly in relation to the goodwill generated upon the IPO of Axalto in 2004 and the Axalto-Gemplus merger in 2006. To a lesser extent the increase also came from the newly acquired Identity Management Business. Restructuring and acquisition-related expenses increased by (€23) million to (€37) million due to the first actions of the transition plan, the implementation of a new information system (ERP) and business combination costs. Gemalto equity-based compensation expense came in at (€20) million.

Fair value adjustment related to the non-cash amortization of the IFRS revaluation of SafeNet's pre-acquisition deferred revenue accounted for (€1) million for the first semester 2017 compared to (€2) million for the same period last year.

As a result, excluding the non-cash impairment, Gemalto recorded €0.43 million for the first semester of 2017 in its IFRS operating profit compared to €108 million a year ago.

The income tax expense for the first semester at (€41) million is mainly composed of a non-cash deferred tax asset reduction following Gemalto's revised profit from operations outlook. Excluding these non-recurring item, the impairment expenses and the anticipated restructuring expenses, the effective tax rate of the Company is expected to be at the normative level for the full year 2017.

The IFRS net result is at (€473) million for the first semester of 2017 and the IFRS basic earnings per share and diluted earnings per share for the first semester 2017 are (€5.27) and (€5.25) respectively. Excluding the impairments and deferred tax asset reduction, the basic earnings per share and diluted earnings per share are €0.01.

Statement of financial position and cash position variation schedule

In the first semester of 2017, operating activities generated a cash flow of €121 million before changes in working capital, lower compared to €177 million in 2016. Changes in working capital reduced cash flow by (€1) million, less than during the same period of 2016.

Cash used in restructuring actions and acquisition related expenses increased by (€7) million to (€23) million compared with the first semester of 2016 due to the optimization of operation footprint and resources as well as implementation of a new information system.

Capital expenditure and acquisition of intangibles represented a net cash outflow of (€68) million, i.e. 4.9% of revenue compared to (€75) million, i.e. 5% for the same period of last year. Purchase of Property, Plant, and Equipment reduced by €9 million down to (€25) million and acquisition & capitalization of intangibles came in at (€43) million.

As a result, in the first semester of 2017, the Company generated free cash flow of €50 million compared to €64 million for the same period of 2016.

Acquisitions used (€761) million in cash as the Identity Management Business acquisition was closed during the first semester of 2017.

Gemalto's share buy-back and liquidity programs generated a (€0.5) million net cash outflow for the first semester of 2017. As at June 30, 2017, the Company held 496,796 shares, i.e. 0.5% of its own shares in treasury. The total number of Gemalto shares issued increased by 495,175 this semester, to 90,423,814 shares. Net of the 496,796 shares held in treasury, 89,927,018 shares were outstanding as at June 30, 2017.

On May 18, 2017, Gemalto paid a cash dividend of €0.50 per share in respect of the fiscal year 2016, up +6% on the dividend paid in May 2016 which was of €0.47 per share. This May 2017 distribution used €45 million in cash.

Net proceeds from financing instruments generated a €334 million cash inflow, mainly from drawdown of commercial paper, issuance of private placements and borrowings.

Cash in hand, net of bank overdrafts amounted to €236 million as at June 30, 2017.

Considering the €1,074 million total amount of borrowings as at June 30, 2017, Gemalto's net debt position increased to €838 million compared to a net debt position of €334 million as at June 30, 2016. The (€505) million variation is related to the use of cash for the acquisition of 3M's Identity Management Business, partially offset by the Company cash flow generation during the last twelve months.

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
Second quarter					
Revenue	471	269	740	2	742
At constant rates	(7%)	(12%)	(9%)	+49%	(9%)
At historical rates	(7%)	(10%)	(8%)	+49%	(8%)

During the second quarter, revenue decreased by (8%) at historical exchange rates and (9%) at constant exchange rates. Payment & Identity segment revenue was lower by (7%) at constant exchange rates. The decrease of the Payment business was partially offset by the increase in Government Programs and Data Encryption business line in the second quarter. The Mobile segment revenue was lower by (12%) at constant exchange rates in the second quarter of 2017 compared to 2016 due to the revenue decrease in the removable SIM business and Mobile Platforms & Services activity.

Year-on-year variations and currencies impact (€ in millions)	Payment & Identity	Mobile	Total two main segments	Patents & Others	Total
First semester					
Revenue	875	516	1,391	2	1,393
At constant rates	(8%)	(10%)	(8%)	+45%	(8%)
At historical rates	(7%)	(7%)	(7%)	+45%	(7%)
As a percentage of total revenue	63%	37%	100%	0%	100%

Overall, for the first semester of 2017, the Payment & Identity segment contribution remained unchanged, compared with the same period of last year, at 63% of total Company revenue.

Contribution by activity First semester 2017 (€ in millions, variations at constant exchange rates)	Embedded software & Products	Platforms & Services	Total two main segments	Patents & Others
Revenue	937	453	1,391	2
Year-on-year revenue growth	(9%)	(8%)	(8%)	+45%
As a percentage of revenue	67%	33%	100%	0%

In the first semester of 2017, Embedded software & Products were reduced by (9%) due to lower SIM sales to mobile network operators and payment cards in Americas. Platforms & Services activity decreased by (8%) at constant exchange rates, representing 33% of total Company revenue. This is mainly due to the on-going normalization of the US EMV market which reduced the level of issuance services as well as the decline in the Mobile Platforms & Services activity.

Profit from operations (€ in millions)	Total (including Patents & Others)	Payment & Identity	Mobile
First semester	93	81	16
As a percentage of the total profit from operations	100%	87%	18%

First semester profit from operations came in at €93 million as the operating leverage for the Payment and SIM businesses has not been fully realized over the semester. The contribution of the Payment & Identity segment for this semester is 87% of the total profit from operations.

Based on the first semester revenue trends in Payment and removable SIM, Gemalto has launched in April a transition plan which is expected to contribute over €50 million to profit from operations annually. Since then, the Company has started to align its capacity, footprint and resources to long-term US EMV market demand. The Company has also initiated the shut-down of a sub-business line activity as a first result of its portfolio review in order to align itself with its long-term priorities. The Company continues to work on business efficiency and portfolio streamlining. The expected in-year transition plan impact is around €15 million in 2017.

Payment & Identity

	First semester 2017		First semester 2016		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	875.0		936.8		(7%)	(8%)
Gross profit	332.8	38.0%	374.0	39.9%	(1.9 ppt)	
Operating expenses	(252.0)	(28.8%)	(255.8)	(27.3%)	(1.5 ppt)	
Profit from operations	80.8	9.2%	118.2	12.6%	(3.4 ppt)	

Payment & Identity's first semester revenue came in at €875 million, lower by (8%) at constant exchange rates compared to the same period in 2016. The segment's Embedded software & Products sales were at €532 million and its Platforms & Services sales at €343 million, lower by (8%) and (6%) year-on-year respectively.

The Payment business was lower by (19%) at €414 million. Sales in Americas decreased by (37%) year-on-year during the first semester versus +33% a year ago. This is due to the on-going return to normalized inventory levels of US EMV cards at Gemalto's customers coupled with a soft market environment in Latin America. Payment Embedded software & Products sales were lower by (18%) and Payment Platforms & Services revenue decreased by (19%) compared to the first semester of 2016. Furthermore, Gemalto is currently regrouping its Mobile Financial Services offers with its eBanking offers to better align the digital banking and payment offers in light of the European Payment Service Directive 2 (PSD2) initiative.

Revenue from the Enterprise business came in at €217 million for the first semester of 2017, stable at historical exchange rates and down (1%) at constant exchange rates. The Data Encryption business line grew by 6% during the semester. Authentication and Software Monetization revenues fell due to the shift to cloud and software services subscription models. To meet the market demand for cybersecurity solutions, the Enterprise business is increasing its investments to expand its services portfolio in this growing sector.

The Government Programs business was up +11%, at €243 million. Government Programs' Embedded software & Products revenue sales expansion was +15% year-on-year, and its Platforms & Services sales were up +1% year-on-year. The acquired Identity Management Business contribution in the second quarter was €22 million, more than offset the decline in the organic portion of Government Platforms & Services activity which had grown by +30% in the first semester of 2016. Project backlog continued to expand during the first semester.

Overall, the Payment & Identity segment's gross margin came in at 38%, lower by (1.9) percentage points compared to the first semester of 2016 as the operating leverage in the Payment business was not fully realized due to the revenue decrease.

Operating expenses were €4 million lower at (€252) million in the first semester of 2017, despite increased investment in the Enterprise business and the addition of the acquired Identity Management Business. This was largely due to a tightening of operating expenses in the Payment business.

As a result, profit from operations in Payment & Identity for the first semester 2017 came in at €81 million and profit from operations margin at 9.2%.

Mobile

	First semester 2017		First semester 2016		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	515.6		556.8		(7%)	(10%)
Gross profit	167.9	32.6%	212.0	38.1%	(5.5 ppt)	
Operating expenses	(151.5)	(29.4%)	(153.1)	(27.5%)	(1.9 ppt)	
Profit from operations	16.4	3.2%	58.9	10.6%	(7.4 ppt)	

The Mobile segment posted revenue of €516 million for the first semester of 2017. Revenue was lower by (7%) at historical exchange rates compared to the same period of 2016.

Embedded software & Products sales for the segment came in at €405 million, lower by (9%) at constant exchange rates. SIM sales decreased by (17%) at €239 million for the first semester partly due to lower market share in a more competitive landscape as mobile network operators continue to shift their investments from removable SIMs to focus on next generation connectivity. This evolution was also coupled to soft demand in regions affected by stricter subscription registration processes. SIM sales now represent only 17% of total Company revenue in the first semester. The Machine-to-Machine business accelerated in the second quarter, up +15% year-on-year, leading to revenue growth of +7% at €166 million in the first semester of 2017. New design wins recorded during the period will support further business acceleration in the second semester.

The Platforms & Services revenue for the Mobile segment was lower by (12%) in the first semester of 2017 at €111 million. The revenue decline is mainly due to lower activity in Mobile Financial Services. Excluding Mobile Financial Services, the Mobile Subscriber Services business line grew by +2%. Since the adoption of GSMA specifications related to embedded SIMs (eSIMs) remote activation and management, Gemalto's Mobile Subscriber Services business has made significant progress with recent project wins in both the machine-to-machine and consumer markets with clients such as Microsoft, Lenovo Connect, AT&T and Telefónica.

Gross margin for the Mobile segment decreased to 32.6% this semester. This is due to operating leverage not being fully realized as a consequence of lower activities in removable SIM and Mobile Platforms & Services combined with an expansion in the historically lower gross margin Machine-to-Machine business.

Operating expenses decreased to (€151) million this semester from (€153) million in the first semester of 2016. This reflects double-digit reduction of the removable SIM business operating expenses while investment continued in Machine-to-Machine and in next generation connectivity.

As a result, the Mobile segment's profit from operations for the first semester of 2017 was €16 million.

Patents & Others

	First semester 2017		First semester 2016		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	2.2		1.5		+45%	+45%
Gross profit	1.2	56.7%	0.4	24.6%	-	-
Operating expenses	(5.7)	-	(5.7)	-	-	-
Profit from operations	(4.5)	-	(5.4)	-	-	-

The Patents & Others segment, generated €2 million in revenue in the first semester of 2017, versus €1.5 million in the first semester of 2016. Operating expenses were stable, and profit from operations came in at (€4) million in the first semester of 2017.

Additional information

Below is a highlight of new contracts and achievements published by the Company in the first semester of 2017

Payment & Identity

January, 5 2017	Uganda speeds visa issuance and strengthens border security with Gemalto
January, 31 2017	Gemalto to supply new Digital Identity Solution for the Swedish Tax Agency
March, 21 2017	Gemalto's HSM enables Microsoft Azure Information Protection customers to maintain full control
March, 28 2017	Gemalto releases findings of 2016 Breach Level Index
June, 1 2017	Four Canadian provinces award Gemalto for secure driver's license cards and issuance

Mobile

January, 3 2017	AT&T strengthens Internet of Things (IoT) offerings with Gemalto's solution
February, 21 2017	Gemalto and Microsoft join forces to provide seamless connectivity for Windows 10 devices
February, 28 2017	GigSky chooses Gemalto to enable seamless connectivity for devices around the world
May, 4 2017	Gemalto's secure smart chip to be integrated in the Samsung Galaxy S8 in selected markets
June, 28 2017	Mobike and Gemalto collaborate to bring IoT connectivity to bike-sharing services beyond China

Industry Recognitions

January, 18 2017	Gemalto wins Privacy Design Award for its Identity Verification solution
March 7, 2017	Gemalto LTE Cat. 1 solution wins IoT Evolution Connected Home & Building Award
March, 23 2017	Gemalto Wins 2017 Cybersecurity Excellence Award for Best Encryption Product
May, 3 2017	National Police Board of Finland & Gemalto win industry award for new ePassports and eID cards
May, 19 2017	Gemalto wins IoT Excellence Award for industry's first LTE M connectivity module
May, 24 2017	Gemalto wins ICMA Élan Award for Maryland's secure polycarbonate driver's license

Outlook

Looking ahead, compared with the same period of last year, the second quarter double digit revenue decreases in Payment in Americas and the SIM business are anticipated to continue for the second semester. These reductions should be offset by the expected revenue acceleration in Enterprise, Machine-to-Machine and Government Programs including the acquired Identity Management Business, leading to stable Company revenue for the second semester year-on-year.

Taking into account these revenue trends, the operating leverage of Payment and SIM businesses will not be realized as expected. The effect of the transition plan announced in April will start contributing materially towards the end of the year. Gemalto estimates its 2017 second semester profit from operations to be between €200 million and €230 million, leading to an expected full year profit from operations between €293 million and €323 million.

Live Audio Webcast and Conference call

Gemalto first semester 2017 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 Relations 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 9462 or (US) +1 855 402 7762 or (FR) +33 1 7077 0935

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 semi-annual report, including the interim condensed consolidated financial statements as of June 30, 2017, is available on our investor web site (www.gemalto.com/investors).

Reporting calendar

Third quarter 2017 revenue will be reported on Friday October 27, 2017, before the opening of Euronext Amsterdam. Gemalto will organize a Strategy Day for the financial community in the course of the first semester 2018.

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 Depositary 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.

From secure software to biometrics and encryption, 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

www.gemalto.com, or follow @gemalto on Twitter.

This communication does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Gemalto.

This communication contains certain statements that are neither reported financial results nor other historical information and other statements concerning Gemalto. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, events, products and services and future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. These and other information and statements contained in this communication constitute forward-looking statements for purposes of applicable securities laws. Although management of the Company believes that the expectations reflected in the forward-looking statements are reasonable, investors and security holders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by the forward-looking information and statements, and the Company cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this communication include, but are not limited to: trends in wireless communication and mobile commerce markets; the Company's ability to develop new technology and the effects of competing technologies developed; effects of the intense competition in the Company's main markets; challenges to or loss of intellectual property rights; ability to establish and maintain strategic relationships in its major businesses; ability to develop and take advantage of new software, platforms and services; profitability of the expansion strategy; effects of acquisitions and investments; ability of the Company to integrate acquired businesses, activities and companies according to expectations; ability of the Company to achieve the expected synergies from acquisitions; and changes in global, political, economic, business, competitive, market and regulatory forces. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. The forward-looking statements contained in this communication speak only as of the date of this communication and the Company or its representatives are under no duty, and do not undertake, to update any of the forward-looking statements after this date to conform such statements to actual results, to reflect the occurrence of anticipated results or otherwise except as required by applicable law or regulations.

Appendix 1

Reconciliation from Adjusted financial information to IFRS

Six-month period ended June 30 2017 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	1,392,842	-	-	-	-	1,392,842
Cost of sales	(890,920)	(43,580)	(11,692)	(5,172)	(1,042)	(952,406)
Gross profit	501,922	(43,580)	(11,692)	(5,172)	(1,042)	440,436
Operating expenses	(409,147)	(424,671)	(24,940)	(14,662)		(873,420)
Profit from operations	92,775					
Operating profit		(468,251)	(36,632)	(19,834)	(1,042)	(432,984)
Financial income	(11,420)					(11,420)
Share of profit / (loss) from associates	1,773					1,773
Non-recurring profit / (loss) relating to associates	10,105					10,105
Income Tax	(54,262)					(41,225)
Net profit adjusted	38,972					(473,751)
Non-controlling interests	(459)					(459)
Net profit excluding non-controlling interests	39,431					(473,292)
Number of shares Basic	89,837					89,837
Number of shares Diluted	90,195					90,195
EPS Basic (€)	0.44					(5.27)
EPS Diluted (€)	0.44					(5.25)
*Adjusted from deferred tax asset reduction			**Adjusted from impairments and deferred tax asset reduction			
EPS Basic (€)	*0.91					**0.01
EPS Diluted (€)	*0.90					**0.01

The first semester 2017 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the six-month period ended June 30, 2017, i.e. 89,836,968 shares. The first semester 2017 adjusted diluted earnings per share is determined by using 90,194,882 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 (892,434 instruments) and the proceeds received from the instruments exercised (€29,179,802) were used to buy-back shares at the average share price of the first semester 2017 (534,520 shares) at €54.59.

Six-month period ended June 30 2016 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	1,495,161	-	-	-	-	1,495,161
Cost of sales	(908,836)	(29,223)	(6,365)	(2,123)	(1,635)	(948,182)
Gross profit	586,325	(29,223)	(6,365)	(2,123)	(1,635)	546,979
Operating expenses	(414,614)		(7,709)	(16,963)		(439,286)
Profit from operations	171,711					
Operating profit		(29,223)	(14,074)	(19,086)	(1,635)	107,693
Financial income	(22,679)					(22,679)
Share of profit / (loss) from associates	3,576					3,576
Non-recurring profit / (loss) relating to associates	(16,887)					(16,887)
Income Tax	(28,512)					(13,172)
Net profit adjusted	107,209					58,531
Non-controlling interests	787					787
Net profit excluding non-controlling interests	106,422					57,744
Number of shares Basic	88,320					88,320
Number of shares Diluted	89,340					89,340
EPS Basic (€)	1.20					0.65
EPS Diluted (€)	1.19					0.65

Appendix 2

Interim consolidated statement of financial position

(€ in thousands)

	June 30, 2017	December 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment, net	323,563	329,448
Goodwill, net	1,495,291	1,561,666
Intangible assets, net	815,024	564,588
Investments in associates	11,577	48,011
Other investments	40,609	-
Deferred income tax assets	63,981	111,467
Other non-current assets	77,219	64,554
Derivative financial instruments	8,352	-
Total non-current assets	2,835,616	2,679,734
Current assets		
Inventories, net	258,317	244,962
Trade and other receivables, net	961,443	1,027,215
Derivative financial instruments	36,972	11,404
Cash and cash equivalents	238,593	663,517
Total current assets	1,495,325	1,947,098
Total assets	4,330,941	4,626,832
Equity		
Share capital	90,424	89,929
Share premium	1,308,279	1,291,795
Treasury shares	(23,202)	(29,042)
Fair value and other reserves	3,735	(59,872)
Cumulative translation adjustments	(20,027)	74,265
Retained earnings	784,971	1,303,176
Capital and reserves attributable to the owners of the Company	2,144,180	2,670,251
Non-controlling interests	2,477	5,196
Total equity	2,146,657	2,675,447
Liabilities		
Non-current liabilities		
Borrowings	724,883	557,518
Deferred income tax liabilities	136,853	120,109
Employee benefit obligations	132,356	133,136
Provisions and other liabilities	106,561	121,480
Derivative financial instruments	471	12,604
Total non-current liabilities	1,101,124	944,847
Current liabilities		
Borrowings	351,908	173,088
Trade and other payables	678,752	715,767
Current income tax liabilities	22,287	31,383
Provisions and other liabilities	26,556	17,332
Derivative financial instruments	3,657	68,968
Total current liabilities	1,083,160	1,006,538
Total liabilities	2,184,284	1,951,385
Total equity and liabilities	4,330,941	4,626,832

Appendix 3

Cash position variation schedule

<i>€ in millions</i>	Six-month period ended June 30	
	2017	2016
Cash and bank overdrafts, beginning of period	663	405
Cash generated by operating activities, before changes in working capital	121	177
Net change in working capital	(1)	(43)
Cash used in restructuring actions and acquisition related expenses	(23)	(16)
Net cash generated by operating activities before Time de-correlated hedging effect / (Prepaid derivatives)	97	117
Time de-correlated hedging effect / (Prepaid derivatives)	21	22
Net cash generated by operating activities	118	139
Capital expenditure and acquisitions of intangibles	(68)	(75)
Free cash flow	50	64
Interest received	1	1
Cash used by acquisitions	(761)	(3)
Currency translation adjustments	(7)	1
Cash generated (used) by operating and investing activities	(717)	64
Cash generated (used) by the liquidity and share buy-back program	(0)	0
Dividend paid to Gemalto shareholders	(45)	(42)
Net proceed (repayment) from/of financing instruments	334	(22)
Interest paid	(2)	(2)
Other cash provided (used) by financing activities	3	(2)
Cash and bank overdrafts, end of period	236	400
Current and non-current borrowings excluding bank overdrafts, end of period	(1,074)	(734)
Net (debt), cash, end of period	(838)	(334)

Appendix 4

Revenue, by region

First semester € in millions	First semester 2017	First semester 2016	Year-on-year variations	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	636	635	1%	0%
Americas	469	593	(24%)	(21%)
Asia	288	267	6%	8%
Total revenue	1,393	1,495	(8%)	(7%)

Second quarter € in millions	Second quarter 2017	Second quarter 2016	Year-on-year variations	
			at constant exchange rates	at historical exchange rates
Europe, Middle East and Africa	349	336	5%	4%
Americas	247	319	(25%)	(23%)
Asia	146	149	(3%)	(2%)
Total revenue	742	804	(9%)	(8%)