

Gemalto first quarter 2016 revenue

- Revenue at €691 million, up +1% at historical exchange rates and flat at constant exchange rates
- Strong head start in Government Programs, Machine-to-Machine, Enterprise and Payment fully offsets softer markets in Latin America and Asia and lower sales to mobile network operators
- 2016 outlook confirmed

Revenue variations are at constant exchange rates except where otherwise noted.
All figures presented in this press release are unaudited.

Amsterdam, April 29, 2016 - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its revenue for the first quarter of 2016.

First quarter 2016 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products (E&P)	Platforms & Services (P&S)	
Revenue	691	433	258	468	222	0
Year-on-year variation at constant exchange rates	=	+17%	(20%)	(8%)	+22%	n.s.
Year-on-year variation at historical exchange rates	+1%					

Olivier Piou, Chief Executive Officer, commented: “The revenue for the first quarter 2016 illustrates the success of Gemalto’s diversification strategy and the resilience of its business model. Strong performances in Government Programs, Machine-to-Machine, Enterprise and Payment have offset lower revenues from SIM and related services. We continue to focus our efforts and investment on our higher growth businesses, and confirm the improvement in our gross margin this quarter towards achieving our 2016 and 2017 objectives.”

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).

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 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 depreciation of intangibles resulting from acquisitions.

General information

First quarter 2016 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products	Platforms & Services	
Revenue	691	433	258	468	222	0
As a percentage of total revenue	100%	63%	37%	68%	32%	0%

For the first quarter of 2016, total revenue came in at €691 million, up +1% at historical exchange rates and stable at constant exchange rates. Payment & Identity, representing 63% of total Company revenue, posted sales of €433 million, up +17% year-on-year.

Embedded software & Products revenue of €468 million was (8%) lower compared to the same period last year due to lower sales to mobile network operators and to a lesser extent to lower sales to banks in China. Embedded software & Products activity for Government Programs and Machine-to-Machine continued to show strong positive trends during the quarter. Platforms & Services activities, representing 32% of first quarter Company revenue, posted sales of €222 million, an increase of +22% year-on-year, supported by the expansion in payment issuance services and data protection solutions.

The effects of currency movement in the first quarter of 2016 are minimal compared to the first quarter of 2015, resulting in a difference of less than 1 percentage point between revenue growth at historical and constant exchange rates. The hedging program, which aims at partially neutralizing the impact of sudden currency variations on the Company's profit from operations, produced a 0.1 percentage point difference compared to the same period last year.

The first quarter revenue of 2016 in the Americas region is stable compared to the same period in 2015. North America continued to grow despite the high comparison basis in Mobile sales last year, fully offsetting the soft market environment in Latin America. Revenue variations by region, at constant and historical exchange rates, are presented in Appendix 1.

Segment information

Payment & Identity

€ in millions	First quarter 2016	First quarter 2015
Revenue	433	369
Year-on-year variation at constant exchange rates	+17%	

The Payment & Identity segment's revenue came in at €433 million, increasing by +17% compared to the previous year.

Embedded software and Products revenue was up by +7% at €261 million. The segment's Platforms & Services revenue came in at €172 million, growing by +35% compared to the same period last year.

The Payment business grew +12% year-on-year, reaching €233 million. The Americas continue to post the largest growth with strong sales of EMV payment cards and issuance services in the United States offsetting lower sales in Asia.

The Enterprise business revenue increased to €103 million, up +14% on the same period in 2015. The trend in revenue mix within the business continues to move towards a higher proportion of software services.

The Government Programs business was up +34% versus a flat first quarter in 2015, at €97 million. The revenue increase stems from strong deliveries of previously won projects in all regions, and €6 million from the addition of Trüb AG, acquired in the second quarter of 2015.

Mobile

€ in millions	First quarter 2016	First quarter 2015
Revenue	258	316
Year-on-year variation at constant exchange rates	(20%)	

The Mobile segment posted revenue of €258 million, (20%) lower at constant exchange rates compared to the first quarter of previous year.

Embedded software & Products revenue for the segment came in at €207 million. SIM sales were lower by (34%) at €133 million due to the tail-end effect of the U.S. operators mobile payment service 2015 closing announced earlier and to lower demand in Latin America and Asia. The Machine-to-Machine business continued to grow, by +12% year-on-year on top of a strong +25% increase a year ago, at €75 million driven by the expanding global demand of connected devices and embedded secure elements (eSE) for the Internet of Things (IoT).

Platforms & Services revenue for the segment came in at €50 million, reduced by (9%) year-on-year as Mobile Financial Services revenue decreased year-on-year, also due to last year's U.S. operators mobile payment service closing.

Patents & Others

€ in millions	First quarter 2016	First quarter 2015
Revenue	0.4	0.6
Year-on-year variation at constant exchange rates	(29%)	

Patents & Others revenue was €0.4 million this quarter versus €0.6 million during the same period in 2015.

Additional information

- **Finland selects Gemalto for its new secure electronic passport and eID**
Gemalto has been chosen by the National Police Board in Finland to supply the country's new ePassport, which will enable secure and faster border crossings. The new travel document has advanced security features and is fully compliant with ICAO1 requirements. Gemalto is already responsible for Finland's polycarbonate electronic ID (eID) and resident permit cards. Under the new multi-year contract Gemalto will produce and personalize hundreds of thousands of Sealys ePassports and eID cards each year. These will be issued to citizens within days or even hours, via a convenient nationwide network of trusted retail outlets and delivery points.
- **Gemalto releases findings of 2015 Breach Level Index**
Gemalto released the latest findings of the Breach Level Index, revealing that 1,673 data breaches led to 707 million data records being compromised worldwide during 2015. The Breach Level Index (BLI) is a global database that tracks data breaches globally and measures their severity based on multiple dimensions, including the type of data and the number of records compromised, the source of the breach, and whether or not the data was encrypted. According to the Breach Level Index, more than 3.6 billion data records have been exposed since 2013 when the index began benchmarking publicly disclosed data breaches.
- **Gemalto and PROSA Partner to Offer Mobile Payments in Mexico**
Gemalto and PROSA, one of the largest payment processors in Latin America, announce a partnership to bring mobile payments to Mexico. PROSA has operations in eight Latin American countries and will provide mobile payment services to all customers, which include 95% of credit, debit and prepaid card issuers in Mexico. Gemalto's Allynis Trusted Service Hub (TSH) enables easy new customer onboarding, which allows banks to swiftly launch their own NFC mobile payment wallets utilizing host card emulation (HCE). Another important feature of Gemalto's TSH is its ability to provision payment wallets from device manufacturers and mobile network operators as they launch in Mexico.
- **Verizon certifies Gemalto's first Cat. 1 LTE M2M Solution for IoT**
Gemalto announces its leading edge Cinterion® Cat. 1 LTE M2M module is Verizon certified to connect to the largest and most reliable 4G LTE network in the U.S. M2M and IoT device manufacturers currently using 2G or 3G technologies will now have a ruggedized industry connectivity solution for devices that require the performance and longevity of 4G networks. Machine to Machine (M2M) device makers leveraging the Verizon 4G LTE network have access to a future-proof Category 1 solution enabling highly efficient, cost optimized LTE connectivity and a quick go-to-market roadmap.
- **Gemalto and Bridge Alliance, a partnership of 35 leading operators in Asia, demonstrate GSMA standards-based solution for multi-country deployment of IoT devices**
Gemalto and Bridge Alliance demonstrated a solution for multi-country deployment of IoT devices at the Mobile World Congress using Gemalto's LinqUs On-Demand Connectivity (ODC) subscription management solution. Bridge Alliance is a partnership of 35 leading operators in Asia Pacific, Middle East and Africa, serving over 750 million customers. This demonstration, based on the GSMA interoperable standards, shows how hermetically sealed M2M and IoT devices such as connected cars or smart meters can securely connect to any Bridge Alliance Member Operator using remote 'over-the-air' provisioning.
- **Gemalto and Jasper Partner to Simplify the Global Deployment of IoT Devices**
Gemalto and Jasper, a global Internet of Things (IoT) platform leader, today announced a partnership to simplify global deployment of IoT devices and services through on-demand subscription management. Integrating Jasper's IoT service platform with Gemalto's LinqUs On-Demand Connectivity removes the complexity of deploying connected services worldwide – for mobile operators, device manufacturers, and application providers. Customers can provision and manage subscriptions on devices remotely via a single embedded SIM (eSIM), resulting in more efficient and cost-effective deployment models while enabling rapid distribution and device activation.

Outlook

For 2016, with the positive trends in Enterprise, Government Programs, Machine-to-Machine and the US EMV ramp-up effort completed, Gemalto expects to generate a +1.5 percentage point gross margin increase, accelerating its profit from operation expansion towards its 2017 objectives.

Live Audio Webcast and Conference call

Gemalto first quarter 2016 revenue 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 9457 or (US) +1 855 402 7762 or (FR) +33 1 7077 0939

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.

Calendar

Gemalto N.V. will hold its 2016 Annual General Meeting of Shareholders (AGM) on Thursday, May 19, 2016 at the Hyatt Place Amsterdam Airport Hotel, Rijnlanderweg 800, 2132 NN Hoofddorp (Haarlemmermeer), the Netherlands at 2:00 p.m. CET.

The first semester 2016 results will be reported on Friday August 26, 2016, before the opening of Euronext Paris.

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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About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the global leader in digital security, with 2015 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 14,000+ employees operate out of 118 offices, 45 personalization and data centers, and 27 research and software development centers located in 49 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's 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.

Appendices

Appendix 1

Revenue by region

€ in millions	First quarter 2016	First quarter 2015	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	299	282	+6%	+6%
Americas	274	270	=	+1%
Asia	118	134	(13%)	(12%)
Total revenue	691	686	=	+1%