

## Gemalto third quarter 2016 revenue and 2017 outlook

- Revenue at €753 million, (1%) at constant exchange rates
- Trends are positive for Machine-to-Machine, Government Programs, Enterprise and in line with third quarter expectations for Payment and Mobile
- For 2016 Gemalto expects to generate a +1.5 percentage point gross margin increase
- 2017 profit from operations outlook expected to be between €500 million and €520 million

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

Amsterdam, October 28, 2016 at 12:00am - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its revenue for the third quarter of 2016.

Third quarter 2016 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products (E&P)	Platforms & Services (P&S)	
Revenue	753	467	285	522	231	1
Year-on-year variation at constant exchange rates	(1%)	+1%	(5%)	(2%)	0%	+2%
Year-on-year variation at historical exchange rates	(2%)					

**Philippe Vallée, Chief Executive Officer, commented:** “Gemalto’s revenue was stable over the first nine months of 2016. In the third quarter, Enterprise and Government Programs posted moderate revenue increases while Machine-to-Machine’s growth accelerated. Payment and SIM sales were in line with the Company’s expectations for the quarter. Gemalto expects to increase its gross margin by +1.5 percentage point through an acceleration of revenue growth towards the end of the year. From the current planning processes, Gemalto’s 2017 profit from operations is expected to be between €500 million and €520 million, which corresponds to an annual expansion of around +10% since 2013. This outlook reflects a very adverse mobile environment and slower than anticipated migration of payment cards in 2017. It also takes into account plans for increased investments to capture growth beyond 2017 in Mobile Platforms & Services, Enterprise and Government Programs. Gemalto’s Platforms & Services revenue objective of €1 billion in 2017 remains unchanged.”

## 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 currencies other 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 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 depreciation of intangibles resulting from acquisitions.

## General information

Third quarter 2016 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products	Platforms & Services	
Revenue	753	467	285	522	231	1
As a percentage of total revenue	100%	62%	38%	69%	31%	0%

For the third quarter of 2016 total revenue came in at €753 million, lower by (1%) at constant exchange rates. Payment & Identity, representing 62% of total Company revenue, posted sales of €467 million, up +1% year-on-year.

Embedded software & Products revenue of €522 million was (2%) lower compared to the same period last year due to lower sales to mobile network operators and to a lesser extent to financial institutions. Secure documents for Government Programs and wireless modules for Machine-to-Machine continued to record positive trends this quarter. The Platforms & Services activity, posted sales of €231 million, was stable year-on-year due to client delays in project commencements for Mobile Platforms & Services, eGovernment services and Enterprise cybersecurity solutions this quarter.

Currency movements had a negative (1) percentage point effect on revenue growth in the third quarter of 2016. The hedging program, which aims at partially neutralizing the impact of currency variations on the Company's profit from operations, produced a 1 percentage point difference compared to the same period last year.

Revenue variations by region, at constant and historical exchange rates, are presented in Appendix 1.

## Segment information

### Payment & Identity

€ in millions	Third quarter 2016	Third quarter 2015
Revenue	467	469
Year-on-year variation at constant exchange rates	+1%	

The Payment & Identity segment's revenue came in at €467 million, increasing by +1% compared to the previous year.

Embedded software & Products revenue was stable at €288 million. The segment's Platforms & Services revenue came in at €179 million, up +2% compared to the same period last year.

The Payment business revenue came in at €241 million, reduced by (3%) year-on-year. The Americas revenue was lower due to soft market environment in Brazil and to the high comparison basis in United States related to the EMV liability shift deadline a year ago.

The Enterprise business revenue increased to €117 million, up +4% on the same period in 2015. The trend in revenue mix within the Authentication business line continues to move towards software and services. To meet the increasing market demand for cybersecurity solutions, the Enterprise business is continuing to increase its sales coverage, expanding Gemalto's network of technology partners and accelerating investment in R&D in order to strengthen the Company's offering in this growing sector.

The Government Programs business revenue was at €109 million, up +9% year-on-year, with the increase coming from deliveries of previously won projects. During the third quarter, Gemalto also finalized the transformation of a production site in order to accompany the increase in project deliveries anticipated over the coming quarters.

## Mobile

€ in millions	Third quarter 2016	Third quarter 2015
Revenue	285	299
Year-on-year variation at constant exchange rates	(5%)	

The Mobile segment posted revenue of €285 million, (5%) lower at constant exchange rates compared to the third quarter of previous year.

Embedded software & Products revenue for the segment came in at €234 million. SIM sales were lower by (11%) at €152 million year-on-year, compared to the (16%) in the second quarter of 2016, with the improvement coming from slightly better conditions in Latin America and Asia. During the quarter, regulators of some countries in Africa also started to apply stricter subscription registration processes, similar to what is observed in the Chinese market with lower market demand. The Machine-to-Machine business grew by +11% year-on-year, at €81 million and accelerating sequentially, supported by the 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 €52 million, reduced by (9%) year-on-year with slower project commencements due to longer client decision processes. During this quarter, Gemalto continues to progress with its Trusted Service Hub (TSH) offering by partnering Dai Nippon Printing (DNP) in Japan to offer issuers digital card provisioning and tokenization services for Apple Pay, which is transforming mobile payments with an easy, secure and private way to pay. Gemalto was also selected by Market Pay to load digital Carrefour payment and loyalty cards as well as by Valeo to provision and store virtual car keys securely into smartphones. The Company continues to work closely with both device manufacturers and mobile network operators on the GSMA specifications for embedded SIMs (eSIMs) and remote provisioning for primary devices in the consumer market, in order to best align and set up the ecosystem.

## Patents & Others

€ in millions	Third quarter 2016	Third quarter 2015
Revenue	1	1
Year-on-year variation at constant exchange rates	+2%	

Patents & Others revenue was €0.7 million this quarter versus €0.6 million during the same period in 2015.

## Additional information

- **Orange joins forces with Gemalto to launch the Samsung Gear S2, the first connected watch with a built-in SIM**  
Gemalto provides Orange with a secure platform which enables it to manage the customer's mobile subscription seamlessly and remotely, for the connected smartwatch with built-in SIM. This Gemalto solution complies with the first version of the specifications defined by the industry as a whole within the framework of the GSMA, an association of mobile operators and industrial players.
- **Maryland unveils a new secure driver's license leveraging Gemalto's polycarbonate technology**  
Gemalto announces that the Maryland Department of Transportation's Motor Vehicle Administration (MVA) has begun rolling out its new secure and redesigned driver's license and identification (ID) card across the state. The polycarbonate-based driver's license gives Maryland residents a tamper-resistant credential that reduces document forgery and protects against identity fraud.
- **TIM and Samsung launch the first smartwatch in Italy with integrated eSIM, in collaboration with Gemalto**  
Gemalto, TIM and Samsung, launched today the first smartwatch in Italy with an integrated embedded SIM (eSIM), representing the evolution of the SIM Card and mobile devices. Samsung's Gear S2 Classic 3G Smartwatch is the first wearable device in the world with eSIM, a technological innovation that marks a further step towards the set-up of the Internet of Things ecosystem.
- **Posten Norge selects Gemalto ID Verification to strengthen fraud protection for Norway**  
Gemalto has won a major contract to supply Posten Norge, Norway's national post and logistics service, with its *Coesys ID Verification* solution that enables customer credentials such as identity cards and passports to be checked quickly and easily by branch staff. Coesys ID Verification will deliver a robust solution for the authentication of identification documents and allow Posten Norge to act as a highly efficient Know Your Customer (KYC) hub for the country's financial services sector, in line with the requirements of the latest EU Anti-Money Laundering Directive (AML4).
- **Gemalto significantly expands big data security offerings**  
Gemalto announces a major expansion of its industry-leading SafeNet data protection portfolio that makes it easier for enterprises to protect big data deployments in the cloud, data center, and virtualized environments. Gemalto's SafeNet data encryption and tokenization solutions can now be used to secure data in the most widely used big data environments through technology integrations with leading providers including MongoDB, Cloudera, Couchbase, DataStax, Hortonworks, IBM, and Zettaset.
- **Carrefour payment cards go digital thanks to Gemalto's proven Trusted Service Hub**  
Gemalto has been chosen by Market Pay, payment institution of the world's second biggest retailer, to deploy a mobile payment solution for its banking card. This project is part of a multi-channel strategy that leverages connected technologies to further enhance the shopping experience. Gemalto's Allynis Trusted Service Hub (TSH) will allow the customers to load a digital version of their existing banking card, as well as the retailer loyalty program, onto an Android phone, enabling easy and single customer journey at any NFC POS terminal.
- **Gemalto releases findings of first half 2016 Breach Level Index**  
Gemalto, today released the findings of the Breach Level Index revealing that data breaches increased 15% in the first six months of 2016 compared to the last six months of 2015. Worldwide, there were 974 reported data breaches and more than 554 million compromised data records in the first half of 2016.
- **Gemalto and Valeo partner to turn your smartphone into a secure car key**  
Gemalto has partnered with Valeo, one of the world's leading automotive suppliers, to ensure the security of its virtual car key system called Valeo InBlue®. With Valeo InBlue®, drivers can use their smartphone or connected watch to lock, unlock and start their car, control applications and remotely access useful vehicle data using Bluetooth®.
- **Norwegian national payment scheme BankAxept trusts Gemalto to enable mobile financial services for banks**  
Gemalto has been awarded a major contract by BankAxept, the national payment scheme of Norway, to enable all local banks to interconnect through a single credentials management hub for streamlined and secure management of mobile payments services.

## Outlook

For 2016, Gemalto expects to generate a +1.5 percentage point gross margin increase through an acceleration of revenue growth in the fourth quarter.

From the current planning processes, Gemalto's 2017 profit from operations is expected to be between €500 million and €520 million, leading to a compound average growth rate of around +10% since 2013. This outlook reflects a very adverse mobile environment and slower than anticipated migration of payment cards in 2017. It also takes into account plans for increased investments to capture growth beyond 2017 in Mobile Platforms & Services, Enterprise and Government Programs. Gemalto's Platforms & Services revenue objective of €1 billion in 2017 remains unchanged.

## Live Audio Webcast and Conference call

Gemalto third 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](http://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 9456 or (US) +1 855 402 7762 or (FR) +33 1 7077 0934

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

The full year 2016 results will be reported on Friday March 3, 2017, before the opening of Euronext Amsterdam.

## 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](http://www.gemalto.com), or follow @gemalto on Twitter.

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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	<b>Third quarter 2016</b>	Third quarter 2015	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	<b>328</b>	333	0%	(1%)
Americas	<b>284</b>	315	(9%)	(10%)
Asia	<b>141</b>	121	+15%	+16%
Total revenue	<b>753</b>	769	(1%)	(2%)