Full year 2016 results

March 3, 2017

Philippe VALLEE, CEO
Jacques TIERNY, CFO
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Basis of preparation

Segment information
The Mobile segment reports on businesses associated with mobile cellular technologies including Machine-to-Machine, mobile secure elements (SIM, embedded secure element) and mobile Platform & Services. The Payment & Identity segment reports on businesses associated with secure personal interactions including Payment, Government Programs and Enterprise. The SafeNet acquisition is part of the Enterprise business.
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).

Adjusted income statement and 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.
In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing, General and Administrative expenses, and Other income (expense) net.
Return on capital employed (ROCE) is defined as after-tax PFO divided by capital employed.

Currency exchange rates
In this presentation, revenue variations are at constant exchange rates, and all other figures are at historical exchange rates, except where otherwise noted.

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.
Overview
Full year 2016 Highlights

- 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

Revenue variations at constant exchange rate except where otherwise noted
Key figures from FY 2016 financial results

<table>
<thead>
<tr>
<th></th>
<th>At FY 2016 rates</th>
<th>At historical rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€3,127m</td>
<td></td>
</tr>
<tr>
<td>+1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>€1,266m</td>
<td>40.5%</td>
</tr>
<tr>
<td>+4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(€814m)</td>
<td>(26.0%)</td>
</tr>
<tr>
<td>+3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€453m</td>
<td>14.5%</td>
</tr>
<tr>
<td>+7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>€3.00</td>
<td>€2.09</td>
</tr>
<tr>
<td>(13%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extracts from the adjusted income statement

Gemalto full year 2016 results
3 March 2017
Gross margin improvement

29.6%

40.5%

Financial results

Jacques TIERNY - CFO
## Adjusted income statement and IFRS

### Adjusted income statement

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All operations</strong></td>
<td>€ in millions</td>
<td>€ in millions</td>
</tr>
<tr>
<td>Revenue</td>
<td>3,127</td>
<td>3,122</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>453</td>
<td>423</td>
</tr>
<tr>
<td>IFRS operating profit</td>
<td>(3) (58) (9) (36)</td>
<td>(71) (61) (39) (49)</td>
</tr>
<tr>
<td><strong>IFRS</strong></td>
<td>3,127</td>
<td>3,122</td>
</tr>
</tbody>
</table>

*Note: *All operations, Fair value adjustment upon acquisitions, Amortization of intangible assets, Equity based compensation, Restructuring and acquisitions related expenses.*
Key items of the cash flow statement

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>Full Year 2016</th>
<th>Full Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash generated by operating activities before changes in working capital</strong></td>
<td>468</td>
<td>443</td>
</tr>
<tr>
<td><strong>Net change in working capital</strong></td>
<td>(23)</td>
<td>65</td>
</tr>
<tr>
<td><strong>Cash used in restructuring actions and acquisition related expenses</strong></td>
<td>(36)</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Time de-correlated hedging effect / (Prepaid derivatives)</strong></td>
<td>49</td>
<td>(124)</td>
</tr>
<tr>
<td><strong>Net cash generated by operating activities</strong></td>
<td>458</td>
<td>355</td>
</tr>
<tr>
<td><strong>Capital expenditure and acquisition of intangibles</strong></td>
<td>(140)</td>
<td>(185)</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>318</td>
<td>170</td>
</tr>
<tr>
<td><strong>Acquisitions</strong></td>
<td>(3)</td>
<td>(897)</td>
</tr>
<tr>
<td><strong>Dividend paid to Gemalto shareholders</strong></td>
<td>(42)</td>
<td>(37)</td>
</tr>
<tr>
<td><strong>Net proceeds from financing activities</strong></td>
<td>(14)</td>
<td>117</td>
</tr>
<tr>
<td><strong>Net cash (debt), at end of the period</strong></td>
<td>(67)</td>
<td>(335)</td>
</tr>
</tbody>
</table>
Segment information
FY 2016 revenue composition

Main segment revenues

Platforms & Services €1B revenue one year ahead

- Government
- Enterprise
- Payment

FY €1,019m

Payment & Identity

Mobile

62% of total revenue
38% of total revenue

+9% yoy

(8%) yoy

€ in million

2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0

FY 2016 revenue composition

3 March 2017

Gemalto full year 2016 results

Delivery of the full year 2016 results for the technology group Gemalto.

Total revenue for the year increased by 9% to €3.98 billion

Main segments:

- Government: €1.02 billion (33% of total revenue)
- Enterprise: €1.24 billion (38% of total revenue)
- Payment: €1.38 billion (39% of total revenue)

Growth drivers:

- Mobile M2M: €192 million (20% of total revenue)
- Mobile P&S: €277 million (29% of total revenue)
- Mobile E&P: €275 million (29% of total revenue)

FY 2016 revenue by segment:

- Government: €1.02 billion (41% of total revenue)
- Enterprise: €1.24 billion (31% of total revenue)
- Payment: €1.38 billion (38% of total revenue)

FY 2016 revenue by year:

- 2013: €2.09 billion
- 2014: €2.25 billion
- 2015: €2.98 billion
- 2016: €3.98 billion

Charts not to scale
### Payment & Identity – key financial information

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
<th>Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€ 1,948m</td>
<td>+9%</td>
<td>€ 1,818m</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>€ 793m</td>
<td>+14%</td>
<td>€ 698m</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>40.7%</td>
<td>+233bp</td>
<td>38.4%</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€ 290m</td>
<td>+22%</td>
<td>€ 239m</td>
</tr>
<tr>
<td>PFO Margin</td>
<td>14.9%</td>
<td>+177bp</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

- Embedded software & Products revenue was up +3% at €1,180 million. Platforms & Services revenue came in at €768 million, up +19% compared to 2015.
- Payment revenue came in at €998 million, +2% year-on-year.
  - Moderate growths in Americas and EMEA regions. The lower sales in China were fully offset by an increase in revenue from the rest of Asia.
  - Contrasted performance between the semester with lower H2 year-on-year due to the high comparison basis in the United States related to EMV liability shift deadline in 2015.
- Enterprise revenue came in at €462 million, up +10% year-on-year.
  - The trend in revenue mix within the authentication business line continues to move towards a higher proportion of software and services.
- Government Programs revenue came in at €488 million, up +26% year-on-year.
  - Outstanding Q4 revenue with the completion of a large scale project and the conversion of a production facility.
- Payment & Identity's gross margin improved to 40.7%, up +2.3 percentage points and PFO came in at €290 million, up +22%.
### Mobile – key financial information

<table>
<thead>
<tr>
<th>Revenue</th>
<th>€1,174m (8%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2015 FY: €1,279m)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Profit</th>
<th>€471m (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2015 FY: €495m)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Margin</th>
<th>40.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>+144bp</td>
<td></td>
</tr>
<tr>
<td>(2015 FY: 38.7%)</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit from operations</th>
<th>€171m (1%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2015 FY: €172m)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PFO Margin</th>
<th>14.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>+112bp</td>
<td></td>
</tr>
<tr>
<td>(2015 FY: 13.5%)</td>
<td></td>
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</tbody>
</table>

- **Embedded software & Products** came in at €924 million
  
  - SIM sales were lower by (19%) year-on-year. 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.

- **The Machine-to-Machine** business continued to grow rapidly by +11% year-on-year, supported by the expanding global demand of connected devices and embedded secure elements for the Internet of Things (IoT).

- **Platforms & Services revenue** came in at €251 million, up +3%
  
  - 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.

- **Overall gross margin** for the Mobile segment increased to 40.1% from 38.7%

- **PFO** came in at €171 million, i.e. a 14.6% profit from operations margin.
Moving forward
Leveraging our assets to address new sets of customers needs

Building on a unique combination of assets

Gemalto Common Core Technologies
- Authentication
- Data Protection
- Key Management
- Secure Issuance

Digital Drivers’ License Pilot
In the United States

Turn your smartphone into a secure car key
Partnering with Valeo

ID Verification to strengthen fraud protection
Selected by Posten Norge
Key trends for 2017

- Slight improvement in the mobile environment
- Start of the equipment phase for On Demand Connectivity platforms based on the latest GSMA specifications
- Continuing expansion for the Internet of Things
- Slower migration of payment cards in the United States
- Solid demand for Government Programs
- Sustained demand for data protection, software monetization and cybersecurity solutions
Outlook for 2017

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

World Leader in Digital Security
Markets in Strong Development
Unique Technology Portfolio
Blue Chip Customers
Large Free Float and Robust Financials
A Business Model with Strong Leverage on Growth