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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 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).

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 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. 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 and Other expenses.

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 2017 Highlights

- Revenue at €3 billion with Platforms & Services at €1 billion. Second semester revenue up +1% year-on-year at constant exchange rates
- Profit From Operations (PFO) at €310 million
- Transition plan savings of €15 million
- Gemalto and Thales combination process on track
## Key figures from full year 2017 financial results

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Percentage</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€2,972m</td>
<td>(4%)</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>€1,105m</td>
<td>37%</td>
<td>Gross margin (37%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(€795m)</td>
<td>(27%)</td>
<td>OpEx ratio (27%)</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€310m</td>
<td>10%</td>
<td>PFO margin (10%)</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>€1.96</td>
<td>(35%)</td>
<td></td>
</tr>
</tbody>
</table>

*Extracts from the adjusted income statement*
## Payment & Identity – key financial information

<table>
<thead>
<tr>
<th>Category</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>€1,889m</td>
<td>€1,948m</td>
</tr>
<tr>
<td>(2%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>€736m</td>
<td>€793m</td>
</tr>
<tr>
<td>(7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>38.9%</td>
<td>40.7%</td>
</tr>
<tr>
<td>(1.8ppt)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit from operations</strong></td>
<td>€233m</td>
<td>€290m</td>
</tr>
<tr>
<td>(20%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PFO Margin</strong></td>
<td>12.3%</td>
<td>14.9%</td>
</tr>
<tr>
<td>(2.6ppt)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Fourth Quarter revenue grew + 2%**
  - Strong performance in Enterprise business
  - Government Programs grew single digit
  - Payment revenue erosion soften

- **Full year revenue lower at (2%)**
  - Government Programs revenue at €578 million, up +20%
  - Enterprise business revenue at €472 million
  - Payment business revenue lower by (15%) year-on-year

- **Operating expenses were stable in 2017**
  - Increased investments in Enterprise and the addition of Identity Management Business
  - Tightening of operating expenses in the Payment business

- **Profit from operations came in at €233 million at 12.3%**
Mobile – key financial information

- **Revenue**
  - €1,078m (2016 FY: €1,174m)
  - Down by (7%)
  - Machine-to-Machine solid double digit revenue growth
  - SIM and related services down double digits

- **Gross Profit**
  - €366m (2016 FY: €471m)
  - (22%)

- **Gross Margin**
  - 34.0% (2016 FY: 40.1%)
  - (6.1ppt)

- **Profit from operations**
  - €86m (2016 FY: €171m)
  - (50%)
  - (6.6ppt)

- **PFO Margin**
  - 8.0% (2016 FY: 14.6%)

- **Operating expenses decreased by (€19) million**
  - Sustained investments in Machine-to-Machine and next generation connectivity
  - Tightening of “cost to serve” SIM business and portfolio optimization

- **Full year revenue**
  - Machine-to-Machine up +10% in 2017 at €348 million
  - SIM business down (15%) to €508 million
  - Mobile Platforms & Services revenue lower by (11%) at €222 million

- **PFO at €86 million**
Transition plan on track

<table>
<thead>
<tr>
<th>2017</th>
<th>Around €15M</th>
<th>Positive PFO impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Transition plan announcement in H1 2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. SIM and related services:</td>
</tr>
<tr>
<td>✓</td>
<td>✓ Refocus on key geographical areas → adapt sales force</td>
<td></td>
</tr>
<tr>
<td>✓</td>
<td>✓ Portfolio review in services → Marketing and delivery resource optimization / shut down of a sub business line</td>
<td></td>
</tr>
<tr>
<td>2. Payment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓</td>
<td>✓ Footprint optimization → manufacturing rationalization (i.e. US, China)</td>
<td></td>
</tr>
</tbody>
</table>

On a full year basis

<table>
<thead>
<tr>
<th>Above €50M</th>
<th>Positive PFO impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. SIM and related services:</td>
</tr>
<tr>
<td>✓</td>
<td>✓ Geographical refocus and portfolio review to continue</td>
</tr>
<tr>
<td></td>
<td>2. Payment:</td>
</tr>
<tr>
<td>✓</td>
<td>✓ Further footprint and capacity optimization</td>
</tr>
<tr>
<td>✓</td>
<td>✓ Increase operating efficiency</td>
</tr>
<tr>
<td>3. Full effect of the measures launched in 2017</td>
<td></td>
</tr>
</tbody>
</table>
### Reconciliation from adjusted financial information to IFRS

<table>
<thead>
<tr>
<th>€ in millions</th>
<th>Adjusted financial information</th>
<th>Fair value adjustment upon acquisitions</th>
<th>Amortization and impairment of intangible assets</th>
<th>Equity based compensation</th>
<th>Restructuring and acquisitions related expenses</th>
<th>IFRS financial information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>2,972</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,972</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>310</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFRS operating profit</td>
<td></td>
<td>(10)</td>
<td>(514)</td>
<td>(37)</td>
<td>(114)</td>
<td>(365)</td>
</tr>
<tr>
<td><strong>FY 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>3,127</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,127</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>453</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>347</td>
</tr>
<tr>
<td>IFRS operating profit</td>
<td></td>
<td>(3)</td>
<td>(58)</td>
<td>(9)</td>
<td>(36)</td>
<td>347</td>
</tr>
</tbody>
</table>
Healthy cash generation and strong balance sheet

- Cash used by acquisitions: 759
- Paid Dividend: 45
- Others: 3
- Free Cash Flow generation: 190

Net Debt / Adj. EBITDA: 1.5x

31/12/2016 Net Debt: 67
31/12/2017 Net Debt: 684

(€ in millions)
Moving forward
Key market trends

- **Identity, IoT & Cybersecurity**
  - Increased security at country borders
  - Growing benefits of connected devices expanding across industries
  - Rising level of cyber incidents and data breaches

- **Smartcards & Issuance**
  - US EMV payment market normalization should come to an end in 2018
  - SIM market is expected to remain under pressure as the next generation connectivity usage is modest
Gemalto Next-generation Digital Security

Digital Identity

Data Protection

Digital privacy enabled
Key priorities

- Reinforce leadership in Biometrics and Civil Identity
- #1 in Data Protection for the Cloud
- Integrate & strengthen IoT

- Lead market in digitalization
- Rightsize Operations
- Refocus portfolio
2018 onwards financial reporting reflecting our strategy

<table>
<thead>
<tr>
<th>2014 - 2017</th>
<th>2018 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment &amp; Identity</td>
<td>Identity, IoT &amp; Cybersecurity</td>
</tr>
<tr>
<td>Mobile</td>
<td>Government</td>
</tr>
<tr>
<td></td>
<td>Enterprise</td>
</tr>
<tr>
<td></td>
<td>IoT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2018 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Gross Profit</td>
</tr>
<tr>
<td>€1,278m</td>
<td>€540m</td>
</tr>
<tr>
<td>+12% YoY*</td>
<td>42% margin</td>
</tr>
<tr>
<td>€1,694m</td>
<td>€565m</td>
</tr>
<tr>
<td>(13%) YoY*</td>
<td>33% margin</td>
</tr>
</tbody>
</table>

*Revenue variations at constant exchanges rates
Outlook for 2018

- **Double digit revenue growth** expected in the Identity, IoT & Cybersecurity segment
- **Stable PFO margin** year-on-year expected in the Smartcards & Issuance segment
- **Mid to High single digit growth** in profit from operations expected at Gemalto level
Gemalto’s positioning in Cybersecurity

**DRIVERS**
- High Profile Attacks
- Increased demand for Mobility & Cloud
- Stricter regulation

**INFORMATION SECURITY MARKET**
- 2017-2021 CAGR
  - Mid to high single digit

**AUTHENTICATION**
- Moving from Hardware to Software Authenticators
- Fragmented market

**DATA PROTECTION**
- Firewall
- Cloud providers agnostic
- Leadership

**DATA PROTECTION**
- Hardware Security Modules
- Low teens CAGR

**Source:** Gartner, IDC

*Sub segments Advanced Authentication and Identity management*
Data records compromised since 2013

www.breachlevelindex.com

DATA BREACH STATISTICS

9,230,693,578

ONLY 4% of breaches were “Secure Breaches” where encryption was used and the stolen data was rendered useless.
Our US customers continue to adjust their views on the normalized EMV market based on the latest feedback from their partner programs.

2016 US EMV Chip Card adoption rate: 52%
Source: EMVCo

Worldwide smart payment card issuances (million units)

Portfolio evolution

- Dual interface
- EMV card with fingerprint biometrics
- Mobile issuance
- Need for more security (Dynamic CVV)

Source: IHS Technology, EMVCo, Gemalto
Integrating biometrics into Gemalto’s end to end offer

Enrolment

Data Capture

Feature Extraction

Secure Documents

Key management

IDs & Document readers

Comparison & Matching

eGov access

eVerification

Post Issuance

Update

Border management

Electronic Government

Mobile Government

Data Capture

- Enrolment

- Feature Extraction

- Key management

- IDs & Document readers

- Comparison & Matching

- Secure Documents

- eGov access

- eVerification

- Post Issuance

- Update

- Border management

- Electronic Government

- Mobile Government

eDocuments issuance (m Units)

- 2017

- 2021

+7.1% CAGR

Source: ABI research, Gemalto H1 2017 results

Fingerprint recognition Biometrics market for Government (bn US$)

- 2017

- 2020

+12.9% CAGR

Source: Market and Market, Gemalto H1 2017 results
Example of Biometric Identification

DATA CAPTURE
- Images are captured with specialized scanners, cameras, or other equipment
- Data is provided to a centralized database, stored locally or discarded after feature extraction

FEATURE EXTRACTION
- Biometric features are extracted from the captured images
- Stored in proprietary or standardized templates in verification or identification systems

COMPARISON & MATCHING
- New records are searched and compared against databases
- Biometric images are matched using proprietary algorithms with unparalleled speed and accuracy

STATS OF A DEPLOYED CLIENT SOLUTION
- 200 million records in database
- 6 second watch list response time
- 200,000 search transactions daily
- 99.7% accuracy
Building on a unique asset

Gemalto and 3M’s Identity Management are complementary

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

Authenticating and Identifying individuals in a fast and reliable way through the use of unique biological characteristics will enable consumers to have seamless access to services.
While SIM market evolves, the need to authenticate remains

Prepare for the next generation of devices

More competitive landscape as MNOs push out upgrade of removable SIM to focus on next generation connectivity

Bringing technical expertise to both device manufacturers and mobile network operators

**Embedded software & Products**
- MNO subscriptions
  - Embedded SIM
- Removable SIM
  - Embedded Secure Element (eSE)
  - Trusted Execution Environment (TEE)

**Platforms & Services**
- On-Demand Connectivity
  - Remote subscription management
  >20 references
- Over the Air (OTA)
  - Lifecycle management
  >300 references
- Trusted Services Hub
  - Credential and token management
  >20 references
Gemalto’s end-to-end offer for the Internet of Things (IoT)

Embedded software & Products

Wireless Modules
To bring the connectivity feature
(World first VoLTE, Cat1)

Machine Identification Modules / Embedded SIM
To authenticate on Mobile Network

Embedded Secure Element (eSE)
To authenticate and secure connection with Service Providers

Platforms & Services

On-Demand Connectivity
Remote subscription management

SensorLogic Platform
Transform big data into smarter data for business actions

Consulting Services
Expertise in security architecture

Trusted Services Hub
Credential and token management

Investments in innovation continue to drive business expansion across sectors and regions

Focus our efforts on verticals which value our expertise

Automotive
Site Security
Payment Systems
Track and Trace
Metering
eHealth
Maintenance

Use cases:
- eCall
- Entertainment
- Telematics
- Maintenance

Source: GSMA Forecasts

Gemalto full year results 2017 roadshow

M2M cellular module new connections

+15.0% CAGR

2017 2018 2019 2020
Thales offer expected calendar

Q1/Q2 2018
- Launch of the Offer and start Offer Period
- After Launch, regulatory clearances will be the key time driver
- End of Offer period will in practice be aligned with regulatory process

H2 2018
- Expected end of Offer Period
- Unconditional Date, press release announcing if offer conditions are met and offer declared unconditional
- Closing and settlement
- Commencement of 2 week post-acceptance period (if any)
Our plan will accelerate with Thales

Our mission

We grow and complement our technology portfolio

Gartner 2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Rank</th>
<th>Revenue (in $bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Symantec</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td>Gemalto+Thales</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Idemia</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>IBM</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>Cisco</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>PaloAlto</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>McAfee</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

In Gemalto full year results 2017 roadshow
Turning Things On
Introduction to Embedded SIM and On-Demand Connectivity

February 27, 2017 Mobile World Congress
Trust in the digital world starts with a reliable identification

End-users → ...present their digital ID... → to the service provider

Once the service provider is sure who is accessing it, exchanges can begin
Software and data stacks in secure elements

End-user identities

Service Provider profile and applications

Industry applications

Operating system

Secure hardware

billions

thousands

tens

General purpose multitenant

Multitenant

Specific

Mobile
Payment
Transit
Access
OnlineID
eGov

2G 3G 4G 5G voip... V MC CUP ePass e... Mifare DESFire Felica Calypso... Prox Indala iClass Advant... e-signK Fips OTP PKI... ePassport ID Health eDL...
Leveraging cellular networks, Turning Things On

Cumulative Cellular Connections

- **People**: 2006: 2.7bn, 2016: 7.9bn, 2020: >9.5bn CAGR 11%
- **Machines**: 2016: 7.9bn Incremental Machine-to-Machine Connections CAGR 15%
- **Consumer Additional Devices**: 2020 >9.5bn CAGR 5%

Source: GSMA Forecasts, Gemalto
Evolution of connected devices

SIM form factor evolves...

...the need to authenticate remains
Evolution of the specifications and availability of devices

- **2014** Machine-to-Machine (M2M)
- **Early 2016** Consumer secondary devices
- **Nov 2016** Consumer all devices

**Devices in the Market**
- **Beginning** e.g. Automotive
- **Limited** e.g. Wearables
- **Under design**

**GSMA Specifications**
- Embedded SIM & Remote subscription management
Software and data stacks in secure elements

End-user identities

Service Provider profile and applications

Industry applications

Operating system

Secure hardware

billions

thousands

tens

General purpose multitenant

Multitenant

Specific

Mobile
Payment
Transit
Access
OnlineID
eGov

2G 3G 4G voip

Gemalto full year results 2017 roadshow
Secure hardware

Specific
Multitenant
General Purpose

End-user identities

billions

Mobile Network Operator profile and applications

Industry applications

2G 3G 4G voip ...

Operating system

General Purpose
Multitenant
Specific

Secure hardware

Mobile Network Operators

Removable SIM

On-Demand Connectivity
Remote subscription management

Mobile Network Operators

Consumer Devices
Embedded SIM

Machine-to-Machine
Embedded SIM

Gemalto full year results 2017 roadshow
Software Modules for On Demand Connectivity (ODC)

billions

End-user identities

Mobile Network Operator profile and applications

Industry applications

Operating system

General Purpose

Multitenant

Specific

Secure hardware

Mobile Network Operators

On-Demand Connectivity

Remote subscription management

Consumer Devices

Machine-to-Machine

Embedded SIM

Device Agent

Network Infrastructure

Profile Generation

Profile Delivery

Routing Service

Discovery Service

1

2

3
Business Models for Embedded SIM and ODC

**End-user identities**: billions

**Mobile Network Operator profile and applications**

**Industry applications**

- 2G
- 3G
- 4G
- 5G
- ... 

**Operating system**

- General Purpose
- Multitenant
- Specific

**Secure hardware**

**Business Models**

**Hosted/Managed Services**
- Event Fee
- Annual Subscriber/Device Fee

**On-Premise**
- Licenses
- Software Maintenance

**Mobile Network Operators**

- **On-Demand Connectivity**
  - Remote subscription management

- **Consumer Devices**
  - Embedded SIM

- **Machine-to-Machine**
  - Embedded SIM

**Software stacks only**
- Per installation

**Software stacks & Secure Hardware**
- Per installation
Ecosystem support and accreditation

A scalable solution to support the expected increase of volume with a clear vision on solution cloud readiness
Take Away

- SIM form factor has evolved over the years and will continue to evolve.
- Functions and principles are unchanged with the need to authenticate the users to access the cellular network.
- On Demand Connectivity will trigger new use cases in the Internet of Things providing opportunities in different verticals.
- Machine-to-Machine is the first industry to adopt the eSIM and remote provisioning as the Machine just start to get connected.
- The consumer market is following based on the recent GSMA architecture we expect the market to migrate progressively.
Gemalto
Enabling trust in the digital world