Full year 2017 results

March 2, 2018

Philippe VALLEE, CEO
Virginie DUPERAT-VERGNE, 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 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, 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
Virginie DUPERAT-VERGNE, CFO

Financial performance
Key figures from full year 2017 financial results

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€2,972m</td>
<td>(4%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>€1,105m</td>
<td>37%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(€795m)</td>
<td>(27%)</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€310m</td>
<td>10%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>€1.96</td>
<td></td>
</tr>
</tbody>
</table>

Gross margin (3.3 ppt)
OpEx ratio (0.7 ppt)
PFO margin (4.1 ppt)

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€1,889m</td>
<td>(2%)</td>
</tr>
<tr>
<td>(2016 FY: €1,948m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>€736m</td>
<td>(7%)</td>
</tr>
<tr>
<td>(2016 FY: €793m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>38.9%</td>
<td>(1.8ppt)</td>
</tr>
<tr>
<td>(2016 FY: 40.7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from operations</td>
<td>€233m</td>
<td>(20%)</td>
</tr>
<tr>
<td>(2016 FY: €290m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFO Margin</td>
<td>12.3%</td>
<td>(2.6ppt)</td>
</tr>
<tr>
<td>(2016 FY: 14.9%)</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 (7%) (2016 FY: €1,174m)
- Fourth Quarter revenue lower by (7%)
  - Machine-to-Machine solid double digit revenue growth
  - SIM and related services down double digits

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

Gross Margin: 34.0% (2016 FY: 40.1%)
- 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

Profit from operations: €86m (50%) (2016 FY: €171m)
- PFO at €86 million

PFO Margin: 8.0% (2016 FY: 14.6%)
Transitions plan on track

2017

Around €15M
Positive PFO impact

Transition plan announcement in H1 2017
1. SIM and related services:
   - Refocus on key geographical areas → adapt sales force
   - Portfolio review in services → Marketing and delivery resource optimization / shut down of a sub business line
2. Payment:
   - Footprint optimization → manufacturing rationalization (i.e. US, China)

On a full year basis

Above €50M
Positive PFO impact

1. SIM and related services:
   - Geographical refocus and portfolio review to continue

2. Payment:
   - Further footprint and capacity optimization
   - Increase operating efficiency

3. Full effect of the measures launched in 2017
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></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

- Free Cash Flow generation
  - Cash used by acquisitions: 759
  - Paid Dividend: 190
  - Others: 42
  - Others: 3

- Net Debt: 684

Net Debt / Adj. EBITDA: 1.5x

31/12/2016 Net Debt: 67

31/12/2017 Net Debt: (€ 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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>Revenue</th>
<th>Gross Profit</th>
<th>PFO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€1,278m</td>
<td>€540m</td>
<td>€139m</td>
</tr>
<tr>
<td>+12% YoY</td>
<td>42% margin</td>
<td>11% margin</td>
<td></td>
</tr>
<tr>
<td></td>
<td>€1,694m</td>
<td>€565m</td>
<td>€170m</td>
</tr>
<tr>
<td>(13%)</td>
<td>33% margin</td>
<td>10% margin</td>
<td></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** expected in the Smartcards & Issuance segment
- **Mid to High single digit growth** in profit from operations expected at Gemalto level
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)

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Announcement

File Offer Memorandum with AFM

Launch Offer end Q1

2018 Gemalto Annual General Meeting May 18, 2018

End of Offer Period Q3/Q4 (expected)

Prepare Offer Memorandum

Signing merger agreement

O.M. approval process

Regulatory clearances
Our plan will accelerate with Thales.

Our mission

We grow and complement our technology portfolio.

Gartner 2016

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

Enabling trust in the digital world