

Gemalto first quarter 2017 revenue

- Revenue at €651 million, lower by (6%) at historical exchange rates and (8%) at constant exchange rates
- Slow start for Enterprise, Machine-to-Machine and Government Programs with acceleration expected in the second semester
- In response to recent market developments, the Company has launched a transition plan expected to contribute over €50 million to profit from operations annually
- Update of 2017 outlook after the previously announced action plan review

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

Amsterdam, April 28, 2017 at 12:00am - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its revenue for the first quarter of 2017.

First quarter 2017 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products (E&P)	Platforms & Services (P&S)	
Revenue	651	404	247	439	212	1
Year-on-year variation at constant exchange rates	(8%)	(8%)	(7%)	(8%)	(7%)	+35%
Year-on-year variation at historical exchange rates	(6%)					

Philippe Vallée, Chief Executive Officer, commented: “The first quarter revenue reflects the significant volatility in our Payment business in line with the unique pattern of EMV migration in the world’s largest EMV market, the United States. In addition, the removable SIM business continues to decline while the ecosystem prepares for the next generation of devices. Consequently, Gemalto has launched a transition plan aimed at adjusting its Payment operations and Mobile business to reduced demand. For Enterprise, Government Programs and Machine-to-Machine businesses, Gemalto expects an acceleration in the second part of the year supported by solid backlogs and continues to invest in these businesses in line with their long term trends. The acquisition of the 3M Identity Management Business is on-track with all approvals received.”

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) and with section 2:362(9) of the Netherlands Civil Code.

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 Share Purchase plans; (ii) the amortization of the fair value of share 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.

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.

General information

First quarter 2017 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products	Platforms & Services	
Revenue	651	404	247	439	212	1
As a percentage of total revenue	100%	62%	38%	67%	32%	0%

For the first quarter of 2017, total revenue came in at €651 million, lower by (6%) at historical exchange rates and by (8%) at constant exchange rates. Payment & Identity posted sales of €404 million, representing 62% of total Company revenue.

Embedded software & Products revenue of €439 million was (8%) lower compared to the same period of last year mainly due to lower sales to banks in the United States and to mobile network operators. Embedded software & Products activity for Government Programs continued to show positive trends during the quarter.

The Platforms & Services activity posted revenue of €212 million, down by (7%) year-on-year, with moderate growth in Mobile Platforms & Services partially offsetting the lower payment cards personalization services. Platforms & Services activity represented 32% of first quarter Company revenue.

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

As announced on March 22, 2017 and based on the recent trends in Payment and removable SIM, Gemalto has launched a transition plan expected to contribute over €50 million to profit from operations annually. The on-going business efficiency program is being expanded to align to the long term market demand in terms of capacity, footprint and resources. One of the first areas of focus is to adjust Payment operations as the market is shifting to a normalized EMV inventory level after the initial United States ramp up. As part of the next multi-year development plan, the Company is also reviewing its portfolio of activities in order to align with its long-term priorities which includes the re-allocation of resources to growth businesses.

Segment information

Payment & Identity

€ in millions	First quarter 2017	First quarter 2016
Revenue	404	433
Year-on-year variation at constant exchange rates	(8%)	

The Payment & Identity segment's revenue came in at €404 million, decreasing by (8%) compared to the previous year.

The segment's Embedded software & Products revenue was €246 million and Platforms & Services revenue came in at €158 million.

The Payment business decreased by (16%) year-on-year, at €200 million. Sales in Americas were lower by (34%) due to the on-going normalization of US EMV card inventory levels at our customers. Revenue from all regions outside of Americas was stable year-on-year.

The Enterprise business revenue increased to €105 million, up +1% on the same period in 2016. The trend in revenue mix within the business continues to move towards a higher proportion of cloud and software services. To meet the market demand, the Enterprise business is increasing investment to expand its services portfolio in this growing sector.

The Government Programs business was stable at €99 million on top of a strong +34% increase a year ago. Solid performance in Government Programs Embedded software & Products fully offsets the reduction in Platforms & Services revenue. Backlog continued to expand during the quarter.

Mobile

€ in millions	First quarter 2017	First quarter 2016
Revenue	247	258
Year-on-year variation at constant exchange rates	(7%)	

The Mobile segment posted revenue of €247 million, (7%) lower at constant exchange rates compared to the first quarter of the previous year.

Embedded software & Products revenue for the segment came in at €194 million. SIM sales decreased by (14%) to €118 million due to a lower market share in the first quarter in a more competitive landscape as mobile network operators push out the upgrade of removable SIM to focus on next generation connectivity. This is coupled with soft demand in Middle East and Africa as the result of stricter subscription registration processes. The Machine-to-Machine revenue was slightly lower by (1%) year-on-year, at €75 million, due to temporary weak performance in North America. New design wins recorded during the quarter will progressively drive business expansion across sectors and regions throughout the rest of the year.

Platforms & Services revenue for the segment came in at €53 million, up by +3% year-on-year. On demand connectivity solution continues to gain traction following the release of the latest GSMA specifications for embedded SIM and mobile subscription management.

Patents & Others

€ in millions	First quarter 2017	First quarter 2016
Revenue	0.6	0.4
Year-on-year variation at constant exchange rates	+35%	

Patents & Others revenue was €0.6 million this quarter versus €0.4 million during the same period in 2016.

Additional information

- **AT&T strengthens Internet of Things (IoT) offerings with Gemalto's remote subscription management solution**
Gemalto is supplying AT&T with a remote subscription management solution that will help enable its customers to deploy new and highly secure IoT applications in the U.S. and globally. Gemalto's On-Demand Connectivity (ODC) subscription management solution and GSMA M2M 3.1 compliant Embedded SIMs (eSIMs) will simplify the logistics of providing mobile services for Enterprises requiring global mobile connectivity for IoT applications and provide improved life cycle support for their subscriptions.
- **Gemalto and Microsoft join forces to provide seamless connectivity for Windows 10 devices**
Gemalto and Microsoft have teamed up to make this advance a reality for end users to have a secure and ubiquitous connectivity experience. Gemalto's On-Demand Connectivity subscription management solution, together with Windows 10 native eSIM support enable consumers to seamlessly manage the connectivity experience of their devices.
- **GigSky chooses Gemalto to enable seamless connectivity for devices around the world**
Gemalto will supply GigSky with its On-Demand Connectivity (ODC) services on a GSMA compliant embedded SIM (eSIM) with remote management capabilities. Devices enabled with these eSIMs will allow end-users to choose short-term data plans across the globe. GigSky offers mobile connectivity solutions for consumers and businesses with service available in over 140 countries for a large variety of devices including iPad with Apple¹ SIM.
- **Gemalto releases findings of 2016 Breach Level Index**
Gemalto released the findings of the Breach Level Index revealing that 1,792 data breaches led to almost 1.4 billion data records being compromised worldwide during 2016, an increase of 86% compared to 2015. Identity theft was the leading type of data breach in 2016, accounting for 59% of all data breaches. In addition, 52% of the data breaches in 2016 did not disclose the number of compromised records at the time they were reported.
- **Gemalto's HSM enables Microsoft Azure Information Protection customers to maintain full control of encryption keys**
Microsoft Azure Information Protection customers can now take advantage of the new "Hold Your Own Key" (HYOK) functionality using Gemalto's SafeNet Luna Hardware Security Modules (HSMs). The integration allows organizations in highly regulated scenarios to manage, own and store their encryption keys in on-premises HSMs and securely share data with complete control over their keys. With this solution, enterprises can easily align data protection policies and business processes without compromising the integrity and security of their data.
- **Gemalto to supply new Digital Identity Solution for the Swedish Tax Agency**
Gemalto has been awarded a multi-year contract to supply its eGov authentication platform for online services, Premium Polycarbonate eID cards and a comprehensive Enrollment and Issuance solution to Skatteverket, the Swedish Tax Agency. This ID card provides official proof of identity and access to a range of government services and can be issued to all residents, regardless if they have Swedish citizenship or not. In the future, the development of a secure digital identity will enable users to also access online services of Skatteverket and other Swedish authorities², with eGov enabling strong authentication.
- **Uganda speeds visa issuance and strengthens border security with Gemalto Visa Management System**
Gemalto is supplying Uganda's Directorate of Citizenship and Immigration Control (DCIC) with its Coesys Visa Management that combines swift issuance of all visas and permits with biometric enrollment upon arrival. The new scheme allows the authorities to manage the entire visa life cycle from application to issuance. It will help the country achieve its goals to facilitate travel, enhance national security and protect a traveler's identity against theft.

¹ Apple and iPad are trademarks of Apple Inc., registered in the U.S. and other countries

Outlook

For the second quarter of 2017, business trends continue to be weak in Payment and SIM. As a result, the Company expects its second quarter revenue to be lower by 8% to 10% year-on-year at constant exchange rates. Due to this decrease, the operating leverage will not be fully realized over the semester and, as a result, the first semester profit from operations is expected to be between €90 million and €100 million.

For the second semester of 2017, with the expected revenue acceleration in Enterprise, Government Programs and Machine-to-Machine, the Company anticipates its revenue to be stable when compared to the same period of 2016 excluding the integration of 3M Identity Management business.

With the combination of this revenue trend, the ramping up of the transition plan and the modest contribution from the 3M Identity Management business, the Company expects its profit from operations to be between €300 million and €350 million for the second semester of 2017.

Live Audio Webcast and Conference call

Gemalto first quarter 2017 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 7764 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 2017 Annual General Meeting of Shareholders (AGM) on Thursday, May 18, 2017 at the Sheraton Amsterdam Airport Hotel & Conference Center, Schiphol Boulevard 101, 1118 BG Schiphol Airport, the Netherlands at 2:00 p.m. CET.

The first semester 2017 results will be reported on Friday September 1, 2017, 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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This press release contains inside information as referred to in article 7 paragraph 1 of Regulation (EU) 596/2014 (Market Abuse Regulation).

About Gemalto

Gemalto (Euronext NL0000400653 GTO) is the global leader in digital security, with 2016 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 15,000+ employees operate out of 112 offices, 43 personalization and data centers, and 30 research and software development centers located in 48 countries.

For more information visit
www.gemalto.com, or follow [@gemalto](https://twitter.com/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.

Appendix

Appendix 1

Revenue by region

€ in millions	First quarter 2017	First quarter 2016	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	287	299	(4%)	(4%)
Americas	222	274	(22%)	(19%)
Asia	142	118	+17%	+20%
Total revenue	651	691	(8%)	(6%)