

Gemalto third quarter 2017 revenue

- Third quarter revenue at €751 million, up +3.4% at constant exchange rates
- Revenue growth acceleration in Government Programs, Machine-to-Machine and Enterprise
- SIM and Payment revenue decrease in line with Company's expectations
- Second semester revenue and profit from operations outlook confirmed

Amsterdam, October 27, 2017 at 12:00 AM - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its revenue for the third quarter of 2017.

Third quarter 2017 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products (E&P)	Platforms & Services (P&S)	
Revenue	751	481	269	493	257	1
Year-on-year variation at constant exchange rates	+3%	+7%	(2%)	(2%)	+15%	+108%
Year-on-year variation at historical exchange rates	=					

Philippe Vallée, Chief Executive Officer, commented: "Gemalto posted revenue growth in the third quarter of 2017. The integration of the recently acquired Identity Management Business is progressing well, and contributed to the strong performance of Government Programs. Machine-to-Machine also grew double-digits and the Data Protection business line posted a sharp increase in Enterprise. On the other hand, the SIM market remains under pressure and US EMV continues its slow normalization process. We remain fully focused on delivering on our outlook in the fourth quarter.

Throughout the year we have progressively evolved our organization in order to better accompany our customers in their digital transformation and align the Company's resources with its long term vision which will be shared at our Strategy Day in March 2018. The plan will take the full measure of the changes in our historical markets and will focus on leveraging our unique set of core technologies."

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 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).

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 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. These items are further explained as follows:

- Amortization, and impairment of intangibles resulting from acquisitions are defined as the amortization, and impairment expenses related to intangibles assets and goodwill 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 impairment 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.

All figures presented in this press release are unaudited.

General information

Third quarter 2017 (€ in millions)	Total	Main segments		Main activities		Patents & Others
		Payment & Identity	Mobile	Embedded software & Products	Platforms & Services	
Revenue	751	481	269	493	257	1
Year-on-year variation at constant exchange rates	+3%	+7%	(2%)	(2%)	+15%	+108%
As a percentage of total revenue	100%	64%	36%	66%	34%	0%

Third quarter 2017 total revenue came in at €751 million, up 3% at constant exchange rates and stable at historical exchange rates.

The Payment & Identity segment revenue grew +7%, at €481 million. This segment represented 64% of the total Company revenue this quarter. The Mobile segment decreased by (2%) at €269 million.

The Platforms & Services activity posted revenue of €257 million, up +15% year-on-year driven by growth in eGovernment services, Enterprise cybersecurity solutions and Mobile Platforms & Services. Platforms & Services activity represented 34% of the total Company revenue.

Embedded software & Products revenue came in at €493 million, (2%) lower compared to the same period of last year. The lower sales of banking cards to financial institutions in the US and removable SIMs were partially offset by growing deliveries of e-documents to Governments and wireless modules for the Internet of Things.

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

Segment information

Payment & Identity

€ in millions	Third quarter 2017	Third quarter 2016	Change at constant rates
Revenue	481	467	+7%

The Payment & Identity segment revenue was €481 million this quarter, increasing by +7% compared to the same period of last year. The segment's Embedded software & Products revenue came in at €275 million while its Platforms & Services revenue was €206 million.

The Government Programs business revenue increased by +58% year-on-year, at €169 million which includes €50 million from the recently acquired Identity Management Business. During the quarter, both Gemalto's organic Government Programs business and the Identity Management Business grew double digits. The EMEA region stood out with several border control project deliveries.

The Enterprise business revenue increased to €113 million, up by +1% compared to the same period of last year. The Data Protection business line recorded double digit growth on the back of the increasing number of data breaches that call for more robust and broader encryption solutions. This revenue growth was curbed by revenue headwinds resulting from the ongoing business model shift from hardware to services in the Authentication business line.

The Payment business revenue came in at €199 million, down (14%) year-on-year. Sales in Americas decreased by (25%) in the third quarter compared with (37%) in the first semester, essentially due to the drop in demand related to the ongoing US EMV market slow normalization process.

Mobile

€ in millions	Third quarter 2017	Third quarter 2016	Change at constant rates
Revenue	269	285	(2%)

The Mobile segment posted revenue of €269 million this quarter, (2%) lower compared to the same period of last year.

Embedded software & Products revenue for the segment came in at €217 million. The Machine-to-Machine business grew by +12% to €88 million. This long term dynamic is driven by increasing demand for connectivity in the Internet of Things (IoT) for uses in automotive, asset tracking, healthcare solutions and smart meters. SIM sales were lower by (12%) at €129 million, in line with expectations for the second semester. The SIM market was under strong pressure in this quarter and is expected to remain so as mobile network operators continue to focus their investments on next generation connectivity.

Platforms & Services revenue for the segment came in at €52 million this quarter, up +3% year-on-year. During the quarter, Gemalto continued to actively participate to the development of embedded SIMs (eSIMs) and its remote provisioning ecosystem as endorsed by the GSMA, resulting in new references with connected device makers and mobile network operators such as those recently announced with Telefónica and Lenovo.

Patents & Others

€ in millions	Third quarter 2017	Third quarter 2016	Change at constant rates
Revenue	1.3	0.7	+108%

Patents & Others revenue was €1.3 million this quarter versus €0.7 million during the same period in 2016.

Outlook

Gemalto confirms its 2017 second semester expectations of a stable revenue year-on-year leading to profit from operations of between €200 million and €230 million including the acquired Identity Management Business. As a result, profit from operations for the full year is expected to be between €293 million and €323 million.

Additional information

Below is a highlight of new contracts and achievements published by the Company in the third quarter of 2017

Enterprise

August 29, 2017	Gemalto Announces Data Protection Solutions for VMware Cloud on AWS
September 20, 2017	First Half 2017 Breach Level Index Report: Identity Theft and Poor Internal Security Practices Take a Toll
September 26, 2017	Gemalto helps banks and payment providers simplify and streamline encryption operations

Government Programs

September 07, 2017	Gemalto enables biometric passports in over 30 different countries
September 27, 2017	Wyoming joins Gemalto's digital driver's license pilot

Mobile

July 21, 2017	Gemalto's remote subscription management solution helps Lenovo customers to always be connected
August 01, 2017	Telefónica launches 'out of the box' mobile connectivity for consumer devices with latest Gemalto cloud service
August 03, 2017	Gemalto first in the world to be fully-certified by the GSMA for secure eSIM subscription management
September 11, 2017	OnKöl remote patient monitoring uses Gemalto IoT connectivity to support 'age in place' individuals

Payment

July 21, 2017	Gemalto offers El Corte Inglés store card holders an easy route to Samsung Pay
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Industry Recognitions

July 06, 2017	Frost & Sullivan Recognizes Gemalto for Leadership in Encryption and Data Protection
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Live Audio Webcast and Conference call

Gemalto third quarter 2017 revenue presentation will be webcast in English today at 3:00 PM Amsterdam and Paris time (2:00 PM London time and 9:00 AM New York time).

Audio webcast

A listen-only live audio webcast of the presentation and the Q&A session will be accessible here on our Investor Relations website via the link below:

[Gemalto webcast](#)

This webcast is compatible with Android and iOS terminals, including iPads. Questions will be taken by way of conference call.

Conference call

Investors and financial analysts wishing to ask questions should join the presentation by dialing:

(UK) +44 207 194 3759 or (US) +1 844 286 0643 or (FR) +33 1 7272 7403

PIN: 52461655#

The accompanying presentation slide set that will be used during the conference call is available on Gemalto 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 2017 earnings will be reported on Friday March 2, 2018, before the opening of Euronext Amsterdam.

The Capital Markets Day will be held on March 13, 2018 in New York.

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 Depositary 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.

From secure software to biometrics and encryption, 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 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

Revenue by region

€ in millions	Third quarter 2017	Third quarter 2016	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	347	328	+7%	+6%
Americas	256	284	(5%)	(10%)
Asia	147	141	+11%	+5%
Total revenue	751	753	+3%	=