

OT posts strong revenue growth in first half 2016

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OT (Oberthur Technologies), a leading global provider of embedded security software products and services, today announces it has posted strong business and financial performance across the board for the first half 2016:

- Group revenue at €546.5m, up 7.6% at constant rates driven by our FSI (Financial Services Institutions) and CAI (Citizen Access & Identity) businesses
- Gross Margin expansion year-on-year despite FX rate impact, +45bps (+189bps in Q2)
- Group EBITDA continues to increase to 15.4%, up 4.4% (+13.3% in Q2)

Our first half performance was very solid with improved profitability. We were particularly pleased with our very strong revenue growth demonstrating that we continue to outperform the industry and to gain market share. We were also pleased with the resilience shown by our Telecom business. We won contracts notably in the areas of Mobile Payment, Internet of Things and Identity proving that the increase in our R&D investments was well targeted. After our change in dimension in 2015, we are well-adapted to address future market challenges and opportunities.

Didier Lamouche, CEO of OT

Revenues

The Group's consolidated revenue increased by €40.4 million, or 7.6%, from €532.6 million for the first half 2015 to €573.0 million for the first half 2016 (at 2015 FX rates) excluding a negative foreign exchange impact of €26.6 million. The increase was driven primarily by a €21.1 million, or 6.6%, increase in the revenue of the Financial Services Institutions segment and to a lesser extent by a €15.5 million, or 18.3%, increase in the revenue of the Group's Connected Devices and Identity Markets segment. Revenue in the Mobile Network Operators segment increased by €3.8 million, or 3.0%, in a highly competitive environment.

FSI – Financial Services Institutions segment revenue was €340.9 million, an increase of 6.6% at constant rates. All regions are growing fast with the exception of North America due to inventory corrections and migration delays from Tier3/4 banks. However, significant migration volumes are still ahead of us and there are early signs of dual interface deployment aiming at improving customer experience. Services volume growth continues. The period also saw the launch of OT's partnership with STET, the retail payment operator for French and European markets, and Cartes Bancaires CB Group (GIE-CB), the regulatory body for the payment card system to roll out mobile payment services for all French banks.

MNO – Mobile Network Operators segment revenue was €132.1 million, an increase of 3.0% at constant rates. This was driven by an excellent performance in Latin America and North America, and LTE ramp-up across several regions (Latin America, North America and Asia). The period also saw the launch of OT's partnership with AFSCM (Association

Française du Sans Contact Mobile) to roll out NFC Services in France with the 3 major mobile operators, Bouygues Telecom, Orange and SFR.

CD&IM – Revenue from the Connected Devices and Identity Markets segment stood at €100.1 million, an increase of 18.3% at constant rates. Within this segment, revenue from our CDM (Connected Device Makers) business was €40.2 million including good momentum in the Industrial & Automotive areas and a slowdown in digital TV cards. Revenue from our CAI business came in at €59.8 million, a 12% organic growth excluding one-offs with Europe remaining solid and the delivery of our Mali passport contract well in-line.

EBITDA

The Group's consolidated EBITDA increased from €80.9 million in half-year year 2015 to €84.4 million in half-year 2016, a 4.4% increase and the Group's consolidated EBITDA margin increased from 15.2% for half-year 2015 to 15.4% in the same period in 2016. The €3.5 million increase in EBITDA was driven by a €5.5 million increase from the Financial Services Institutions segment, which more than offset a €1.4 million decrease from the Mobile Network Operators segment and a €0.5m decrease from the Connected Devices and Identity Markets segment.

In order to sustain business momentum in all its segments, specifically in developing remote management platforms (for the IoT and Mobile Payment spaces), introducing new products such as OT MOTIONCODE™ in the FSI space, and developing a refreshed 4G-LTE OTA platform in the MNO space, the Group has continued to expand its gross research and development expenditures, which increased by €4.4 million, or 19.3%, reaching 5.0% of the Group's consolidated revenue. After Seoul and Lodz in 2015, the Group opened two new R&D centers in France, one in Pessac for our specialist cryptography teams and the other in Sophia Antipolis for the integration of our security technologies in the automotive and mobile spaces.

Operating Free Cash Flow

Free Cash Flow from Operations stood at +€22.5m for the first half 2016 reflecting a seasonality effect in H1 with a low start of the year, although Q2 was a good quarter in terms of cash-flow generation (reaching 46% of EBITDA in Q2 2016). The first half 2015 had benefited from a one-off on one large contract.