

Gemalto first quarter 2018 revenue

- First quarter revenue at €650 million, up +8% at constant exchange rates
- Double-digit revenue growth in Identity, IoT & Cybersecurity segment
- Slower rate of revenue decrease in Smartcards & Issuance segment
- 2018 full year outlook confirmed
- On March 27, 2018 Thales launched its offer for all Gemalto shares

Amsterdam, April 27, 2018 at 12:00 AM - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its revenue for the first quarter of 2018.

Revenue (€ in millions)	First quarter 2018	First quarter 2017	Change at constant exchange rates	Change at historical exchange rates
Identity, IoT & Cybersecurity	293	256	+24%	+15%
Smartcards & Issuance	357	396	(2%)	(10%)
Total	650	651	+8%	=

Philippe Vallée, Chief Executive Officer, commented: “Gemalto grew well this quarter driven by a solid increase in the Identity, IoT & Cybersecurity segment that more than offset the anticipated revenue decrease in the Smartcards & Issuance segment.

During the quarter, commercial synergies with the newly acquired Identity Management business began to kick in and resulted in milestone wins in Governments. Gemalto also announced the launch of two ground-breaking laser-personalized innovations designed to significantly increase the security of passports and IDs. The Cybersecurity business grew well in Europe in anticipation of GDPR¹ implementation and more broadly as organizations increase their focus on data privacy and data security. The IoT business posted an outstanding performance, as large deployments for connected health devices, smart payment and connected cars continue to reflect the growing adoption of IoT technology in industrial applications.

In parallel, Gemalto pursued its focus on profit margin in the Smartcards & Issuance segment adjusting its cost-base and business priorities to the market dynamics.

These evolutions, in line with our expectations, are a first step resulting from the strategic choices we have made for the Company. They provide us with a solid foundation to deliver on our 2018 objectives.

On March 27, Thales launched its offer for all Gemalto shares, an offer unanimously supported by Gemalto’s Board of Directors.”

¹ General Data Protection Regulation

Basis of preparation of financial information

Segment information

The Identity, IoT & Cybersecurity segment comprises businesses associated with homeland security for governments ("Governments"), IoT connectivity for industrial applications ("IoT") and cybersecurity for enterprises ("Cybersecurity").

The Smartcards & Issuance segment comprises businesses mainly associated with removable SIM cards ("SIM"), payment cards ("Payment") and their issuance services. The segment includes as well businesses associated to the digital transformation of smart cards ("Digital") such as digital payment, digital banking, remote subscription management, embedded SIM/MIM and embedded secure elements. Patents business is also included in this segment.

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 2018 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.

Segment information

Gemalto posted revenue of €650 million, increasing by +8% at constant exchange rates, flat at historical exchange rates from the same period of last year. Excluding the €35 million contribution from the Identity Management Business, Gemalto's revenue grew +3% at constant exchange rates. The Company's return to top line growth is supported by strong revenue increase in the Identity, IoT & Cybersecurity segment.

Identity, IoT & Cybersecurity

€ in millions	First quarter 2018	First quarter 2017	Change at constant exchange rates
Revenue	293	256	+24%

The identity, IoT & Cybersecurity segment's revenue came in at €293 million, increasing +24% compared to the previous year. The backlog in this segment continued to increase driven by solid wins across the businesses.

In the first quarter, the Governments business posted very strong revenue growth compared with the same period of last year. The positive evolution was due to the contribution of the Identity Management Business and initial deliveries of its core solutions to Gemalto's historical customers. In addition, a significant project using biometric technology was won in the banking sector. It will enable deployment of commercial biometric solutions on a large scale, increasing consumers' protection in their day-to-day transactions. The increase in passport revenue was solid this quarter, driven by major customers in Europe and Asia while taking into account softer deliveries in the Middle East. Gemalto also announced the launch of two new laser-personalized innovations designed to further increase the security of official identity documents such as national ID cards and passports. The highly sophisticated enhancements are designed to counter forgery while remaining convenient for officials to verify document authenticity of legitimate card-holders. Overall, Gemalto is well positioned to seize the growing opportunities of this market.

The Cybersecurity business delivered a solid performance this quarter. This was driven by a growing number of deployments of encryption and key management software in Europe in anticipation of the May 2018 EU's General Data Protection Regulation (GDPR) and more broadly as data privacy and data security continue to be a key focus for organizations in light of industry compliance standards such as the US health standard (HIPAA) or payment card standard (PCI-DSS). The software monetization sub-business also grew strongly supported by large projects in Europe and Asia. These developments largely offset the revenue decrease in the authentication sub-business line resulting from the ongoing shift in its product mix from hardware to software.

The IoT business posted an outstanding performance in the first quarter. The increase was driven by strong deliveries in Europe and Asia to large customers in a variety of key industrial sectors that extend Gemalto's traditional strong foothold in the automotive market. In the field of connected health in particular, Gemalto's products are playing a decisive role in enhanced medical workflow automation, better analytics for disease management and improved out-patient health monitoring. Security and scalability remain the key criteria for implementation of IoT applications, and new design wins recorded this quarter reflect Gemalto's strong position across key industrial sectors and ability to cater to the sustained market demand.

Smartcards & Issuance

€ in millions	First quarter 2018	First quarter 2017	Change at constant exchange rates
Revenue	357	396	(2%)

The Smartcards & Issuance segment posted revenue of €357 million, (2%) lower at constant exchange rates.

The payment business stabilized this quarter. Sales in Americas decreased by (5%) compared with (34%) in the first quarter of 2017, as the US EMV market continued to gradually normalize. Additionally, the CIS and Middle East regions posted strong performances on the back of large payment card deployments. The SIM business remained under pressure. SIM revenue declined this quarter as low profit-margin opportunities in South Asia were dismissed, in line with the stable profit margin objective set for this business. As part of the transition plan, Gemalto also decided this quarter to exit a specific low-end removable SIM market, cutting its dedicated resources and products for that market.

The Digital business recorded slightly lower revenue year-on-year as growth in mobile services were more than offset by a decrease in payment services. Connectivity solutions deployments increased in key sectors of the IoT market while the need for On Demand Connectivity (ODC) services is now gradually spreading to all regions and mobile network operators. In particular, Gemalto announced a partnership with Korea Telecom to provide its ODC solution and embedded SIM (eSIM) to automobile manufacturers enabling in-vehicle connected services. The revenue reduction in payment services partly resulted from the discontinuation of a business as part of the transition plan.

Thales combination

In December 2017 Thales and Gemalto reached an agreement on a recommended all-cash offer for all issued and outstanding ordinary shares of Gemalto. This offer was launched on March 27, 2018. We are working together with Thales towards achieving the regulatory and antitrust approvals required to complete the transaction. The transaction is expected to close shortly after Thales has secured all customary regulatory approvals and clearances, which is envisaged for the second half of 2018. More information on the Thales offer and the integration can be found on our website at [Public Offer by Thales](#)

2018 full year outlook confirmed

- **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

Additional information

Below is a highlight of new contracts and achievements published by the Company in the first quarter of 2018

Identity, IoT & Cybersecurity

January 9, 2018	Gemalto LTE-M wireless module earns AT&T certification expanding highly efficient cellular connectivity for IoT devices
January 16, 2018	Gemalto and Ponemon Institute Study: Big gaps emerge between countries on attitudes toward data protection in the cloud
February 11, 2018	Gemalto high speed passport readers for Cairo International Airport
February 27, 2018	Gemalto enables swift and secure creation of trusted Digital Identities
March 21, 2018	Gemalto unveils two new enhanced security features for ID documents

Smartcards & Issuance

January 4, 2018	Gemalto launches the first biometric EMV card for contactless payments
January 16, 2018	Ghana speeds up EMV migration with PURE payment technology
January 31, 2018	Gemalto's Discovery Service boosts on-demand connectivity activation for consumer devices worldwide
February 27, 2018	Telefonica Deutschland selects Gemalto solution to deliver identity verification service
March 6, 2018	Korea Telecom selects Gemalto to deliver out-of-box connectivity for connected cars
March 19, 2018	Dai Nippon Printing chooses Gemalto's biometric facial recognition solution to facilitate mobile banking access in Japan

Live Audio Webcast and Conference call

Gemalto first quarter 2018 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) +44 330 336 9411 or (US) +1 323 994 2085 or (FR) +33 1 7677 2257

PIN: 8903156

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

Gemalto N.V. will hold its 2018 Annual General Meeting of Shareholders (AGM) on Friday, May 18, 2018 at 10:00 AM Amsterdam and Paris time at the Hilton Amsterdam Airport Schiphol, Schiphol Boulevard 701, 1118 BN Schiphol, the Netherlands. This general meeting of shareholders will also be the general meeting where the Board of Directors explains the recommended cash offer from Thales S.A. as required pursuant to the Dutch Decree on Public Takeover Bids. The persons entitled to attend and cast votes at the AGM will be those who are recorded as having such rights after the close of trading on the relevant Euronext stock exchange on April 20, 2018 (the "Record Date") in Gemalto's shareholders register, or in a register of a financial institution affiliated to Euroclear France S.A., regardless of whether they are shareholders at the time of the AGM.

Publication of 2018 second quarter revenue and first semester earnings: August 31, 2018

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 2017 annual revenues of €3 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 114 offices, 40 personalization and data centers, and 35 research and software development centers located in 47 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	First quarter 2018	First quarter 2017	Year-on-year variation at constant exchange rates	Year-on-year variation at historical exchange rates
EMEA	308	287	+10%	+7%
Americas	221	222	+15%	=
Asia	121	142	(5%)	(15%)
Total revenue	650	651	+8%	=