Gemalto first semester 2018 results

- **Revenue at €1,387 million and profit from operations at €92 million in line with our expectations**
- **2018 full year outlook confirmed**
- **Identity, IoT & Cybersecurity: double-digit revenue growth and strong investment to capture market opportunities**
- **Smartcards & Issuance: operational performance and transition plan on track**

Amsterdam, August 31, 2018 at 12:00 AM - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its results for the first semester 2018.

Key figures of the adjusted income statement

			Year-on-year variations	
(€ in millions)	**First semester 2018**	First semester 2017	at historical exchange rates	at constant exchange rates
Revenue	**1,387**	1,393	=	+6%
Gross profit	**497**	502	(1%)	
Operating expenses	**(406)**	(409)	(1%)	
Profit from operations	**92**	93	(1%)	
Profit margin	**6.6%**	6.7%	(0.1 pp)	

Philippe Vallée, Chief Executive Officer, commented*:* "Gemalto first semester results reflect the teams' strong focus on implementing the Company's strategic priorities.

The Company's revenue grew organically +2%, driven by its three growing businesses in the Identity, IoT & Cybersecurity segment and as the US EMV market demand normalizes. The IoT business continued to leverage strong demand for Gemalto solutions in industrial sectors. We see good momentum in Cybersecurity, emphasizing the growing role of Gemalto's technology in securing cloud services. In addition, the Governments business won its largest ever passport contract in the UK with Her Majesty's Passport Office, highlighting Gemalto's strong offering in helping governments better protect their citizens. In Smartcards & Issuance, we continue to drive the segment's digital transformation as strong pricing discipline in removable SIM and payment cards led to a stabilizing of profit margin. We also delivered on significant milestones of our transition plan and will see their benefits in the coming quarters.

With similar trends expected in our markets in the second part of the year, our strategic priorities remain unchanged. We will continue to focus on growth opportunities in the Identity, IoT & Cybersecurity segment, leading the digital transformation and rightsizing our operations in the Smartcards & Issuance segment toward achieving our 2018 outlook."

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.

Adjusted financial information

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. To better assess its past and future performance, the Company also prepares an adjusted income statement and uses it for daily management purposes.

	First semester 2018		First semester 2017			
Extract of the adjusted income statement	**€ in millions**	**As a % of revenue**	€ in millions	As a % of revenue	Year-on-year variations at historical exchange rates	Year-on-year variations at constant exchange rates
Revenue	**1,386.7**		**1,392.8**		=	+6%
Gross profit	**497.4**	**35.9%**	**501.9**	**36.0%**	(0.1 pp)	
Operating expenses	**(405.6)**	**(29.3%)**	**(409.1)**	**(29.4%)**	+0.1 pp	
EBITDA	**164.6**	**11.9%**	**163.3**	**11.7%**	+0.2 pp	
Profit from operations	**91.8**	**6.6%**	**92.8**	**6.7%**	(0.1 pp)	
Financial income	**(16.8)**		**(11.4)**			
Share of profit/(loss) from associates	**(0.8)**		**1.8**			
Non-recurring profit relating to associates			**10.1**			
Income taxes	**(7.7)**		**(54.3)**			
Net profit (excl. non-controlling interests)	**66.8**	**4.8%**	**39.4**	**2.8%**	+2.0 pp	
Basic Earnings per share (€)	**0.74**		**0.44**		+68%	
Diluted Earnings per share (€)	**0.73**		**0.44**		+66%	

Gemalto posted revenue of €1,387 million for the first semester, increasing by +6% at constant exchange rates, flat at historical exchange rates on the same period of last year. Excluding the contribution from the Identity Management Business, Gemalto's revenue grew organically +2% at constant exchange rates.

Gross profit came in at €497 million and gross profit margin was at 35.9%, at the same level when compared with the first semester of last year. This evolution essentially reflected the Smartcards & Issuance segment revenue decrease with margin erosion not being fully offset by the revenue growth in the Identity, IoT & Cybersecurity segment.

Operating expenses were down (€4) million, at (€406) million through tighter control of expenses in the Smartcards & issuance segment while the Company continued to invest in the Identity, IoT & Cybersecurity segment in line with its strategic priorities.

As a result, profit from operations was €92 million.

Gemalto's financial income was (€17) million compared to (€11) million in the first semester of 2017. The financial loss variation from last year is mainly due to the interest expenses on the debt drawn in May 2017 to finance the Identity Management Business acquisition.

Share of loss in associates was (€1) million for the first semester 2018.

Adjusted profit before income tax came in at €74 million.

Adjusted income tax expense was (€8) million in the first semester of 2018. The adjusted income tax rate was 10%, in line with the same period of last year excluding the non-cash deferred tax asset reduction.

Overall, the adjusted net profit of the Company was €67 million. Consequently, adjusted basic earnings per share and adjusted diluted earnings per share came in respectively at €0.74 and €0.73.

Reconciliation from Adjusted financial information to IFRS

Six-month period ended June 30 2018 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	**1,386,732**	**-**	**-**	**-**	**-**	**1,386,732**
Cost of sales	(889,325)	(42,119)	(1,362)	(4,481)	-	(937,287)
Gross profit	**497,407**	**(42,119)**	**(1,362)**	**(4,481)**	**-**	**449,445**
Operating expenses	(405,644)		(10,130)	(12,206)		(427,980)
Profit from operations	**91,763**					
Operating profit		**(42,119)**	**(11,492)**	**(16,687)**	**-**	**21,465**

Amortization and impairment of intangibles resulting from acquisitions decreased by €426 million to (€42) million. Most of the improvement resulted from a favorable basis of comparison, as Gemalto had booked a (€425) million one-off non-cash impairment in the first semester of 2017 due to the deteriorated prospects of the removable SIM market. The €42 million charge was essentially related to the Identity Management Business and Safenet acquisitions.

Restructuring and acquisition-related expenses decreased by €25 million to (€11) million as the main actions of the transition plan were accrued in 2017. The (€11) million expenses include the costs related to the Thales project.

As a result, Gemalto recorded an operating profit of €21 million for the first semester of 2018 compared to an operating loss of (€433) million a year ago.

The income tax charge came in at (€1) million compared to (€41) million the previous year which mainly resulted from a non-cash deferred tax asset reduction following Gemalto's 2017 revised profit from operations outlook.

Net profit excluding non-controlling interests came in at €3 million for the first semester of 2018 versus a net loss of (€473) million last year. The basic earnings per share and diluted earnings per share for the first semester 2018 are €0.04 and €0.03 respectively.

Statement of financial position and cash position variation schedule

In the first semester of 2018, operating activities generated a cash flow of €126 million before changes in working capital, a similar level to that of last year.

Changes in working capital reduced cash flow by (€14) million compared to (€1) million in 2017 as inventories level increased notably in the Governments business as a result of its fast growing backlog.

Cash used in restructuring actions and acquisition related expenses came in at (€27) million and include costs in relation with the Thales project.

Net cash generated by operating activities came in at €99 million.

Capital expenditure and acquisition of intangibles represented a net cash outflow of (€67) million. Purchase of Property, Plant, and Equipment was reduced by €7 million to (€18) million and acquisition & capitalization of intangibles came in at (€48) million.

As a result, in the first semester of 2018, the Company generated free cash flow of €32 million compared to €50 million for the same period of 2017. Combined with the cash used in other investing activities, total cash generated by operating and investing activities amounted to €28 million.

Financing activities consumed (€83) million of cash mainly through a reduction in debt.

Cash in hand, net of bank overdrafts amounted to €248 million as at June 30, 2018.

Considering the €881 million total amount of borrowings as at June 30, 2018, Gemalto's net debt position decreased to €633 million compared to a net debt position of €684 million as at December 31, 2017. The €51 million reduction in net debt is due the combination of the Company's free cash flow generation over the last six months and the positive contribution of derivative financial instruments.

Segment information

Outlined below is the segment information for the second quarter and the first semester 2018. Revenue variations are expressed at constant currency exchange rates unless otherwise noted.

Gemalto posted revenue of €1,387 million for the first semester, increasing by +6% at constant exchange rates, flat at historical exchange rates on the same period of last year. Excluding the contribution from the Identity Management Business, Gemalto's revenue grew organically +2% at constant exchange rates. The Company's top line growth was supported by a strong revenue increase in the Identity, IoT & Cybersecurity segment and the US EMV market demand normalization.

Second quarter 2018 (€ in millions)	**Total**	Identity, IoT & Cybersecurity	Smartcards & issuance
Revenue	**737**	351	386
At constant rates	**5%**	+16%	(4%)
At historical rates	**(1%)**	+11%	(9%)

During the second quarter, revenue was €737 million, up +5% at constant exchange rates.

The Identity, IoT & Cybersecurity segment's revenue came in at €351 million, increasing +16% at constant exchange rates compared to the previous year.

The Smartcards & Issuance segment posted revenue of €386 million, (4%) lower at constant exchange rates.

First semester 2018 (€ in millions)	**Total**	Identity, IoT & Cybersecurity	Smartcards & issuance
Revenue	**1,387**	644	743
At constant rates	**+6%**	+20%	(3%)
At historical rates	**=**	+12%	(9%)

In the first semester, revenue grew +6% year-on-year at constant exchange rate. This evolution resulted from strong revenue growth in Enterprise, IoT and Governments including the acquired Identity Management Business coupled to a slowing down in the rate of revenue decrease in the removable SIM businesses and stabilizing Payment business.

The Identity, IoT & Cybersecurity segment's revenue came in at €644 million, increasing +20% compared to the previous year. The backlog in this segment continued to increase driven by solid wins, notably in the Governments business.

The Smartcards & Issuance segment posted revenue of €743 million, (3%) lower at constant exchange rates.

Profit from operations (€ in millions)	**Total**	Identity, IoT &Cybersecurity	Smartcards & issuance
First semester	**92**	49	43
As a percentage of the total profit from operations	**100%**	54%	46%

First semester profit from operations came in at €92 million at around the same level as last year, as the favorable business mix evolution towards Identity, IoT & Cybersecurity was offset by weaker performance in the Smartcards & Issuance segment's digital business.

The contribution of the Identity, IoT & Cybersecurity segment to the Company's total profit from operations was 54% for this semester compared to 44% at the same period of last year.

Identity, IoT & Cybersecurity

	First semester 2018		First semester 2017		Year-on-year variations	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**643.6**		572.4		+12%	+20%
Gross profit	**265.2**	**41.2%**	237.9	41.6%	(0.4 pp)	
Operating expenses	**(215.9)**	**(33.5%)**	(197.1)	(34.4%)	+1.1 pp	
Profit from operations	**49.3**	**7.6%**	40.7	7.1%	+0.5 pp	

Identity, IoT and Cybersecurity revenue came in at €644 million, up +20% at constant exchange rates compared to 2017.

In the first semester, 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 substantial secure document deliveries in Europe, Asia, and Africa offsetting a weaker performance in the Middle East. In the second quarter, Gemalto initiated first deliveries of its commercial biometric solutions to a large banking customer. Gemalto also won its largest ever passport contract with the United Kingdom Home Office. The contract spans 11.5 years, including 10 years of production and issuance services. In addition, Gemalto's Live Face Identification System (LFIS) solution excelled at the 2018 biometrics rally, sponsored by the US Department of Homeland Security's (DHS). These results highlight Gemalto's innovation capabilities and unmatched offering, aimed at helping government better protect their citizens.

The Cybersecurity business delivered a strong performance this semester. It was driven by a growing number of encryption and key management software deployments in Europe in light of the new regulatory environment deadline and more broadly as data privacy and data security continue to be a key focus for global organizations. The software monetization sub-business also posted a solid performance supported by large projects in Europe and Asia. The authentication sub-business revenue decreased slightly this semester as the ongoing shift in its product mix from hardware to software continued to progress.

The IoT business posted an outstanding revenue performance in the first semester. 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. New design wins recorded this semester reflect Gemalto's strong position and continuous investment in its portfolio which enable the Company to further leverage the sustained market demand.

Overall, the Identity, IoT & Cybersecurity segment's gross profit was up +11% at €265 million, gross margin came in at 41.2%, driven notably by a full semester's positive contribution of the Identity Management Business.

The operating expenses for the segment increased by €19 million, up +10% compared with the same period of last year. This increase was mainly due to the full semester integration of the Identity Management Business' operating expenses, continuous R&D investments in the Governments and IoT businesses as well as to the development of the Cybersecurity business' sales channel.

As a result, profit from operations in the Identity, IoT & Cybersecurity segment came in at €49 million and profit from operations margin settled at 7.6% for the first semester of 2018.

Smartcards & Issuance

	First semester 2018		First semester 2017		Year-on-year variations	
	€ in millions	**As a % of revenue**	€ in millions	As a % of revenue	at historical exchange rates	at constant exchange rates
Revenue	**743.1**		820,4		(9%)	(3%)
Gross profit	**232.2**	**31.2%**	264.1	32.2%	(1 pp)	
Operating expenses	**(189.8)**	**(25.5%)**	(212.0)	(25.8%)	+0.3 pp	
Profit from operations	**42.5**	**5.7%**	52.1	6.3%	(0.6 pp)	

Smartcards & Issuance first semester revenue came in at €743 million, (3%) lower year-on-year at constant exchange rates.

As expected, the Payment business stabilized this semester. This performance was driven by the return of the US EMV market's demand to a normal pattern combined with strong shipments sales in the CIS, Middle East and Latin America regions. These increases offset performance in Europe, marked by lesser renewal programs, and lower sales in Asia. Removable SIM revenue continued to decrease this semester as a result of the first impact of the exit of a specific low-end SIM market and more broadly as low profit-margin opportunities were dismissed. As SIM market trends look unchanged, Gemalto continues to adjust its operational cost and selective business opportunities' approach to achieve stable profit margin for this segment.

The Digital business revenue was down year-on-year essentially due to lower performance in Digital Banking and Digital Payment services and the first impact of the discontinuation of a payment sub-business as part of the transition plan. Connectivity solutions infrastructure deployments increased in key sectors of the IoT market while the need for On Demand Connectivity (ODC) services gradually spreads to all regions and mobile network operators. In the payment market, Gemalto announced the enabling of Hong Kong's Octopus card through Samsung Pay via its Trusted Service Hub (TSH), another landmark program that follows the recent successes in Japan and Spain, and that confirms the competitiveness of Gemalto's digital offer in this transforming market.

The Smartcards & Issuance segment's gross profit was down (12%) at €232 million and gross margin came in at 31%, down (1) percentage point compared to the same period of last year.

Operating expenses decreased by (€22) million down to (€190) million in the first semester 2018, reflecting initial benefits of the transition plan.

As a result, the Smartcards & Issuance segment's profit from operations for the first semester of 2018 was €42 million and its profit from operations margin settled at 5.7%.

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. Gemalto is working together with Thales towards achieving the regulatory and antitrust approvals required to complete the transaction. Thales expects the transaction to close by year end 2018, after it has secured all customary regulatory approvals and clearances. More information on the Thales offer and the integration, including the offer document and related press releases, can be found on Gemalto's 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 semester 2018

Identity, IoT & Cybersecurity	
January 9, 2018	Gemalto LTE-M wireless module earns AT&T certification expanding highly efficient cellular connectivity for IoT devices
March 21, 2018	Gemalto unveils two new enhanced security features for ID documents
April 11, 2018	More than 2.5 billion records stolen or compromised in 2017
April 17, 2018	Gemalto to protect 5G next generation networks from cyber-attacks with Intel® Software Guard Extensions
April 23, 2018	Gemalto awarded multi-year service contract for British passports
May 03, 2018	Gemalto's biometric authentication technology revolutionizes automated border control in Colombia
May 14, 2018	Gemalto strengthens trust in smart energy with its new end-to-end security solution
June 6, 2018	Gemalto launches virtualized network encryption platform to help customers address evolving data security needs
June 13, 2018	Gemalto facial recognition solution excels at US Department of Homeland security 2018 Biometric Rally
June 21, 2018	Gemalto and Faraday Future work together to deploy secure, connected vehicles
Smartcards & Issuance	
January 4, 2018	Gemalto launches the first biometric EMV card for contactless payments
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
April 26, 2018	Gemalto enables digitization of Hong Kong's Octopus card into Samsung Pay
May 28, 2018	Gemalto announces collaboration with Qualcomm Technologies to integrate eSIM innovation into the Snapdragon Mobile PC Platform

Live Audio Webcast and Conference call

Gemalto first semester 2018 results 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) +1 929 477 0324 or (FR) +33 1 7677 2257

PIN: 3161560

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.

The semi-annual report, including the interim condensed consolidated financial statements as of June 30, 2018, is available on our investor web site (www.gemalto.com/investors).

Calendar

Third quarter 2018 revenue will be reported on Friday October 26, 2018, before the opening of Euronext Amsterdam.

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 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 1

Reconciliation from Adjusted financial information to IFRS

Six-month period ended June 30 2018 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	**1,386,732**	**-**	**-**	**-**	**-**	**1,386,732**
Cost of sales	(889,325)	(42,119)	(1,362)	(4,481)		(937,287)
Gross profit	**497,407**	**(42,119)**	**(1,362)**	**(4,481)**	**-**	**449,445**
Operating expenses	(405,644)		(10,130)	(12,206)		(427,980)
Profit from operations	**91,763**					
Operating profit		**(42,119)**	**(11,492)**	**(16,687)**	**-**	**21,465**
Financial income	(16,771)					(16,771)
Share of profit / (loss) from associates	(839)					(839)
Non-recurring profit / (loss) relating to associates						
Income Tax	(7,749)					(1,103)
Net profit adjusted	**66,404**					**2,752**
Non-controlling interests	(445)					(445)
Net profit excluding non-controlling interests	**66,849**					**3,197**

Number of shares Basic	90,237	90,237
Number of shares Diluted	91,631	91,631

EPS Basic (€)	0.74	0.04
EPS Diluted (€)	0.73	0.03

Six-month period ended June 30 2017 (€ in thousands)	Adjusted financial information	Amortization and impairment of intangibles resulting from acquisitions	Restructuring and acquisition-related expenses	Equity-based compensation charge and associated costs	Fair value adjustment upon business acquisitions	IFRS financial information
Revenue	**1,392,842**	**-**	**-**	**-**	**-**	**1,392,842**
Cost of sales	(890,920)	(43,580)	(11,692)	(5,172)	(1,042)	(952,406)
Gross profit	**501,922**	**(43,580)**	**(11,692)**	**(5,172)**	**(1,042)**	**440,436**
Operating expenses	(409,147)	(424,671)	(24,940)	(14,662)		(873,420)
Profit from operations	**92,775**					
Operating profit		**(468,251)**	**(36,632)**	**(19,834)**	**(1,042)**	**(432,984)**
Financial income	(11,420)					(11,420)
Share of profit / (loss) from associates	1,773					1,773
Non-recurring profit / (loss) relating to associates	10,105					10,105
Income Tax	(54,262)					(41,225)
Net profit adjusted	**38,972**					**(473,751)**
Non-controlling interests	(459)					(459)
Net profit excluding non-controlling interests	**39,431**					**(473,292)**
Number of shares Basic	89,837					89,837
Number of shares Diluted	90,195					90,195
EPS Basic (€)	0.44					(5.27)
EPS Diluted (€)	0.44					(5.27)
*Adjusted from deferred tax asset reduction			**Adjusted from impairments and deferred tax asset reduction			
EPS Basic (€)	*0.91					**0.01
EPS Diluted (€)	*0.90					**0.01

The first semester 2017 adjusted basic earnings per share is determined on the basis of the weighted average number of Gemalto shares outstanding during the six-month period ended June 30, 2017, i.e. 89,836,968 shares. The first semester 2017 adjusted diluted earnings per share is determined by using 90,194,882 shares corresponding to the IFRS treasury stock method, i.e. on the basis of the same weighted average number of Gemalto shares outstanding and considering that all outstanding share based instruments were exercised (892,434 instruments) and the proceeds received from the instruments exercised (€29,179,802) were used to buy-back shares at the average share price of the first semester 2017 (534,520 shares) at €54.59.

Appendix 2

Interim consolidated statement of financial position

(€ in thousands)	June 30, 2018	December 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	296,507	316,426
Goodwill	1,497,345	1,468,214
Intangible assets	731,288	757,814
Investments in associates	7,192	8,542
Deferred income tax assets	53,310	37,818
Other investment	33,665	39,183
Other non-current assets	81,128	79,584
Derivative financial instruments	369	0
Total non-current assets	**2,700,804**	**2,707,581**
Current assets		
Inventories	251,432	226,339
Trade and other receivables	994,780	998,500
Derivative financial instruments	10,712	55,633
Cash and cash equivalents	251,125	320,675
Total current assets	**1,508,049**	**1,601,147**
Total assets	**4,208,853**	**4,308,728**
Equity		
Share capital	90,786	90,424
Share premium	1,330,696	1,303,799
Treasury shares	(6,592)	(10,721)
Fair value and other reserves	(167)	32,574
Cumulative translation adjustments	(62,111)	(74,485)
Retained earnings	836,120	834,368
Capital and reserves attributable to the owners of the Company	**2,188,732**	**2,175,959**
Non-controlling interests	**2,440**	3,375
Total equity	**2,191,172**	**2,179,334**
Liabilities		
Non-current liabilities		
Borrowings	721,100	717,986
Deferred tax liabilities	103,308	102,081
Employee benefit obligations	128,319	126,716
Provisions and other liabilities	127,249	129,972
Derivative financial instruments	1,105	-
Total non-current liabilities	**1,081,081**	**1,076,755**
Current liabilities		
Borrowings	163,317	286,788
Trade and other payables	680,039	682,248
Current income tax liabilities	20,810	27,930
Provisions and other liabilities	40,161	52,261
Derivative financial instruments	32,273	3,412
Total current liabilities	**936,600**	**1,052,639**
Total liabilities	**2,017,681**	**2,129,394**
Total equity and liabilities	**4,208,853**	**4,308,728**

Appendix 3

Cash position variation schedule

	Six-month period ended June 30	
€ in millions	**2018**	**2017**
Cash and bank overdrafts, beginning of period	**302**	**663**
Cash generated by operating activities, before changes in working capital	126	121
Net change in working capital	(14)	(1)
Cash used in restructuring actions and acquisition related expenses	(27)	(23)
Net cash generated by operating activities before Time de-correlated hedging effect / (Prepaid derivatives)	**84**	**97**
Time de-correlated hedging effect / (Prepaid derivatives)	15	21
Net cash generated by operating activities	**99**	**118**
Capital expenditure and acquisitions of intangibles	(67)	(68)
Free cash flow	**32**	**50**
Interest received	1	1
Cash used by acquisitions	(2)	(761)
Other cash provided by investing activities	(1)	0
Currency translation adjustments	(2)	(7)
Cash generated (used) by operating and investing activities	**28**	**(717)**
Cash generated (used) by the liquidity and share buy-back program	0	(0)
Dividend paid to Gemalto shareholders	0	(45)
Net proceed (repayment) from/of financing instruments	(78)	334
Interest paid	(4)	(2)
Other cash provided (used) by financing activities	(0)	3
Cash and bank overdrafts, end of period	**248**	**236**
Current and non-current borrowings excluding bank overdrafts, end of period	(881)	(1,074)
Net (debt), cash, end of period	**(633)**	**(838)**

Appendix 4

Revenue by region

First semester € in millions	First semester 2018	First semester 2017	Year-on-year variations at constant exchange rates	Year-on-year variations at historical exchange rates
Europe, Middle East and Africa	**661**	**636**	+6%	+4%
Americas	**478**	**469**	+14%	+2%
Asia	**248**	**288**	(6%)	(14%)
Total revenue	**1,387**	**1,393**	(6%)	(0%)

Second quarter € in millions	Second quarter 2018	Second quarter 2017	Year-on-year variations at constant exchange rates	Year-on-year variations at historical exchange rates
Europe, Middle East and Africa	**353**	**349**	+3%	+1%
Americas	**257**	**247**	+14%	+4%
Asia	**121**	**146**	(6%)	(13%)
Total revenue	**737**	**742**	5%	(1%)