

Gemalto third quarter 2018 revenue

- Third quarter revenue at €727 million, (3%) lower at constant exchange rates
- Identity, IoT & Cybersecurity segment revenue (1%) lower at €345 million. The segment revenue is up +12% year-to-date at constant exchange rates and strong deliveries are expected in the fourth quarter
- Smartcards & Issuance trends unchanged. Digital transformation at play
- 2018 full year outlook confirmed

Amsterdam, October 26, 2018 at 12:00 AM - Gemalto (Euronext NL0000400653 - GTO), the world leader in digital security today announces its revenue for the third quarter of 2018.

Revenue (€ in millions)	Third quarter 2018	Third quarter 2017	Change at constant exchange rates	Change at historical exchange rates
Identity, IoT & Cybersecurity	345	348	(1%)	(1%)
Smartcards & Issuance	382	403	(4%)	(5%)
Total	727	751	(3%)	(3%)

Philippe Vallée, Chief Executive Officer, commented: “As expected, Gemalto’s third quarter revenue was slightly lower as large programs in both the Governments and Cybersecurity businesses are being delivered in the fourth quarter of 2018.

In parallel, Gemalto recorded a strong increase in deployments of its secure connectivity solutions for IoT industrial applications. In the Smartcards & Issuance segment, the Payment business posted a solid performance driven by the first EMV renewal campaigns in the US and strong payment card deployments across other regions. The recent Apple announcement introducing eSIM technology in its new generation of iPhones was an important milestone. It should trigger an acceleration in the rate of activations that will benefit Gemalto’s eSIM solutions with Mobile Network Operators.

As we progress toward the end of the year, leveraging the traditional fourth quarter momentum and benefiting from the adjustments made to our cost base, we are confident in 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.

Segment information

Gemalto posted revenue of €727 million, lower by (3%) both at constant exchange rates and historical exchange rates from the same period of last year. The contributions to the Company's total revenue were respectively 47% for the Identity, IoT & Cybersecurity segment and 53% for the Smartcards & Issuance segment.

Identity, IoT & Cybersecurity

€ in millions	Third quarter 2018	Third quarter 2017	Change at constant exchange rates
Revenue	345	348	(1%)

The Identity, IoT & Cybersecurity segment's revenue came in at €345 million, down (1%) compared to the previous year as large programs in both the Governments and Cybersecurity businesses are being delivered in the fourth quarter of 2018. The segment year-to-date revenue reached €989 million, increasing +12% compared with the same period of last year.

The Governments business revenue declined in the third quarter compared with the same period of last year with significant e-documents programs rolling out in the US and Latin America in the fourth quarter of 2018, together with the first deliveries of the UK passport. In the third quarter, Gemalto was selected by the state of Georgia in the US for the supply of driver's license solution. The solution comprises an advanced enrollment system that includes photo and signature capture. The driving license will use premium polycarbonate including Multiple Laser Images (MLIs) to reduce document forgery and protect against identity fraud. This program win is another example of the depth and completeness of Gemalto offers for Governments to protect their citizens' identities.

The Cybersecurity business revenue was slightly down this quarter as several encryption program deployments notably in Europe and the US are also taking place in the fourth quarter of 2018. The software monetization and authentication sub-business lines posted a solid performance. As part of its cloud offer, Gemalto announced this quarter the launch of its next-generation key management solution, SafeNet Virtual KeySecure. This innovative solution integrated with leading cloud service providers such as AWS, Microsoft Azure, Google Cloud Platform, IBM cloud and VMware provides companies with a single key management solution spanning multiple private or public cloud environments. As a result, companies can extend their data protection policies to private and public clouds and centralize encryption and key management operations across multiple cloud environments. Companies can also improve key security and audit process by retaining ownership and control of encryption keys.

The IoT business posted another very strong performance in this quarter. The increase was driven by strong deliveries in Europe and Asia to large customers in Automotive, Health, Payment and Metering sectors. This quarter performance once again reflects the strong fit of Gemalto's offers with the highly challenging requirements of fast developing IoT industrial applications.

Smartcards & Issuance

€ in millions	Third quarter 2018	Third quarter 2017	Change at constant exchange rates
Revenue	382	403	(4%)

The Smartcards & Issuance segment posted revenue of €382 million, (4%) lower at constant exchange rates.

The Payment business posted a solid performance this quarter on the back of strong sales in the US driven by the first EMV renewal campaigns and strong payment card deployments across other regions. The SIM business declined this quarter due to the continued market erosion and the full effect of the exit of a specific low-end market. In line with the profit margin objectives for the segment, low profit margin opportunities in both SIM and Payment businesses were dismissed in several Asian countries.

The Digital business enjoyed solid revenue growth, essentially driven by large deployments in Europe of authentication solutions that are part of the digital banking sub-business line. Following the recent Apple announcement introducing eSIM technology in its new generation of iPhones, the need for remote subscription management solutions (On Demand Connectivity) is rising. Mobile Network Operators are stepping up their infrastructure readiness to offer users the choice of activating their new generation iPhones either through a removable SIM or an eSIM. This should in turn trigger an acceleration in the rate of activations that will benefit Gemalto's eSIM solutions with Mobile Network Operators.

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 currently expected to close in the first quarter of 2019, after Thales 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 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 third quarter of 2018.

Identity, IoT & Cybersecurity

July 24, 2018	Gemalto helps companies gain valuable data insights, reduce cost and time with automatic software updates
July 31, 2018	Gemalto and Entrust Datacard extend partnership to accelerate IoT security adoption
August 7, 2018	Gemalto boosts cloud security with a scalable virtual key management solution
September 18, 2018	Georgia chooses Gemalto's driver's license solution to better protect their residents' identities

Smartcards & Issuance

September 18, 2018	Gemalto and R3 pilot blockchain technology to put users in control of their Digital ID
--------------------	--

Live Audio Webcast and Conference call

Gemalto third 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 9127 or (US) +1 929 477 0448 or (FR) +33 1 76 77 22 74

PIN: 2301734

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 2018 earnings will be reported on Thursday February 14, 2019, 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

Investor Relations

Jean-Claude Deturche
 Mr.: +33 6 2399 2141
jean-claude.deturche@gemalto.com

Corporate Communication

Isabelle Marand
 Ms.: +33 6 1489 1817
isabelle.marand@gemalto.com

Media Relations Agency

Suzanne Bakker
 Ms.: +31 6 1136 8659
suzanne.bakker@citigateff.nl

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	Third quarter 2018	Third quarter 2017	Change at constant exchange rates	Change at historical exchange rates
EMEA	335	347	(3%)	(3%)
Americas	267	256	+5%	+4%
Asia	125	147	(14%)	(15%)
Gemalto	727	751	(3%)	(3%)