

THALES

Thales and Gemalto create a world leader in digital security

18 December 2017

www.thalesgroup.com



Disclaimer

No Offer

This presentation does not constitute an offer, or any solicitation of any offer, to buy or subscribe for any securities in Gemalto. Any offer will be made only by means of an offer memorandum.

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The offer to acquire Gemalto referred to herein (the "Offer") will be made only by means of an offer memorandum. The Offer will be made for the securities of Gemalto, a public limited liability company incorporated under Dutch Law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States of America. The Offer will be made in the United States of America in compliance with Section 14(e) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), and the applicable rules and regulations promulgated thereunder, including Regulation 14E (subject to any exemptions or relief therefrom, if applicable) and otherwise in accordance with the requirements of Dutch law. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to the Offer timetable, settlement procedures, withdrawal, waiver of conditions and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Offer by a U.S. holder of Gemalto shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Gemalto shares is urged to consult his independent professional advisor immediately regarding the tax consequences of accepting the Offer.

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The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Gemalto of such information. No purchases will be made outside of the Offer in the United States of America by or on behalf of Thales or its affiliates. In addition, the financial advisors to Thales may also engage in ordinary course trading activities in securities of Gemalto, which may include purchases or arrangements to purchase such securities. To the extent required in The Netherlands, any information about such purchases will be announced by press release in accordance with Article 13 of the Decree and posted on the website of the Offeror at thalesgroup.com.

Forward Looking Statements

This presentation includes "forward-looking statements" and language indicating trends, such as the words "anticipate", "expect", "approximate", "believe", "could", "should", "will", "intend", "may", "potential" and other similar expressions. These forward-looking statements are only based upon currently available information and speak only as of the date of this presentation. Such forward-looking statements are based upon management's current expectations and are subject to a significant business, economic and competitive risks, uncertainties and contingencies, many of which are unknown and many of which Thales and Gemalto are unable to predict or control. Such factors may cause Thales and/or Gemalto's actual results, performance or plans with respect to the transaction between Thales and Gemalto to differ materially from any future results, performance or plans expressed or implied by such forward-looking statements. Neither Thales nor Gemalto, nor any of their advisors accepts any responsibility for any financial information contained in this presentation relating to the business or operations or results or financial condition of the other or their respective groups. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Important Additional Information

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Contemplated transaction

- Friendly offer to acquire Gemalto on the basis of €51 per share⁽¹⁾
- A combination based on an industrial project supported by both Thales and Gemalto management teams
- Contemplated transaction unanimously recommended by Gemalto's board of directors and unanimously approved by Thales's board of directors
- Determined ambition to further develop Gemalto within Thales

(1) Cum dividend

Creating a world leader in digital security

Compelling strategic rationale for Thales

- Accelerating Thales's digital strategy
- Creating global market leader in fast-growing digital security market

Shared vision for the future

- Strong industrial and cultural fit
- Thales to combine its digital assets with Gemalto, within a new Global Business Unit
- Friendly approach essential to deliver value in talent-based industries

Significant shareholder value creation

- Immediate mid to high-teens adjusted EPS accretion, pre-synergies
- €100m to €150m recurring pre-tax cost synergies by 2021, as well as meaningful revenue synergies
- Acquisition's ROCE exceeding Cost of Capital within 3 years following closing
- Solid investment grade rating preserved

Key transaction highlights

Consideration

- €51 in cash per share⁽¹⁾
- Implied EV/ 2018E EBIT multiple of 17x⁽²⁾

Premium

- 57% premium to Gemalto closing share price of €32.5 on 8 December 2017
- 48% premium to Gemalto 3-month VWAP of €34.35

Deal protection mechanisms

- Exclusivity undertaking from Gemalto, subject to superior offer being made by a third party
- Termination fee of €60m
- 9% threshold for recommendation of a superior offer
- Issuance of contingent rights by Gemalto if an alternative offer is launched at a price between 100% and 109% of Thales offer price

(1) Cum dividend – (2) Based on 2018E IBES consensus EBIT of €326m

THALES

- **Gemalto, a global player in digital security**

- A highly complementary combination

- Favorable financial impacts

- Next steps

A photograph of a building facade with the Gemalto logo. The logo consists of the word "gemalto" in a lowercase, sans-serif font, with a stylized four-pointed starburst symbol to its right. The building has a dark, textured surface, and the sky is a clear, light blue. A large, curved teal graphic element is on the left side of the image, partially overlapping the building.

gemalto

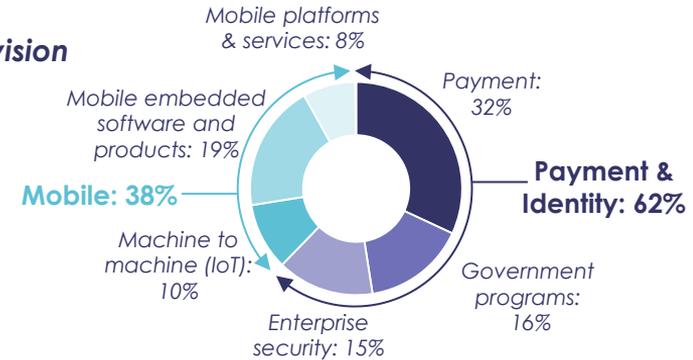
Gemalto, a global player in digital security

- Global specialist in authentication systems and data protection
- Leading technologies with applications in broad range of industries
- Moving from hardware to embedded software, then to software platforms
- 2016 revenues of €3.1bn

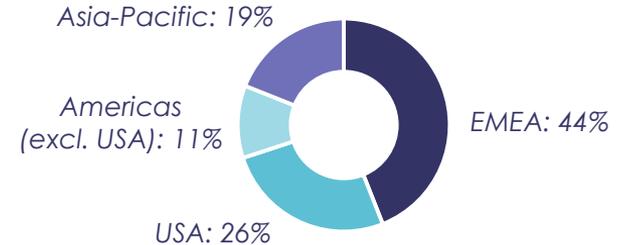


2016 revenue breakdown

By division



By geography



Securing identities, connected objects & data

(Percent of 2016 revenue)



Ideally positioned on the fastest-growing digital security segments

Securing identities

- Continued EMV card migration and innovation
- Innovative e-payment services
- Resilient and growing government market underpinned by strong secular trends (eID, eGovernment)
- Increasing use of biometrics for physical and digital identification

Securing connected objects and data

- Exponential growth in number of connected objects
- IoT security market projected to grow at 20%+ CAGR by 2020⁽¹⁾
- Transition from removable to embedded “eSIM” accelerating over next 5 years
- Continued strong growth of digital identity and access management markets
- Expanding universe of use cases for biometrics and data analytics in the enterprise security market

(1) Source: Gartner

- | Gemalto, a global player in digital security

- | **A highly complementary combination**

- | Favorable financial impacts

- | Next steps



Thales's competitive advantage built on a unique business model

1

Addressing
some of the most
demanding
vertical markets...

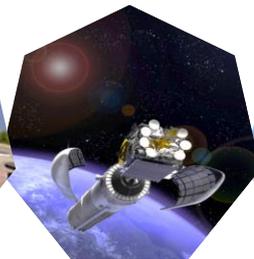


2

...with a
unique portfolio
of key technologies



Aeronautics



Space



Ground
transportation



Defence



Security

← Critical decision chain →

Sensing and
data gathering



Data
transmission
and storage



Data processing
and decision
making

Gemalto accelerating the implementation of Thales's digital strategy

Critical decision chain

Sensing and data gathering



Data transmission and storage



Data processing and decision making

Key digital technologies



Connectivity, mobility, IIoT^(a)



Cyber-security



Big data^(b) and data analytics



Artificial intelligence

Growth strategy



LIVE TV™
AT HOME IN THE AIR

SYSGO
EMBEDDING INNOVATIONS

Vormetric
Data Security™

GUAVUS

Artificial Intelligence research centers in Paris and Montreal

THALES DIGITALFACTORY

gemalto
security to be free

(a) IIoT: Industrial Internet of Things

(b) Big data: advanced solutions to capture, store, and process very large data sets

Powering and securing the complete critical digital decision chain

Critical decision chain

Sensing and data gathering

Data transmission and storage

Data processing and decision making

Critical digital decision chain



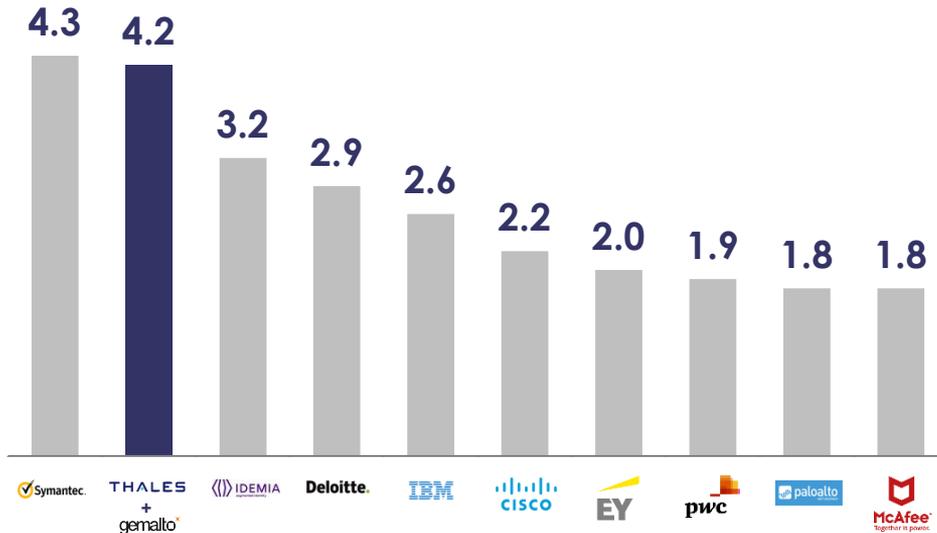
Example:
IoT
cyber-
security



Creating a world leader in digital security

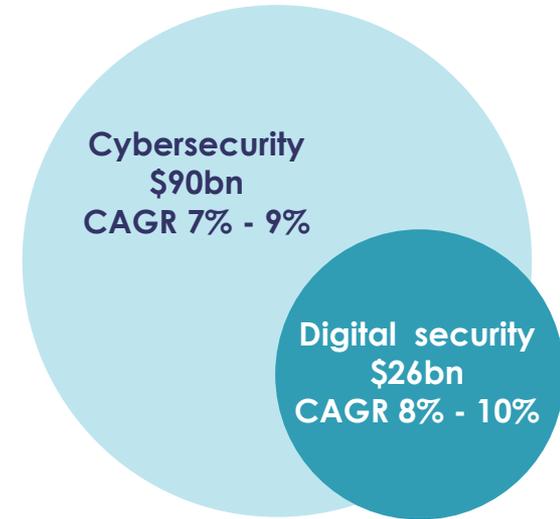
Global cybersecurity players⁽¹⁾

In \$bn



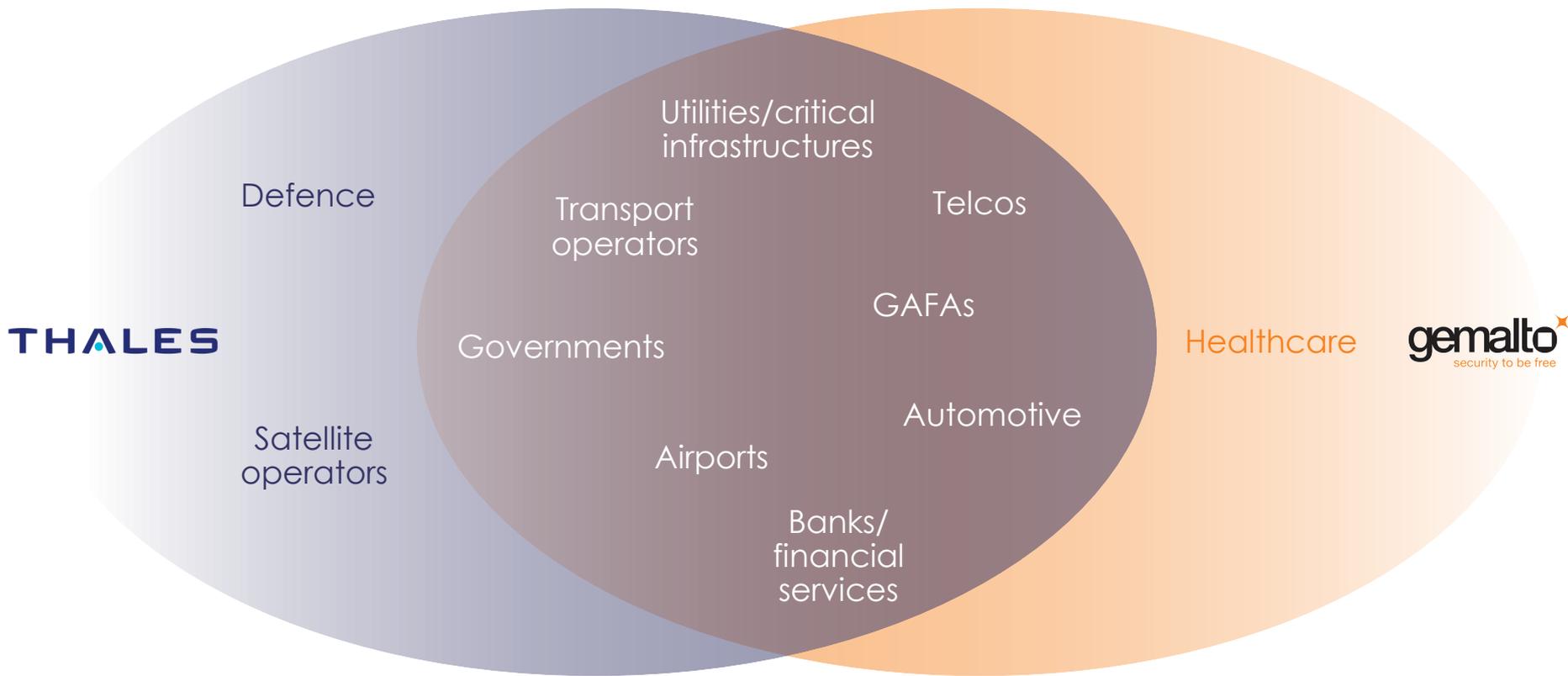
(1) Source: Gartner, 2016

Focused on faster growing segment⁽¹⁾



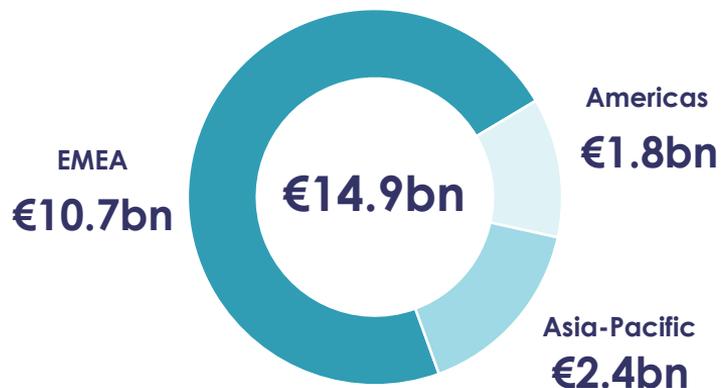
*Digital Security = Identity,
Connected Objects and Data security*

Both Groups enabling the digital transformation of most demanding vertical markets



Supporting strategic ambition to become more global

2016 geographical revenue breakdown
(standalone)



2016 geographical revenue breakdown
(combined pro forma⁽¹⁾)



Americas revenues: +70%
Asia-Pacific revenues: +25%

(1) Pro forma 2016 figures including 100% of 3M Identity revenues

Strong industrial and cultural fit: foundation for successful integration

Common 'DNA' and culture

- Deep roots in technology and passion for innovation
- Product-focus
- Global organizations driven by product lines rather than geographies

Innovation champions

- R&D-oriented innovation powerhouses combining more than 28,000 engineers and 3,000 researchers
- Extensive Intellectual Property portfolio of 20,000+ patents
- Investing more than €1 bn in self-funded R&D

Human capital as critical asset

- A unique talent pool in digital and cybersecurity
- Enhanced attractiveness to hire and retain talents, a key competitiveness driver

Friendly approach a critical success factor in combining talent-based high-tech companies

Creation of a digital security Global Business Unit

Gemalto well advanced in its transition from its historical businesses to faster-growing markets

Thales to combine key digital assets with Gemalto in order to:

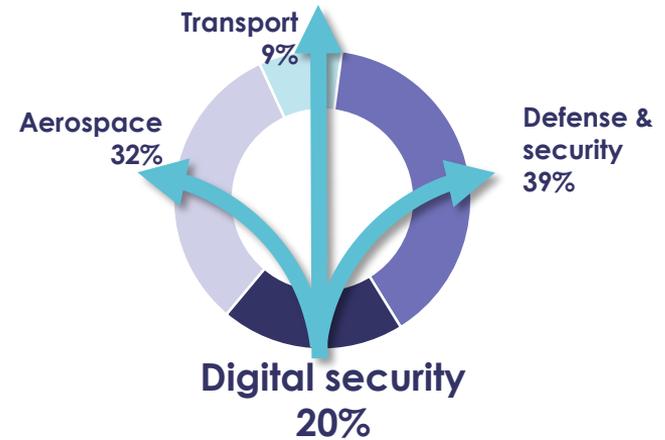
- Strengthen common digital capabilities
- Accelerate growth of combined entity

New GBU to accelerate digital transformation across all Thales vertical markets

(1) 2016 Combined pro forma



Segment revenue breakdown⁽¹⁾



THALES

- Gemalto, a global player in digital security

- A highly complementary combination

- **Favorable financial impacts**

- Next steps



Acquisition further strengthens Thales's margin and growth profile

Revenues

Market		Growth potential
Securing identities	Payment cards	→
	E-Payment	↗↗
	Government	↗
Securing connected objects and data	Mobile	↘
	Enterprise security	↗
	IoT/M2M	↗↗

EBIT margin

Upon integration, Gemalto's margin in line with Thales's expected profitability

Potential for margin expansion above Thales level

➤ 2 to 3 years after acquisition

Solid cost synergies, with significant revenue synergies upside

Recurring pre-tax cost synergies of €100m to €150m by 2021

- R&D and SG&A optimization on enterprise security
- SG&A savings on Gemalto perimeter
- Savings on purchasing
- Footprint optimization

Significant revenue synergies

- Enlarged customer base
- Strengthened cybersecurity portfolio
- Thales's Artificial Intelligence and Big Data capabilities supporting Gemalto's business development...

Thales and Gemalto to uniquely shape the emerging 'secured industrial IoT' market

Significant value creation for Thales shareholders

KEY TRANSACTION TERMS

- All-cash offer price at €51 per Gemalto share⁽¹⁾, implying a premium of 48% on 3M VWAP
- Implied EV of €5.6bn, representing a 2018E 17x EBIT multiple⁽²⁾

KEY FINANCIAL IMPACTS

Mid to high teens accretive
Impact on adjusted EPS⁽³⁾
expected in first year post closing

Acquisition ROCE > WACC

Within 3 years following the closing of the acquisition⁽⁴⁾

(1) Cum dividend

(2) Based on a 2018^F IBES consensus EBIT of €326m

(3) Pre-synergies

(4) Including synergies

Disciplined financial policy, preserving solid investment grade rating

■ Solid investment grade profile

- Robust business profile of combination
- Disciplined financial policy

■ Rapid deleveraging anticipated

■ Dividend policy reaffirmed

Financing structure

- Available cash reserves
- €4bn fully-committed credit agreement

- Gemalto, a global player in digital security

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- Next steps**



Next steps

- **Filing of the offer document with the AFM expected within 4 weeks**
- **Publication of offer memorandum shortly after approval by AFM**
- **Expected closing in H2 2018**
 - Upon completion of regulatory approvals and other customary closing conditions



THALES

Questions and answers



Definition of non-GAAP measures and other remarks

Rounding of amounts in euros

In the context of this presentation, the amounts expressed in millions of euros are rounded to the nearest million. As a result, the sums of the rounded amounts may differ very slightly from the reported totals. All ratios and variances are calculated based on underlying amounts, which feature in the consolidated financial statements.

Definitions

- **Organic:** at constant scope and exchange rates;
- **Book-to-bill ratio:** ratio of orders received to sales;
- **Mature markets:** All countries in Europe excluding Russia and Turkey, North America, Australia and New Zealand;
- **Emerging markets:** All other countries, i.e. Middle East, Asia, Latin America and Africa.

Non-GAAP measures

This presentation contains non-Generally Accepted Accounting Principles (GAAP) financial measures. Thales regards such non-GAAP financial measures as relevant operating and financial performance indicators for the Group, as they allow non-operating and non-recurring items to be excluded. Thales definitions for such measures may differ from similarly titled measures used by other companies or analysts.

- **EBIT:** income from operations; *plus* the share of net income or loss of equity affiliates *less*: amortization of acquired intangible assets (PPA). From 1 January 2016, it also excludes expenses recorded in the income from operations that are directly related to business combinations (H1 2017 impact: €+10m€, 2016 impact: €+19m, H1 2016 impact: €+7m). See also notes 14-a and 2.1 of the consolidated financial statements at 31 December 2016.
- **Adjusted net income:** net income, *less* the following elements, net of the corresponding tax effects: (i) amortization of acquired intangible assets, (ii) expenses recorded in the income from operations which are directly related to business combinations, which by their nature are unusual (H1 2017 impact: €+7m, 2016 impact: €+12m, H1 2016 impact: €+5m), (iii) disposal of assets, change in scope of consolidation and other, (iv) change in fair value of derivative foreign exchange instruments (recorded in "other financial results" in the consolidated accounts), (v) actuarial gains or losses on long-term benefits (accounted within the "finance costs on pensions and employee benefits" in the consolidated accounts). See note 14-a of the consolidated financial statements at 31 December 2016.
- **Adjusted EPS:** ratio of adjusted net income (as defined above) to average number of shares outstanding. See note 14-a of the consolidated financial statements at 31 December 2016.
- **Net cash (net debt):** cash and other short-term financial assets, *less*: long-term and short-term financial debt, *less*: fair value of interest rate derivatives. See notes 14-a and 6.2 of the consolidated financial statements at 31 December 2016.
- **Free operating cash-flow:** net cash flow from operating activities, *less*: capital expenditures, *less*: deficit payments on pensions in the United Kingdom. See notes 14-a and 11.1 of the consolidated financial statements at 31 December 2016.



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