

Paris La Défense, Amsterdam, 17 December 2017 – 8h00

## Thales and Gemalto create a world leader in digital security

- **€51 offer price, representing a premium of 57% over the closing price as of 8 December 2017**
- **All-cash offer unanimously recommended by Gemalto’s Board of Directors and unanimously approved by Thales’s Board of Directors**
- **Creation of a global market leader in the fast-growing digital security market, supporting the most demanding clients in their digital transformation**
- **Thales to combine its digital assets with Gemalto, within a new Global Business Unit**

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Thales (Euronext Paris: HO) and Gemalto (Euronext Amsterdam and Paris: GTO) announce today that they have reached an agreement (the “Merger Agreement”) on a recommended all-cash offer for all issued and outstanding ordinary shares of Gemalto, for a price of €51 per share cum dividend.

Patrice Caine, Thales’s Chairman and Chief Executive Officer, commented: *“The acquisition of Gemalto marks a key milestone in the implementation of Thales’s strategy. Together with Gemalto’s management, we have big ambitions based on a shared vision of the digital transformation of our industries and customers. Our project will be beneficial to innovation and employment, whilst respecting sovereign strategic technologies. We have a tremendous respect for Gemalto’s technological achievements, and our two Groups share the same culture and DNA. I would like to personally thank Gemalto’s management and Board of Directors for their unanimous support and I welcome warmly Gemalto’s 15,000 employees to our Group. By combining our talents, Thales and Gemalto are creating a global leader in digital security.”*

Philippe Vallée, Gemalto’s Chief Executive Officer, added: *“I am convinced that the combination with Thales is the best and the most promising option for Gemalto and the most positive outcome for our Company, employees, clients, shareholders and other stakeholders. We share the same values and Gemalto will be able to pursue its strategy, accelerate its development and deliver its digital security vision, as part of Thales.”*

Alex Mandl, Chairman of Gemalto’s Board of Directors, stated: *“The Board of Directors, after full and careful review, together with its financial and legal advisors, of the various options available to the Company, has established unanimously that the Thales offer is in the best interests of Gemalto and all its stakeholders. As a result, the Gemalto Board of Directors unanimously recommends the Thales offer to its shareholders.”*

## Creation of a global digital security leader

### Acceleration of Thales's digital strategy

Over the past three years, Thales has significantly increased its focus on digital technologies, investing over €1 billion in connectivity, cybersecurity, data analytics and artificial intelligence, in particular with the acquisition of Sysgo, Vormetric and Guavus. The integration of Gemalto strongly accelerates this strategy, reinforcing Thales's digital offering, across its five vertical markets (aeronautics, space, ground transportation, defence and security). Altogether, this new business unit will represent c. 20% of pro forma Group revenues and rank among the top three players worldwide, with €3.5bn revenues in the fast growing digital security market.

### Unique and innovative technology portfolio in an IoT, Mobile and Cloud World

Combined with Gemalto's unique leading digital security portfolio, Thales will be ideally positioned to offer an end-to-end solution, to secure the full critical digital decision chains, from data creation in sensors to real-time decision making. This unrivalled and innovative technology portfolio will put Thales in a highly differentiated position to provide enterprises and governments with a seamless response to the data security challenges that lie at the heart of their digital transformation.

### Creation of a global leader in digital security and cybersecurity

By acquiring a global leader in trusted identities and data security, Thales adds over €3bn of revenue to its digital business sales and acquires a set of technologies and competencies that have applications in all of Thales's five vertical markets. The combination creates a powerhouse with a solution portfolio including security software, expertise in biometrics and multifactor authentication and the issuance of secure digital and physical credentials. These technologies, which combine diverse and constantly evolving use cases, are expected to yield significant commercial opportunities and revenue synergies in the years ahead.

Both Thales and Gemalto are experts at addressing the needs of the most demanding clients who are facing data security challenges. These include all operators of critical infrastructures including banks, telcos, governments, utilities, and general industries. This combination will reinforce and further globalise Thales's footprint.

### Capacity to address all customer digital security needs

Thales will combine its digital businesses into Gemalto, which will continue to operate under its own brand as one of the seven Thales global business units. Both the Thales and Gemalto management teams share a common industrial vision and endorse the growth project of this newly created digital security global business. Philippe Vallée will lead the combined digital security business.

## R&D: the common DNA of Thales and Gemalto digital businesses

Gemalto and Thales are technology-driven companies with world-class R&D capabilities and an extensive patent portfolio. R&D is at the core of Thales's and Gemalto's digital security businesses, and will remain so. The combined Group will have more than 28,000 engineers, 3,000 researchers, and invests more than €1bn in self-funded R&D.

## A combination providing enhanced opportunities to Gemalto's employees and management

Thales does not anticipate any reduction in Gemalto's workforce as a consequence of this transaction.

Employees who are included in the current Gemalto efficiency program are immediately offered access to Thales's internal job boards and to the Thales internal mobility mechanism under the same conditions as Thales's employees. Furthermore, Thales has committed to preserve employment in Gemalto's French activities until at least the end of 2019. Thales recruited 6,000 people worldwide in 2017, and will actively pursue its human capital investments in the future.

## An attractive offer to Gemalto shareholders

Thales offers €51 in cash per Gemalto share cum dividend. The offer price represents a premium of:

- 57% over the closing price as of 8 December 2017<sup>1</sup>
- 56% over the 1-month volume weighted average price<sup>1</sup>
- 48% of the 3-month volume weighted average price<sup>1</sup>
- Implied EV/2018E EBIT<sup>2</sup> of 17x

## Significant value creation for Thales shareholders

Gemalto is well advanced in its transition from its historical markets to the fast-growing Government, Enterprise security, and Industrial IoT markets, with significant growth potential both in revenue and margin terms.

In addition, Thales estimates that the combination will generate run-rate pre-tax cost synergies of €100m to €150m by 2021, as well as meaningful revenue synergies.

The transaction will generate mid to high teens adjusted EPS accretion, pre synergies, as of the first year post closing. The acquisition's return on capital employed (including synergies) will exceed Thales's cost of capital within 3 years following the closing of the acquisition.

## An offer unanimously recommended by Gemalto's Board of Directors

Consistent with its fiduciary duties, Gemalto's Board of Directors, with the support of its financial and legal advisors, has carefully reviewed and unanimously concluded that the offer is in the best interests of the Company, the sustainable success of its business and clients, employees, shareholders and other stakeholders.

Accordingly, the Gemalto Board has decided to unanimously support the transaction and recommend that Gemalto's shareholders accept the offer and vote in favour of the resolutions relating to the offer at the upcoming Extraordinary General Meeting. Furthermore, all members of Gemalto's Board who hold shares for their own account have committed to tender all those shares into the offer.

<sup>1</sup> Closing 8 December 2017 share price: €32.5, 1-month VWAP of €32.6, 3-month VWAP of €34.35

<sup>2</sup> Based on 2018 IBES consensus EBIT of €326m

On 16 December 2017, Deutsche Bank and J.P. Morgan Securities plc issued fairness opinions relating to the offer to Gemalto's Board of Directors.

### Fully secured transaction financing

Thales will be able to finance the offer through its available cash resources and through new debt arrangements. In connection with the offer, Thales has secured a €4.0 billion fully committed credit agreement.

### Solid combined balance sheet

Following the transaction, Thales will maintain a solid investment grade rating, based on continued disciplined capital allocation.

In this context, Thales's dividend policy will remain unchanged.

### Other non-financial covenants

In addition to the arrangements agreed with regard to strategy, R&D, and Gemalto employees described above, Thales and Gemalto have agreed on certain non-financial covenants with regard to the location of the Gemalto headquarters, continuation of the Gemalto brand, financing strategy and CSR matters. In general, these non-financial covenants (including with respect to strategy, R&D and employees) will continue to apply for two years after closing of the offer. Any material deviation from the non-financial covenants will require the affirmative vote of two independent directors who will remain on the Gemalto Board for the duration of the non-financial covenants. These independent directors will particularly monitor that appropriate consideration will be given to the interests of Gemalto minority shareholders and all other stakeholders' and relevant employee representation bodies' information and/or consultation requirements.

To facilitate the integration of the Gemalto Group within Thales, an Integration Committee will be established that is composed of senior representatives of both Thales and Gemalto. The Integration Committee will determine an integration plan, monitor its implementation and do all things necessary to assist and facilitate the integration.

### Offer Conditions

The commencement of the offer, and if and when made, the consummation of the offer is subject to the satisfaction or waiver of conditions that are customary for transactions of this kind, including:

- a. minimum acceptance level of at least 67% of Gemalto shares;
- b. no material adverse effect having occurred and is continuing;
- c. no material breach of the Merger Agreement having occurred; and
- d. no Superior Offer having been made or agreed upon.

Thales and Gemalto may terminate the Merger Agreement if a third-party offeror makes an offer which, in the opinion of the Gemalto Board, taking into account certainty, timing, financing, strategic fit, consequences for employees and other non-financial aspects of Thales's offer, is substantially more

beneficial than Thales's offer and exceeds the offer price by 9% at least (a "Superior Offer").

In the event of a Superior Offer, Gemalto shall give Thales the opportunity to match such offer, in which case the Merger Agreement may not be terminated by Gemalto. Gemalto has agreed in the Merger Agreement to customary non-solicitation undertakings.

On termination of the Merger Agreement by Thales on account of a material breach by Gemalto or in the event of a third-party offer at a higher price, Gemalto will pay a termination fee of €60m to Thales.

In addition, taking into account the interests of Gemalto, the sustainable success of its business and clients, employees, shareholders and other stakeholders, in order to secure the benefits of the transaction, Gemalto has agreed to issue contingent rights. In the event that a competing offer at a price that is less than 109% of the offer price is declared unconditional, these contingent rights will be issued for no consideration to all Gemalto shareholders and will entitle them to receive additional Gemalto shares.

On the date such a competing offer is declared unconditional, all Gemalto shareholders will acquire contingent rights which will entitle them to receive additional shares within three months after that date. The value of all the shares issued pursuant to the contingent rights will be equal to the difference between (i) the value of an offer made at a price of 109% of the offer price and (ii) the consideration offered in the competing offer.

In the event that a competing offer exceeds 109% of the offer price, the contingent rights will be automatically cancelled.

## Indicative timetable

The transaction is expected to close shortly after Thales has secured all customary regulatory approvals and clearances, which is expected for the second half of 2018. Thales's and Gemalto's works councils will be informed shortly.

## Offer memorandum and general meeting of shareholders

Thales intends to submit a request for approval of its offer memorandum to the AFM within four weeks and to publish the offer memorandum shortly after approval by the AFM.

Gemalto will hold an Extraordinary General Meeting prior to the closing of the offer period to inform its shareholders about the offer and to adopt certain technical resolutions that are conditional on the consummation of the offer.

## Transaction advisors

In connection with the transaction, Thales's financial advisors are Lazard, Messier Maris & Associés and Société Générale, and its legal counsel are Cleary Gottlieb Steen & Hamilton LLP and NautaDutilh N.V.

On behalf of Gemalto, Deutsche Bank and J.P. Morgan are acting as financial advisors and Allen & Overy LLP and Darrois Villey Maillot Brochier are acting as legal counsel.

## Conference call

Thales and Gemalto will hold separate conference calls in English on **Monday, 18 December 2017 at 8:30 am (CET)**, in order to comment on the proposed transaction and answer questions from the financial community.

It will be also possible to follow these conference calls through a webcast. A digital replay will be available a few hours after the end of the conference calls.

The dial-in numbers and webcast links will be communicated later.

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This press release may contain forward-looking statements. Such forward-looking statements represent trends or objectives, and cannot be construed as constituting forecasts regarding the Company's results or any other performance indicator. Actual results may differ significantly from the forward-looking statements due to various risks and uncertainties, as described in the Company's Registration Document, which has been filed with the French financial markets authority (*Autorité des marchés financiers* — AMF).

This is a joint press release by Thales and Gemalto, pursuant to the provisions of Section 5 Paragraph 1 and 7 paragraph 4 of the Decree on Public Takeover Bids (Besluit openbare biedingen Wft) in connection with the intended public offer by Thales for all the issued and outstanding ordinary shares in the capital of Gemalto. This announcement 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.

## About Thales

Thales is a global technology leader for the Aerospace, Transport, Defence & Security markets. Thanks to its 64,000 employees in 56 countries, Thales recorded sales of €14.9 billion in 2016. With over 23,000 engineers and researchers, Thales has a unique capability to design and deploy equipment, systems and services to meet the most complex security requirements. Its unique international footprint allows it to work closely with its customers all over the world.

[www.thalesgroup.com](http://www.thalesgroup.com)

## About Gemalto

Gemalto is the global leader in digital security, with 2016 annual revenues of €3.1 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 112 offices, 43 personalization and data centers, and 30 research and software development centers located in 48 countries.

[www.gemalto.com](http://www.gemalto.com)

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## Notice to U.S. holders of Gemalto Shares

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.

To the extent permissible under applicable laws and regulations, including Rule 14e-5 under the U.S. Exchange Act, and in accordance with normal Dutch practice, Thales and its affiliates or its broker and its broker's affiliates (acting as agents or on behalf of Thales or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the Offer, directly or indirectly purchase, or arrange to purchase Shares or any securities that are convertible into, exchangeable for or exercisable for such Shares. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. In no event will any such purchases be made for a price per Share that is greater than the Offer Price. To the extent information about such purchases or arrangements to purchase is made public in 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 the 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 [www.thalesgroup.com](http://www.thalesgroup.com).



## Restrictions

The distribution of this press release may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions. To the fullest extent permitted by applicable law, Thales and Gemalto disclaim any responsibility or liability for the violation of any such restrictions by any person. Any failure to comply with these restrictions may constitute a violation of the securities laws of that jurisdiction. Neither Thales, nor Gemalto, nor any of their advisors assumes any responsibility for any violation by any of these restrictions. Any Gemalto shareholder who is in any doubt as to his position should consult an appropriate professional advisor without delay. This announcement is not to be published or distributed in or to Australia, Canada or Japan.

## Forward Looking Statements

This press release may include "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 press release. 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 press release 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.

## Additional information and where to find it

This press release does not constitute or form a part of any offer to sell or exchange or the solicitation of an offer to buy or exchange any securities. SHAREHOLDERS OF GEMALTO AND OTHER INVESTORS ARE URGED TO READ THE OFFER MEMORANDUM (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) REGARDING THE PROPOSED TRANSACTION WHEN THEY BECOME AVAILABLE BECAUSE THIS WILL CONTAIN IMPORTANT INFORMATION. Gemalto shareholders will be able to obtain a free copy of the offer memorandum, as well as other filings containing information about Thales, without charge, at the website of Thales ([www.thalesgroup.com](http://www.thalesgroup.com)). Copies of the offer memorandum and the filings that will be incorporated by reference therein can also be obtained, without charge, by directing a request to Thales's Investor Relations Department.