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Full year 2013 results

March 6, 2014



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Basis of preparation

For a better understanding of the current and future evolution of its business, the Company prepares an adjusted income statement where the key metric used to evaluate the business and take operating decisions is the profit from operations. This adjusted income statement is provided for all operations and for ongoing operations.

Adjusted income statement and Profit from operations

Profit from operations (PFO) is a non-GAAP measure defined as the IFRS operating result adjusted for the amortization and depreciation of intangibles resulting from acquisitions, for share-based compensation charges, and for restructuring and acquisition-related expenses.

In the adjusted income statement, Operating Expenses are defined as the sum of Research and Engineering, Sales and Marketing and General and Administrative expenses, and Other income (expense) net.

Return on capital employed (ROCE) is defined as after-tax PFO divided by capital employed.

Ongoing operations

In order to improve the year-on-year evaluation of the business, the adjusted income statement for ongoing operations excludes, as per the IFRS income statement, the contribution from discontinued operations to the income statement, and also the contribution from assets classified as held for sale and from other items not related to ongoing operations.

Statement of financial position and cash position variations schedule

In this presentation actual and expected information related to the statement of financial position and cash position variations schedule are for all operations.

Currency exchange rates

In this presentation, expected revenue variations are at constant exchange rates, and all other figures are at historical exchange rates, except where otherwise noted.

Olivier PLOU - CEO

Overview

Full year 2013 Highlights

- Double-digit expansion in revenue, up +11% to €2,384 million
- Platforms & Services revenue up +21% to €462 million
- Double-digit expansion in profit from operations, up +14% to €348 million, representing 14.6% of revenue
- Free cash flow generation accelerated over the year with €163 million in second semester

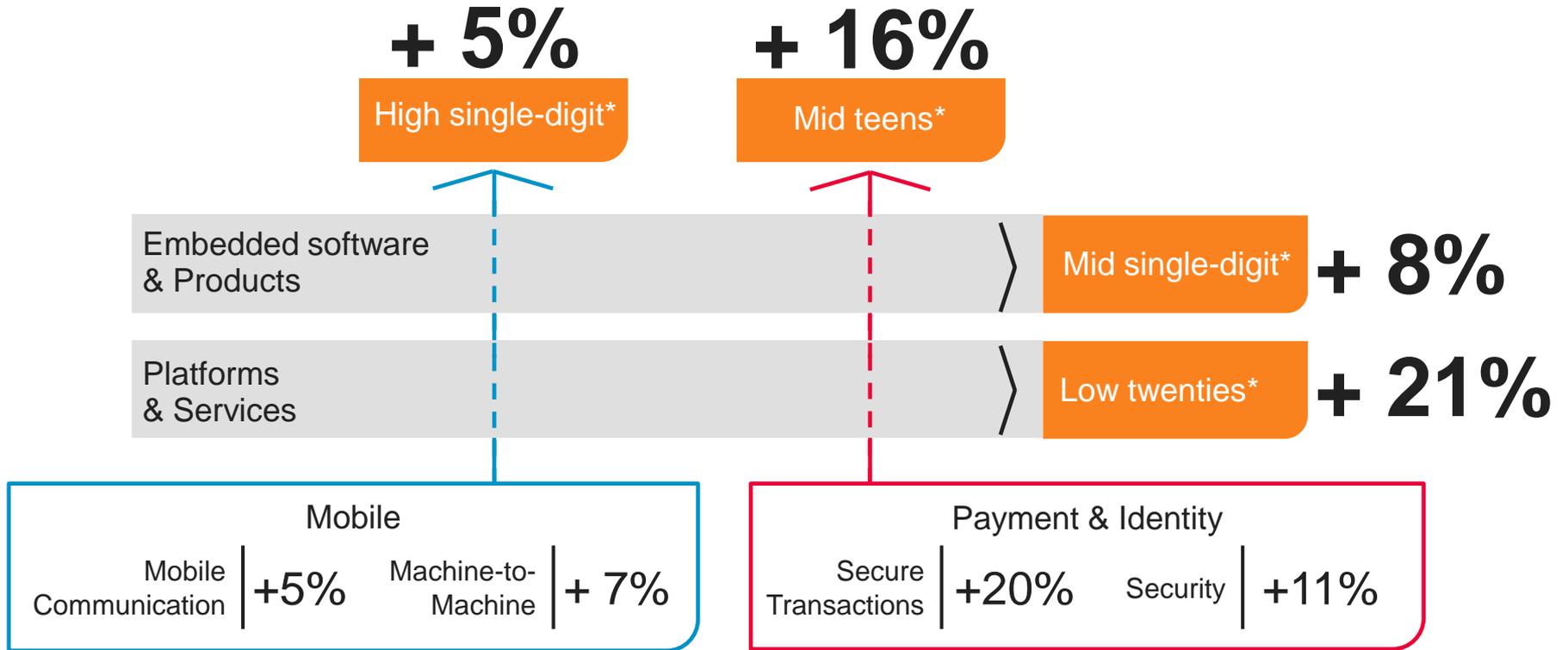
Extracts from the adjusted income statement for ongoing operations, revenue variations at constant exchange rate.

Key figures from FY 2013 financial results

Revenue +11%	€2,384m		at historical rates +7%
Gross profit +9%	€937m	39.3%	Gross margin +70bp
Operating expenses +6%	(€589m)	(24.7%)	Operating expenses +20bp
Profit from operations +14%	€348m	14.6%	PFO margin +100bp
EPS +17%	€3.67		

Extracts from the adjusted income statement for ongoing operations

FY 2013 revenue is already close to long-term expected trends



*Expected 2013-2017 revenue CAGR per activity and sector - Gemalto 2014 – 2017 development plan

Jacques TIERNY - CFO

Financial results

Adjusted income statement and IFRS

€ in millions	Adjusted income statement					Restructuring and acquisitions related expenses	IFRS
	Ongoing operations	Reconciling items (assets held for sale)	All operations	Amortization of intangible assets	Equity based compensation		
FY 2013							
Revenue	2,384	5	2,389				2,389
Profit from operations	348	(1)	347				
Operating profit				(27)	(35)	(3)	282
FY 2012							
Revenue	2,236	10	2,246				2,246
Profit from operations	305	1	306				
Operating profit				(21)	(39)	(8)	239

Mobile – key financial information

Mobile Communication

Revenue +5%	€1,091m		
Gross Profit +5%	€497m	Gross Margin +230bp	45.5%
PFO +6%	€205m	PFO Margin +110bp	18.8%

- Annual revenue of €1.09bn, up +5% at constant exchange rates, from both activities.
 - Platforms & Services grew by +19% year-on-year from core subscriber services and growing pipeline of TSM and mobile payment platforms.
 - Embedded software & Products grew, offsetting a (300) basis point impact from reduced sales of entry-range products.
- Gross margin improved to 46%, thanks to improved product mix despite extensive integration work in P&S
- PFO increased to €205m, accounting for 19% of revenue

Machine-to-Machine

Revenue +7%	€200m		
Gross Profit +13%	€72m	Gross Margin +280bp	36.0%
PFO +57%	€22m	PFO Margin +370bp	11.0%

- Revenue of €200m, an increase of +7% compared to the previous year.
- Growth from the automotive sector, a wider usage of secure elements dedicated to machine identification, and new service contracts.
- Gross profit was up by +13%, due to increased sales and a transient uplift in gross margin of 280 basis points.
- PFO rose to €22m, up +57%, representing 11% of revenue.

Payment & Identity – key financial information

Secure Transactions

Revenue +20%	€660m		
Gross Profit +13%	€206	Gross Margin (100bp)	31.2%
PFO +23%	€77	PFO Margin +60bp	11.6%

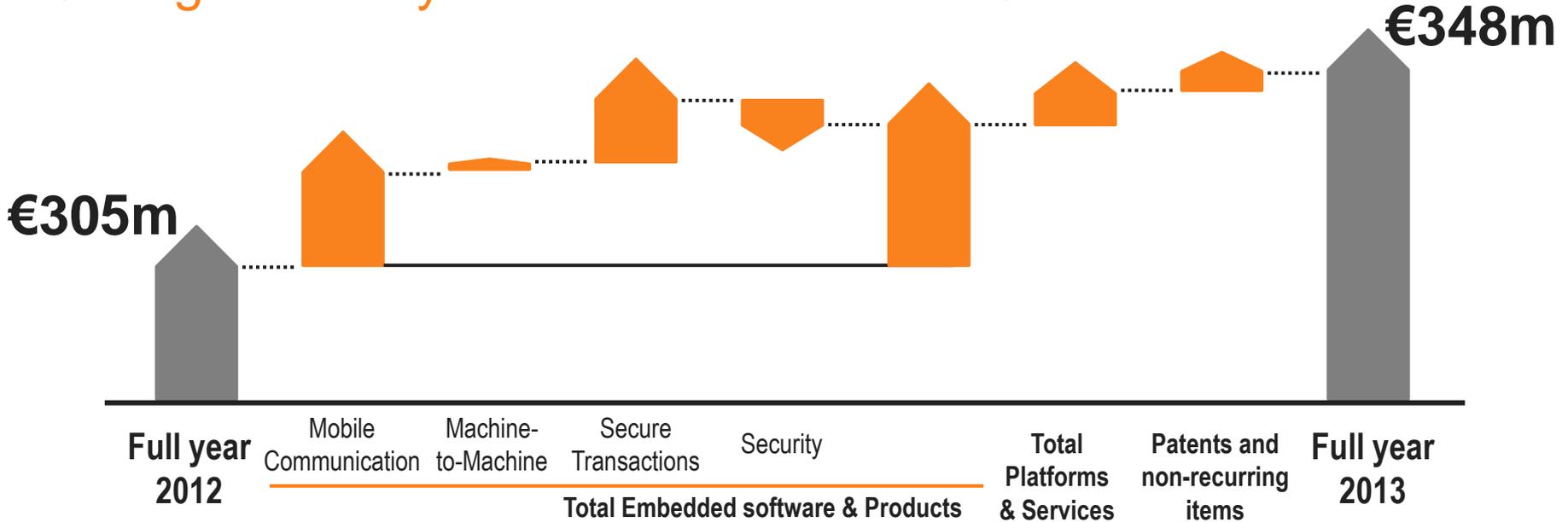
- Secure Transactions expanded by a remarkable +20% at constant rates with accelerating migrations to EMV in Asia and increasing adoption of contactless payment cards (more than half of deliveries in the second semester)
- Improvement over the course of the year in operational efficiency at new facilities offset increasing integration work for mobile payment projects, leading to a slight increase in gross margin year-on-year in the second semester.
- PFO increased to €77m, representing 12% of revenue

Security

Revenue +11%	€416		
Gross Profit +4%	€148	Gross Margin (160bp)	35.5%
PFO (9%)	€41m	PFO Margin (190bp)	9.8%

- Security recorded +11% growth at constant rates on top of the +19% growth delivered last year, reaching €416m
- Gross profit increased +4%; operational performance improved throughout the year in newly opened facilities to support growth in Government Programs.
- In the second semester, gross margin returned to about the same level as the previous year.
- PFO came in at €41m representing 10% of revenue compared to €45m last year and 12% respectively.

Changes in full year contributions to PFO



- Good flow through from product mix improvement in Mobile Communication and strong growth in Secure Transactions - Initial start up of new facilities reduced Security contributions
- All segments increased their P&S contribution to profit except Secure Transactions – Overall, profit continued to improve even with significant additional resources expended by service delivery teams weighing on P&S profit expansion

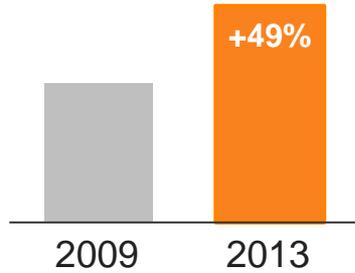
Chart not at exact scale

Key items of the cash flow statement

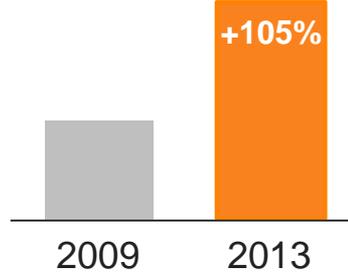
<i>€ in millions</i>	Full year 2013	Full year 2012
Cash generated by operating activities before changes in working capital	330	304
Cash used by working capital increase	(76)	(18)
Cash generated by operating activities	255	285
Capital expenditure and acquisition of intangibles	(103)	(125)
Acquisitions and divestitures	(30)	(73)
Dividend and Share buy-back program	(53)	(71)
Net cash, at end of the period	449	353

Progress report at the end of the 2010-2013 development plan

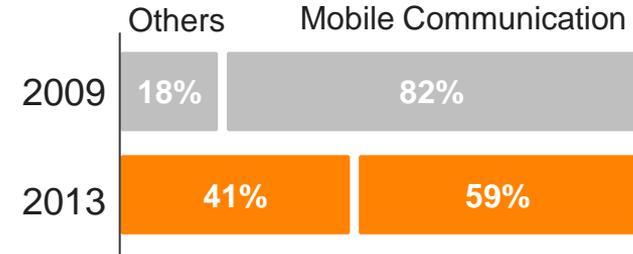
Revenue



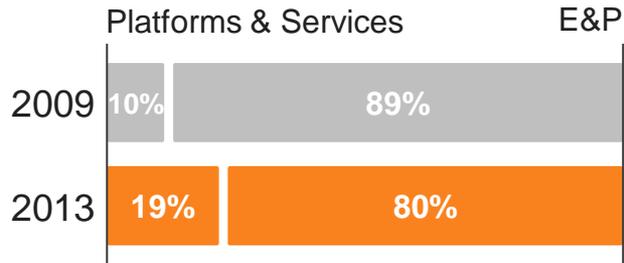
Profit from ongoing operations



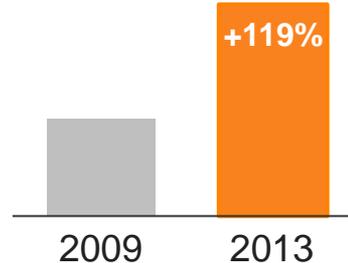
Profit diversification



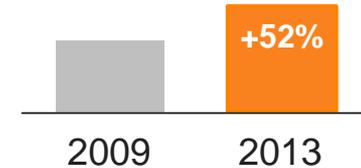
Revenue per activity



IFRS Net Profit



Dividend



ROCE **17.9%**

2009 figures as presented in the 2010 annual report - Mobile Communication includes the contribution from Public Telephony.
Dividend attributed for the year – For 2013, dividend proposed to the general meeting of shareholders – Charts not at exact scale

Olivier PIOU - CEO

Moving forward

Outlook for 2014

For the full year 2014, Gemalto anticipates double-digit expansion in both profit from operations and revenue at constant exchange rates.

Insights on token-based mobile EMV and HCE

Classic and token-based technologies are very similar

	Already certified	Token (under definition)
Card number	Fixed Personal Account Number (PAN)	Temporary number derived from credit card PAN
Environment on mobile	Running in a secure element	Running in a secure element or app processor
Management	Renewed every 2-3 years	Valid for short periods or limited # of transactions
Hurdle	Secure element not always easily accessible	Standardization, time to deploy, risk management

Risk management is the issuing banks responsibility.
In both models, secure element is the most effective risk mitigation asset

NFC reinforced as the technology of choice

30



live commercial mobile
NFC services by end of 2014¹



~30% NFC POS and
~50% NFC smartphones
deployed by the end of 2014²



Reinforced by more

- Flexibility for issuers
- NFC services easier to program with HCE

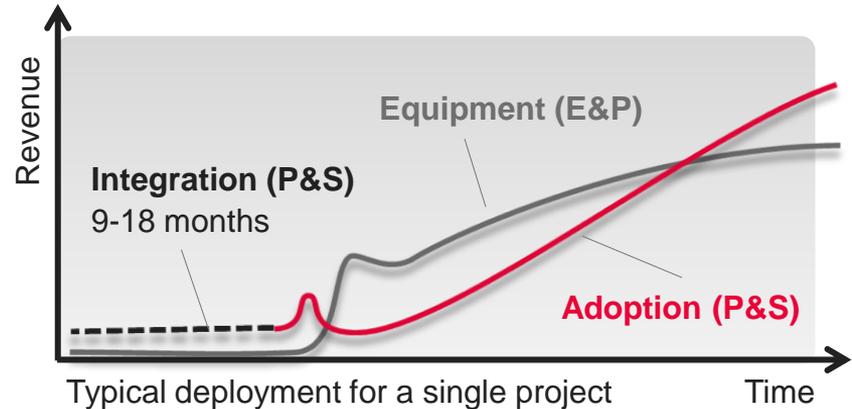
Our mobile payment project portfolio grows and matures

- In 2013, our project pipeline expanded further
- #1 market share worldwide for TSMs

+13 commercial projects net of launches

Over 2x as many references as the next competitor for both service provider and supervisor TSMs

We are progressing along the global infrastructure deployment plan



Trends in 2014 across sectors

Mobile

- Increasing penetration of LTE drives demand for connectivity management platforms and upgrades of SIM cards
- NFC/Trust ecosystem maturity allows a progressively wider deployment of multi-tenant secure elements
- Entering the commercial phase of GSMA compliant dynamic connectivity management for M2M

Payment & Identity

- Deployment of EMV in China expands beyond tier 1 issuers - the US gradually begins larger EMV card rollouts
- New set of commercial launches of mobile payment services
- Strong demand and backlog for governments, more lumpiness due to the increasing size of projects
- Acceleration in initiatives for securing internet services

Gemalto

Enabling trust in the digital world

- ✦ World Leader in Digital Security ✦
- ✦ Markets in Strong Development ✦
- ✦ Unique Technology Portfolio ✦
- ✦ Blue Chip Customers ✦
- ✦ Large Free Float and Robust Financials ✦
- ✦ A Business Model with Strong Leverage on Growth ✦